

# FINANCIAL REVIEW & STATEMENTS

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## FINANCIAL REVIEW

The Institute of Chartered Accountants in England and Wales, incorporated by Royal Charter RC000246 with registered office at Chartered Accountants' Hall, Moorgate Place, London EC2R 6EA (hereinafter referred to as 'ICAEW') is a chartered body and operates in the public interest under the terms of our Royal Charter, awarded to us in 1880, and the 1948 Supplemental Charter.

ICAEW is headed by a Chief Executive Officer and has five operating departments:

- **Education & training** are committed to educating the chartered accountants of tomorrow, with a focus on building future business and professional leaders. We work with universities, schools and other educational establishments to support recruitment activity for employers and our commitment to social mobility.
- **Professional Standards** protects the public interest by making sure ICAEW's member firms, members, students and affiliates maintain the highest standards of professional competency and conduct. ICAEW's regulatory and disciplinary roles are separated from ICAEW's other activities so they can monitor, support or take steps to ensure change if standards are not met. These roles are carried out by the Professional Standards department and overseen by the independent ICAEW Regulatory Board (IRB).
- **Reputation & influence** apply our expertise across a wide variety of topics relating to business, the profession and national policymaking. Our work in upholding standards is also crucial to protecting the public and holding our members accountable.
- **Belonging & supporting** support our more than 166,000 members across the world, personally and professionally. We do this through our faculties, communities and district societies, as well as the Chartered Accountants Worldwide (CAW) network.
- **Finance & operations** delivers the core functions of central finance including financial planning and reporting, risk management, internal legal services, IT and facilities management, as well as human resources.

ICAEW Group's financial statements represent the results of ICAEW and its subsidiaries and associated undertakings.

### GROUP RESULTS

Total income for the year was £141.7m (2021: £143.3m). The net result after tax for the year was £13.6m (2021: £34.0m).

Operational income was £124.8m (2021: £120.3m) and our result before tax for the year was £11.2m (2021: £35.8m).

The net result after tax for the year has been impacted by FRC Conduct Committee fine income of £14.9m (2021: £13.5m), net losses on investments of £5.2m (2021: net gains of £9.5m), and a net credit to the income statement of £1.2m (2021: £4.4m) resulting from FRC Conduct Committee case costs and cost recoveries as explained below.

Operational expenditure has increased substantially from the prior year to £123.2m (2021: £107.4m) as explained within the Expenditure section below.

Group net assets at 31 December 2022 were £178.0m (2021: £171.0m), with the result after tax being offset by actuarial losses of £7.9m (2021: actuarial gains of £0.2m) arising from the remeasurement of the defined benefit pension scheme under IAS 19, recognised in other comprehensive income. Further information on the defined benefit pension scheme is included below.

### INCOME

Subscriptions and fees have remained stable compared to the prior year at £55.3m (2021: £53.6m), reflecting steady year-on-year growth in membership numbers.

Income from Education & training has continued to grow, at £18.5m for the year (2021: £17.4m) with a corresponding 6.3% increase in ACA student numbers year-on-year. 2022 has been a record year for student intake with 11,962 (2021: 11,049) new students joining ICAEW. Student growth is considered crucial to the future success of ICAEW, which relies upon the progression of students into a membership base seen as experts in their field.

Professional Standards income for the year was £22.1m (2021: £22.1m), a similarly strong financial performance year-on-year. Income includes professional standards regulatory fine income. Commercial contracts have again contributed to a positive surplus for the year.

Income from Belonging & supporting improved on the prior year at £14.3m (2021: £12.1m). This was driven by a return to trading of the One Moorgate Place hospitality business, together with growth in the sale of learning materials which resulted from the strong student intake seen during the year.

A further breakdown of operating income is presented within note 6 of these financial statements.

### EXPENDITURE

Overall operational costs increased to £123.2m (2021: £107.4m) and operating expenditure across our core departments increased to £118.2m (2021: £106.6m), reflective of increased operational income with associated cost of sales, increased travel activity and staff recruitment cost and heavy inflationary pressures with cost-of-living support awarded to staff.

Irrecoverable VAT of £5.1m (2021: £4.3m) was charged to the income statement, with changes driven by the volume and mix of purchases.

### FRC CONDUCT COMMITTEE

The FRC Conduct Committee carries out independent investigations of the work and conduct of member firms and chartered accountants, both in public practice and elsewhere, where this has given rise to public concern or where required under the Accountancy Scheme or, from June 2016, under the Audit Enforcement Procedure.

As a recognised supervisory body (RSB), ICAEW is liable for costs of investigation, but any fines levied are remitted by the FRC to ICAEW under the Accountancy Scheme and to HM Treasury under the Audit Enforcement Procedure. ICAEW is entitled to receive any costs recovered under both schemes.

The majority of open cases as at 31 December 2022 are being investigated under the Audit Enforcement Procedure. The level of fines received by ICAEW is expected to reduce going forward due to the increase in the proportion of cases being brought under the Audit Enforcement Procedure. A detailed explanation regarding the FRC Conduct Committee and how it impacts the financial statements is provided in note 22 of these financial statements.

FRC Conduct Committee fine income for the year was £14.9m (2021: £13.5m). This is anticipated to fall to a much-reduced level in future years as the portfolio of open Accountancy Scheme cases has now significantly reduced in number. Cumulative fines received by ICAEW from FRC Conduct Committee Accountancy Scheme cases since inception of the scheme in 2004 are £108.1m (2021: £93.2m).

The impact to the income statement from FRC Conduct Committee case costs and cost recoveries is a net credit of £1.2m (2021: net credit of £4.4m), comprising a positive impact from case cost recoveries of £8.2m (2021: £8.9m) offset by costs charged to the income statement of £7.0m (2021: £4.5m) in the year.

Amounts invoiced by FRC to ICAEW amounted to £7.9m (2021: £9.0m) for work carried out during the year. These charges related to cases open at the end of the preceding year and new cases opened in the year.

Cumulative amounts invoiced to ICAEW in respect of FRC Conduct Committee case costs, since inception in 2004, amount to £79.2m (2021: £71.3m). Cost recoveries received from the FRC during the same period totalled £36.5m (2021: £30.2m).

Cases concluded in 2022 generally continued to realise increased average recoveries of case costs, with £6.4m (2021: £7.6m) of cost recoveries being realised in the year on closed cases. The performance of cases closed in the year adds further support to improved projections of case cost recoveries in the future. As a result, the statement of financial position has further strengthened due to increasingly positive estimates regarding the proportion of case costs that are likely to be recovered in the future.

ICAEW levies charges on its member firms in order to finance a proportion of the costs of FRC Conduct Committee cases to ensure that these can be paid as they fall due. During the year, ICAEW has collected such levies amounting to £6.9m (2021: £7.6m). Cumulative amounts levied by ICAEW on member firms since inception in 2004 are £61.5m (2021: £54.6m).

## PENSIONS

ICAEW operates a defined contribution pension scheme and a defined benefit pension scheme.

The defined benefit pension scheme was closed to future accrual on 30 June 2010 and as such, current service costs are no longer being incurred. The scheme is revalued annually under IAS 19.

The IAS 19 valuation of the defined benefit scheme at 31 December 2022 showed a surplus of £15.5m (2021: £23.0m). Management considers that ICAEW has sufficient control over the recoverability of any surplus arising on the defined benefit pension scheme, and therefore ICAEW continues to recognise this asset as calculated in accordance with IAS 19. Actuarial losses of £7.9m (2021: gains of £0.2m) are recognised in other comprehensive income. This loss has been caused primarily by inflationary impacts on the defined benefit obligation. Net interest receivable of £0.4m (2021: £0.3m) is recognised in the income statement.

Contribution payments to the scheme ceased from 1 March 2021, as certain targets agreed under the Schedule of Contributions were met. A new Schedule of Contributions has been agreed during the year which requires ICAEW to continue to pay scheme expenses.

Since the scheme was closed in 2010, the Trustee, with the support of ICAEW, has undertaken a series of exercises to reduce risk in the scheme including buy-ins and reducing the scheme's holdings in pooled equity funds.

The latest triennial actuarial valuation showed a surplus of £12.4m as at 31 March 2022, with a market value of scheme assets of £213.9m and scheme liabilities measured at £201.5m equating to a funding level of 106%.

The actuarial valuation differs from the valuation under IAS 19 mainly due to differences in the way discount rates are determined under the two valuation methods.

A charge is held over Chartered Accountants' Hall in favour of the scheme.

The defined contribution scheme of ICAEW provides benefits based upon contributions paid and investment returns received. The assets of the scheme are held in a separate trustee fund. ICAEW contributes 9% of pensionable earnings for participating employees. The amount charged to the income statement in relation to the defined contribution scheme was £3.4m (2021: £3.2m).

Further details are given in note 24 to the financial statements. Additionally, judgements and estimates are detailed in note 3.

**TAX**

The tax credit to the income statement for the year was £2.4m (2021: charge of £1.8m). As a mutual membership organisation, the significant majority of income is exempt from corporation tax. The credit for the year is driven primarily by fair value losses on financial investments and the recognition of deferred tax on trading losses.

**FINANCIAL POSITION**

The Group's level of reserves strengthens its position as a financially secure RSB and a recognised qualifying body (RQB) for statutory audit in the UK.

Group net assets at 31 December 2022 were £178.0m (2021: £171.0m), an increase of £7.0m year-on-year despite actuarial losses of £7.9m recognised in other comprehensive income on the remeasurement of the defined benefit pension scheme.

Total cash and financial asset investments stood at £177.2m (2021: £170.1m) at the end of the year, the increase being achievable largely due to FRC Conduct Committee fine money receipts in the year of £14.9m, offset by fair value losses on investments of £7.2m.

An independent professional valuation of the ICAEW registered office, Chartered Accountants' Hall, included within property, plant and equipment was completed as at 31 December 2022. The resulting fair value recognised in the statement of financial position was £27.0m (2021: £28.0m).

Intangible non-current assets stood at £19.1m (2021: £20.4m) with additions of £3.4m (2021: £7.8m) in the year which primarily related to investment in digital systems and infrastructure. During the year, a new internally developed core IT system with a carrying value at 31 December 2022 of £13.6m (2021: £13.4m) has been implemented which supports the delivery of our strategy, including our membership, finance and customer relationship management applications.

Trade and other receivables were £21.9m (2021: £33.1m).

Trade and other payables due within one year were £50.3m (2021: £69.7m) and other payables due after more than one year were £38.6m (2021: £35.3m). These balances together include deferred income of £65.7m (2021: £67.2m) relating to annual membership fees received in advance, deferred admission fees and life membership fees and levies relating to the following financial year.

The provision for FRC Conduct Committee case costs has fallen to £2.7m (2021: £3.9m) net of the estimated proportion of costs that are expected to be recovered in future from the ICAEW members or member firms on conclusion of cases.

**CASH FLOWS**

Cash and cash equivalents as at 31 December 2022 were £71.3m (2021: £49.6m) reflecting a net inflow of £21.7m (2021: £4.0m outflow).

Net cash generated from operating activities amounted to £17.5m (2021: £31.0m). Due to the annual business cycle, cash levels peak in January and reduce throughout the year.

FRC Conduct Committee fines receipts and case cost recoveries totalled £21.3m (2021: £19.5m). Cash outflows include £7.9m (2021: £9.0m) in relation to FRC Conduct Committee case costs offset by inflows of £6.4m (2021: £6.0m) of case cost recoveries.

The net amount withdrawn from financial asset investments was £7.4m (2021: net amount invested £25.9m) and an aggregate of £4.3m (2021: £9.6m) was invested into property, plant and equipment and intangible assets. During the year, our newly developed core IT systems were brought into use, supporting the delivery of our strategy, including our membership, finance and customer relationship management applications. Capital expenditure during the year arose mainly from further development of our digital infrastructure.

**RESERVES POLICIES**

Our reserves policies ensure that ICAEW reserves are set at a level sufficient to cover both short-term requirements and longer-term investment needs:

- reserves should be set at a level equivalent to at least six months of expenditure through the income statement; and
- cash and investment balances should be sufficient to cover at least six months of annual budgeted/forecast gross cash expenditure.

Reserves are in excess of the minimum required level under the policy at the end of the year.

We are managing our capital investment programme, our pension commitments and our financial position in order to maintain these reserve needs. A substantial proportion of liabilities relate to deferred non-refundable admission fees where the income is recognised over a significant period of time in accordance with IFRS 15.

**CHARITABLE TRUSTS**

The difference between the result and financial position of ICAEW and that of the Group is mainly a result of donations received by ICAEW Foundation in the year, investment income received by the trusts during the year and international operations.

During the year, ICAEW made donations under Gift Aid to our charitable trusts amounting to £0.7m (2021: £0.7m). ICAEW's charitable trusts continued to run the Library and Information Service, and also approved grants in the year of £0.2m (2021: £0.3m).

The main element of the difference in net assets included in the consolidated position relates to the investments held by the charitable trusts amounting to £15.4m (2021: £16.9m). Charitable trusts investments have been impacted by fair value losses during the year as a result of changes in the wider economic environment.

### POLITICAL EXPENDITURE

During the year, as part of its policy engagement, ICAEW supported a number of activities with political and politically affiliated organisations. This included a small number of events for political groups and a number of business and party conference events including hosting roundtables. Costs associated with these activities totalled £10,119 (2021: £7,898), the majority of which related to party conference activities.

### GOING CONCERN AND LONG-TERM VIABILITY

The financial statements have been prepared on a going concern basis. In addition to the shorter-term going concern review, the Board and Council have assessed the viability of ICAEW over a three-year period. The Board and Council receive and approve a three-year operational plan each year, which comprises forecast income statements, cash flow, statements of financial position and key non-financial indicators. The operational plan is prepared with close consideration of our latest risk assessment, key sensitivities and strategic priorities. This plan forms the basis of the monthly management accounts and the forecasts.

ICAEW also has a long-term strategy in place running until 2030. The strategy sets out the ICAEW strategic foundations, being Belonging & supporting, Education & training, and Reputation & influence, which make up the core pillars of activity in line with our obligations under our Royal Charter. These strategic foundations are supported by our five strategic themes which underpin the achievement of ICAEW's vision in the coming years.

A high proportion of income is derived from subscriptions and fees, which provide a relatively stable income stream due to the long-term nature of membership and the time taken for students to train and enter membership. ICAEW retains a strong pipeline of students which gives a high level of comfort over the future robustness of critical income streams.

Cash and investment reserves are maintained so as to provide protection against unexpected changes in the operating environment.

ICAEW has policies and processes for managing both financial and operational risks. The financial position of ICAEW, together with the results of the latest operational planning and risk assessments, give assurance over the long-term viability of the organisation.

The Board and Council believe that ICAEW has adequate financial resources and is well placed to manage its business risks successfully given the current economic outlook, market conditions and possible short-term funding needs such as FRC Conduct Committee case costs. As a result, the going concern basis is considered appropriate. The Board and Council also have a reasonable expectation that ICAEW has adequate resources to be able to continue in operation and meet its liabilities as they fall due for the three years to 31 December 2025.

### FRC

The FRC is currently in a transition period to the Audit, Reporting and Governance Authority (ARGA). Legislation is anticipated during 2023-24 which will set out the revised powers and responsibilities of ARGA, including placing the funding of ARGA on a statutory basis. The FRC is the oversight regulator with respect to ICAEW's role as a RSB and a RQB for statutory audit in the UK. We anticipate that ARGA's role with respect to ICAEW's RSB and RQB status will be clarified during 2023 once ARGA has been established.

Currently, a significant portion of the FRC's funding comes through ICAEW and we await confirmation of the future funding intentions for ARGA, following which we will assess the impact on ICAEW cash flows associated with FRC Conduct Committee activities.

### ECONOMIC ENVIRONMENT

The war in Ukraine impacted the stability of markets and energy supplies throughout 2022. Summer months and the second half of 2022 were marked by a steep rise in inflation, with UK inflation surpassing a 20-year high.

2022 has seen unparalleled pressures in the employment market. Shortage of skills and an increase in the cost of living have both contributed to the wage inflation. Similar to many businesses during this time period, ICAEW has seen a resulting impact on our ability in certain areas to retain and recruit talent. We have recognised these external pressures and internal difficulties with two pay rises during 2022 and a targeted cost of living payment issued to staff earning below the agreed threshold.

Membership fees and student income (including sales of learning materials) combined account for over £80m of the revenue. Rates for these income lines are set 10-12 months in advance, limiting management's ability to respond in a timely manner in a high inflation environment. In addition, a material proportion of the regulatory income is set in advance by the IRB.

## GROUP FIVE-YEAR SUMMARY

	2022 £m	2021 £m	2020 £m	2019 <sup>1</sup> £m	2018 £m
<b>Income statement</b>					
Operating income	124.8	120.3	119.2	111.5	106.3
FRC fines	14.9	13.5	15.7	18.3	16.3
Net gains / (losses) from financial asset investments	(5.2)	9.5	2.8	7.9	(1.9)
ICAEW services <sup>2</sup>	(121.1)	(105.0)	(105.8)	(112.2)	(109.3)
Other professional association activities	(2.2)	(2.5)	(1.6)	(1.9)	(1.8)
<b>Result before tax</b>	<b>11.2</b>	<b>35.8</b>	<b>30.3</b>	<b>23.6</b>	<b>9.6</b>
<b>Statement of financial position</b>					
Non-current assets excluding Staff Pensions Fund <sup>3</sup>	164.0	109.1	143.6	128.2	117.7
Non-current assets - Staff Pensions Fund asset	15.5	23.0	22.5	24.0	12.4
Current assets <sup>3</sup>	93.6	154.5	93.2	67.2	63.3
Current liabilities	(53.0)	(73.7)	(79.7)	(66.6)	(74.9)
Non-current liabilities	(42.1)	(41.9)	(43.6)	(43.1)	(40.8)
<b>Total net assets</b>	<b>178.0</b>	<b>171.0</b>	<b>136.0</b>	<b>109.7</b>	<b>77.7</b>
<b>Member and student numbers</b>					
Members	166,397	161,415	157,801	154,531	151,761
ACA students	36,084	33,958	31,656	30,241	28,700
	<b>202,481</b>	<b>195,373</b>	<b>189,457</b>	<b>184,772</b>	<b>180,461</b>

1 ICAEW initially applied IFRS 16 on 1 January 2019, using the modified retrospective approach. Under this approach, comparative information presented for prior years (2017 to 2018) is not restated and the cumulative effect of initially applying IFRS 16 was a reduction of £0.3m to retained earnings, the recognition of right-of-use assets of £2.2m and lease liabilities of £2.5m at the date of initial application.

2 ICAEW services is the total overhead cost for supporting ICAEW's operations and strategic projects.

3 The allocation between current assets and non-current assets in 2021 was affected by £68.5m of financial asset investments reported under current assets due to the planned divestment that took place in 2022 as part of a strategic restructure of the investment portfolio.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES ("ICAEW")

## for the year ended 31 December 2022

### OUR OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

#### 1. OPINION

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of ICAEW's affairs as at 31 December 2022 and of the Group's and ICAEW's result for the year then ended; and
- the Group and ICAEW financial statements have been properly prepared in accordance with UK adopted international accounting standards.

#### What we have audited

We have audited the financial statements of ICAEW for the year ended 31 December 2022, which comprise:

- the Group and ICAEW income statements;
- the Group and ICAEW statements of comprehensive income;
- the Group and ICAEW statements of changes to reserves;
- the Group and ICAEW statements of financial position;
- the Group and ICAEW statements of cash flows;
- the basis of preparation and accounting policies; and
- the notes to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

#### 2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law.

Our responsibilities under ISAs (UK) are further described in section 10 of our report.

We are independent of ICAEW and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to enable us to express an audit opinion on the financial statements of ICAEW and the Group for the year ended 31 December 2022.

#### 3. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of Council's assessment of ICAEW's ability to continue to adopt the going concern basis of accounting included a review of management's forecasts of future performance and ability to meet its liabilities as they fall due.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on ICAEW's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of Council with respect to going concern are described in the relevant sections of this report.

#### 4. OUR APPROACH TO PLANNING OUR AUDIT UNDERSTANDING ICAEW

We continued to develop our understanding of ICAEW as an organisation and of its wider group, including the key elements of its strategy and operating model as well as the environment in which it operates. This understanding was obtained through our discussions with senior management and those charged with governance and review, enquiry, analytical procedures, observation and inspection.

#### Identifying and assessing the risk of material misstatement

We perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement, including those identified as significant risks.

#### Determining materiality and performance materiality

When establishing our overall audit strategy, we determine materiality for the financial statements as a whole. We have detailed in section 6 of this report the basis of the judgements we have made about the size of misstatements that will be considered material.

#### Determine the scope of our audit

Our scope is tailored to the particular circumstances of our audit of ICAEW and the Group and is influenced by our assessed risks of material misstatement and determination of materiality.

## 5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on our overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### FRC Conduct Committee provision

**Key audit matter description:** ICAEW is obliged to fund the costs incurred by the Financial Reporting Council (FRC) Conduct Committee in undertaking investigations for disciplinary cases. The provision recognised in the financial statements is based on an estimate of costs initially supplied by the FRC and then subject to scrutiny and challenge by ICAEW. Due to the magnitude and degree of estimation and judgement required there is a significant risk of material misstatement in the financial statements.

**How the scope of our audit responded to the key audit matter:** We followed the progress of each case and FRC's and ICAEW's estimate of the costs to complete each stage, and obtained a breakdown of the provision by case.

We reviewed the key elements of the methodology employed by management and challenged the reasonableness of the cost estimates recognised. We agreed the reasonableness of these estimates by comparing the accuracy of previous cost estimates recognised to the final costs incurred on similar investigation cases. We also considered the key facts relating to cases on a line-by-line basis. We considered the impact on future case costs from changes arising in the disciplinary environment. We challenged a number of the provision estimates based on a comparison of historic costs, the estimates of the FRC and ICAEW and the case notes provided by the FRC and validated the FRC case notes as being an accurate account of the progress made on each individual case. Management also considered there to be sufficient reliable historical information on which to provide for cost recoveries which is netted off against the provision. We validated the historical data and the judgements made by management in arriving at the estimate of costs recoveries on open cases at the year end date.

We reviewed the key elements of the methodology employed in calculating the appropriate provision and verified these to supporting evidence and details of current ongoing cases on a case-by-case basis. We reviewed management's calculation of historic cost recoveries and the judgements made in discounting the historical average for uncertainties in future potential cost recoveries. We also considered management's approach to cases held under the older Accountancy Scheme and those held under the Audit Enforcement Procedure.

We have reviewed the disclosures included in the financial statements in respect of the uncertainties faced by management in estimating an appropriate provision net of cost recoveries and the contingent liabilities arising from ongoing cases. We considered the latest discussions with the FRC up to the date that this report was approved.

**Key observations:** We are satisfied that the judgements made by management, and the resulting estimate of the provision and the associated disclosures made around the level of uncertainty existing are appropriate.

### Revenue recognition

**Key audit matter description:** While the majority of ICAEW's income relates to fees directly collected from members for services which are centrally managed and verifiable, ICAEW also collects material amounts from member firms which are not recognised in the ICAEW or Group income statement where it considers such amounts to be collected on behalf of other organisations such as the FRC. Such arrangements have developed over a period of time as custom or practice rather than by way of legal agreement or obligation and therefore we continued to identify revenue recognition as a significant risk.

**How the scope of our audit responded to the key audit matter:** We undertook a number of audit procedures to verify the appropriateness of revenue recognition in the financial statements. This included, among others:

- detailed review and documentation of the processes and controls in place for each of ICAEW's key income streams;
- sampling substantive procedures in order to ensure income has been appropriately recorded;
- non-sampling substantive procedures in relation to membership fee income including comparisons to budget and trends analysis;
- review and testing of the key estimates regarding historic admission fees and membership applied by management to appropriate data sources for reasonableness to deferred admission fees;
- review of the accounting treatment applied by ICAEW in respect of new and existing income streams, to ensure that management's conclusions as to whether ICAEW acts as an agent or principal were appropriate and in accordance with applicable IFRSs.



**Key observations:** We are satisfied that the judgements applied by management, the approach to revenue recognition and disclosures within the financial statements are appropriate.

#### Defined benefit pension scheme

**Key audit matter description:** The amounts reported and the impact on the financial statements for defined benefit pension schemes are significant and highly sensitive to the assumptions applied by the actuaries. We identified that this presented a significant risk of material misstatement due to the use of inappropriate actuarial assumptions or inappropriate accounting treatment in recognising any pension surplus as an asset in the financial statements.

#### How the scope of our audit responded to the key audit matter:

We undertook audit procedures on the valuation of the pension scheme prepared by the scheme's actuaries in accordance with IAS 19 which form the basis of the accounting and disclosures included in the financial statements. These procedures included assessment of the actuary's competence, qualifications, expertise, experience, resources and objectivity and critical review of the key assumptions applied in preparing the valuation. We also considered whether there had been any changes to the legal basis underpinning the recognition of the pension surplus as an asset in the financial statements.

We considered legal advice received by ICAEW confirming that, in their opinion, there had been no material change to the governing documents of the ICAEW Staff Pension Fund that would (or could) affect the advice in relation to the scheme's rules which led to the full pension surplus being recognised as an asset to the accounts in accordance with IAS 19 and IFRIC 14. There have been no changes to legislation or the Trust Deed that have come into force in the period since the previous year that would affect the advice.

We reviewed the key assumptions applied by the actuary in preparing the valuation and advice provided to management on the accounting under IAS 19 which concurred with the current presentation in the financial statements.

We verified the valuation of the pension scheme fund assets at the balance sheet date to ensure that these were free from material misstatement.

**Key observations:** We are satisfied that the recognition of the pension surplus remains appropriate and that the impact on the financial statements and disclosures are in accordance with IFRS and consistent with our expectations, having considered all relevant factors as at 31 December 2022.

#### 6. OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality both in planning our audit and in evaluating the results of our work. It is not possible for auditors to examine every transaction of the audited entity nor every balance in the financial statements. Therefore, in planning our audit work, we will give particular attention to those areas of the financial statements that we consider to be the most important in terms of materiality as defined above.

We determined materiality for ICAEW and Group financial statements to be approximately 2% of operating revenue, equivalent to £2.4m. We considered this appropriate as it represents a broad measure of activity at ICAEW. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. Our evaluation of materiality required professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition.

Our judgement was that performance materiality (ie, our tolerance for misstatement in an individual account or balance) should be 75% of planning materiality, namely £1.8m. Our objective in setting this was to ensure that total uncorrected or undetected audit differences did not exceed our materiality level of £2.4m.

We agreed with the Audit Committee that we would report all audit differences in excess of £120,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report through the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. AN OVERVIEW OF THE SCOPE OF THE AUDIT AND APPLICATION OF MATERIALITY

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the Group financial statements as a whole, taking into account the legal and geographic structure of the Group, the accounting processes and controls in operation and the mix of size and risk profile of its components.

Group entities and associates whose operations are based largely in the UK were audited directly by Haysmacintyre LLP alongside the audit of ICAEW. We determined materiality for each Group entity based on the key drivers most appropriate and subject to a cap of the materiality levels determined for ICAEW as a whole.

ICAEW's international operations are carried out through branches held within UK incorporated entities. We determined that these are not individually material to the Group financial statements. In order to form our opinion on the Group financial statements, we have undertaken analytical review procedures in addition to the carrying out of audit testing on key balances and transactions on those subsidiary undertakings for the purpose of forming our opinion on those individual financial statements.

## 8. REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. Council is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to communicate whether we have identified any inconsistencies between our knowledge acquired during the audit and Council's statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee that we consider should have been disclosed.

In relation to those disclosures made by ICAEW in respect of its voluntary compliance with the Corporate Governance code we confirm that we do not have anything material to add or to draw attention to in relation to:

- Council's confirmation in the Annual Report that they have carried out an assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- Council's statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- Council's explanation in the Annual Report on how it has assessed the prospects of the Group, over what period it has done so and why it considers that period to be appropriate, and its statement as to whether it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## 9. RESPONSIBILITIES OF COUNCIL FOR THE FINANCIAL STATEMENTS

As explained more fully under Financial Responsibilities of Council on page 76, Council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## 10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We obtained an understanding of the legal and regulatory environment that ICAEW and its Group operates in, focusing on those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations considered in this context included pensions and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to ICAEW's ability to operate or to avoid a material penalty. These included the supervisory responsibilities delegated to ICAEW from regulatory bodies including the FRC and data protection, employment, environmental and health and safety regulations.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates and in making critical accounting judgements. Audit procedures performed by the engagement team included:

- inspecting correspondence with regulators and tax authorities;
- discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- evaluating management's controls designed to prevent and detect irregularities;

- Identifying and testing journals, in particular journal entries in areas where management is required to exercise significant judgement, that we assessed be unusual in nature or which significantly impacted the result for the year; and
- challenging assumptions and judgements made by management in their critical accounting estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [frc.org.uk/auditorsresponsibilities](https://www.frc.org.uk/auditorsresponsibilities). The description forms part of our auditor's report.

## 11. USE OF OUR REPORT

This report is made solely to ICAEW's members, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to ICAEW's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ICAEW or its members as a body, for our audit work, for this report, or for the opinions we have formed.



### Haysmacintyre LLP

Statutory Auditor  
10 Queen Street Place  
London  
EC4R 1AG

6 April 2023

## GROUP INCOME STATEMENT

### for the year ended 31 December 2022

	Note	31 December 2022			31 December 2021 <sup>1</sup>		
		Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Subscriptions and fees		55.3	-	55.3	53.6	-	53.6
Education & training		18.5	(24.5)	(6.0)	17.4	(23.8)	(6.4)
Professional Standards		22.1	(21.6)	0.5	22.1	(21.9)	0.2
Belonging & supporting		14.3	(32.0)	(17.7)	12.1	(29.4)	(17.3)
Reputation & influence		3.7	(8.6)	(4.9)	4.8	(9.3)	(4.5)
Central support functions		-	(30.2)	(30.2)	-	(21.2)	(21.2)
Charitable trusts		-	(1.3)	(1.3)	-	(1.0)	(1.0)
		113.9	(118.2)	(4.3)	110.0	(106.6)	3.4
FRC Conduct Committee and cost recoveries	22	6.9	1.2	8.1	7.6	4.4	12.0
Other professional association activities		4.0	(6.2)	(2.2)	2.7	(5.2)	(2.5)
		10.9	(5.0)	5.9	10.3	(0.8)	9.5
<b>Operating result</b>	6,7	<b>124.8</b>	<b>(123.2)</b>	<b>1.6</b>	<b>120.3</b>	<b>(107.4)</b>	<b>12.9</b>
FRC fines		14.9	-	14.9	13.5	-	13.5
Investment returns	8	2.0	(7.2)	(5.2)	9.5	-	9.5
Share of loss of associates	16	-	(0.1)	(0.1)	-	(0.1)	(0.1)
<b>Result before tax</b>		<b>141.7</b>	<b>(130.5)</b>	<b>11.2</b>	<b>143.3</b>	<b>(107.5)</b>	<b>35.8</b>
Tax credit / (expense) for the year	11	-	2.4	2.4	-	(1.8)	(1.8)
<b>Net result after tax for the year</b>		<b>141.7</b>	<b>(128.1)</b>	<b>13.6</b>	<b>143.3</b>	<b>(109.3)</b>	<b>34.0</b>

<sup>1</sup> ICAEW has undertaken a reclassification of income and expenditure between its activities, including reclassification of members results, which are now included within Belonging & supporting. These changes have been made to better reflect the nature of the reported income and expenditure. Accordingly, the prior year comparatives have been re-presented on the same basis to ensure comparability and consistency of presentation. There is no impact on the result before tax. An explanation of the changes and the effect on the income statements is provided in note 4.

## ICAEW INCOME STATEMENT

### for the year ended 31 December 2022

	Note	31 December 2022			31 December 2021 <sup>1</sup>		
		Income £m	Expenditure £m	Net £m	Income £m	Expenditure £m	Net £m
Subscriptions and fees		55.3	-	55.3	53.6	-	53.6
Education & training		18.5	(24.5)	(6.0)	17.4	(23.8)	(6.4)
Professional Standards		22.1	(21.8)	0.3	22.0	(21.9)	0.1
Belonging & supporting		14.3	(32.8)	(18.5)	12.1	(29.7)	(17.6)
Reputation & influence		3.7	(8.6)	(4.9)	4.8	(9.3)	(4.5)
Central support functions		-	(30.2)	(30.2)	-	(19.8)	(19.8)
		<b>113.9</b>	<b>(117.9)</b>	<b>(4.0)</b>	109.9	(104.5)	5.4
FRC Conduct Committee and cost recoveries	22	6.9	1.2	8.1	7.6	4.4	12.0
Other professional association activities		4.0	(6.2)	(2.2)	2.7	(5.2)	(2.5)
		<b>10.9</b>	<b>(5.0)</b>	<b>5.9</b>	10.3	(0.8)	9.5
Gift Aid and library funding	16	-	(0.7)	(0.7)	-	(0.7)	(0.7)
<b>Operating result</b>	6, 7	<b>124.8</b>	<b>(123.6)</b>	<b>1.2</b>	<b>120.2</b>	<b>(106.0)</b>	<b>14.2</b>
FRC fines		14.9	-	14.9	13.5	-	13.5
Investment returns	8	2.4	(6.3)	(3.9)	7.7	-	7.7
<b>Result before tax</b>		<b>142.1</b>	<b>(129.9)</b>	<b>12.2</b>	<b>141.4</b>	<b>(106.0)</b>	<b>35.4</b>
Tax credit / (expense) for the year	11	-	2.4	2.4	-	(1.7)	(1.7)
<b>Net result after tax for the year</b>		<b>142.1</b>	<b>(127.5)</b>	<b>14.6</b>	<b>141.4</b>	<b>(107.7)</b>	<b>33.7</b>

<sup>1</sup> ICAEW has undertaken a reclassification of income and expenditure between its activities, including reclassification of members results, which are now included within Belonging & supporting. These changes have been made to better reflect the nature of the reported income and expenditure. Accordingly, the prior year comparatives have been re-presented on the same basis to ensure comparability and consistency of presentation. There is no impact on the result before tax. An explanation of the changes and the effect on the income statements is provided in note 4.

## GROUP AND ICAEW STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	Group		ICAEW	
		2022 £m	2021 £m	2022 £m	2021 £m
Net result after tax recognised in the income statement in the year		<b>13.6</b>	34.0	<b>14.6</b>	<b>33.7</b>
Items that will not be reclassified to profit or loss:					
Foreign operations - foreign currency translation difference		-	(0.3)	-	-
Gains on revaluation of property, plant and equipment	13	<b>1.0</b>	1.6	<b>1.0</b>	<b>1.6</b>
Actuarial losses recognised in the year	24	<b>(7.9)</b>	0.2	<b>(7.9)</b>	<b>0.2</b>
Deferred tax arising on above items	12	<b>0.3</b>	(0.5)	<b>0.3</b>	<b>(0.5)</b>
Other comprehensive income in the year		<b>(6.6)</b>	1.0	<b>(6.6)</b>	<b>1.3</b>
Total comprehensive income in the year		<b>7.0</b>	35.0	<b>8.0</b>	<b>35.0</b>

## GROUP STATEMENT OF CHANGES TO RESERVES

for the year ended 31 December 2022

	Revaluation reserve £m	Accumulated fund £m	Other reserves £m	Charitable trusts £m	Total £m
<b>Reserves at 1 January 2021</b>	<b>15.3</b>	<b>99.9</b>	<b>5.6</b>	<b>15.2</b>	<b>136.0</b>
Net result after tax	-	32.3	-	1.7	34.0
Items that will not be reclassified to profit or loss:					
Foreign operations - foreign currency translation difference	-	-	(0.3)	-	(0.3)
Revaluation of property, plant and equipment	1.6	-	-	-	1.6
Actuarial gains recognised in year on defined benefit pension scheme	-	0.2	-	-	0.2
Deferred tax arising on above items	(0.5)	-	-	-	(0.5)
<b>Total other comprehensive income in the year</b>	<b>1.1</b>	<b>0.2</b>	<b>(0.3)</b>	<b>-</b>	<b>1.0</b>
<b>Total comprehensive income in the year</b>	<b>1.1</b>	<b>32.5</b>	<b>(0.3)</b>	<b>1.7</b>	<b>35.0</b>
<b>Reserves at 31 December 2021</b>	<b>16.4</b>	<b>132.4</b>	<b>5.3</b>	<b>16.9</b>	<b>171.0</b>
<b>Reserves at 1 January 2022</b>	<b>16.4</b>	<b>132.4</b>	<b>5.3</b>	<b>16.9</b>	<b>171.0</b>
Net result after tax	-	15.1	-	(1.5)	13.6
Items that will not be reclassified to profit or loss:					
Foreign operations - foreign currency translation difference	-	-	-	-	-
Revaluation of property, plant and equipment	1.0	-	-	-	1.0
Actuarial losses recognised in year on defined benefit pension scheme	-	(7.9)	-	-	(7.9)
Transfer between reserves	-	2.2	(2.2)	-	-
Deferred tax arising on above items	-	0.3	-	-	0.3
<b>Total other comprehensive income in the year</b>	<b>1.0</b>	<b>(5.4)</b>	<b>(2.2)</b>	<b>-</b>	<b>(6.6)</b>
<b>Total comprehensive income in the year</b>	<b>1.0</b>	<b>9.7</b>	<b>(2.2)</b>	<b>(1.5)</b>	<b>7.0</b>
<b>Reserves at 31 December 2022</b>	<b>17.4</b>	<b>142.1</b>	<b>3.1</b>	<b>15.4</b>	<b>178.0</b>

## ICAEW STATEMENT OF CHANGES TO RESERVES

### for the year ended 31 December 2022

	Revaluation reserve £m	Accumulated fund £m	Other reserves £m	Total £m
<b>Reserves at 1 January 2021</b>	<b>15.3</b>	<b>96.0</b>	<b>5.6</b>	<b>116.9</b>
Net result after tax	-	33.7	-	33.7
Items that will not be reclassified to profit or loss:				
Increase in valuation of property, plant and equipment	1.6	-	-	1.6
Actuarial gains recognised in year on defined benefit pension scheme	-	0.2	-	0.2
Deferred tax arising on above items	(0.5)	-	-	(0.5)
Total other comprehensive income in the year	<b>1.1</b>	<b>0.2</b>	<b>-</b>	<b>1.3</b>
Total comprehensive income in the year	1.1	33.9	-	35.0
<b>Reserves at 31 December 2021</b>	<b>16.4</b>	<b>129.9</b>	<b>5.6</b>	<b>151.9</b>
<b>Reserves at 1 January 2022</b>	<b>16.4</b>	<b>129.9</b>	<b>5.6</b>	<b>151.9</b>
Net result after tax	-	14.6	-	14.6
Items that will not be reclassified to profit or loss:				
Increase in valuation of property, plant and equipment	1.0	-	-	1.0
Actuarial losses recognised in year on defined benefit pension scheme	-	(7.9)	-	(7.9)
Transfers between reserves	-	2.2	(2.2)	-
Deferred tax arising on above items	-	0.3	-	0.3
Total other comprehensive income in the year	<b>1.0</b>	<b>(5.4)</b>	<b>(2.2)</b>	<b>(6.6)</b>
Total comprehensive income in the year	1.0	9.2	(2.2)	8.0
<b>Reserves at 31 December 2022</b>	<b>17.4</b>	<b>139.1</b>	<b>3.4</b>	<b>159.9</b>

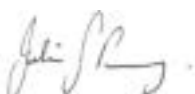


## GROUP AND ICAEW STATEMENTS OF FINANCIAL POSITION

as at 31 December 2022

	Note	Group		ICAEW	
		2022 £m	2021 £m	2022 £m	2021 £m
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	36.7	38.3	36.7	38.3
Right-of-use assets	14	1.9	0.5	1.8	0.4
Intangible assets	15	19.1	20.4	19.1	20.4
Investments in subsidiaries and associates	16	0.4	0.5	0.5	0.5
Financial asset investments	17	105.9	49.4	90.5	35.2
Net pension asset	24	15.5	23.0	15.5	23.0
		<b>179.5</b>	<b>132.1</b>	<b>164.1</b>	<b>117.8</b>
<b>Current assets</b>					
Inventories	18	0.4	0.7	0.4	0.7
Trade and other receivables	19	21.9	33.1	23.0	32.4
Financial asset investments	17	-	71.1	-	68.5
Cash and cash equivalents	20	71.3	49.6	68.3	47.5
		<b>93.6</b>	<b>154.5</b>	<b>91.7</b>	<b>149.1</b>
<b>Total assets</b>		<b>273.1</b>	<b>286.6</b>	<b>255.8</b>	<b>266.9</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	21	(50.3)	(69.7)	(51.2)	(69.4)
Current tax liabilities		-	(0.1)	-	-
FRC Conduct Committee provision	22	(2.7)	(3.9)	(2.7)	(3.9)
		<b>(53.0)</b>	<b>(73.7)</b>	<b>(53.9)</b>	<b>(73.3)</b>
<b>Non-current liabilities</b>					
Grants payable due after more than one year		(0.1)	(0.1)	-	-
Other payables due after more than one year	21	(38.6)	(35.3)	(38.6)	(35.2)
Provisions	23	(1.1)	(1.5)	(1.1)	(1.5)
Deferred tax liability	12	(2.3)	(5.0)	(2.3)	(5.0)
		<b>(42.1)</b>	<b>(41.9)</b>	<b>(42.0)</b>	<b>(41.7)</b>
<b>Total liabilities</b>		<b>(95.1)</b>	<b>(115.6)</b>	<b>(95.9)</b>	<b>(115.0)</b>
<b>Total net assets</b>		<b>178.0</b>	<b>171.0</b>	<b>159.9</b>	<b>151.9</b>
<b>Reserves</b>					
Revaluation reserve	26	17.4	16.4	17.4	16.4
Accumulated fund	26	142.1	132.4	139.1	129.9
Other reserves	26	3.1	5.3	3.4	5.6
Charitable trust funds	26	15.4	16.9	-	-
		<b>178.0</b>	<b>171.0</b>	<b>159.9</b>	<b>151.9</b>

Approved on behalf of Council and authorised for issue

  
**Julia Penny**, President  
6 April 2023

  
**Michael Izza**, Chief Executive  
6 April 2023

## GROUP AND ICAEW STATEMENTS OF CASH FLOWS

for the year ended 31 December 2022

	Note	Group		ICAEW	
		2022 £m	2021 £m	2022 £m	2021 £m
<b>Cash flows from operating activities</b>					
<b>Result after tax</b>		<b>13.6</b>	<b>34.0</b>	<b>14.6</b>	<b>33.7</b>
Adjustments for:					
Depreciation and amortisation	13,14,15	6.7	7.0	6.7	7.0
Loss on disposal of property, plant and equipment and intangible assets	13,14,15	1.9	1.6	1.9	1.6
FRC Conduct Committee cost recoveries credited to income statement	22	(1.2)	(2.8)	(1.2)	(2.8)
Share of loss of associates		0.1	-	-	-
Investment income and fair value gains and losses	8	5.2	(9.5)	3.9	(7.7)
Interest on lease liabilities	14	0.1	0.1	0.1	0.1
Tax credit / expense		(2.4)	1.8	(2.4)	1.7
Non-cash movement in provisions		(0.8)	(1.2)	(0.8)	(1.2)
<b>Cash flows from operating activities before movements in working capital</b>		<b>23.2</b>	<b>31.0</b>	<b>22.8</b>	<b>32.4</b>
<b>Movements in working capital</b>					
Decrease in inventories		0.3	-	0.3	-
Decrease in trade and other receivables		12.7	7.7	10.9	4.6
Decrease in trade and other payables		(18.7)	(5.4)	(17.5)	(5.1)
Increase in long term payables		1.6	0.9	1.6	0.8
<b>Cash generated from operating activities after movements in working capital</b>		<b>19.1</b>	<b>34.2</b>	<b>18.1</b>	<b>32.7</b>
<b>Cash flows on provisions</b>					
Tax paid		(0.1)	(0.1)	-	-
Cash outflow on pension liabilities	24	-	(0.1)	-	(0.1)
FRC Conduct Committee cost recoveries received	22	6.4	6.0	6.4	6.0
FRC Conduct Committee case costs paid	22	(7.9)	(9.0)	(7.9)	(9.0)
<b>Net cash generated from operating activities</b>		<b>17.5</b>	<b>31.0</b>	<b>16.6</b>	<b>29.6</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	13	(0.9)	(1.8)	(0.9)	(1.8)
Purchase of intangible assets	15	(3.4)	(7.8)	(3.4)	(7.8)
Purchase of investments in associates	16	-	(0.5)	-	(0.5)
Purchase of financial asset investments	17	(109.7)	(54.1)	(106.1)	(37.6)
Proceeds from sale of financial asset investments	17	117.1	28.2	113.0	11.5
Investment income received		2.0	1.8	2.4	1.8
<b>Net cash inflow/(outflow) from investing activities</b>		<b>5.1</b>	<b>(34.2)</b>	<b>5.0</b>	<b>(34.4)</b>
Repayment of lease liabilities	14	(0.9)	(0.8)	(0.8)	(0.7)
<b>Net cash outflow from financing activities</b>		<b>(0.9)</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(0.7)</b>
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<b>21.7</b>	<b>(4.0)</b>	<b>20.8</b>	<b>(5.5)</b>
Cash and cash equivalents at 1 January as restated		49.6	53.6	47.5	53.0
<b>Cash and cash equivalents at 31 December</b>	20	<b>71.3</b>	<b>49.6</b>	<b>68.3</b>	<b>47.5</b>

# GROUP AND ICAEW NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

## 1. BASIS OF PREPARATION

ICAEW is a body incorporated by Royal Charter and its registered office is Chartered Accountants' Hall, 1 Moorgate Place, London EC2R 6EA. The Group and ICAEW financial statements have been prepared in accordance with UK-adopted international accounting standards and under the historical cost convention, as modified by the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies.

Transactions included in the results of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the functional currency of the parent entity, ICAEW, and the presentation currency of the Group.

### a) Going concern

These financial statements are prepared on a going concern basis, which the Board and Council believe to be appropriate, as described below.

The Board and Council have specifically considered forward looking information for a period of at least 12 months following the date of approval of these financial statements. The Board and Council believe that the Group and ICAEW have adequate financial resources and are well placed to manage business risks successfully given the current economic outlook, market conditions and possible short-term funding needs such as FRC Conduct Committee case cost liabilities.

A substantial proportion of income is derived from subscriptions and fees, which provide a relatively stable income stream due to the long-term nature of membership and the time taken for students to train and enter membership. ICAEW retains a strong pipeline of students which gives a high level of comfort over future income streams.

Cash and investment reserves are maintained so as to provide protection against unexpected changes in the operating environment.

ICAEW has policies and processes for managing both financial and operational risks. The financial position of the Group and ICAEW, together with the results of the latest operational planning and risk assessments give assurance over the ability of the Group and ICAEW to continue as a going concern for the foreseeable future.

Taking into account these factors, the Board and Council consider that it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements.

### b) Basis of consolidation

Consolidated financial statements have been prepared which comprise ICAEW and all its subsidiary undertakings. The assets, liabilities and results of ICAEW and its subsidiary undertakings are included in the consolidated financial statements on the basis of accounts made up to the reporting date. The Group consolidates an entity from the date on which the Group attains control of the entity.

Subsidiaries are all entities over which ICAEW has control. The Group is considered to control an entity where it is exposed to, or has rights to, variable returns from its involvement, and has the ability to affect those returns through its power over the subsidiary in accordance with IFRS 10 – Consolidated Financial Statements. All subsidiaries have a reporting date of 31 December. All transactions and balances between Group entities are eliminated on consolidation.

Associates are all entities over which the Group has significant influence but not control, or joint control. In the consolidated financial statements, investments in associates are accounted for using the equity method as described in the accounting policy below for investments in associates.

### c) Adoption of new and revised standards

The International Accounting Standards Board has issued a number of minor amendments to IFRSs that become effective from 1 January 2022 or subsequent years, some of which have not yet been endorsed for use in the UK. These amendments are not expected to have a significant impact for ICAEW or the Group.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

IFRS 17 'Insurance Contracts' establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. IFRS 17 is effective for accounting periods beginning on or after 1 January 2023 and the requirements are currently being assessed in the context of ICAEW and the Group.

## 2. ACCOUNTING POLICIES

### a) Income and revenue recognition

Income is recognised net of sales tax. The majority of revenue is earned in the UK.

Income as presented in the income statements comprises revenue as defined under IFRS 15 – Revenue from Contracts with Customers, together with fine income, income from certain funding arrangements and grant income. The following accounting policies relate to our key income streams to which IFRS 15 applies:

- Income from subscriptions and fees, including subscriptions from membership, student fees, communities and faculties, fees from practice regulation and assurance and authorisation of investment business, is recognised in the accounting period in which the services covered by those subscriptions are provided.
- Non-refundable admission fees charged to new members grant the members the option to obtain and renew professional membership services over the period during which they will remain a member. These are recognised as a material right arising on commencement of membership, and income is recognised over the expected membership period. While other services are provided to new members, including limited faculty membership, the renewal option has been assessed as being the main performance obligation for the purposes of allocating the admission fee.
- Affiliate admission fees are non-refundable upfront fees that provide a right to register as an affiliate on an annual basis. An affiliate is a non-ICAEW member firm who is licensed or regulated by ICAEW. Affiliate admission fees are recognised over the estimated affiliate registration period.
- Income from affiliates' annual registration fees is recognised over the period the registration covers.
- Exam fees are recognised in the period in which the exam was sat.
- Income generated from the sale of learning materials is recognised at the point the learning materials are delivered or made available to the customer.
- Income generated from the granting of film licences and accreditation of software through trademark licences is recognised over the term of the contract.
- Other income, including commercial income and income from consulting services, is recognised in the period in which the services are provided. For long-term capacity building contracts, income is recognised by reference to stage of completion of the individual contract.
- ICAEW invoices charges to its members on behalf of the Financial Reporting Council (FRC) in relation to audit quality reviews. ICAEW recognises no income where ICAEW is considered to be acting as agent in these instances.

## 2. ACCOUNTING POLICIES continued

### a) Income and revenue recognition continued

IFRS 15 does not apply to the income streams described below:

- ICAEW pays fees to various regulatory bodies and ICAEW charges these on to its member firms as levies. Income from levies on member firms is recognised in the same period as the regulatory fee expense to which it relates.
- Income from professional conduct (disciplinary) fines is recognised when the decision has been made and is final after any appeal, to the extent that it is considered recoverable.
- In accordance with IAS 20 - Government Grants, the Group recognises government grant income only when there is reasonable assurance that any conditions attached to the grant have been satisfied and the grant will be received. Grant income is recognised over the period necessary to match income with the related costs for which they are intended to fund.

### b) Foreign currencies

Financial assets and liabilities denominated in currencies different from the presentational currency are translated at the rate of exchange at the reporting date.

The results and financial position of foreign operations that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rate; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income.

### c) Tax

As a mutual membership organisation, the significant majority of our income is exempt from corporation tax.

Income tax expense represents the sum of current tax and deferred tax. Income tax is recognised as an expense in the income statement, except to the extent that it relates to items recognised in other comprehensive income, in which case the related tax expense or credit is recognised in other comprehensive income.

Current tax is based on the taxable profit for the reporting period. Taxable profit differs from net result as reported in the income statement because it is determined in accordance with the rules established by the applicable tax authorities. It therefore excludes items of income or expense that are taxable or deductible in other periods as well as items that are not subject to tax.

The Group's liability for current tax is calculated using the applicable tax rate for the period.

### d) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is recognised in other comprehensive income.

Deferred tax assets are recognised for deductible temporary differences, carry-forward of unused tax credits and losses, to the extent that it is probable that taxable profit will be available against which they can be utilised. Deferred tax is not recognised if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of

the transaction, affects neither accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date and are not discounted.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred tax balances relate to income taxes levied by the same tax authority.

### e) Inventories

Inventories are stated at the lower of cost and net realisable value and consist of E-learning materials.

### f) Property, plant and equipment

#### i) Freehold properties

Freehold properties comprise our registered office at Chartered Accountants' Hall in Moorgate which is considered to be a level 2 asset as defined by IFRS 13 (Fair Value Measurement). Freehold properties are recognised initially at cost and revalued periodically. Values are reviewed annually and should circumstances dictate, an open market valuation by independent professionally qualified valuers is conducted. Freehold properties are included in the statements of financial position at their revalued amounts derived from observable market data of comparable buildings in a similar location. Surpluses on revaluations are transferred to the revaluation reserve. Deficits on revaluations are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the income statement.

Depreciation is provided on the plant and equipment elements within the freehold property. Certain major items of fixed plant and equipment that are considered to be significant by management are identified separately and are depreciated over their individual estimated useful economic lives. Depreciation is not charged on freehold land. Depreciation is charged on the revalued amount of freehold buildings at 2% per year.

#### ii) Silver collection and antiques

Silver collection and antiques are recognised at cost and subsequently revalued to fair value. The historical cost of ICAEW's silver collection and antiques represents only the cost of items bought by ICAEW. The valuations of these collections also include substantial donations and bequests. The collections have been reviewed by management and are still considered to be level 2 assets as defined by IFRS 13 - Fair Value Measurement and are revalued annually by independent, professionally-qualified valuers. They are stated at estimated open market values that are derived from observed prices for recent market transactions on similar items.

Surpluses on revaluation, including surpluses arising from donations of items to the collections, are transferred to the revaluation reserve. Deficits on revaluation are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the income statement.

In view of the nature of these assets, the estimated residual value is equal to the carrying amount and no depreciation is provided.

## 2. ACCOUNTING POLICIES continued

### f) Property, plant and equipment continued

#### iii) Leasehold improvements

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

#### iv) Furniture, fittings and equipment

Furniture, fittings and equipment are stated at cost less accumulated depreciation and impairments. Depreciation is charged on a straight-line basis over the estimated useful economic lives of the assets as follows:

IT equipment:	3 to 8 years
Fittings:	10 to 15 years
Furniture and other equipment:	5 to 8 years

### g) Leases

The Group has only entered into lease arrangements as a lessee. No lease arrangements have been entered into in which the Group acts as a lessor. The Group leases various offices, warehouse space and vehicles which are accounted for as described below.

Payments associated with short-term leases and leases of low value assets are recognised as an expense in the income statement on a straight-line basis over the term of the lease. Short-term leases are leases with a term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability in the statement of financial position on a present value basis. Lease liabilities are initially measured at the present value of future lease payments, discounted using the interest rate implicit in the lease or the Group's incremental borrowing rate. Where lease extension options are reasonably certain to be exercised, payments due under those extension options are also included in the measurement of the lease liability.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset or to restore the asset to previous condition at the end of the lease, and any lease payments made in advance of the lease commencement date.

Right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability as a result of reassessment or lease modifications. Depreciation is charged over the shorter of the asset's useful life and the lease term on a straight line basis. While the Group revalues its freehold property that is presented within property, plant and equipment, it has chosen not to do so for right-of-use assets.

The lease term determined by the Group generally comprises a non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The same term is applied as economic useful life of right-of-use assets.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In accordance with IFRS 16, the net present value of the rental payments due on these leases has been disclosed as a lease liability under current and non-current liabilities in the statement of financial position.

### h) Intangible assets

Intangible assets comprise software stated at cost less accumulated amortisation. An internally generated intangible asset arising from development is recognised as an intangible asset if, and only if, all the following conditions have been satisfied:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset is expected to generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs on research activities, and costs arising prior to the above criteria being met are recognised as an expense in the period in which they are incurred.

Amortisation is charged on a straight-line basis over the estimated useful economic life of the asset (from 2 to 10 years). The impairment of intangible assets is considered whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and provisions are made where necessary and recognised within operating expenditure in the income statement.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected to flow from use or disposal of the asset. Gains or losses arising on derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the income statement when the asset is derecognised.

### i) Impairment of assets

Property, plant and equipment and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is taken as the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets that have previously been impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

### j) Investments in associates

In the consolidated financial statements, investments in associates are accounted for using the equity method. Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

In the separate financial statements of ICAEW, investments in associates are accounted for at cost, less any provision for impairment.

## 2. ACCOUNTING POLICIES continued

### k) Financial assets

Financial assets are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

All recognised financial assets are measured subsequently at either amortised cost or fair value depending on the classification of the financial instruments as described below.

#### i) Classification of financial assets

Debt instruments that meet both the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet both the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets;
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Additionally, on initial recognition, an irrevocable election may be made to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. Dividends on these investments in equity instruments are recognised in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Investment income' line within the Income Statement.

#### ii) Impairment of financial assets

IFRS 9 established an approach for the impairment of loans and trade receivables, an expected loss model, which focuses on the risk that a debt will default rather than when a loss has been incurred. Under the "expected credit loss" model, an entity calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring.

ICAEW has opted to use the simplified approach measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. For trade and other receivables, ICAEW is not exposed to any significant credit risk to any single counterparty or group of counterparties. The majority of ICAEW's counterparties are members or member firms which are not considered to be a credit risk to ICAEW. ICAEW continuously monitors defaults of counterparties and incorporates this information into its credit risk controls relating to non-member customers.

#### iii) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to the accumulated fund.

#### l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and investments in money market instruments representing short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value. Investments are considered highly liquid only when the maturity date is three months or less from the date of acquisition.

Only funds held for the purpose of meeting short-term cash commitments are classified as cash and cash equivalents. Funds held for longer-term investment gain are classified as financial asset investments.

#### m) Financial liabilities

##### i) Classification of financial liabilities

All financial liabilities are classified as measured at amortised cost using the effective interest method, or at FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense, foreign exchange gains and losses, and gains and losses on derecognition are recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the amortised cost of a financial liability.

## 2. ACCOUNTING POLICIES continued

### m) Financial liabilities continued

#### ii) Derecognition of financial liabilities

A financial liability is derecognised when, and only when the obligations under that liability are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### n) Provision for liabilities

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

Provisions are measured at the present value of management's best estimate, at the end of the reporting period, of the expenditure required to settle the obligation.

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

#### o) FRC Conduct Committee (Note 22)

ICAEW has a statutory obligation to reimburse the FRC for costs resulting from investigations and disciplinary actions brought by the FRC Conduct Committee against ICAEW members or member firms that are registered by ICAEW to carry out regulated work.

FRC Conduct Committee cases are carried out over a number of formal stages. At the end of each stage, the case may either be closed, settled, or referred to the next stage, finally culminating in a tribunal if the case is not concluded at an earlier stage.

Where FRC Conduct Committee cases are concluded in favour of the FRC, the FRC seeks to recover the associated case costs from the member or member firm subject to the investigation. Recovered case costs are reimbursed by the FRC to ICAEW.

A provision is recognised for the estimated costs of completing the current stage of each open investigation or disciplinary case as at the reporting date, net of the estimated proportion of costs relating to the current stage that are expected to be recovered in the future from the ICAEW members or member firms subject to the investigation on conclusion of cases.

Provisions in respect of FRC Conduct Committee case costs are derecognised at the point the costs are invoiced or, where costs are notified but not yet invoiced, recognised in accruals. Expected cost recoveries relating to case costs already paid by the ICAEW are presented in other receivables.

A contingent liability is disclosed in relation to the possible obligation that may arise if cases proceed further than the current stage.

#### p) Pension Benefits - Defined benefit scheme

Retirement benefits are accounted for under IAS 19 - Employee Benefits. The net asset on the defined benefit scheme is the fair value of the scheme assets less the present value of the defined benefit liabilities at the end of the reporting period, after applying the asset ceiling test, where a net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the scheme.

Refunds of a surplus are not considered to be available if the right to a surplus depends on the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. The rights of third parties such as trustees are considered in assessing the extent to which a surplus can be recognised.

Scheme liabilities are measured by qualified independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated cash flows derived from yields of high-quality corporate bonds that have terms to maturity which approximate to the terms of the related pension liability.

Scheme assets which are held in a separate trustee-administered fund are measured at fair value. Scheme assets may include equities, bonds and cash together with qualifying insurance policies.

Net interest is charged or credited to the income statement and is measured by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Actuarial gains and losses are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

#### q) Pension Benefits - Defined contribution scheme

A defined contribution arrangement is one into which the Group and the employee pay contributions, without any further obligation to pay additional contributions in the future. Payments to defined contribution schemes are charged to the income statement as they fall due.

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In order to prepare the Group's financial statements in accordance with IFRS, management must make judgements and estimates when applying accounting policies that affect the reported amounts of assets, liabilities, income and expense. The estimates are based on historical experience and assumptions that management believes are reasonable taking into account relevant available information. Actual results may differ from those on which management's estimates are based.

Critical accounting estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods.

The following are critical judgements that management have made in the process of applying the Group's accounting policies and key sources of estimation uncertainty.

Accounting area	Critical judgement	Key sources of estimation uncertainty
<b>Recognition of membership admission fee income</b>	<p>Admission fees are collected from members on admission to membership, and from members who take up life membership later in life in return for reduced annual membership charges thereafter.</p> <p>Under IFRS 15, multiple contracts need to be combined and accounted for as a single if the economics of the individual contracts cannot be understood without reference to the arrangement as a whole.</p> <p>Management have assessed the goods and services promised under the admission fee, life membership fee and the annual membership fee and made the judgement that the option to obtain and renew professional membership services during membership is the material right arising on payment of an admission fee. Therefore, admission fees are recognised in the income statement over the period that those rights are expected to be exercised by the member; this period being equivalent to the expected total period of membership.</p> <p>ICAEW has also made the judgement that there is a separate contractual relationship with members as a student, full member or life member, although members will typically move through all these stages of membership during their association with ICAEW. As a result, admission fees and life membership fees are accounted for as separate fees and recognised over the respective expected period of membership or life membership.</p>	<p>The period of time over which a member will continue to renew their membership is inherently uncertain and depends upon the individual circumstances of the member. Historical data has been used to estimate the average period of full membership and life membership. ICAEW has estimated that the average total period of membership is 35 years for full members and 15 years from the commencement of life membership for life members. An increase or decrease in the period of membership for full members by one year would result in an increase or decrease in deferred income in the statement of financial position of £1.0m (2021: £1.0m) if applied from the year the income was received. An increase or decrease in the period of membership for life members by one year would result in an increase or decrease in deferred income in the statement of financial position of £0.2m (2021: £0.2m) if applied from the year the income was received.</p>
<b>FRC Conduct Committee</b>	<p>FRC Conduct Committee cases are carried out over a number of formal stages. At the end of each stage, the case may either be closed, settled, or referred to the next stage, finally culminating in a tribunal if the case is not concluded at an earlier stage. Due to the individual circumstances surrounding each case, it is generally difficult to predict the likelihood of a case proceeding past the current stage.</p> <p>Management have made the judgement that there is no present obligation in relation to potential future stages of cases and therefore it is appropriate to provide for costs as far as the current stage only. There is a possible obligation in relation to future stages, contingent on factors outside the control of ICAEW. Therefore, a provision is recognised for the estimated costs, net of estimated cost recoveries, of completing the current stage of each open investigation or disciplinary case as at the reporting date and a contingent liability is disclosed in relation to the possible obligation that may arise if cases proceed further than the current stage. Further information is disclosed in note 22.</p>	<p>The outcome of FRC Conduct Committee cases is highly uncertain. In accounting for the financial impact of FRC Conduct Committee cases, estimations must be made concerning the costs to complete the current stage of cases and also case costs likely to be recovered from the member or member firm and reimbursed by the FRC to ICAEW.</p> <p>In order to estimate costs to complete the current stage, open cases are reviewed to understand the status of the cases as at the reporting date and the work and procedures outstanding, including the use of experts and legal expertise, that are required to complete the current stage. Previous experience and understanding of relevant costings are factored into this estimation. Cost recoveries are recognised both in relation to costs already paid and costs recognised as a provision for open cases. Case cost recoveries are highly uncertain and depend on several factors such as the outcome of the case and the solvency of the member or member firm. An estimation is made concerning the percentage of case costs that are expected to be recovered. This estimation is made using historical data with consideration also given to the likelihood of future recovery rates changing due to changes in the portfolio of open cases. Further information including a range of plausible outcomes is disclosed in note 22.</p>



## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

Accounting area	Critical judgement	Key sources of estimation uncertainty
<b>Defined benefit pension scheme</b>	<p>Management have carefully considered the extent to which a pension asset should be recognised under IAS 19 and IFRIC 14, which require an entity to limit the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit scheme and the asset ceiling, defined to be the present value of economic benefits available in the form of refunds from the scheme or reductions to future contributions. Under IFRIC 14, a refund is available to an entity if the entity has an unconditional right to a refund.</p> <p>Management have taken legal advice to understand the circumstances under which any surplus assets might not be refunded to ICAEW and have made the judgement that the possible circumstances under which any scheme surplus might not be refunded to ICAEW, such as wind-up of the scheme, augmentation of benefits, amendment to scheme rules, are within the control of ICAEW. Therefore, it is considered that ICAEW has an unconditional right to a refund assuming the gradual settlement of scheme liabilities over time until all members have left the scheme and as such, it is appropriate to recognise the full surplus as measured under IAS 19 as a pension asset in the statement of financial position.</p>	<p>The measurement of the defined benefit pension obligation and net interest income of ICAEW's defined benefit pension schemes depends on certain assumptions which include the discount rate, rate of pension increases, inflation rate and mortality.</p> <p>Further information regarding the assumptions made and sensitivities to these assumptions is disclosed in note 24.</p>
<b>Fair value of property, plant and equipment</b>	None	<p>ICAEW measures freehold property at fair value. The nature of the property concerned means that there can be significant uncertainty in estimating their fair value due to a lack of an active market for identical assets. Fair value must therefore be estimated based on level 2 inputs as defined by IFRS 13.</p> <p>Freehold property comprises Chartered Accountants' Hall, a Grade II listed building. A valuation of the property was carried out by an independent professional valuer as at 31 December 2022. The resulting fair value recognised in the statement of financial position was £27.0m (2021: £28.0m).</p> <p>The valuation methodology follows a comparative method with regard to recent vacant possession sales and the capital rate achieved, adjusted to reflect specific characteristics of the property. An assumption has been made concerning the capital value per unit area of the building, which is derived using an income weighted average equivalent yield.</p> <p>The valuation has been calculated using an equivalent yield of 5.32% (2021: 5.21%). If an equivalent yield of 5.0% was assumed, the estimated fair value of the building would have been £29.1m (2021: £29.5m), whereas an equivalent yield of 5.5% would result in a fair value measurement of £25.9m (2021: £26.3m).</p>

#### 4.CHANGE OF PRESENTATION

ICAEW has undertaken a reclassification of income and expenditure between its activities, including reclassification of Members results, which are now included within Belonging & supporting. These changes have been made to better reflect the nature of the reported income and expenditure. Accordingly, the prior year comparatives have been re-presented on the same basis to ensure comparability and consistency of presentation. There is no impact on the result before tax.

Income previously reported under Members is now reported under Belonging & supporting.

The effects on the reported expenditure within the Group and ICAEW income statements are set out below:

Group	Expenditure originally reported £m	Effect of change £m	Reported expenditure £m
<b>2021</b>			
<b>Income statement:</b>			
Education & training	(23.5)	(0.3)	(23.8)
Professional Standards	(21.8)	(0.1)	(21.9)
Belonging & supporting	(15.5)	(13.9)	(29.4)
Members	(19.2)	19.2	-
Reputation & influence	(9.3)	-	(9.3)
Central support functions	(15.4)	(5.8)	(21.2)
Charitable trusts	(1.0)	-	(1.0)
FRC Conduct Committee and cost recoveries	4.4	-	4.4
Other professional association activities	(5.2)	-	(5.2)
<b>Operating result - expenditure</b>	<b>(106.5)</b>	<b>(0.9)</b>	<b>(107.4)</b>
Strategic projects	(0.9)	0.9	-
Share of loss of associates	(0.1)	-	(0.1)
<b>Result before tax - expenditure</b>	<b>(107.5)</b>	<b>-</b>	<b>(107.5)</b>

ICAEW	Expenditure originally reported £m	Effect of change £m	Reported expenditure £m
<b>2021</b>			
<b>Income statement:</b>			
Education & training	(23.5)	(0.3)	(23.8)
Professional Standards	(21.8)	(0.1)	(21.9)
Belonging & supporting	(15.5)	(14.2)	(29.7)
Members	(19.5)	19.5	-
Reputation & influence	(9.3)	-	(9.3)
Central support functions	(14.0)	(5.8)	(19.8)
FRC Conduct Committee and cost recoveries	4.4	-	4.4
Other professional association activities	(5.2)	-	(5.2)
Gift Aid and library funding	(0.7)	-	(0.7)
<b>Operating result - expenditure</b>	<b>(105.1)</b>	<b>(0.9)</b>	<b>(106.0)</b>
Strategic projects	(0.9)	0.9	-
<b>Result before tax - expenditure</b>	<b>(106.0)</b>	<b>-</b>	<b>(106.0)</b>

## 5. FINANCIAL RISK MANAGEMENT

### a) Financial risk factors

Senior management directly controls day-to-day policies and operations. Financial risk management issues are covered by ICAEW's risk management process as set out in the Governance section. Board members are informed on any significant issues relating to financial and non-financial risk management. Financial risks to which the Group is exposed are summarised below.

#### i) Market risk

The Group holds a significant level of reserves within a strategic investment portfolio and as a result is exposed to price risks arising from these investments.

The Group's investment portfolio is held for strategic purposes, to provide additional returns over the long-term rather than to support short-term financial objectives. The investments portfolio is managed in line with defined risk appetite, however market valuations can be subject to volatility as a result of changes in the economic environment.

#### ii) Currency risk

The majority of ICAEW's transactions are carried out in sterling. To the extent possible, ICAEW uses the income received from services provided in other currencies to hedge any exposures on payments made. ICAEW operates international regional offices and is exposed to foreign currency exchange risk on the transfer of foreign currency to its international offices. Where appropriate, forward purchases are used to mitigate foreign exchange risk. In addition, ICAEW holds accounts in US Dollars, Hong Kong Dollars, Singapore Dollars and Euros. Overseas Group entities hold bank accounts in the local operating currencies and Pound Sterling.

#### iii) Credit risk

Working capital and longer-term funds are held in interest-bearing investments and in listed equity securities for investment purposes through independent custodians.

The credit risk for investments and cash and cash equivalents is monitored regularly. In the current economic climate, extra attention has been given to the agreed limited list of counterparties, which are all reputable banks with a high-quality external credit rating of at least AA - or which have been judged to have systemic importance.

The maximum exposure to credit risk at the year-end date is represented by the carrying value of financial instruments and management considers that all the financial assets not impaired or have exceeded given credit terms are still considered to be of good credit quality and recoverable.

#### iv) Liquidity and interest rate risk

ICAEW policy is to maintain a relatively high level of cash and investment balances and therefore it does not have significant exposure to liquidity risk. ICAEW manages its liquidity risk by monitoring its net cash and cash equivalent flows. Liquidity needs are monitored on a day-to-day and monthly basis for short-term needs. Excess funds are invested as appropriate, depending on the forecast working capital cash flow needs, on short-term interest-bearing deposits. As a result of its holding of short-term interest-bearing deposits with financial institutions, ICAEW does have exposure to interest rate fluctuations. These investments are invested by our agents in high-quality, liquid deposits, with a range of counterparties in such a way as to avoid an excessive concentration of our investment with any specific counterparty and are monitored on a regular basis.

## 6. OPERATING INCOME

Operating income comprises the following:

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
<b>Subscriptions and fees</b>				
Admission fee income	1.9	1.8	1.9	1.8
Annual membership	49.5	47.9	49.5	47.9
Practising certificate fees	3.6	3.6	3.6	3.6
Life membership fee income	0.3	0.3	0.3	0.3
	<b>55.3</b>	53.6	<b>55.3</b>	53.6
<b>Education &amp; training</b>				
Exam fees	12.8	11.8	12.8	11.8
Student fees and charges	5.7	5.6	5.7	5.6
	<b>18.5</b>	17.4	<b>18.5</b>	17.4
<b>Professional Standards</b>				
Regulatory registration fees and levies	18.1	18.4	18.1	18.4
Regulatory fines and penalties	2.8	2.1	2.8	2.1
Quality assurance, film licensing and commercial income	1.2	1.6	1.2	1.5
	<b>22.1</b>	22.1	<b>22.1</b>	22.0
<b>Belonging &amp; supporting</b>				
Sale of learning materials, commercial, events and sponsorship income	13.5	11.0	13.5	11.0
Community subscription fees	0.6	0.5	0.6	0.5
Other income	0.2	0.6	0.2	0.6
	<b>14.3</b>	12.1	<b>14.3</b>	12.1
<b>Reputation &amp; influence</b>				
Faculty subscription fees	3.3	4.1	3.3	4.1
Grant income	0.1	0.3	0.1	0.3
Other income	0.3	0.4	0.3	0.4
	<b>3.7</b>	4.8	<b>3.7</b>	4.8
<b>FRC Conduct Committee</b>				
Levy income	6.9	7.6	6.9	7.6
<b>Other professional association activities</b>				
Levy income	4.0	2.7	4.0	2.7
<b>Operating income</b>	<b>124.8</b>	<b>120.3</b>	<b>124.8</b>	<b>120.2</b>

## 7. OPERATING RESULT

The Group and ICAEW operating result is stated after charging / (crediting):

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
Staff costs (see note 9)	54.5	48.9	51.1	44.1
Other operating costs	46.0	39.0	44.1	37.2
Irrecoverable VAT	5.1	4.3	5.1	4.3
Bad and doubtful debt	0.3	0.2	0.3	0.2
Finance charges	0.6	0.8	0.5	0.5
Government grants	0.1	(0.4)	0.1	(0.4)
Gift aid	-	-	0.7	0.7
Depreciation on owned property, plant and equipment (note 13)	3.2	4.1	3.2	4.1
Depreciation on right-of-use assets (note 14)	0.4	0.1	0.4	0.1
Amortisation of intangible assets (note 15)	3.1	2.8	3.1	2.8
Loss on disposal of intangible assets	1.6	-	1.6	-
Cost of inventories recognised as an expense	0.7	0.7	0.7	0.7
Amounts payable under short-term leases	0.2	0.2	0.1	-
Interest on lease liabilities	0.1	0.2	0.1	0.1
Fees payable to ICAEW's auditor for the audit of the financial statements	0.1	0.1	0.1	0.1
Foreign exchange differences	-	0.2	-	0.2

No non-audit services have been provided by ICAEW's auditor, Haysmacintyre LLP in the current or prior year.

## 8. INVESTMENT INCOME AND EXPENDITURE

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
<b>Income</b>				
Interest receivable from short-term deposits	0.2	0.1	0.3	0.1
Returns on financial investments classified as FVTPL	1.8	9.4	1.8	7.3
	2.0	9.5	2.1	7.4
Dividends receivable from subsidiary undertakings	-	-	0.3	0.3
<b>Total investment income</b>	<b>2.0</b>	<b>9.5</b>	<b>2.4</b>	<b>7.7</b>
<b>Expenditure</b>				
Losses on financial investments classified as FVTPL	(7.2)	-	(6.3)	-

All financial asset investments are classified as at fair value through profit or loss.

## 9. STAFF COSTS

Average number of staff employed during the year	Group		ICAEW	
	2022	2021	2022	2021
Total employees	802	801	725	740
Full-time equivalents	780	768	703	707

Employment costs	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
Wages and salaries	46.2	42.2	43.0	37.5
Employer's social security costs	4.9	4.1	4.9	4.0
Employer's pension costs	3.4	2.6	3.2	2.6
	54.5	48.9	51.1	44.1

The figures above do not include two members of staff whose employment costs were borne by the Fraud Advisory Panel in both the current year and prior year. The charitable trust employees' employment costs are borne by Chartered Accountants' Trust for Education and Research (CATER) although they have contracts of employment with ICAEW.

## 10. KEY MANAGEMENT COMPENSATION - BOARD MEMBERS (2021: PRE-APRIL EXECUTIVE COMMITTEE, BOARD WITH EFFECT FROM 1ST APRIL 2021)

	Salary	Deferred	Total	Salary	Deferred	Total
	2022 £'000	variable pay 2022 £'000	2022 £'000	2021 £'000	variable pay 2021 £'000	2021 £'000
Sharron Gunn	310	92	402	293	86	379
Robert Hodgkinson	-	-	-	72	19	91
Dabinder Hutchinson	163	-	163	189	58	247
Michael Izza	492	138	630	477	154	631
Mark Protherough	-	-	-	66	18	84
Vernon Soare	-	-	-	75	-	75
	965	230	1,195	1,172	335	1,507

The remuneration disclosed above represents amounts earned during the period in which the respective individuals served as key management personnel.

The Board members are remunerated on a total package basis. This means that they may elect to take all of their remuneration in the form of salary, or they may opt to commute a portion of their salary towards ICAEW benefits such as pension scheme membership, health insurance or a car. Deferred variable pay is payable to Board members on the basis of performance and is agreed by the remuneration committee.

In addition to the amounts disclosed above, ICAEW incurred employment discontinuation expenses of £260,000 in the year.

Independent non-executive Board members (those who are not ICAEW members) receive a fee of £16,000 (2021: £16,000) per annum. In the prior year, a discretionary payment of £5,000 was also paid to one non-executive member of the Board for additional work carried out outside their non-executive Board role. In relation to professional standards, the chair of the ICAEW Regulatory Board (IRB) is paid £30,000 per annum (2021: £30,000) and the lay members of the IRB are paid a day rate of £350 (2021: £350).

No other non-executive member of Council, Board or other member committees are remunerated.

## 11. TAX

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
Current tax on profits for the year	-	0.1	-	-
Deferred tax expense:				
Effect of corporation tax rate change	-	0.9	-	0.9
Origination and reversal of timing differences	(2.4)	0.8	(2.4)	0.8
Total deferred tax (credit) / expense:	(2.4)	1.7	(2.4)	1.7
<b>Tax (credit) / expense for the year</b>	<b>(2.4)</b>	<b>1.8</b>	<b>(2.4)</b>	<b>1.7</b>

ICAEW is chargeable to corporation tax on investment income and gains and on net surpluses arising from certain services to the extent that they relate to transactions with non-members. The liability has been reduced by payments made under Gift Aid to the Chartered Accountants' Trust for Education and Research (CATER). The charitable trusts fall outside the scope of corporation tax and accordingly there is no tax liability in relation to their activities. The subsidiary companies pay local tax based on their country of operation and this has been included in the current tax calculations.

Factors affecting the tax charge for the year	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
Result before tax	11.5	35.8	12.5	35.4
Add back: result on transactions with members	(19.4)	(29.3)	(20.4)	(28.0)
Net result before tax on transactions with non-members	(7.9)	6.5	(7.9)	7.4
Corporation tax expense at standard rate of 19% (2021: 19%)	(1.5)	1.2	(1.5)	1.4
Effects of:				
Items not chargeable/deductible for tax purposes	(0.2)	(0.4)	(0.2)	(0.6)
Recognition of deferred tax on trading losses	(1.1)	-	(1.1)	-
Foreign taxes	-	0.1	-	-
Corporation tax rate change	0.4	0.9	0.4	0.9
<b>Tax (credit) / expense for the year</b>	<b>(2.4)</b>	<b>1.8</b>	<b>(2.4)</b>	<b>1.7</b>

## 12. DEFERRED TAX

	Group and ICAEW				
	Trading losses £m	Gains and losses on financial asset investments £m	Revaluation of properties and historical collections £m	Defined benefit pension scheme deficit £m	Net £m
<b>Liability at 1 January 2021</b>	-	1.9	0.4	0.5	2.8
Amounts charged to the income statement	-	1.7	-	-	1.7
Amounts charged to other comprehensive income	-	-	0.5	-	0.5
<b>Liability at 1 January 2022</b>	-	3.6	0.9	0.5	5.0
Amounts charged to the income statement	(1.1)	(1.3)	-	-	(2.4)
Amounts charged to other comprehensive income	-	-	-	(0.3)	(0.3)
<b>(Asset) / liability at 31 December 2022</b>	<b>(1.1)</b>	<b>2.3</b>	<b>0.9</b>	<b>0.2</b>	<b>2.3</b>

In the prior year, deferred tax amounts of £0.6m in relation to losses carried forward were not recognised in the statement of financial position due to forecast recoverability of those assets.

The Finance Act 2021 increases the relevant UK corporation tax rate from 19% to 25%, effective from 1 April 2023. Deferred tax balances are calculated at a rate of 25% (2021: 25%), with the exception of the deferred tax related to the defined benefit pension scheme which is calculated at 35% (2021: 35%) in line with the relevant legislation concerning the taxation of authorised surplus payments.

## 13. PROPERTY, PLANT AND EQUIPMENT

Group and ICAEW	Freehold Property £m	Leasehold Improvements £m	Silver Collection and Antiques £m	Furniture, Fittings and IT Equipment £m	Total £m
<b>Cost or valuation</b>					
<b>At 1 January 2021</b>	37.3	3.2	4.6	16.1	61.2
Additions	1.0	-	-	0.8	1.8
Disposals at cost or valuation	(0.1)	(0.2)	-	(1.8)	(2.1)
Revaluation	1.0	-	0.6	-	1.6
<b>At 1 January 2022</b>	<b>39.2</b>	<b>3.0</b>	<b>5.2</b>	<b>15.1</b>	<b>62.5</b>
Additions	0.2	-	-	0.7	0.9
Disposals at cost or valuation	-	(0.1)	-	(1.0)	(1.1)
Revaluation	0.6	-	0.4	-	1.0
<b>At 31 December 2022</b>	<b>40.0</b>	<b>2.9</b>	<b>5.6</b>	<b>14.8</b>	<b>63.3</b>
<b>Accumulated depreciation</b>					
<b>At 1 January 2021</b>	9.3	2.5	-	10.2	22.0
Depreciation for the year	2.0	0.3	-	1.8	4.1
Depreciation eliminated on disposals	(0.1)	-	-	(1.8)	(1.9)
<b>At 1 January 2022</b>	<b>11.2</b>	<b>2.8</b>	<b>-</b>	<b>10.2</b>	<b>24.2</b>
Depreciation for the year	1.8	0.1	-	1.3	3.2
Depreciation eliminated on disposals	-	-	-	(0.8)	(0.8)
<b>At 31 December 2022</b>	<b>13.0</b>	<b>2.9</b>	<b>-</b>	<b>10.7</b>	<b>26.6</b>
<b>Carrying amount</b>					
<b>At 31 December 2022</b>	<b>27.0</b>	<b>-</b>	<b>5.6</b>	<b>4.1</b>	<b>36.7</b>
At 31 December 2021	28.0	0.2	5.2	4.9	38.3
On an historical cost basis the comparable amounts for property, plant and equipment are:					
Cost	<b>32.3</b>	<b>2.9</b>	<b>0.2</b>	<b>15.6</b>	<b>51.0</b>
Accumulated depreciation	(18.4)	(2.9)	-	(11.3)	(32.6)
<b>Net historical cost at 31 December 2022</b>	<b>13.9</b>	<b>-</b>	<b>0.2</b>	<b>4.3</b>	<b>18.4</b>
Net historical cost at 31 December 2021	15.5	0.2	0.2	4.9	20.8

Freehold property comprises Chartered Accountants' Hall. There is a charge over Chartered Accountants' Hall in favour of the trustee of ICAEW's defined benefit pension scheme (note 24). A professional valuation of Chartered Accountants' Hall was carried out by CBRE (Commercial Real Estate Services Group), in line with the accounting policy, at 31 December 2022.

As at 31 December 2022, professional valuations were carried out for all assets held at revaluation resulting in a total increase in value of £0.4m. The rare books collection revaluation was carried out by Pickering & Chatto, the Antiques revaluation was carried out by Tim Ritchie Associates and ICAEW's historic silver collections revaluation was carried out by William Walter Antiques Limited.

At 31 December 2022 there were no contracts for capital expenditure not provided for in these financial statements (2021: £nil).



## 14. LEASES

The Group's leased assets comprise property used as business premises.

	Group £m	ICAEW £m
<b>Right-of-use assets</b>		
<b>Cost</b>		
<b>At 1 January 2021</b>	<b>6.5</b>	<b>6.5</b>
Additions	0.1	-
<b>At 1 January 2022</b>	<b>6.6</b>	<b>6.5</b>
Additions	1.8	1.8
<b>At 31 December 2022</b>	<b>8.4</b>	<b>8.3</b>
<b>Accumulated depreciation</b>		
<b>At 1 January 2021</b>	<b>6.0</b>	<b>6.0</b>
Depreciation for the year	0.1	0.1
<b>At 1 January 2022</b>	<b>6.1</b>	<b>6.1</b>
Amortisation for the year	0.4	0.4
<b>At 31 December 2022</b>	<b>6.5</b>	<b>6.5</b>
<b>Carrying amount</b>		
<b>At 31 December 2022</b>	<b>1.9</b>	<b>1.8</b>
At 31 December 2021	0.5	0.4

### Lease liabilities

The table below shows the movement in lease liability during the year.

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
<b>At 1 January</b>	<b>0.9</b>	1.5	<b>0.7</b>	1.3
New leases	1.8	0.1	1.8	-
Interest charged	0.1	0.1	0.1	0.1
Lease payments	(0.9)	(0.8)	(0.8)	(0.7)
<b>At 31 December</b>	<b>1.9</b>	<b>0.9</b>	<b>1.8</b>	<b>0.7</b>

Lease additions in the year have been calculated using an estimated borrowing rate of 5.00% (2021: 2.75%). This has been determined using an equivalent market borrowing rate.

The table below shows the split of lease liabilities recognised between current and non-current.

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
Current	0.1	0.8	-	0.7
Non-current	1.8	0.1	1.8	-
	<b>1.9</b>	<b>0.9</b>	<b>1.8</b>	<b>0.7</b>

Non-current liabilities all have a maturity of between one and five years.

### Short lease commitments

At 31 December the Group and ICAEW had the following total future minimum lease payments under non-cancellable leases which meet the criteria of being short-term leases or leases for which the underlying asset is of low value:

#### Land and buildings

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
Minimum lease payments due:				
Within one year	0.3	0.2	0.1	-
	<b>0.3</b>	<b>0.2</b>	<b>0.1</b>	<b>-</b>

## 15. INTANGIBLE ASSETS

	Group and ICAEW	
	2022 £m	2021 £m
<b>Cost</b>		
<b>At 1 January</b>	<b>34.9</b>	33.0
Additions	3.4	7.8
Disposals	(2.4)	(5.9)
<b>At 31 December</b>	<b>35.9</b>	34.9
<b>Accumulated amortisation</b>		
<b>At 1 January</b>	<b>14.5</b>	16.2
Amortisation for the year	3.1	2.8
Disposals	(0.8)	(4.5)
<b>At 31 December</b>	<b>16.8</b>	14.5
<b>Carrying amount at 31 December</b>	<b>19.1</b>	20.4

Intangible assets comprise principally software for ICAEW's internal systems, with amortisation charges allocated across ICAEW functions on the basis of system usage.

Individually significant intangible assets include internally developed software with a cost of £3.2m (2021: £3.2m) and carrying value of £2.1m (2021: £2.4m) with a remaining amortisation period of 7 years as at 31 December 2022. Additionally, internally developed software with a cost of £13.6m (2021: £13.4m) and a carrying value of £11.9m (2021: £13.6m) was brought into use during the year to replace and upgrade core IT systems which support the delivery of our strategy, including our membership, finance and customer relationship management applications. The remaining useful life of this asset at the reporting date is nine years.

No indications of impairment of intangible assets have arisen during the year.

## 16. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The following entities, all registered in England and Wales, have been treated as subsidiaries on the basis that ICAEW has control as it is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns:

Trust	Activity
ICAEW Foundation	Makes charitable donations of particular interest to ICAEW
PD Leake Trust	Provides grants for accountancy research, conferences and publications
Chartered Accountants' Permanent Education Trust	Provides exam prizes
Chartered Accountants' Trust for Education and Research	Owns and operates the ICAEW library. Provides grants for accounting research, conferences and publications
Chartered Accountants' Library Limited	Dormant subsidiary of Chartered Accountants' Trust for Education and Research
Chartered Accountants' Charitable Investment Pool	Common investment fund managing the investments of the other charitable trusts

The trusts, although separately administered, are accounted for as a single charity under the authority of a uniting direction from the Charity Commission. There is an agreement between the above trusts and ICAEW to provide administrative services to the trusts. The total value of the transactions amounted to £0.2m (2021: £0.3m). At the year end, the trusts owed ICAEW £nil (2021: £nil).

ICAEW made payments of £0.7m (2021: £0.7m) in the year under Gift Aid to the Chartered Accountants' Trust for Education and Research (CATER), a charitable trust aggregated within ICAEW's subsidiary ICAEW Foundation, which funds the ICAEW library and education in the field of accountancy and related subjects.

ICAEW holds 100% interest in the share capital of the ICAEW Limited and ICAEW Legal Services Compensation Scheme Limited, which are private limited companies, incorporated in England and Wales.

ICAEW Limited provides marketing support services for ICAEW through its subsidiary undertakings in Malaysia, Indonesia, Vietnam, China, the Middle East, South East Asia and Europe.

ICAEW Legal Services Compensation Scheme Limited maintains a fund to underwrite claims for compensation arising from the obligations in relation to member firms authorised or licensed under ICAEW's Legal Services Regulations.

**16. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES** continued

The value of international marketing support services received from other Group companies during 2022 was £6.3m (2021: £5.7m).

At the year-end £2.2m (2021: £2.3m) was owed by ICAEW to other Group companies and £1.3m (2021: £0.3m) was owed to ICAEW.

Dividends of £0.3m (2021: £0.3m) were declared and received in the year by ICAEW from subsidiary undertaking ICAEW Limited.

The following related entities, all with their principal place of business in the UK, have been treated as associates in these financial statements. In each case, and notwithstanding the majority ownership of CCAB Limited and the Chartered Accountants' Compensation Scheme Limited, ICAEW exercises significant influence through its power to participate in the financial and operating policy decisions through its representation on the board of directors; participation in the policy-making process; and through the existence of material transactions between the company and ICAEW, but ICAEW does not control the companies.

Entity	Activity
The Joint Insolvency Examination Board (JIEB) – a company limited by guarantee	Conducts exams in insolvency practice to meet the education requirements of the Insolvency Act 1986. ICAEW is one of seven subscribers, each of whom has guaranteed £1 in the event of the company being wound up. ICAEW provides exam services. JIEB has a year-end date of 30 June.
Fraud Advisory Panel (FAP) – a company limited by guarantee	Registered charity which carries out research into, and education in, all aspects of fraud prevention, detection, prosecution and deterrence. ICAEW has the right to appoint up to one third of the directors of the company. ICAEW provides grant funding together with administration services.
CCAB Limited (CCAB)	Undertakes activities of mutual interest to five major accountancy bodies in the British Isles. ICAEW is the majority shareholder but does not have the majority of voting shares on the board. ICAEW provides administration and secretarial services. ICAEW shareholding is 60.5%.
Chartered Accountants' Compensation Scheme Limited (CACs)	Evaluates and administers claims for compensation arising from the obligations of ICAEW, the Institute of Chartered Accountants of Scotland and Chartered Accountants Ireland as recognised professional bodies under the Financial Services Act 1986 and as designated professional bodies under the Financial Services and Markets Act 2000. ICAEW is the majority shareholder but does not have the majority of voting shares on the board. ICAEW provides administration and secretarial services. ICAEW shareholding is 80.0%.
Chartered Accountants Worldwide Limited (CAW) – a company limited by guarantee	Supports, develops and promotes the vital role that chartered accountants play throughout the global economy. ICAEW is one of five founder members each of whom has guaranteed £1 in the event of the company being wound up. ICAEW provides administration and secretarial services.
Engine B Limited (Engine B)	Provides data solutions for professional services in the audit, legal and tax sectors. ICAEW shareholding is 14.4%

With the exception of Engine B Limited, the above entities operate on a not-for-profit basis.

Financial information relating to the associates is summarised below:

	JIEB 2022 £m	FAP 2022 £m	CCAB 2022 £m	CACS 2022 £m	CAW 2022 £m	Engine B 2022 £m	Total 2022 £m	Total 2021 £m
Assets	0.3	0.2	3.5	0.2	0.6	1.5	6.3	6.3
Liabilities	-	-	(3.5)	(0.2)	(0.5)	(1.1)	(5.3)	(4.5)
Net assets	0.3	0.2	-	-	0.1	0.4	1.0	1.8
Group share of net assets	-	0.1	-	-	-	0.1	0.2	0.3
Goodwill	-	-	-	-	-	0.2	0.2	0.2
Carrying value in consolidated financial statements	-	0.1	-	-	-	0.3	0.4	0.5
Revenue	0.2	0.2	8.5	0.1	0.5	1.3	10.8	7.2
Profit / (loss) from continuing operations and total comprehensive income	-	-	-	-	-	(0.8)	(0.8)	(0.7)
Services provided by ICAEW during the year, including grant funding	0.1	0.2	0.1	-	0.1	-	0.5	0.4
Services provided to ICAEW during the year	-	-	-	-	0.1	0.3	0.4	0.1
Balances receivable from associates at 31 December	-	-	0.3	0.2	-	-	0.5	0.4

Share of profit or loss of the associates is accounted for using the equity method. None of the above companies had any discontinued operations in the year or previous year.

## 16. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES continued

	Group £m	ICAEW £m
<b>Movements in investments in subsidiaries and associates:</b>		
<b>At 1 January 2021</b>	<b>0.1</b>	-
Additions	0.5	0.5
Share of loss of equity accounted associates recognised in Group income statement	0.1	-
<b>At 1 January 2022</b>	<b>0.5</b>	0.5
Share of loss of equity accounted associates recognised in income statement	(0.1)	-
<b>At 31 December 2022</b>	<b>0.4</b>	<b>0.5</b>

Additions of £0.5m in the prior year relate to the investment in Engine B Limited.

## 17. FINANCIAL ASSET INVESTMENTS

The Group invests its reserves through fund managers in short and medium term investments to derive income that supports the Group's activities. All financial asset investments are classified as at fair value through profit or loss.

Group	Interest- bearing investments 2022 £m	Equities and unit trusts 2022 £m	Total 2022 £m	Interest- bearing investments 2021 £m	Equities and unit trusts 2021 £m	Total 2021 £m
<b>Fair value</b>						
<b>At 1 January</b>	36.1	84.4	<b>120.5</b>	11.3	75.7	87.0
Additions	-	109.7	<b>109.7</b>	26.0	28.1	54.1
Disposals	(34.5)	(82.6)	<b>(117.1)</b>	(1.1)	(27.1)	(28.2)
Fair value (losses) / gains recognised in income statement	(0.7)	(6.5)	<b>(7.2)</b>	(0.1)	7.7	7.6
<b>At 31 December</b>	<b>0.9</b>	<b>105.0</b>	<b>105.9</b>	<b>36.1</b>	<b>84.4</b>	<b>120.5</b>
Presented within non-current assets	0.9	105.0	<b>105.9</b>	-	49.4	49.4
Presented within current assets	-	-	-	36.1	35.0	71.1
<b>Total financial asset investments</b>	<b>0.9</b>	<b>105.0</b>	<b>105.9</b>	<b>36.1</b>	<b>84.4</b>	<b>120.5</b>

ICAEW	Interest- bearing investments 2022 £m	Equities and unit trusts 2022 £m	Total 2022 £m	Interest- bearing investments 2021 £m	Equities and unit trusts 2021 £m	Total 2021 £m
<b>Fair value</b>						
<b>At 1 January</b>	35.2	68.5	<b>103.7</b>	10.3	61.4	71.7
Additions	-	106.1	<b>106.1</b>	25.0	12.6	37.6
Disposals	(34.5)	(78.5)	<b>(113.0)</b>	-	(11.5)	(11.5)
Fair value (losses) / gains recognised in income statement	(0.7)	(5.6)	<b>(6.3)</b>	(0.1)	6.0	5.9
<b>At 31 December</b>	<b>-</b>	<b>90.5</b>	<b>90.5</b>	<b>35.2</b>	<b>68.5</b>	<b>103.7</b>
Presented within non-current assets	-	90.5	<b>90.5</b>	-	35.2	35.2
Presented within current assets	-	-	-	35.2	33.3	68.5
<b>Total financial asset investments</b>	<b>-</b>	<b>90.5</b>	<b>90.5</b>	<b>35.2</b>	<b>68.5</b>	<b>103.7</b>

Within Group investments are charitable trust funds of £15.4m (2021: £16.8m) which are maintained independently of ICAEW, and for which the trustee sets investment policies and monitors performance.

Financial asset investments are presented within current assets when they are held for the purpose of trading or where they are expected to be sold within 12 months, otherwise they are presented within non-current assets.

**18. INVENTORIES**

Group and ICAEW learning materials comprise costs of £0.4m (2021: £0.7m) associated with development of e-learning documents. There was no provision against learning materials at 31 December 2022 (2021: £nil).

**19. TRADE AND OTHER RECEIVABLES - CURRENT**

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade receivables and other receivables	9.3	20.7	9.1	19.8
Amounts owed by subsidiary companies	-	-	1.3	0.3
Amounts owed by associates	0.5	0.4	0.5	0.4
Prepayments	3.8	3.8	3.8	3.7
FRC Conduct Committee case cost recoveries receivable	6.9	5.4	6.9	5.4
Other accrued income	2.2	3.5	2.2	3.5
	<b>22.7</b>	<b>33.8</b>	<b>23.8</b>	<b>33.1</b>
Less: provision for impairment of trade and other receivables	(0.8)	(0.7)	(0.8)	(0.7)
	<b>21.9</b>	<b>33.1</b>	<b>23.0</b>	<b>32.4</b>

Provisions for expected credit losses on trade and other receivables at year-end were £0.8m (2021: £0.7m). The movement in the provision for expected credit losses on trade and other receivables are as follows:

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
<b>At 1 January</b>	<b>0.7</b>	0.7	<b>0.7</b>	0.7
Provision utilised in year	(0.3)	(0.3)	(0.3)	(0.3)
Impairment losses recognised during the year	0.4	0.3	0.4	0.3
<b>At 31 December</b>	<b>0.8</b>	<b>0.7</b>	<b>0.8</b>	<b>0.7</b>

Some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
More than one month but not more than three months	0.9	0.9	0.9	0.9

**20. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise the following:

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
Cash at bank	51.1	44.5	48.1	42.4
Amounts held on short-term money market deposits	20.2	5.1	20.2	5.1
	<b>71.3</b>	<b>49.6</b>	<b>68.3</b>	<b>47.5</b>

## 21. TRADE AND OTHER PAYABLES

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
<b>Current</b>				
Deferred income	29.3	32.0	29.3	32.0
Amounts owed to subsidiaries	-	-	2.2	2.3
Trade payables	3.0	4.5	2.9	3.8
Other payables	6.6	20.2	6.3	19.5
Lease liabilities	0.1	0.8	-	0.7
Other tax and social security	2.0	1.7	2.0	1.7
Accruals	9.3	10.5	8.5	9.4
	<b>50.3</b>	<b>69.7</b>	<b>51.2</b>	<b>69.4</b>

Deferred income due within one year comprises annual membership fees received in advance, deferred admission fees and life membership fees which are recognised over the expected period of membership, as well as deferred income relating to levies for the following year and other services. Income recognised in the Group and ICAEW income statements in the year include £32.0m (2021: £42.1m) included within the deferred income balance at the beginning of the reporting period.

	Group		ICAEW	
	2022 £m	2021 £m	2022 £m	2021 £m
<b>Non-current</b>				
Deferred income	36.8	35.2	36.8	35.2
Lease liabilities	1.8	0.1	1.8	-
	<b>38.6</b>	<b>35.3</b>	<b>38.6</b>	<b>35.2</b>

Non-current deferred income relates to admission fees and life-membership which are deferred over the expected period of membership.

## 22. FRC CONDUCT COMMITTEE

The FRC Conduct Committee is part of the Financial Reporting Council and is responsible for operating and administering two independent disciplinary schemes: the Audit Enforcement Procedure (AEP, from June 2016) and the Accountancy Scheme. These disciplinary schemes cover members of ICAEW as well as a number of other accountancy bodies in the UK and Ireland.

ICAEW has a statutory obligation to reimburse the FRC for costs resulting from investigations and disciplinary actions brought by the FRC Conduct Committee against ICAEW members or member firms that are registered by ICAEW to carry out regulated work. FRC Conduct Committee cases are carried out over a number of formal stages. At the end of each stage, the case may either be closed, settled, or referred to the next stage, finally culminating in a tribunal if the case is not concluded at an earlier stage.

Where FRC Conduct Committee cases are concluded in favour of the FRC, the FRC seeks to recover the associated case costs from the member or member firm subject to the investigation. Recovered case costs are reimbursed by the FRC to ICAEW.

ICAEW levies charges on its member firms in order to partially finance the costs of FRC Conduct Committee cases as they fall due.

Under the Accountancy Scheme, any fines levied are remitted by the FRC to ICAEW. Under the AEP, fines are remitted by the FRC to HM Treasury.

A provision is recognised for the estimated costs of completing the current stage of each open investigation or disciplinary case as at the reporting date, net of the estimated proportion of costs relating to the current stage that are expected to be recovered in the future from the ICAEW members or member firms subject to the investigation on conclusion of cases.

Due to the individual circumstances surrounding each case, the likelihood of a case proceeding past the current stage is highly uncertain and outside the control of ICAEW. Therefore, a provision is recognised in respect of the current stage of open cases, and a contingent liability is disclosed in respect of the possible obligation that may arise as a result of cases proceeding into subsequent stages before they are concluded (note 27).

Provisions in respect of FRC Conduct Committee case costs are derecognised at the point the costs are invoiced or, where costs are notified but not yet invoiced, recognised in accruals. Expected cost recoveries relating to case costs already paid by the ICAEW are presented in other receivables.

At the year-end, the provision covers a total of 36 (2021: 40) open cases involving ICAEW members and member firms. As the provision covers the current stage of all cases, it is likely that the majority of the provision will be utilised within one year. The provision value is affected both by the number of cases open at the reporting date and the progression of those cases through the various stages, with earlier stages tending to bear lower costs than latter stages.

The value of estimated cost recoveries presented in other receivables is likewise dependent on the number of open cases and the progression of open cases through the stages.

As described in more detail below, there is a significant level of estimation uncertainty concerning value of the FRC Conduct Committee provision together with the value of estimated cost recoveries presented within other receivables.

### Estimation uncertainty and sensitivities

As explained in note 3 of these financial statements, the accounting for the FRC Conduct Committee case costs and case cost recoveries is subject to significant estimation uncertainty.

The FRC case cost provision has been derived based on a case-by-case assessment of costs to complete the current stage, taking account of discussions with the FRC on case progress.

Estimated cost recoveries relating to costs already paid to FRC are shown within other receivables.

The estimated case costs and recoveries have been derived taking account of the size, complexity and type of scheme under which each investigation is conducted.

The FRC case cost provision reflects expected costs and cost recoveries based on historical averages, calculated for cases under each type of scheme. In estimating expected cost recoveries, historical average recovery rates have been adjusted with consideration as to the risks associated with specific large, complex open cases over which there remains significant uncertainty around the level of costs that may be awarded and ultimately recovered.

Taking the FRC case cost provision together with cost recoveries accrued within other receivables, the aggregated balance in the statement of financial position has a range of between £3.0m to £9.9m net asset position (2021: £0.8m to £8.4m net asset position).

The range has been derived with consideration given to the possible variability in costs and achievable cost recoveries, based on past experience of closed cases from each type of scheme.

### Income

During the year, ICAEW has collected levies from member firms in relation to FRC Conduct Committee amounting to £6.9m (2021: £7.6m). Fine income received during the year on conclusion of FRC Conduct Committee Accountancy Scheme cases came to £14.9m (2021: £13.5m).

**22. FRC CONDUCT COMMITTEE** continued**Expenditure**

Amounts charged / (credited) to income statement in relation to FRC Conduct Committee expenditure were as follows:

	2022 £m	2021 £m
Amounts provided in the year for FRC Conduct Committee case costs	7.0	4.5
Estimated future recoveries of case costs recognised in the provision in year	(1.3)	(1.9)
Estimated future recoveries of case costs already realised, recognised in other receivables in year	(6.9)	(5.4)
Cost recoveries realised in excess of those previously accrued	-	(1.6)
<b>Net credit to income statement</b>	<b>(1.2)</b>	<b>(4.4)</b>

**Statement of Financial Position**

Movements in the FRC Conduct Committee provision are presented below along with movements in the balance of estimated future cost recoveries reported within other receivables:

	Group and ICAEW			
	Estimated case costs £m	Estimated cost recoveries £m	Total provision £m	Other receivables - accrued cost recoveries (note 19) £m
<b>Liability / (asset) at 1 January 2021</b>	10.3	(2.5)	7.8	(3.5)
Amounts utilised in year	(9.0)	-	(9.0)	-
Case cost recoveries transferred to other receivables	-	2.5	2.5	(2.5)
Previously accrued case cost recoveries realised in year	-	-	-	6.0
Amounts charged / (credited) to income statement in year	4.5	(1.9)	2.6	(5.4)
<b>Liability / (asset) at 1 January 2022</b>	<b>5.8</b>	<b>(1.9)</b>	<b>3.9</b>	<b>(5.4)</b>
Amounts utilised in year	(7.9)	-	(7.9)	-
Case cost recoveries transferred to other receivables	-	1.0	1.0	(1.0)
Previously accrued case cost recoveries realised in year	-	-	-	6.4
Amounts charged / (credited) to income statement in year	7.0	(1.3)	5.7	(6.9)
<b>Liability / (asset) at 31 December 2022</b>	<b>4.9</b>	<b>(2.2)</b>	<b>2.7</b>	<b>(6.9)</b>

Included in accruals (see note 21) are liabilities of £1.0m (2021: £3.0m) in relation to costs finalised with the FRC but not yet invoiced, offset by cost recoveries of £1.0m (2021: £3.0m) for cases that have been concluded but not yet received as at year-end.

Where costs have been invoiced by the FRC but not settled, or finalised but not yet invoiced, these amounts are included as amounts utilised in year in the table above and reclassified from provisions to creditors or accruals. Where cost recoveries have been confirmed by the FRC, these are included as recoveries realised in year and offset against costs shown in accruals.



## 23. PROVISIONS FOR FUTURE LIABILITIES

	Group and ICAEW		
	Dilapidations £m	Other £m	Total £m
<b>At 1 January 2021</b>	0.8	1.7	2.5
Amounts utilised	-	(1.7)	(1.7)
Amounts charged to income statement in year	-	0.7	0.7
<b>At 1 January 2022</b>	<b>0.8</b>	<b>0.7</b>	<b>1.5</b>
Amounts utilised	-	(0.7)	(0.7)
Amounts charged to income statement in year	0.3	-	0.3
<b>At 31 December 2022</b>	<b>1.1</b>	<b>-</b>	<b>1.1</b>

The provision for dilapidations is expected to be utilised on exit from the relevant leased property. The lease runs until 2028. The actual outflows will vary dependent upon any subsequent agreements with the landlord. Other provisions relate to holiday pay provisions and restructuring costs. Liabilities in respect of holiday pay at 31 December 2022 are presented within accruals.

## 24. PENSION BENEFITS

### Defined benefit scheme

ICAEW operates a defined benefit pension scheme (the scheme) which provides participating members of staff with retirement benefits based on their pensionable service and final pensionable salary. The assets of the scheme are held under separate trust and as such, the Trustee is responsible for operating the scheme and has a statutory responsibility to act in accordance with the scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the scheme, and in accordance with UK law. The scheme was closed to future accrual on 30 June 2010 and as such, current service costs no longer arise in the income statement.

The most recent actuarial valuation, prepared on a technical provisions basis, showed a surplus of £12.4m as at 31 March 2022, with a market value of scheme assets of £213.9m and scheme liabilities of £201.5m equating to a funding level of 106% on a technical provisions basis. A desktop valuation prepared by the Scheme Actuary at 31 December 2022 shows that the scheme continues to be in surplus with a funding level of 106%. The actuarial valuation prepared on a technical provisions basis differs from the valuation under IAS 19 mainly due to the differing approaches to determining the discount rate assumption.

A Schedule of Contributions has been agreed which requires ICAEW to continue paying scheme expenses, except for those in relation to investment management, and any other contributions as required from time to time on the advice of the Scheme Actuary under the scheme's Deed and Rules. As the scheme is in surplus a Recovery Plan is not required following the latest actuarial valuation.

The previous Schedule of Contributions and Recovery Plan remained in place until 31 December 2022. Deficit contributions payable until this date were subject to a trigger mechanism under which contributions ceased from 1 March 2021, as the triggers to cease contributions had previously been met. The funding level has remained above the trigger level until 31 December 2022 and therefore ICAEW has not been required to pay contributions during the year and up until the date of signing these financial statements.

In conjunction with the latest triennial valuation of the scheme, ICAEW agreed to the continuation of a charge over its freehold property, Chartered Accountants' Hall. The fair value of this property is £27.0m (2021: £28.0m) as at 31 December 2022 (note 13).

In preparing these financial statements, the scheme has been valued under IAS 19 by a qualified actuary based on assumptions which management feel are most appropriate. Because of changing market and economic conditions, the expenses and liabilities arising under the scheme in the future may differ materially from the estimates made on the basis of the actuarial assumptions. The effects of any change to these assumptions are accounted for in the next financial year within other comprehensive income.

The defined benefit pension scheme typically exposes ICAEW to a level of financial risk including investment risk, inflation risk, interest risk and mortality risk. A description of these risks is provided below.

Investment risk	The present value of the defined benefit scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on scheme assets is below this rate, a deficit is created. Currently the scheme has a relatively high proportion of scheme assets invested in insurance contracts which exactly hedge risk on insured liabilities.
Inflation risk	The majority of the benefits under the fund are subject to inflationary increases year on year and therefore changes in inflation rate will affect the value of the scheme liabilities.
Interest risk	A decrease in the bond interest rate will increase the scheme liability but this will be partially offset by an increase in the return on the scheme's debt investments.
Mortality risk	The present value of the defined benefit liability is calculated by reference to the best estimate of the mortality of scheme participants both during and after their employment. An increase in the life expectancy of the scheme participants will increase the liability.

**24. PENSION BENEFITS** continued

The assumptions made in valuing the scheme under IAS 19 were as follows:

	2022	2021
Discount rate	4.75%	1.85%
Pension increase rate per annum	3.05%	3.25%
Rate of inflation (RPI)	3.10%	3.35%

The mortality assumptions used to calculate the pension liabilities reflect expected future life expectancies as follows:

	2022 Years	2021 Years
Pensioners male - Age 65	22.9	23.3
Pensioners female - Age 65	25.0	24.6
Non-pensioners male	24.2	24.7
Non-pensioners female	26.5	26.6

IAS 19 states that the discount rate used should have regard to returns on high quality corporate bonds of a term consistent with the term of the post-employment benefit obligations. A yield curve of iBoxx AA bonds has been used to estimate an appropriate discount rate for the scheme's liabilities. This corporate bond yield curve has been used to discount cashflows using the rates available at each future duration. The approximate duration of scheme liabilities is 15.7 years and a single flat rate discount rate has been calculated based on cashflows for a scheme with liabilities of broadly that duration.

The table below summarises the split of defined benefit obligation between deferred members and pensioners. There are no active members.

2022	Number of members	Liability split	Duration years
Deferred members	231	38.4%	20.4
Pensioners	441	61.6%	12.8
<b>Total/weighted average</b>	<b>672</b>	<b>100%</b>	<b>15.7</b>

2021	Number of members	Liability split	Duration years
Deferred members	250	39.7%	20.6
Pensioners	430	60.3%	12.5
<b>Total/weighted average</b>	<b>680</b>	<b>100%</b>	<b>15.7</b>

The following table highlights the sensitivities of the IAS 19 valuation, as calculated by the actuary, to changes in each of the assumptions individually. The effect of changing more than one assumption would not necessarily be equal to the sum of the two individual changes. As a result of the buy-in annuities held, the change in assumptions affects both the liabilities and assets of the scheme.

2022	Change in assumption	Change in scheme liabilities	Change in surplus
Discount rate	Increase/(decrease) by 0.5% pa	(Decrease)/increase by 6%	Increase / (decrease) by £8.3m
Rate of inflation	Increase/(decrease) by 0.5% pa	Increase/(decrease) by 4%	(Decrease) / increase by £5.6m
Mortality	Increase by 1 year	Increase by 4%	Decrease by £5.3m
2021	Change in assumption	Change in scheme liabilities	Change in surplus
Discount rate	Increase/(decrease) by 0.5% pa	(Decrease)/increase by 8%	Increase / (decrease) by £9.8m
Rate of inflation	Increase/(decrease) by 0.5% pa	Increase/(decrease) by 6%	(Decrease) / increase by £5.4m
Mortality	Increase by 1 year	Increase by 4%	Decrease by £4.1m

ICAEW considers that it has an unconditional right to a refund of surplus contributions in accordance with IFRIC 14, assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme. Management have made the judgement that these amounts meet the requirements of recoverability and a surplus of £15.5m (2021: £23.0m) has been recognised as a pension asset in the statement of financial position.

**24. PENSION BENEFITS** continued

The amounts recognised in the statement of financial position arising from the Group's obligations in respect of its defined benefit retirement benefit plans are as follows:

	2022 £m	2021 £m
Present value of defined benefit obligations	(133.6)	(197.2)
Fair value of plan assets	149.1	220.2
<b>Net pension asset</b>	<b>15.5</b>	<b>23.0</b>
<b>Defined benefit obligations</b>		
Opening defined benefit obligation	197.2	206.4
Interest on obligation	3.6	2.5
Actuarial gains and losses arising from changes in assumptions:		
Changes in demographic assumptions	(1.7)	(0.3)
Changes in financial assumptions	(68.4)	(7.3)
Experience losses	10.3	4.6
Benefits paid	(7.4)	(8.7)
Closing defined benefit obligation	133.6	197.2
	2022 £m	2021 £m
<b>Fair value of plan assets</b>		
Opening fair value of plan assets	220.2	228.9
Interest income on scheme assets	4.0	2.8
Return on scheme assets excluding amounts included in net interest	(67.7)	(2.8)
Benefits paid	(7.4)	(8.7)
Closing fair value of plan assets	149.1	220.2

The experience losses shown above arise from the difference between actual and expected inflation, as well as the impact of new membership data.

Scheme administration costs of £0.7m (2021: £0.5m) were borne directly by ICAEW.

Plan assets are categorised as follows:

	2022		2021	
	£m	%	£m	%
<b>Quoted investments</b>				
Debt securities - government bonds	31.1	21	37.6	17
Absolute return bond	1.0	1	46.3	21
Asset backed securities	37.4	25	-	-
Cash and cash equivalents	10.5	7	40.7	18
<b>Unquoted investments</b>				
Insurance contracts	69.1	46	95.6	44
	<b>149.1</b>	<b>100</b>	<b>220.2</b>	<b>100</b>

As part of the continued process to manage scheme volatility, the Trustee has purchased three buy-in annuity insurance contracts to provide funding for certain scheme liabilities. These insurance contracts are in the name of the Trustee and, as such, are assets of the scheme. The corresponding insured pension liabilities remain as liabilities of the scheme. These insurance contracts are recognised at a value equal to the value of the insured liabilities as measured in accordance with IAS 19.

**24. PENSION BENEFITS** continued

Amounts recognised in the income statement within staff costs are as follows:

	2022 £m	2021 £m
Net interest income on plan assets	4.0	2.8
Interest on defined benefit obligation	(3.6)	(2.5)
	<b>0.4</b>	<b>0.3</b>

Amounts recognised as other comprehensive income:

	2022 £m	2021 £m
Return on scheme assets (excluding amounts included in net interest)	(67.7)	(2.8)
Actuarial gain on changes in demographic assumptions	1.7	0.3
Actuarial gain on changes in financial assumptions	68.4	7.3
Experience losses	(10.3)	(4.6)
Actuarial (loss)/gain recognised in other comprehensive income	<b>(7.9)</b>	<b>0.2</b>

**Defined contribution scheme**

The defined contribution scheme provides benefits based upon contributions paid and investment returns achieved. The assets of the scheme are held in a separate trustee fund. ICAEW contributes 9% of pensionable earnings for participating employees. Employees contribute a minimum of 4%. The amount charged to the income statement during the year for these schemes was £3.4m (2021: £3.2m). There were no contributions payable to the scheme at the year-end date (2021: £nil).

**25. RELATED PARTIES**

The Group and ICAEW operating results include reimbursement of members' expenses on ICAEW activities and payments on a normal commercial basis to members and member firms for services. In 2022 these payments in aggregate amounted to £2.9m (2021: £2.3m). Of this, £1.0m (2021: £0.5m) was paid for services to member firms which have a partner or employee who is a member of Council. Expenses reimbursed to individual Council members, incurred in performance of their duties amounted to £211,000 (2021: £39,000) in total.

Transactions and balances between ICAEW and its subsidiaries and associates are set out in note 16 above.

**26. RESERVES**

ICAEW reserves policies ensure that reserves are set at a level equivalent to six months of expenditure through the income statement and for cash and investment balances to be at least sufficient to cover six months of annual expected gross cash expenditure. The balance at the end of 2022 was in accordance with this reserves policy.

Reserves comprise the following:

**Revaluation reserve**

Represents the excess of the open market valuation over the depreciated historical cost of ICAEW's historic collections and properties, net of deferred tax.

**Accumulated fund and other reserves**

Represents the retained result of the Group and ICAEW activities and comprises the accumulated fund, Chartered Accountants' Compensation Scheme and charitable trust reserve funds. In calculating the result to be taken to these reserves, account has been taken of a share of central activities costs and other indirect costs and an allocation of investment income where appropriate.

Included within reserves is £3.2m (2021: £3.2m) relating to the Chartered Accountants' Compensation Scheme. In accordance with investment business regulations ICAEW is required to maintain a compensation scheme, funded by levies on member firms authorised for investment business. This compensation scheme exists to deal with claims received about work carried out by authorised member firms under both the recognised professional body (RPB pre-2001) and designated professional body (DPB post-2001) regimes. ICAEW maintains a reserve to meet anticipated future claims. A levy was made in 2017 on licensed member firms under the DPB regime. ICAEW has reserved the right to make further levies on member firms authorised under the RPB regime before 1 December 2001 should additional funds be required.

## 27. CONTINGENT LIABILITIES AND GUARANTEES

### Chartered Accountants' Compensation Scheme

ICAEW has undertakings to Chartered Accountants' Compensation Scheme Limited for its agreed proportion of claims for compensation and administration costs, of amounts up to but not exceeding £10.0m in any one year. Payments for individual claims are limited to a maximum of £50,000. ICAEW's share of the costs of the scheme is recovered from those member firms licensed by ICAEW under the Financial Services and Markets Act 2000 and those member firms previously authorised by ICAEW under the Financial Services Act 1986 as appropriate.

### FRC Conduct Committee case costs

As a RSB ICAEW has a statutory obligation to reimburse the FRC for the costs incurred in relation to investigations and disciplinary action against an ICAEW member, or member firms registered by ICAEW to conduct audit work under the Audit Enforcement Procedure and the Accountancy Scheme. This obligation continues to the end of a case but the decision to progress a case to the next stage is made by the FRC on completion of the current stage of an investigation.

The estimated cost of completing the current stage of each case has been recognised in the FRC case cost provision (note 22). However, it is possible that a number of the current cases could progress to subsequent stages, and this will be determined by the FRC at the end of each stage.

The contingent liability that could arise should all cases open at 31 December 2022 proceed through all stages of the disciplinary procedure, over and above amounts already provided for, has been estimated to be in the range of £16.0m to £26.0m (2021: £20.0m to £30.0m). This is before any recovery of case costs relating to future stages from members or member firms subject to the cases. Based on past experience, the net contingent liability after allowing for an estimation of cost recoveries would be between £8.0m and £14.0m (2021: £13.0m to £21.0m).

ICAEW levies charges on its member firms in order to partially finance the costs of FRC Conduct Committee cases as they fall due.