FINANCIAL STATEMENTS

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ICAEW FIVE-YEAR SUMMARY

The summary below represents the results of ICAEW and not those of the entire Group.

	2021 £m	2020 £m	2019[1] £m	2018 £m	2017 £m
Income statement					
Operating income	**120.2**	118.7	111.1	105.4	102.6
FRC fines	**13.5**	15.7	18.3	16.3	14.6
Investment income/(expense)	**7.7**	3.0	6.5	(1.1)	3.5
ICAEW services[2]	**(103.6)**	(105.1)	(104.0)	(101.5)	(95.9)
Other professional association activities	**(0.8)**	(1.4)	(7.0)	(6.6)	(6.6)
Gift aid library funding	**(0.7)**	(0.7)	(0.6)	(0.6)	(0.6)
Strategic projects	**(0.9)**	(1.5)	(2.4)	(2.1)	-
Result before tax	**35.4**	28.7	21.9	9.8	17.6
Statement of financial position					
Non-current assets excluding Staff Pensions Fund	**94.8**	128.2	117.9	108.4	98.2
Non-current assets – Staff Pensions Fund asset	**23.0**	22.5	24.0	12.4	5.7
Current assets	**149.1**	88.8	60.2	56.8	36.4
Current liabilities	**(73.3)**	(79.1)	(67.0)	(75.3)	(54.3)
Non-current liabilities	**(41.7)**	(43.5)	(43.0)	(40.6)	(40.2)
Total net assets	**151.9**	116.9	92.1	61.7	45.8
Member and student numbers					
Members	**161,415**	157,801	154,531	151,761	149,298
ACA students	**33,958**	31,656	30,241	28,700	27,866
	195,373	189,457	184,772	180,461	177,164

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.

Income statement figures in the prior years have been restated as a result of investments being classified as at fair value through profit or loss rather than at fair value through other comprehensive income. Refer to note 4 of the financial statements for further information.

Non-current assets and current assets in the prior years have been restated to reflect a reclassification of assets from cash and cash equivalents to financial asset investments.

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

for the year ended 31 December 2021

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 2021 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 2021, 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 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 2021.

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 the Council's assessment of ICAEW's ability to continue to adopt the going concern basis of accounting included 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

The risk: 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.

Our response: 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 historical 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 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.

What we reported to the audit committee: We have reviewed and confirmed our agreement to 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 confirmed the calculation of historical cost recoveries and were satisfied with judgement made in discounting the historical average for uncertainties in future potential cost recoveries. This 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 have considered the latest discussions with the FRC up to the date of this report.

From the audit work undertaken we have concluded that the provision carried at the balance sheet date is not materially misstated.

REVENUE RECOGNITION

The risk: 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.

Our response: 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;
- we reviewed and tested the key estimates regarding historical admission fees and membership fees applied by management to appropriate data sources for reasonableness to deferred admission fees.
- reviewed 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.

What we reported to the Audit Committee: From the audit work undertaken we have concluded that the financial statements are not materially misstated due to errors or improper revenue recognition.

DEFINED BENEFIT PENSION SCHEME

The risk: 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.

Our response: 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 obtained and reviewed the actuary's report on the estimated impact of GMP equalisation on the pension scheme's liabilities and agreed this to the valuation report used to prepare the financial statements. We also considered advice provided to management in respect of the recognition of a pension surplus and accounting for buy-in contracts as part of the pension scheme assets.

What we reported to the audit committee: We have previously obtained and reviewed advice from ICAEW's solicitors 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. On this basis we are satisfied that the recognition of the pension surplus remains appropriate.

We have 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 are satisfied 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 2021.

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 1.8% of operating revenue, equivalent to £2.15m. 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 £1.61m. Our objective in setting this was to ensure that total uncorrected or undetected audit differences did not exceed our materiality level of £2.15m.

We agreed with the Audit Committee that we would report all audit differences in excess of £50,000, 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 not considered to be individually material to the group financial statements. For ICAEW's international operations, we carried out analytical review procedures in addition to testing on key balances and transactions in order to form our opinion on the group 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 to responsibility to communicate whether we have identified any inconsistencies between our knowledge acquired during the audit and the 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:

- the 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;
- the 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
- the 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 in the financial responsibilities of the Council statement set out on page 73, the 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.

Based on our understanding of ICAEW and its Group and the environment that it operates in, we identified the principal risks of non-compliance with laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

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 posted with unusual descriptions, that relate to transactions that we assessed to complex or unusual in nature or significantly impacted the result for the year; and
- challenging assumptions and judgements made by management in their use of and application of critical accounting estimates in the preparation of the financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsreponsibilities. 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.

Haysmacintyre LLP
Statutory Auditor
10 Queen Street Place
London
EC4R 1AG

12 April 2022

GROUP INCOME STATEMENT
for the year ended 31 December 2021

	Note	31 December 2021 Income £m	31 December 2021 Expenditure £m	31 December 2021 Net £m	Restated[4] 31 December 2020 Income £m	Restated[4] 31 December 2020 Expenditure £m	Restated[4] 31 December 2020 Net £m
Subscriptions and fees		**53.6**	**-**	**53.6**	53.3	–	53.3
Education & training[1]		**17.4**	**(23.5)**	**(6.1)**	14.3	(23.0)	(8.7)
Professional standards		**22.1**	**(21.8)**	**0.3**	23.3	(20.4)	2.9
Belonging & supporting[2]		**11.5**	**(15.5)**	**(4.0)**	8.9	(15.7)	(6.8)
Members		**0.6**	**(19.2)**	**(18.6)**	0.7	(18.6)	(17.9)
Reputation & influence[3]		**4.8**	**(9.3)**	**(4.5)**	4.7	(8.9)	(4.2)
Central activities			**(15.4)**	**(15.4)**	–	(16.7)	(16.7)
Charitable trusts			**(1.0)**	**(1.0)**	–	(1.1)	(1.1)
		110.0	**(105.7)**	**4.3**	105.2	(104.4)	0.8
FRC Conduct Committee and cost recoveries	22	**7.6**	**4.4**	**12.0**	11.6	2.5	14.1
Other professional association activities		**2.7**	**(5.2)**	**(2.5)**	2.3	(3.9)	(1.6)
		10.3	**(0.8)**	**9.5**	13.9	(1.4)	12.5
Operating result	6	**120.3**	**(106.5)**	**13.8**	119.1	(105.8)	13.3
FRC fines		**13.5**	**-**	**13.5**	15.7	–	15.7
Strategic projects		**-**	**(0.9)**	**(0.9)**	0.1	(1.6)	(1.5)
Investment income	7	**9.5**	**-**	**9.5**	2.8	–	2.8
Share of loss of equity accounted associates	16	**-**	**(0.1)**	**(0.1)**	–	–	-
Result before tax		**143.3**	**(107.5)**	**35.8**	137.7	(107.4)	30.3
Tax charge for the year	11	**-**	**(1.8)**	**(1.8)**	–	(0.5)	(0.5)
Net result after tax for the year		**143.3**	**(109.3)**	**34.0**	137.7	(107.9)	29.8

Certain functions noted below have been renamed in order to better reflect the operations of those functions. Prior year comparatives are unaffected.

1 Education & training, previously known as Learning and professional development
2 Belonging & supporting, previously known as Members, commercial and shared services
3 Reputation & influence, previously known as Technical strategy department
4 Refer to note 4 for further information regarding restated prior year amounts

ICAEW INCOME STATEMENT

for the year ended 31 December 2021

	Note	31 December 2021 Income £m	31 December 2021 Expenditure £m	31 December 2021 Net £m	Restated[4] 31 December 2020 Income £m	Restated[4] 31 December 2020 Expenditure £m	Restated[4] 31 December 2020 Net £m
Subscriptions and fees		**53.6**	**-**	**53.6**	53.3	–	53.3
Education & training[1]		**17.4**	**(23.5)**	**(6.1)**	14.2	(23.0)	(8.8)
Professional standards		**22.0**	**(21.8)**	**0.2**	23.0	(20.5)	2.5
Belonging & supporting[2]		**11.5**	**(15.5)**	**(4.0)**	8.9	(15.7)	(6.8)
Members		**0.6**	**(19.5)**	**(18.9)**	0.7	(20.3)	(19.6)
Reputation & influence[3]		**4.8**	**(9.3)**	**(4.5)**	4.7	(8.9)	(4.2)
Central activities			**(14.0)**	**(14.0)**	–	(16.7)	(16.7)
		109.9	**(103.6)**	**6.3**	104.8	(105.1)	(0.3)
FRC Conduct Committee and cost recoveries	22	**7.6**	**4.4**	**12.0**	11.6	2.5	14.1
Other professional association activities		**2.7**	**(5.2)**	**(2.5)**	2.3	(3.9)	(1.6)
		10.3	**(0.8)**	**9.5**	13.9	(1.4)	12.5
Gift Aid and library funding	16	**-**	**(0.7)**	**(0.7)**	–	(0.7)	(0.7)
Operating result	6	**120.2**	**(105.1)**	**15.1**	118.7	(107.2)	11.5
FRC fines		**13.5**	**-**	**13.5**	15.7	–	15.7
Strategic projects		**-**	**(0.9)**	**(0.9)**	0.1	(1.6)	(1.5)
Investment income	7	**7.7**	**-**	**7.7**	3.0	–	3.0
Result before tax		**141.4**	**(106.0)**	**35.4**	137.5	(108.8)	28.7
Tax charge for the year	11	**-**	**(1.7)**	**(1.7)**	–	(0.4)	(0.4)
Net result after tax for the year		**141.4**	**(107.7)**	**33.7**	137.5	(109.2)	28.3

Certain functions noted below have been renamed in order to better reflect the operations of those functions. Prior year comparatives are unaffected.

1 Education & training, previously known as Learning and professional development
2 Belonging & supporting, previously known as Member, commercial and shared services
3 Reputation & influence, previously known as Technical strategy department
4 Refer to note 4 for further information regarding restated prior year amounts

GROUP AND ICAEW STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

		Group		ICAEW	
	Note	**2021 £m**	Restated[1] 2020 £m	**2021 £m**	Restated[1] 2020 £m
Net result after tax recognised in the income statement in the year		**34.0**	29.8	**33.7**	28.3
Items that will not be reclassified to profit or loss:					
Foreign operations – foreign currency translation difference		**(0.3)**	–	**-**	–
Gains/(losses) on revaluation of property, plant and equipment	13	**1.6**	(1.2)	**1.6**	(1.2)
Actuarial gains/(losses) recognised in the year	24	**0.2**	(2.3)	**0.2**	(2.3)
Deferred tax arising on above items	12	**(0.5)**	–	**(0.5)**	–
Other comprehensive income in the year		**1.0**	(3.5)	**1.3**	(3.5)
Total comprehensive income in the year		**35.0**	26.3	**35.0**	24.8

1 Refer to note 4 for further information regarding restated prior year amounts

GROUP STATEMENT OF CHANGES TO RESERVES

for the year ended 31 December 2021

	Revaluation reserve £m	Accumulated fund £m	Other reserves £m	Charitable trusts £m	Total £m
Reserves at 1 January 2020 as restated[1]	**16.5**	**72.2**	**5.6**	**15.4**	**109.7**
Net result after tax	–	30.0	–	(0.2)	29.8
Items that will not be reclassified to profit or loss:					
Revaluation of property, plant and equipment	(1.2)	–	–	–	(1.2)
Actuarial gains recognised in year on defined benefit pension scheme	–	(2.3)	–	–	(2.3)
Total other comprehensive income in the year	**(1.2)**	**(2.1)**	**-**	**(0.2)**	**(3.5)**
Total comprehensive income in the year	(1.2)	27.7	–	(0.2)	26.3
Reserves at 31 December 2020	**15.3**	**99.9**	**5.6**	**15.2**	**136.0**
Reserves at 1 January 2021	**15.3**	**99.9**	**5.6**	**15.2**	**136.0**
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)
Total other comprehensive income in the year	**1.1**	**(1.5)**	**(0.3)**	**1.7**	**1.0**
Total comprehensive income in the year	1.1	32.5	(0.3)	1.7	35.0
Reserves at 31 December 2021	**16.4**	**132.4**	**5.3**	**16.9**	**171.0**

1 Refer to note 4 for further information regarding restated prior year amounts

ICAEW STATEMENT OF CHANGES TO RESERVES

for the year ended 31 December 2021

	Revaluation reserve £m	Accumulated fund £m	Other reserves £m	Total £m
Reserves at 1 January 2020 as restated[1]	**16.5**	**70.0**	**5.6**	**92.1**
Net result after tax	–	28.3	–	28.3
Items that will not be reclassified to profit or loss:				
Decrease in valuation of property, plant and equipment	(1.2)	–	–	(1.2)
Actuarial gains recognised in year on defined benefit pension scheme	–	(2.3)	–	(2.3)
Total other comprehensive income in the year	**(1.2)**	**(2.3)**	**-**	**(3.3)**
Total comprehensive income in the year	(1.2)	26.0	–	24.8
Reserves at 31 December 2020	**15.3**	**96.0**	**5.6**	**116.9**
Reserves at 1 January 2021	**15.3**	**96.0**	**5.6**	**116.9**
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	**1.1**	**0.2**	**-**	**1.3**
Total comprehensive income in the year	1.1	33.9	–	35.0
Reserves at 31 December 2021	**16.4**	**129.9**	**5.6**	**151.9**

1 Refer to note 4 for further information regarding restated prior year amounts

GROUP AND ICAEW STATEMENTS OF FINANCIAL POSITION
as at 31 December 2021

	Note	Group 2021 £m	Group Restated[1] 2020 £m	ICAEW 2021 £m	ICAEW Restated[1] 2020 £m
Assets					
Non-current assets					
Property, plant and equipment	13	38.3	39.2	38.3	39.2
Right-of-use assets	14	0.5	0.5	0.4	0.5
Intangible assets	15	20.4	16.8	20.4	16.8
Investments in subsidiaries and associates	16	0.5	0.1	0.5	–
Financial asset investments	17	49.4	87.0	35.2	71.7
Net pension asset	24	23.0	22.5	23.0	22.5
		132.1	**166.1**	**117.8**	**150.7**
Current assets					
Inventories	18	0.7	0.7	0.7	0.7
Trade and other receivables	19	33.1	38.9	32.4	35.1
Financial asset investments	17	71.1	–	68.5	–
Cash and cash equivalents	20	49.6	53.6	47.5	53.0
		154.5	**93.2**	**149.1**	**88.8**
Total assets		**286.6**	**259.3**	**266.9**	**239.5**
Liabilities					
Current liabilities					
Trade and other payables	21	(69.7)	(75.1)	(69.4)	(74.5)
Current tax liabilities		(0.1)	–	–	–
FRC Conduct Committee provision	22	(3.9)	(4.6)	(3.9)	(4.6)
		(73.7)	**(79.7)**	**(73.3)**	**(79.1)**
Non-current liabilities					
Grants payable falling due in more than one year		(0.1)	(0.6)	–	(0.5)
Other payables falling due after more than one year	21	(35.3)	(34.5)	(35.2)	(34.5)
FRC Conduct Committee provision	22	–	(3.2)	–	(3.2)
Provisions	23	(1.5)	(2.5)	(1.5)	(2.5)
Deferred tax liability	12	(5.0)	(2.8)	(5.0)	(2.8)
		(41.9)	**(43.6)**	**(41.7)**	**(43.5)**
Total liabilities		**(115.6)**	**(123.3)**	**(115.0)**	**(122.6)**
Total net assets		**171.0**	**136.0**	**151.9**	**116.9**
Reserves					
Revaluation reserve	26	16.4	15.3	16.4	15.3
Accumulated fund	26	132.4	99.9	129.9	96.0
Other reserves	26	5.3	5.6	5.6	5.6
Charitable trust funds	26	16.9	15.2	–	–
		171.0	**136.0**	**151.9**	**116.9**

1 Refer to note 4 for further information regarding restated prior year amounts

Approved on behalf of Council and authorised for issue

William Brooks,
President
12 April 2022

Michael Izza,
Chief Executive
12 April 2022

GROUP AND ICAEW STATEMENTS OF CASH FLOWS

for the year ended 31 December 2021

	Note	Group 2021 £m	Group Restated[1] 2020 £m	ICAEW 2021 £m	ICAEW Restated[1] 2020 £m
Cash flows from operating activities					
Result after tax		**34.0**	**29.8**	**33.7**	**28.3**
Adjustments for:					
Depreciation and amortisation	13,14,15	7.0	7.6	7.0	7.6
Impairments	13,14,15	–	1.4	–	1.4
Loss on disposal of property, plant and equipment and intangible assets	13,14,15	1.6	3.3	1.6	3.3
FRC Conduct Committee cost recoveries credited to income statement	22	(2.8)	(12.8)	(2.8)	(12.8)
Investment income	7	(9.5)	(2.8)	(7.7)	(3.0)
Interest on lease liabilities	14	0.1	0.1	0.1	0.1
Tax expenses		1.8	0.5	1.7	0.4
Non-cash movement in provisions		(1.2)	5.8	(1.2)	5.8
Cash flows from operating activities before movements in working capital		**31.0**	**32.9**	**32.4**	**31.1**
Movements in working capital					
Decrease in inventories		–	0.2	–	0.2
Decrease/(increase) in trade and other receivables		7.7	(7.9)	4.6	(5.0)
(Decrease)/increase in trade and other payables		(5.4)	21.3	(5.1)	20.8
Increase in long-term payables		0.9	1.1	0.8	0.5
Cash generated from operating activities after movements in working capital		**34.2**	**47.6**	**32.7**	**47.6**
Cash flows on provisions					
Tax paid		(0.1)	(0.1)	–	(0.1)
Cash outflow on pension liabilities	24	(0.1)	(0.3)	(0.1)	(0.3)
FRC Conduct Committee cost recoveries received	22	6.0	6.8	6.0	6.8
Cash outflow on FRC Conduct Committee provision	22	(9.0)	(8.8)	(9.0)	(8.8)
Net cash generated from operating activities		**31.0**	**45.2**	**29.6**	**45.2**
Cash flows from investing activities					
Purchase of property, plant and equipment	13	(1.8)	(3.9)	(1.8)	(3.9)
Purchase of intangible assets	15	(7.8)	(7.7)	(7.8)	(7.7)
Purchase of investments in associates	16	(0.5)	–	(0.5)	–
Purchase of financial asset investments	17	(54.1)	(36.1)	(37.6)	(29.7)
Disposal of financial asset investments	17	28.2	25.2	11.5	18.9
Investment income received		1.8	1.7	1.8	1.7
Net cash outflow from investing activities		**(34.2)**	**(20.8)**	**(34.4)**	**(20.7)**
Repayment of lease liabilities	14	(0.8)	(0.8)	(0.7)	(0.7)
Net cash outflow from financing activities		**(0.8)**	**(0.8)**	**(0.7)**	**(0.7)**
Net (decrease)/increase in cash and cash equivalents in the year		**(4.0)**	**23.6**	**(5.5)**	**23.8**
Cash and cash equivalents at 1 January as restated[1]		53.6	30.0	53.0	29.2
Cash and cash equivalents at 31 December	20	**49.6**	**53.6**	**47.5**	**53.0**

1 Refer to note 4 for further information regarding restated prior year amounts

GROUP AND ICAEW NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

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. In the prior year, the Group and ICAEW financial statements were prepared in accordance with IFRS as adopted by the EU. This change in basis of preparation is required for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in framework. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

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 forecast information and risks 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 costs.

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 the Group and ICAEW, together with the results of the latest operational planning and risk assessments give assurance over 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

There are no new or amended IFRS effective for the current year that apply to ICAEW.

At the date of authorisation of these financial statements, there are no new standards or interpretations that have been issued which ICAEW has not applied.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 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.

2. ACCOUNTING POLICIES

a) Income and revenue recognition

Income is recognised exclusive of any taxes charged such as value added 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, 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.
- 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.
- Education & training income is predominantly generated from exam fees and is 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.
- 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.
- 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.

2. ACCOUNTING POLICIES continued

- 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.

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

- On an annual basis, ICAEW invoices its member firms for 90% of estimated costs payable by ICAEW to the FRC for that year in relation to FRC Conduct Committee cases. Once costs for each year have been invoiced, an adjustment is made to invoicing to member firms in the following year. This income from member firms is accounted for as it is received, less an adjustment for over-invoicing where applicable.
- 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 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.

Current tax liabilities are 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.

2. ACCOUNTING POLICIES continued

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 at least every five years by independent, professionally-qualified valuers. They are stated at estimated open market values that are derived from observed prices for recent market transactions.

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.

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 re-measurement of the lease liability. 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;
- 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.

2. ACCOUNTING POLICIES continued

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, investments in associates are accounted for at cost, less any provision for impairment.

k) Financial assets

Financial assets are recognised in the statement of financial position when the Group or ICAEW 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 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 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; and
- 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.

2. ACCOUNTING POLICIES continued

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 assets

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.

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 future 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.

i) Restructurings

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

ii) Dilapidations

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.

Additionally, ICAEW is responsible under a written agreement to indemnify the FRC for the costs incurred in relation to investigations or disciplinary actions against ICAEW members or member firms that are registered by ICAEW to carry out audit work. Further information on the accounting policy on provisioning for this liability is disclosed in section o) below.

o) FRC Conduct Committee provision (Note 22)

ICAEW is responsible under a written agreement to indemnify the FRC for costs resulting from FRC Conduct Committee cases in relation to investigations or disciplinary actions against ICAEW members or member firms that are registered by ICAEW to carry out audit 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. Due to the individual circumstances surrounding each case, the likelihood of a case proceeding past the current stage is highly uncertain.

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. An estimation is made regarding the proportion of costs included in the provision that will be recovered in the future from the party to the case on conclusion of cases, and the provision is reduced to the extent it is estimated that costs included in the provision will be recovered.

Where costs have already been realised in respect of FRC Conduct Committee cases, the provision for those costs is derecognised. An estimation is made regarding the amount of these costs that will be recovered on conclusion of cases and these cost recoveries are recognised 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 (revised). The net asset/liability 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 plan.

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, securities and cash together with qualifying insurance policies.

2. ACCOUNTING POLICIES continued

Net interest is determined by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions 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
Recognition of membership admission fee income	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. 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. 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. 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.	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 (2020: £0.9m) 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 (2020: £0.1m) if applied from the year the income was received.

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

Accounting area	Critical judgement	Key sources of estimation uncertainty
FRC Conduct Committee provision	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. 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 and 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.	The outcome of FRC Conduct Committee cases is highly uncertain. In measuring the provision, estimations must be made concerning the costs to complete the current stage and also case costs likely to be recovered from the member or member firm and reimbursed by the FRC to ICAEW. In order to estimate costs to complete current stage, open cases are reviewed to understand the status of the cases as at the reporting date and the work and procedures outstanding that are required to complete the current stage. Previous experience and understanding of relevant costings are factored into this estimation. 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.
Defined benefit pension scheme	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. 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 a pension asset in the statement of financial position.	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. Further information regarding the assumptions made and sensitivities to these assumptions is disclosed in note 24.
Fair value of property, plant and equipment	None	ICAEW measures freehold property, silver collections, rare books and antiques at fair value. The nature of the assets 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. 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 2021. The resulting fair value recognised in the statement of financial position was £28.0m (2020: £28.0m). The silver collection and rare books have also been revalued subject to independent professional valuation at 31 December 2021 to a value of £5.2m.

4. RESTATEMENT OF PRIOR YEAR

During the year, management have carried out a detailed review of the accounting treatment and classification of financial assets. Management have closely considered the purpose for which certain financial assets, previously classified as cash and cash equivalents, were held with regards to the definition of cash and cash equivalents under IAS 7. Management now consider that those investments were not held primarily for the purpose of meeting short-term cash commitments. Hence it is more appropriate to classify those assets as financial asset investments, in order to better reflect the purpose for which they were held.

Management have also considered the application of requirements under IFRS 9. The requirement under IFRS 9: 4.1.1 is to classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL) on the basis of both the entity's business model for managing the financial assets; and the contractual cash flow characteristics of the financial assets. Furthermore, under IFRS 9: 4.1.4 an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL, to present subsequent changes in fair value in other comprehensive income.

In the prior year, ICAEW elected to present changes in fair value of certain financial asset investments in other comprehensive income under the option available under IFRS 9: 4.1.4. However, on closer review of the nature of the investments, it has been determined that the option to irrevocably designate those financial asset investments as FVTOCI under IFRS 9 4.1.4 does not apply. This is because the investments concerned comprise units in a fund which do not meet the definition of equity per IAS 32. In the absence of an election to designate those financial asset investments as FVTOCI, the correct classification under IAS 9: 4.1 is FVTPL due to the fact that the cash flows stemming from the financial asset investments are not solely payments of principal and interest; and the managers of the relevant funds are permitted to sell the investments before maturity, realising fair value gains and losses, and reinvest the proceeds.

Prior year comparatives have been restated to reflect these new accounting treatments. The overall effect on the prior year total net assets is £nil and the overall effect on prior year total comprehensive income is £nil. As such, a full restated statement of financial position as at the beginning of the prior year has not been presented under IAS 1:40A, however the impacts on certain line items in the income statement, statement of financial position, other comprehensive, cash flow and reserves are detailed below.

The effect of the restatement on the Group financial statements set out below:

2020	Reference	As originally reported £m	Effect of restatement £m	**Group** Restated amounts £m
Income statement:				
Investment income	1	1.8	1.0	2.8
Tax charge for the year	1	(0.1)	(0.4)	(0.5)
Net result after tax for the year		29.2	0.6	29.8
Other comprehensive income:				
Fair value gain/(loss) on investments in equity investments designated as FVTOCI	1	0.8	(0.8)	–
Realised gain on disposal of equity investments	1	0.2	(0.2)	–
Deferred tax	1	(0.4)	0.4	–
Other comprehensive income for the year		(2.9)	(0.6)	(3.5)
Statement of financial position as at 1 January 2020:				
Financial asset investments	2	69.7	5.3	75.0
Cash and cash equivalents	2	35.3	(5.3)	30.0
Total net assets as at 1 January 2020		109.7	–	109.7
Statement of financial position as at 31 December 2020:				
Financial asset investments	2	81.7	5.3	87.0
Cash and cash equivalents	2	58.9	(5.3)	53.6
Total net assets as at 31 December 2020		136.0	–	136.0
Reserves as at 1 January 2020:				
Investment revaluation reserve	1	7.5	(7.5)	–
Accumulated fund	1	64.7	7.5	72.2
Total reserves as at 1 January 2020:		109.7	–	109.7
Reserves as at 31 December 2020:				
Investment revaluation reserve	1	8.2	(8.2)	–
Accumulated fund	1	91.8	8.1	99.9
Other reserves	1	5.5	0.1	5.6
Total reserves as at 31 December 2020:		136.0	–	136.0

Additionally, the Group statement of cash flows has been restated to reflect the restated cash and cash equivalent balances, net result after tax, investment income and associated tax effects.

4. RESTATEMENT OF PRIOR YEAR continued

The effect of the restatement on the ICAEW financial statements set out below:

2020	Reference	As originally reported £m	Effect of restatement £m	**ICAEW** Restated amounts £m
Income statement:				
Investment income	1	1.7	1.3	3.0
Tax charge for the year	1	–	(0.4)	(0.4)
Net result after tax for the year		27.4	0.9	28.3
Other comprehensive income:				
Fair value gain/(loss) on investments in equity investments designated as FVTOCI	1	1.1	(1.1)	–
Realised gain on disposal of equity investments	1	0.2	(0.2)	–
Deferred tax	1	(0.4)	0.4	–
Other comprehensive income for the year		(2.6)	(0.9)	(3.5)
Statement of financial position as at 1 January 2020:				
Financial asset investments	2	54.2	5.3	59.5
Cash and cash equivalents	2	34.5	(5.3)	(29.2)
Total net assets as at 1 January 2020		92.1	–	92.1
Statement of financial position as at 31 December 2020:				
Financial asset investments	2	66.4	5.3	71.7
Cash and cash equivalents	2	58.3	(5.3)	53.0
Total net assets as at 31 December 2020		116.9	–	116.9
Reserves as at 1 January 2020:				
Investment revaluation reserve	1	7.5	(7.5)	–
Accumulated fund	1	62.5	7.5	70.0
Total reserves as at 1 January 2020:		92.1	–	92.1
Reserves as at 31 December 2020:				
Investment revaluation reserve	1	8.2	(8.2)	–
Accumulated fund	1	87.8	8.2	96.0
Total reserves as at 31 December 2020:		116.9	–	116.9

Additionally, the ICAEW statement of cash flows has been restated to reflect the restated cash and cash equivalent balances, net result after tax, investment income and associated tax effects.

1 These restatements relate to the reclassification of fair value gains and losses which have been represented in the income statement, where previously presented in other comprehensive income, inclusive of the related tax effects. In addition, the accumulated fair value gains and losses that were previously included in the investment revaluation reserve have been represented in the accumulated fund accordingly.

2 These restatements relate the reclassification of certain financial assets from cash and cash equivalents to financial asset investments to reflect the fact that those financial assets are held for investment purposes rather than to meet short-term cash commitments.

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 financial review section. Board and Council members are regularly updated on any significant issues relating to financial risk management. Financial risks to which ICAEW is exposed are summarised below.

i) 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.

ii) 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.

iii) 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 RESULT

	Group		ICAEW	
The Group and ICAEW operating result is stated after charging:	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Staff costs (see note 9)	**48.9**	47.5	**44.1**	41.7
Other operating costs	**36.7**	38.7	**34.9**	36.6
Finance charges	**5.7**	6.4	**5.4**	6.1
Government grants	**(0.4)**	(0.7)	**(0.4)**	(0.6)
Depreciation on owned property, plant and equipment (note 13)	**4.1**	3.7	**4.1**	3.7
Depreciation on right-of-use assets (note 14)	**0.1**	0.5	**0.1**	0.5
Amortisation of intangible assets (note 15)	**2.8**	3.4	**2.8**	3.4
Cost of inventories recognised as an expense	**0.7**	0.9	**0.7**	0.9
Amounts payable under operating leases under IFRS 16:				
Short-term leases	**0.2**	0.2	**-**	0.1
Interest on lease liabilities	**0.2**	0.1	**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.

7. INVESTMENT INCOME

	Group		ICAEW	
	2021 £m	Restated 2020 £m	2021 £m	Restated 2020 £m
Interest receivable from investment deposits	**0.1**	0.4	**0.1**	0.4
Returns on multi-asset portfolio	**9.4**	2.4	**7.3**	2.3
Investment income derived from financial assets classified as FVTPL	**9.5**	2.8	**7.4**	2.7
Dividends receivable from subsidiary undertakings	**-**	-	**0.3**	0.3
	9.5	2.8	**7.7**	3.0

All financial asset investments are classified as at fair value through profit or loss. Refer to note 4 for further information regarding the restatement of prior year investment income.

8. OPERATING LEASING COMMITMENTS

The Group leases various buildings as business premises.

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:

	Group		ICAEW	
Land and buildings	2021 £m	2020 £m	2021 £m	2020 £m
Minimum lease payments due:				
Within one year	**0.2**	0.2	**-**	0.1
	0.2	0.2	**-**	0.1

9. STAFF COSTS

	Group		ICAEW	
Average number of staff employed during the year	2021	2020	2021	2020
Total employees	**801**	799	**740**	742
Full-time equivalents	**768**	767	**707**	707

	Group		ICAEW	
Employment costs	2021 £m	2020 £m	2021 £m	2020 £m
Wages and salaries	**42.2**	40.8	**37.5**	35.1
Employer's social security costs	**4.1**	3.9	**4.0**	3.9
Employer's pension costs	**2.6**	2.8	**2.6**	2.7
	48.9	47.5	**44.1**	41.7

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 (2020: EXECUTIVE COMMITTEE)

	Group and ICAEW			Group and ICAEW		
	Salary 2021 £'000	Deferred variable pay 2021 £'000	Total 2021 £'000	Salary 2020 £'000	Deferred variable pay 2020 £'000	Total 2020 £'000
Sharron Gunn	**293**	**86**	**379**	265	–	265
Robert Hodgkinson	**72**	**19**	**91**	287	–	287
Dabinder Hutchinson	**189**	**58**	**247**	–	–	–
Michael Izza	**477**	**154**	**631**	467	–	467
Mark Protherough	**66**	**18**	**84**	262	–	262
Vernon Soare	**75**	**-**	**75**	299	–	299
Duncan Wiggetts	**-**	**-**	**-**	154	–	154
	1,172	**335**	**1,507**	1,844	–	1,844

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

The Leadership Team 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 Leadership Team members on the basis of performance and is agreed by the remuneration committee. The Leadership Team waived their right to deferred variable pay in respect of 2020 as a result of COVID-19.

On 1 April 2021 a restructure of the senior management team removed the Executive Director roles and created two new Board roles of Chief Operating Officer (COO) and Chief Finance Officer (CFO). Sharron Gunn was appointed COO and Dabinder Hutchinson was appointed CFO. Duncan Wiggetts resigned from the Board on 21 July 2020, to ensure compliance with the Legal Services Board internal Governance Rules. Robert Hodgkinson (ED, Technical), Mark Protherough (ED, Learning and Professional Development) and Vernon Soare (Chief Operating Officer) retired from the Board on 31 March 2021.

Independent non-executive directors (those who are not ICAEW members) receive a director's fee of £16,000 (2020: £15,500) per annum. No other non-executive directors are remunerated. 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. No other non-executive member of Council, Board or other member committees are remunerated. In relation to professional standards, the chair of the ICAEW Regulatory Board (IRB) is paid £30,000 per annum (2020: £30,000) and the lay members of the IRB are paid a day rate of £350 (2020: £350).

11. TAX

	Group		ICAEW	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Current tax on profits for the year	**0.1**	0.1	**-**	–
Deferred tax charge:				
Effect of corporation tax rate change	**0.9**	–	**0.9**	–
Origination and reversal of timing differences	**0.8**	0.4	**0.8**	0.4
Total deferred tax charge:	**1.7**	0.4	**1.7**	0.4
Tax charge for the year	**1.8**	0.5	**1.7**	0.4

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.

11. TAX continued

Factors affecting the tax charge for the year	Group 2021 £m	Group 2020 £m	ICAEW 2021 £m	ICAEW 2020 £m
Result before tax	**35.8**	30.3	**35.4**	28.7
Add back: result on transactions with members	**(29.3)**	(27.7)	**(28.0)**	(26.4)
Net result before tax on transactions with non-members	**6.5**	2.6	**7.4**	2.3
Corporation tax charge at standard rate of 19% (2020: 19%)	**1.2**	0.5	**1.4**	0.4
Effects of:				
Items not chargeable/deductible for tax purposes	**(0.4)**	(0.2)	**(0.6)**	(0.2)
Unutilised losses	**-**	0.2	**-**	0.2
Foreign taxes	**0.1**	–	**-**	–
Corporation tax rate change	**0.9**	–	**0.9**	–
Tax charge for the year	**1.8**	0.5	**1.7**	0.4

ICAEW anticipates that tax charges in future years may be affected by continued donations under gift aid to CATER.

12. DEFERRED TAX

	Group and ICAEW: Gains and losses on financial asset investments £m	Revaluation of properties and historical collections £m	Defined benefit pension scheme deficit £m	Net £m
Liability at 1 January 2020	**1.5**	**0.4**	**0.5**	**2.4**
Amounts charged to the income statement for the year	0.4	–	–	0.4
Liability at 1 January 2021	**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
Liability at 31 December 2021	**3.6**	**0.9**	**0.5**	**5.0**

As at 31 December 2021, deferred tax amounts totalling £0.6m (2020: £0.7m) in relation to losses carried forward were not recognised in the statement of financial position due to uncertainties over the future 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% (2020: 19%).

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
Cost or valuation					
At 1 January 2020	37.3	3.1	4.6	15.1	60.1
Additions	2.4	0.1	–	1.4	3.9
Disposals at cost or valuation	(1.2)	–	–	(0.4)	(1.6)
Revaluation	(1.2)	–	–	–	(1.2)
At 1 January 2021	**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
At 31 December 2021	**39.2**	**3.0**	**5.2**	**15.1**	**62.5**
Accumulated depreciation					
At 1 January 2020	7.6	2.2	–	8.9	18.7
Depreciation for the year	1.9	0.3	–	1.5	3.7
Depreciation eliminated on disposals	(0.2)	–	–	(0.2)	(0.4)
At 1 January 2021	**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)
At 31 December 2021	**11.2**	**2.8**	**-**	**10.2**	**24.2**
Carrying amount					
At 31 December 2021	**28.0**	**0.2**	**5.2**	**4.9**	**38.3**
At 31 December 2020	28.0	0.7	4.6	5.9	39.2

On an historical cost basis the comparable amounts for property, plant and equipment are:

Cost	**32.1**	**3.0**	**0.2**	**14.9**	**50.2**
Accumulated depreciation	(16.6)	(2.8)	–	(10.0)	(29.4)
Net historical cost at 31 December 2021	**15.5**	**0.2**	**0.2**	**4.9**	**20.8**
Net historical cost at 31 December 2020	16.7	0.6	0.2	5.8	23.3

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 (see 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, as at 31 December 2021.

A professional valuation of the rare books collection was carried out by John Drury Rare Books as at 31 December 2021. A desktop valuation of ICAEW's historic silver collections was carried out at 31 December 2021 with no change in valuation.

At 31 December 2021 there were no contracts for capital expenditure not provided for in these financial statements (2020: £nil).

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

Right-of-use assets	Group £m	ICAEW £m
Cost		
At 1 January 2020	**6.9**	**6.9**
Impairment	(0.4)	(0.4)
At 1 January 2021	**6.5**	**6.5**
Additions	0.1	–
At 31 December 2021	**6.6**	**6.5**
Accumulated depreciation		
At 1 January 2020	**5.5**	**5.5**
Depreciation for the year	0.5	0.5
At 1 January 2021	**6.0**	**6.0**
Amortisation for the year	0.1	0.1
At 31 December 2021	**6.1**	**6.1**
Carrying amount		
At 31 December 2021	**0.5**	**0.4**
At 31 December 2020	0.5	0.5

In the prior year an impairment was recognised of £0.4m in respect of a leased building, reflecting a period that the building was out of use due to social distancing measures in response to the COVID-19 pandemic.

Lease liabilities

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

	Group		ICAEW	
	2021 £m	2020 £m	**2021 £m**	2020 £m
At 1 January	**1.5**	2.1	**1.3**	1.9
New leases	**0.1**	0.1	**–**	–
Interest charged	**0.1**	0.1	**0.1**	0.1
Lease payments	**(0.8)**	(0.8)	**(0.7)**	(0.7)
At 31 December	**0.9**	**1.5**	**0.7**	**1.3**

An estimated borrowing rate has been used to calculate the interest charge on lease payments. This rate of 2.75% (2020: 2.75%) has been determined using the LIBOR rate and then applying a risk factor in basis points.

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

	Group		ICAEW	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Current	**0.8**	0.8	**0.7**	0.7
Non-current	**0.1**	0.7	**–**	0.6
	0.9	**1.5**	**0.7**	**1.3**

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

After the year end, two additional leases were entered into, commencing January 2023 with a five-year term. These new leases relate to premises already occupied by ICAEW under existing leases as at 31 December 2021. The annual amount payable under these leases totals £0.6m. The associated right-of-use asset and lease liability to be recognised amount to £3.1m.

15. INTANGIBLE ASSETS

	Group and ICAEW 2021 £m	2020 £m
Cost		
At 1 January	**33.0**	28.6
Additions	**7.8**	7.7
Impairment	**-**	(1.0)
Disposals	**(5.9)**	(2.3)
At 31 December	**34.9**	33.0
Accumulated amortisation		
At 1 January	**16.2**	13.0
Amortisation for the year	**2.8**	3.4
Disposals	**(4.5)**	(0.2)
At 31 December	**14.5**	16.2
Carrying amount at 31 December	**20.4**	16.8

Intangible assets comprise principally software for ICAEW's internal systems. The main additions in the year related to the development of ICAEW's Business Systems Transformation programme as well as supporting digital infrastructure. Amortisation charges are allocated across ICAEW functions on the basis of system usage.

Individually significant intangible assets include internally developed software with a cost of £3.2m (2020: £3.2m) and carrying value £2.4m (2020: £2.7m) with a remaining amortisation period of 8 years as at 31 December 2021; as well as software currently under development with a cost and carrying value of £13.4m (2020: £7.2m) which are expected to be brought into use in 2022 and depreciated over 10 years. These assets have been developed as part of the ICAEW Business Systems Transformation programme to replace and upgrade the core IT systems which support the delivery of our strategy, including our membership, finance and customer relationship management applications.

As required under IAS 36:10, intangible assets not yet brought into use have been tested for impairment in the current and prior year. It has been determined that there is no impairment to be recognised in the current year. In the prior year, an impairment of £1.0m was recognised in relation to software developed under the Business Systems Transformation programme. This arose as a result of disruption stemming from the COVID-19 pandemic which meant not all costs incurred met the recognition criteria under IAS 38.57.

Once the assets currently under development are brought into use, which is expected to happen in 2022, ICAEW will give careful consideration as to whether there are any indications of impairment. Where such indications arise, ICAEW will make an estimation of the recoverable amount of the asset in order to determine whether any impairment loss has arisen.

At 31 December 2021 there were £nil (2020: £0.1m) of contracts for capital expenditure not provided for in these financial statements.

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 £0.3m (2020: £0.3m). At the year end, the trusts owed ICAEW £nil (2020: £nil).

16. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES continued

ICAEW made payments of £0.7m (2020: £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 following subsidiary undertakings, all incorporated in England and Wales, through its direct wholly owned subsidiary ICAEW Limited. The international companies provide marketing services for ICAEW and the ICAEW Legal Services Compensation Scheme Ltd activity is set out below. The value of these services during 2021 was £5.7m (2020: £5.9m). At the year-end £2.3m (2020: £1.0m) was owed by ICAEW and £0.3m (2020: £0.1m) was owed to ICAEW.

Subsidiary name	Activity and cost of investment	2021 dividends paid £m	2020 dividends paid £m
ICAEW Malaysia Limited	Representative office for ICAEW in Malaysia, Indonesia and Vietnam. Cost £1	–	–
ICAEW China Limited	Representative office for ICAEW in China. Cost £2	–	–
ICAEW Middle East Limited	Representative office for ICAEW in the Middle East. Cost £1	0.1	0.1
ICAEW SEA Limited	Representative office for ICAEW in South East Asia. Cost £1	0.1	0.1
ICAEW Europe Limited	Representative office for ICAEW in Europe. Cost £1	–	–
ICAEW Legal Services Compensation Scheme Ltd – a company limited by guarantee	Funds any claims for compensation arising from the obligations in relation to member firms authorised or licensed under ICAEW's Legal Services Regulations.	–	–

The dividends disclosed above were paid in specie to ICAEW Limited and subsequently paid as a dividend in specie from ICAEW Limited to ICAEW.

The following related entities, all with their principal place of business in the UK, have been treated as associates. 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 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 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.

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

16. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES continued

Financial information relating to the associates is summarised below:

	JIEB 2021 £m	FAP 2021 £m	CCAB 2021 £m	CACS 2021 £m	CAW 2021 £m	Engine B 2021 £m	**Total 2021 £m**	Total 2020 £m
Assets	0.3	0.2	3.5	0.2	0.6	1.5	**6.3**	2.1
Liabilities	–	–	(3.5)	(0.2)	(0.5)	(0.3)	**(4.5)**	(1.7)
Net assets	0.3	0.2	–	–	0.1	1.2	**1.8**	0.4
Revenue	0.2	0.1	6.0	0.1	0.5	0.3	**7.2**	6.6
Result from continuing operations and total comprehensive income	–	–	–	–	–	(0.7)	**(0.7)**	0.1
Services provided by ICAEW during the year, including grant funding	0.1	0.2	–	–	0.1	–	**0.4**	0.5
Balances due from associates at 31 December	–	–	0.2	0.2	–	–	**0.4**	0.3
Group share of net assets at 31 December	–	0.1	–	–	–	0.4	**0.5**	0.1

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.

Movements in investments in subsidiaries:	**Group £m**	**ICAEW £m**
At 1 January 2020	**0.1**	**-**
Additions	–	–
At 1 January 2021	**0.1**	**-**
Additions	0.5	0.5
Share of loss of equity accounted associates recognised in income statement	(0.1)	-
At 31 December 2021	**0.5**	**0.5**

Additions in the year relate to the investment in Engine B Limited. In the prior year the investment in Engine B Limited was classified as an investment at fair value through profit or loss. Fair value was estimated at £nil as at 31 December 2020. During 2021, the investment was transferred to investments in associates due to ICAEW having significant influence over the company, at a deemed cost of £nil, and a further £0.5m was invested into 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.

				Restated		
Group	Interest-bearing investments 2021 £m	Equities and unit trusts 2021 £m	**Total 2021 £m**	Interest-bearing investments 2020 £m	Equities and unit trusts 2020 £m	Total 2020 £m
Fair value						
At 1 January	11.3	75.7	**87.0**	11.2	63.8	75.0
Additions	26.0	28.1	**54.1**	1.0	35.1	36.1
Disposals	(1.1)	(27.1)	**(28.2)**	(0.9)	(24.2)	(25.1)
Realised gains/(losses) recognised in income statement	0.1	1.4	**1.5**	–	0.2	0.2
Fair value gains and losses recognised in income statement	(0.2)	6.3	**6.1**	–	0.8	0.8
At 31 December	36.1	84.4	**120.5**	11.3	75.7	87.0
Presented within non-current assets	–	49.4	**49.4**	11.3	75.7	87.0
Presented within current assets	36.1	35.0	**71.1**	–	–	–
Total Financial asset investments	36.1	84.4	**120.5**	11.3	75.7	87.0

On an historical cost basis the comparable amounts of investments are:

At 31 December	36.3	67.5	**103.8**	11.3	52.7	64.3

17. FINANCIAL ASSET INVESTMENTS continued

ICAEW	Interest-bearing investments 2021 £m	Equities and unit trusts 2021 £m	Total 2021 £m	Restated Interest-bearing investments 2020 £m	Restated Equities and unit trusts 2020 £m	Restated Total 2020 £m
Fair value						
At 1 January	10.3	61.4	**71.7**	10.3	49.2	59.5
Additions	25.0	12.6	**37.6**	–	29.7	29.7
Disposals	–	(11.5)	**(11.5)**	–	(18.8)	(18.9)
Realised gains/(losses) recognised in income statement	0.1	1.4	**1.5**	–	0.2	0.2
Fair value gains and losses recognised in income statement	(0.2)	4.6	**4.4**	–	1.1	1.1
At 31 December	35.2	68.5	**103.7**	10.3	61.4	71.7
Presented within non-current assets	–	35.2	**35.2**	10.3	61.4	71.7
Presented within current assets	35.2	33.3	**68.5**	–	–	–
Total financial asset investments	35.2	68.5	**103.7**	10.3	61.4	71.7

On an historical cost basis the comparable amounts of investments are:

At 31 December	35.4	53.5	**88.9**	10.3	51.2	56.2

The comparative figures for Group and ICAEW have been restated, with amounts totalling £5.3m as at 1 January 2020 and 31 December 2020 reclassified from cash and cash equivalents to financial asset investments in order to reflect management's intentions to hold those funds for longer term investment gains rather than to meet short-term cash commitments.

Within Group investments are charitable funds of £16.8m (2020: £15.3m) 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 £0.7m (2020: £0.7m) associated with development of e-learning documents. There was no provision against learning materials at the year end (2020: £nil).

19. TRADE AND OTHER RECEIVABLES – CURRENT

	Group 2021 £m	Group 2020 £m	ICAEW 2021 £m	ICAEW 2020 £m
Trade receivables and other receivables	**20.7**	27.3	**19.8**	23.2
Amounts owed by subsidiaries	**-**	–	**0.3**	0.3
Amounts owed by associates	**0.4**	0.2	**0.4**	0.3
Prepayments	**3.8**	3.1	**3.7**	3.1
Other receivables – FRC Conduct Committee case cost recoveries	**5.4**	3.5	**5.4**	3.5
Other accrued income	**3.5**	5.5	**3.5**	5.4
	33.8	39.6	**33.1**	35.8
Less: provision for impairment of trade and other receivables	**(0.7)**	(0.7)	**(0.7)**	(0.7)
	33.1	38.9	**32.4**	35.1

19. TRADE AND OTHER RECEIVABLES – CURRENT continued

All receivables have been reviewed for indicators of impairment. Certain trade receivables, principally in relation to disciplinary fines and costs from members, member firms and former members, were found to be impaired, resulting in a provision at year end of £0.7m (2020: £0.7m). The movement in the provision for trade and other receivables can be reconciled as follows:

	Group		ICAEW	
	2021 £m	2020 £m	**2021 £m**	2020 £m
At 1 January	**0.7**	0.8	**0.7**	0.8
Provision utilised in year	**(0.3)**	(0.5)	**(0.7)**	(0.5)
Impairment losses recognised during the year	**0.3**	0.4	**0.7**	0.4
At 31 December	**0.7**	0.7	**0.7**	0.7

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	
	2021 £m	2020 £m	**2021 £m**	2020 £m
More than one month but not more than three months	**0.9**	1.0	**0.9**	1.0

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Group		ICAEW	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Cash at bank	**44.5**	10.5	**42.4**	9.9
Amounts held on short-term money market deposits	**5.1**	43.1	**5.1**	43.1
	49.6	53.6	**47.5**	53.0

The prior year comparatives have been restated, with amounts totalling £5.3m reclassified from cash and cash equivalents to financial asset investments in order to reflect management's intentions to hold those funds for longer term investment gains rather than to meet short-term cash commitments.

21. TRADE AND OTHER PAYABLES

	Group		ICAEW	
Current	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Subscriptions fees in advance	**28.0**	29.4	**28.0**	29.4
Admission fee and affiliate application fee deferred income obligations	**2.3**	1.9	**2.3**	1.9
Amounts owed to subsidiaries	**-**	–	**2.3**	2.7
Other income in advance	**1.7**	10.8	**1.7**	10.8
Trade payables	**4.5**	4.2	**3.8**	4.2
Other payables	**20.2**	17.8	**19.5**	14.6
Lease liabilities	**0.8**	0.8	**0.7**	0.7
Income tax and social security payables	**1.7**	1.3	**1.7**	1.3
Accruals	**10.5**	8.9	**9.4**	8.9
	69.7	75.1	**69.4**	74.5

	Group		ICAEW	
Non-current	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Admission fee and affiliate application fee deferred income obligations	**32.2**	31.4	**32.2**	31.4
Lease liabilities	**0.1**	0.7	**-**	0.6
Subscriptions and other income in advance	**3.0**	2.4	**3.0**	2.4
Other payables	**-**	–	**-**	0.1
	35.3	34.5	**35.2**	34.5

22. FRC CONDUCT COMMITTEE PROVISION

The FRC Conduct Committee is part of the FRC 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 ICAEW and the following participating institutes: the Association of Chartered Certified Accountants, the Chartered Institute of Management Accountants, the Chartered Institute of Public Finance and Accountancy, Chartered Accountants Ireland and the Institute of Chartered Accountants of Scotland.

ICAEW is responsible under a written agreement to indemnify the FRC for costs resulting from FRC Conduct Committee cases in relation to investigations or disciplinary actions against ICAEW members or member firms that are registered by ICAEW to carry out audit 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.

Due to the individual circumstances surrounding each case, the likelihood of cases 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 cases might proceed into subsequent stages before they are concluded (see 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. Cost recoveries relating to case costs already settled by the ICAEW are presented in other receivables.

At the year end, the provision covers a total of 40 (2020: 32) current 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. Although the number of open cases has increased year on year, many of the cases open as at 31 December 2021 are in the early stages of the disciplinary investigation process which bear lower cost compared to latter stages. As a result of this change in the open case portfolio, the overall provision to cover costs to complete the current stage has decreased. Conversely, the range of the contingent liability, which reflects the best estimate of the cost potentially required to settle future stages, should all open cases progress through all stages of the disciplinary scheme, has increased year on year (see note 27).

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 of £3.9m at 31 December 2021 (2020: £7.8m) 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. 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, average recovery rates have been adjusted to take into account the risks associated with specific large, complex open cases over which there remains significant uncertainty around the level of costs that may be awarded on each case and ultimately recovered.

The FRC case cost provision covering the current stage of open cases has an estimated range of £1.6m to £4.2m (2020: £6.8m to £7.8m). 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.

	Group and ICAEW			
	Estimated case costs £m	Estimated cost recoveries £m	Total provision £m	Other receivables (note 19) £m
Liability/(asset) at 1 January 2021	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)
Liability/(asset) at 31 December 2021	**5.8**	**(1.9)**	**3.9**	**(5.4)**

22. FRC CONDUCT COMMITTEE PROVISION continued

	Group and ICAEW			
	Estimated case costs £m	Estimated cost recoveries £m	Total provision £m	Other receivables (note 19) £m
Liability at 1 January 2020	11.8	–	11.8	–
Amounts utilised in year	(11.8)	–	(11.8)	–
Case cost recoveries realised in year	–	–	–	–
Amounts charged/(credited) to income statement	10.3	(2.5)	7.8	(3.5)
Liability/(asset) at 31 December 2020	**10.3**	**(2.5)**	**7.8**	**(3.5)**

Included in accruals (see note 21) are liabilities of £3.0m (2020: £3.0m) in relation to costs finalised with the FRC but not yet invoiced, offset by cost recoveries of £3.0m (2020: £nil) for cases that have been concluded but the cash was received in January 2022.

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 netted against amounts shown in accruals.

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

	2021 £m	2020 £m
Amounts provided in the year for FRC Conduct Committee case costs	**4.5**	10.3
Estimated future recoveries of case costs recognised in the provision in year	**(1.9)**	(2.5)
Estimated future recoveries of case costs already realised, recognised in other receivables in year	**(5.4)**	(3.5)
Cost recoveries realised in excess of those previously accrued	**(1.6)**	(6.8)
Net credit to income statement	**(4.4)**	(2.5)

23. PROVISIONS FOR FUTURE LIABILITIES

	Group and ICAEW			
	Dilapidations £m	Holiday pay £m	Other £m	Total £m
At 1 January 2021	0.8	0.9	0.8	2.5
Amounts utilised	–	(0.9)	(0.8)	(1.7)
Amounts charged to income statement in year	–	0.6	0.1	0.7
At 31 December 2021	0.8	0.6	0.1	1.5

The provision for dilapidations is expected to be utilised on exit from the relevant leased property. The lease runs until 2023, however, post year end, a further lease has been signed for that property running until 2028. The actual outflows will vary dependent upon any subsequent agreements with the landlord.

Other provisions relate primarily to restructuring costs.

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. 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 latest triennial actuarial valuation showed a deficit of £0.2m at 31 March 2019, with a market value of scheme assets of £210.1m and scheme liabilities measured at £210.4m equating to a funding level of 99.9%. From 1 March 2021, contributions to the scheme have ceased due to funding level targets being reached in accordance with the recovery plan agreed with the Trustee and no further contributions are anticipated for 2022. The scheme actuary has provided a desktop updated actuarial valuation of the scheme's funding position as at 31 December 2021, showing a surplus of £12.8m representing a funding level of 106%. This included the impact of GMP equalisation of 0.3% of the liabilities. The actuarial valuation differs from the valuation under IAS 19 mainly due to differences in the way discounts rates are determined under the two valuation methods.

Because of changing market and economic conditions, the expenses and liabilities actually 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 as other comprehensive income. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement.

24. PENSION BENEFITS continued

In conjunction with the 2019 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 £28.0m as at 31 December 2021 (see note 13).

The defined benefit pension scheme typically exposes ICAEW to a level of actuarial risk including investment risk, inflation risk, interest risk and longevity 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, it will create a deficit. 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.
Longevity 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.

The scheme's actuary provides a separate report for IAS 19 purposes at each year-end. The assumptions made at 31 December 2021 by management on the advice of the scheme's actuary were:

	2021	2020
Discount rate	**1.85%**	1.25%
Pension increase rate per annum	**3.25%**	2.85%
Rate of inflation (RPI)	**3.35%**	2.90%

Mortality rates (years) used to calculate the pension liabilities imply an expected future life expectancy of:	**Years**	Years
Pensioners men – Age 65	**23.3**	23.4
Pensioners women – Age 65	**24.6**	24.7
Non-pensioners men	**24.7**	24.7
Non-pensioners women	**26.6**	26.7

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 16 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.

	Number of members	Liability split	Duration (Years)
Deferred members	250	39.7%	20.6
Pensioners	430	60.3%	12.5
Total/weighted average	680	100%	15.7

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.

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
Longevity	Increase by 1 year	Increase by 4%	Decrease by £4.1m

2020	Change in assumption	Change in scheme liabilities	Change in surplus
Discount rate	Increase/(decrease) by 0.5% pa	(Decrease)/increase by 9%	Increase/(decrease) by £17.8m
Rate of inflation	Increase/(decrease) by 0.5% pa	Increase/(decrease) by 7%	(Decrease)/increase by £14.5m
Longevity	Increase by 1 year	Increase by 4%	Decrease by £8.3m

24. PENSION BENEFITS continued

In accordance with IFRIC 14, the defined benefit pension scheme rules and funding arrangements were reviewed and, with supporting legal advice, ICAEW considers that it has an unconditional right to a refund 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 £23.0m (2020: £22.5m) has been recognised as a pension asset in the statement of financial position.

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:

	2021 £m	2020 £m
Present value of defined benefit obligations	**(197.2)**	(206.4)
Fair value of plan assets	**220.2**	228.9
Net pension asset	**23.0**	22.5
Defined benefit obligations		
Opening defined benefit obligation	**206.4**	190.7
Interest on obligation	**2.5**	3.7
Actuarial gains arising from changes in financial assumptions		
Changes in demographic assumptions	**(0.3)**	1.7
Changes in financial assumptions	**(7.3)**	21.7
Experience	**4.6**	(3.7)
Benefits paid	**(8.7)**	(7.7)
Closing defined benefit obligation	**197.2**	206.4
Fair value of plan assets		
Opening fair value of plan assets	**228.9**	214.7
Interest income of fund assets	**2.8**	4.2
Employer contributions	**-**	0.3
Return on assets excluding amounts included in net interest	**(2.8)**	17.4
Benefits paid	**(8.7)**	(7.7)
Closing fair value of plan assets	**220.2**	228.9

The experience gain shown above is in relation to the difference between actual and expected inflation, as well as the impact of new membership data.

Scheme administration costs of £0.5m (2020: £0.6m) were borne directly by ICAEW.

Plan assets are categorised as follows:

	2021 £m	**2021 %**	2020 £m	2020 %
Quoted investments				
Equities	**-**	**-**	37.0	16%
Debt securities – government bonds	**37.6**	**17%**	35.8	16%
Debt securities – corporate bonds	**-**	**-**	21.6	9%
Absolute return bond	**46.3**	**21%**	45.7	20%
Cash and cash equivalents	**40.7**	**18%**	36.3	16%
Unquoted investments				
Insurance contracts	**95.6**	**44%**	52.4	23%
	220.2	**100%**	228.8	100%

24. PENSION BENEFITS continued

As part of the continued process to manage scheme volatility, the trustee has purchased three buy-in annuity insurance contracts to provide funding for the liabilities of a portion of the largest pension liabilities. These annuities are in the name of the trustee and are an asset of the fund and the corresponding pensioner obligations also remain as liabilities of the fund. The policies have been valued by the scheme actuary on a basis to value the underlying liabilities secured by the policy. It assumes that the fair value of the asset is equal to this liability value which is determined on the IAS 19 basis. The asset is included as insurance contracts elsewhere in this note.

The Fund implemented the third pensioner buy-in in December 2021. The final premium paid was £53.0m compared to liabilities on the IAS19 basis of £46.0m. The return on assets recognised in other comprehensive income therefore includes the loss in respect of the buy-in of £7.0m.

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

	2021 £m	2020 £m
Net interest income on plan assets	**2.8**	4.2
Interest on defined benefit obligation	**(2.5)**	(3.7)
	0.3	0.5

Amounts recognised as other comprehensive income:

	2021 £m	2020 £m
Return on plan assets (excluding amounts included in net interest)	**(2.8)**	17.4
Actuarial gain/(loss) on changes in demographic assumptions	**0.3**	(1.7)
Actuarial gain/(loss) on changes in financial assumptions	**7.3**	(21.7)
Experience re-measurements	**(4.6)**	3.7
Actuarial gain/(loss)	**0.2**	(2.3)

Defined contribution scheme

The defined contribution scheme provides benefits based upon contributions made 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 £3.2m (2020: £2.8m). There were no contributions payable to the scheme at the year-end date (2020: £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, particularly in connection with lecturing and writing papers. In 2021 these payments in aggregate amounted to £2.3m (2020: £1.4m). Of this, £548,000 (2020: £331,000) was paid for services to member firms which have a partner or employee who is a member of Council. The amounts paid to individual Council members for services was £39,000 (2020: £34,500) in total.

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

During the year and prior year, ICAEW has provided accounting and operational support to Stichting Capitals Coalition (CC), a multi-stakeholder entity registered in the Netherlands. CC promote collaboration, bringing together initiatives and organisations to harmonise approaches to natural capital. ICAEW hosts the secretariat and Michael Izza is a member of the CC's board of directors.

The amount held by ICAEW as agent of the CC at the year-end date was £nil (2020: £0.2m). In 2020, CC transitioned towards the set-up of a separate legal entity, not part of the ICAEW Group and based in The Netherlands. While CC was set up as a separate legal entity in January 2020, no immediate changes in operations were necessary as work continued as it had been previously however, a formal service agreement was entered between ICAEW and the new entity, Stichting Capitals Coalition, in March 2020 for the delivery of bookkeeping services and IT support on a pro bono basis.

26. RESERVES

ICAEW reserves policies ensure that reserves including FRC fines and costs balances are set at a level equivalent to between three and six months of expenditure through the income statement and for cash and investment balances to be at least sufficient to cover between three and six months of annual budgeted/forecast gross cash expenditure. The balance at the end of 2021 exceeded this range but this is expected to be a short-term matter as ICAEW completes its investment in business development and systems.

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, faculties, 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 (2020: £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 recognised supervisory body (RSB) ICAEW is required to indemnify 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 indemnity 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 Conduct Committee provision – see 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, over and above the year-end FRC Conduct Committee provision of £3.9m (2020: £7.8m), based on the historical costs, in relation to open cases at 31 December 2021, amounts to a contingent liability in the range £20.0m to £30.0m (2020: £20.0m to £25m). This is before any case costs relating to future stages that might be recovered from members or member firms subject to the cases. Based on past experience, we would estimate in the region of 30% to 35% of case costs might be recovered, as an average across all scheme types. The range of contingent liability is broader than in the prior year due to the fact that many of the cases are in the earlier stages and therefore there is greater uncertainty around potential future costs.

ICAEW levies charges on its member firms in order to finance 90% of the costs of FRC Conduct Committee cases invoiced to ICAEW as they fall due.

28. EVENTS AFTER THE REPORTING PERIOD

After the year end, two additional leases were entered into, commencing January 2023 with a five-year term. These new leases relate to premises already occupied by ICAEW under existing leases as at 31 December 2021. The annual amount payable under these leases totals £0.6m. The associated right-of-use asset and lease liability to be recognised amount to £3.1m.