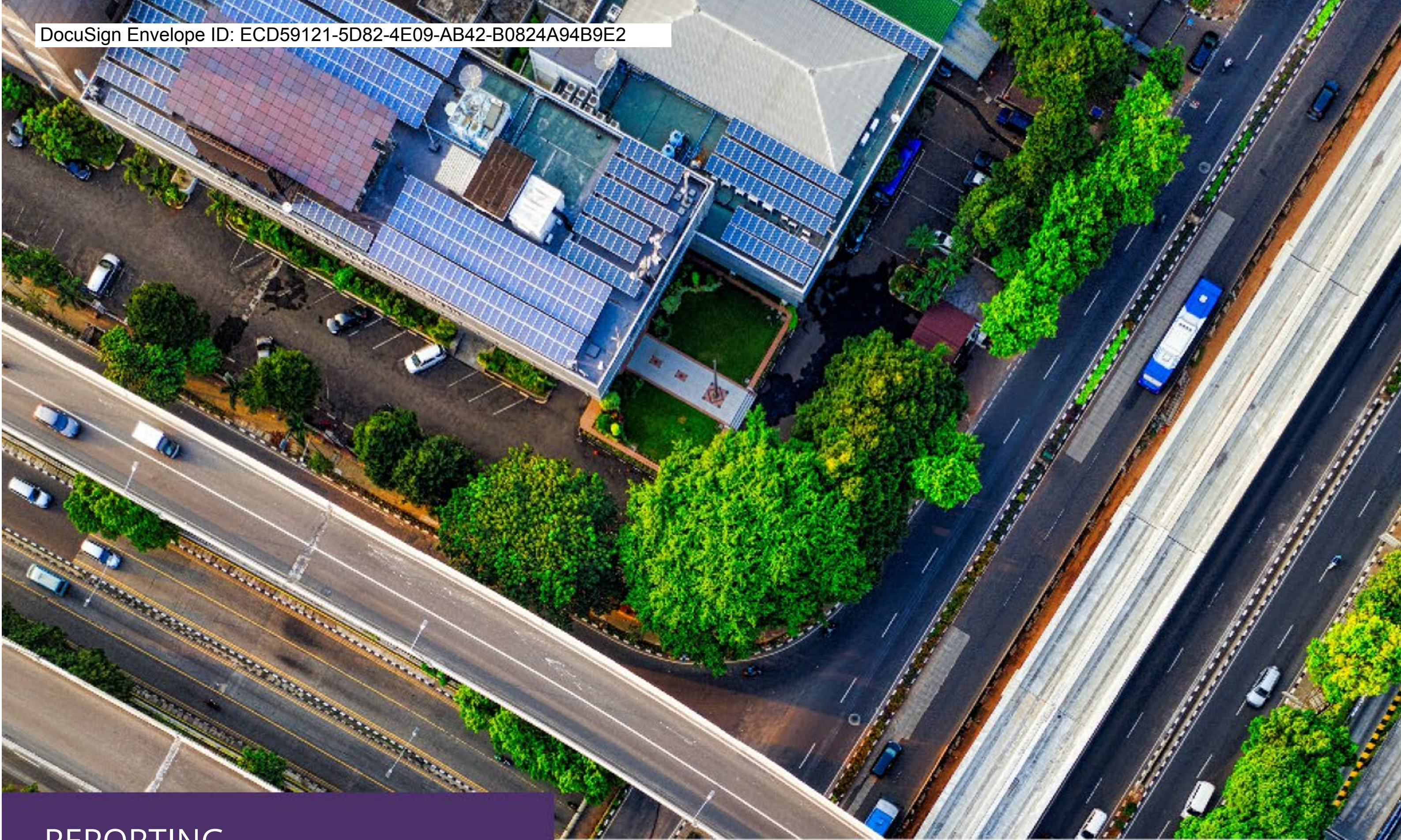

REPORTING

Report and Financial Statements

17-month period ended 31 December 2022

Professional advisors

Independent Auditor

Grant Thornton UK LLP

17th Floor

103 Colmore Road

Birmingham

B3 3AG

Principal Banker

National Westminster Bank Plc

1st Floor, Rowan House

Westwood Way

Westwood Business Park

Coventry

CV4 8LE

Investment Manager

Cazenove New Europe (PPI) Ltd

1 London Wall Place

London

EC2Y 5AU

Real Estate Valuer

Deloitte LLP

4 Brindley Place

Birmingham

B1 2HZ

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Strategic report

The Institution

RICS is a globally recognised, self-regulating professional body designed to effect positive change in the built and natural environments.

Through respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest standards in the development and management of land, real estate, construction and infrastructure. Currently there are over 135,000 qualified and training professionals, and any individual or firm registered with RICS is subject to the organisation's quality assurance through independently led self-regulation.

RICS is funded through an annual professional member subscription, regulatory fees and income from the provision of services such as training and information.

RICS operates through a number of separate legal entities worldwide. RICS is the ultimate parent of these entities (which together form the 'Group' that is reported on here), so that any surpluses can only be used to further the purpose of the Royal Charter globally.

The publication of this report marks a change in reporting practice, in line with RICS Governing Council's decision, announced in July 2022, to align RICS' financial year with the membership year; both will now run from January to December. This change aims to support transparency by enabling members and stakeholders to more easily scrutinise RICS' performance against our business plan alongside progress on subscription renewals, budget allocation and our ongoing transformation. From now on, quarterly and annual reports will be published at relevant intervals under the new schedule. The latest annual review can be **accessed on the RICS website**.

Principal activities

Principal activities of the Group include:

- setting standards for entry to the profession
- supporting and assessing candidates for entry
- engaging and supporting members to develop their professional careers
- setting globally applicable conduct and technical standards
- providing assurance of the delivery of standards
- considering and investigating complaints and, where necessary, enforcing standards
- advancing the knowledge of the profession through lifelong learning
- advancing thought leadership on matters affecting the built and natural environments, and
- promoting and inspiring the next generations of the profession.

The Levitt Report – independent review published in September 2021

In January 2021, Governing Council agreed to commission an independent external review in respect of issues raised at RICS in 2018 and 2019, following the Audit Committee commissioning a treasury management audit.

The review, which was undertaken by Alison Levitt QC, investigated:

- the internal reporting of the progress and outcome of the Treasury Management Audit to the Management Board and Governing Council, and
- the events leading to the termination of four non-executive members of the Management Board.

The review was published on 9 September 2021 and concluded that four non-executive members, who raised legitimate concerns that the results of the Treasury Management Audit had been suppressed, were wrongly dismissed from the Management Board and that sound governance principles were not followed.

The review made 18 recommendations. A full link to the report can be found **on the RICS website**. All 18 recommendations were implemented by 31 August 2022.

The leadership changes that occurred following publication of the Levitt Report can be seen in the Governance Report on page 12.

The Bichard Review – independent review published in June 2022

The Bichard (RICS) Review was commissioned by Governing Council in December 2021, following a recommendation in the Levitt Review that a 'wide-ranging examination of purpose, governance and strategy' should be conducted by an external reviewer, replacing *Defining our Future*, the internally led strategic review launched by the previous leadership in March 2021. The Bichard Review was published in June 2022 and a full link to the report can be found **on the RICS website**.

The Review aimed to clarify the purpose of RICS, make proposals on its governing structure and for the incoming leadership and governing body on the future culture and strategy of RICS. RICS Governing Council strongly endorsed the report and recommendations, and work on implementation has been progressing.

Between June and December 2022, 8 of the 36 total recommendations were completed, including combining the roles of President and Chair of the Governing Council, and appointing Lord Bichard as interim Senior Independent Governor. For more detailed information on our activities, please see the published **Annual Review 2021–2022**.

The leadership changes that occurred following publication of the Levitt Report can be seen in the Governance Report on page 12.

Financial review

Summary

The financial results for the period have met with budgeted expectations (before exceptional gains and losses) during a time in which the organisation has been through a significant period of change and uncertainty as a consequence of the Levitt and Bichard reports, overall economic uncertainty and COVID-19.

The financial strategy throughout the period has consequentially been one of prudency and financial stability, in order to build a strong financial foundation best placed to support the future needs of RICS and its members. During the period, the organisation was able to deliver a net result for the year of £20.6m (2021: £8.0m), with total net assets of £56.5m (2021: £41.1m) including available for use cash and investments of £32.0m (2021: £18.1m).

Change of financial year end

In July 2022, the decision was taken to extend the financial period for RICS to align with the membership year. This will provide greater transparency to our members and those wishing to understand how RICS is spending the subscriptions it receives.

Key financials (Group)

	2022 **17 mths to 31st December**	**12 month equivalent of 17 month period (if applicable)**	**2021** **12 months to 31st July**
	£m	£m	£m
Total Subscription Revenue	**72.7**	51.3	52.5
Total Revenues for Group	**108.0**	76.2	82.2
Total Revenues for Group (from continuing operations)	**102.9**	72.6	76.4
Employees (Average)	**677**	677	766
Staff costs	**58.7**	39.4	39.0
Net Result	**20.6**	14.5	8.0
Cash and Investments held in Free Reserves	**32.0**	32.0	18.1
Net assets	**56.5**	56.5	41.1

Exit from revolving credit facility

In October 2020, a revolving credit facility of £18.0m was agreed with NatWest to support RICS during COVID-19. This facility was not used at any point during the 2021/22 financial period, and in March 2022 the decision was taken to voluntarily exit from the facility, which is testament to the actions taken in 2020 and 2021 to reduce overall costs.

Sale of BCIS

In June 2022, RICS sold the majority shareholding in its subsidiary, BCIS Limited ('BCIS') to a third party, resulting in an increase in cash reserves of £14.9m while still maintaining a 22.6% shareholding in BCIS. The continued shareholding will allow RICS to benefit from the future success and growth of BCIS under its new ownership. The £14.9m has been placed into a designated fund under the authority of the RICS Board, with the specific aim of supporting current and future strategic initiatives.

School of Built Environment (RICS India)

In August 2022, RICS signed a renewed and restructured agreement with Amity University in respect of RICS' School of Built Environment. This not only provides future stability to the programme itself but also ensures positive future cashflows for RICS (India), allowing our Indian subsidiary to be self-sufficient on an annual basis.

D365 and Digital Presence Programme (DPP)

In previous years, RICS has invested in building a technological foundation for the organisation to allow RICS to move with the times. The culmination of this saw the phased launch of our D365 platform in August 2021, in addition to the wider Digital Presence Programme. Given the technical issues faced with embedding the D365 system and the subsequent impact on the Digital Presence Programme, the 31 December 2022 Net Book Value of £8.9m has been impaired by £3.0m to reflect the value to the organisation more appropriately.

RICS income

Total subscription income for the full seventeen months is £72.7m which is slightly above the budgeted expectation of £70.8m for the period, due to the lower-than-expected impact of COVID-19.

The total income received from continuing operations in the 17-month period amounted to £102.9m (2021: £76.4m) which after deducting cost of sales of £27.9m (2021: £17.6m) resulted in a gross profit of £75.0m (2021: £58.8m).

RICS expenditure

Total operating expenditure for the 17-month period, excluding exceptional costs, was £70.2m (2021: £50.6m).

Financial position

The net assets of the group as of 31 December 2022 have increased by £15.4m since 31 July 2021. The significant items underpinning this movement are as follows:

- a £10.1m positive movement in the working capital position due to the change of year end, and annual cash and invoicing cycles
- net cash proceeds of £14.9m in relation to the sale of the BCIS business
- a £1.2m reduction in the value of investments due to economic factors
- a £4.5m reduction in the pension surplus due to economic factors
- a £3.0m impairment of intangible assets and
- a £1.6m downward revaluation of the Great George Street Property.

Cashflow

The cash balance at 31 December 2022 was £28.2m (including the proceeds from the sale of BCIS) compared to £17.2m at 31 July 2021.

The movement in cash (excluding the BCIS proceeds of £14.9m) is explained by the change of accounting year end and the profile of the annual cash cycle.

Pensions

The IAS19 valuation as of 31 December 2022 resulted in a whole scheme surplus of £2.8m (2021: £7.3m surplus). The scheme valuation has again been subject to the volatility in financial markets, recognising the economic situation due to the Ukraine conflict, high inflation and low growth.

A triennial actuarial valuation is conducted for the trustees by a professionally qualified and independent actuary. The primary purpose of this valuation is to confirm the value of any deficit/surplus in relation to the pension fund and use this as a basis for agreeing future contribution levels from RICS. In January 2021, this valuation showed a small deficit of £0.6m (2018: £3.7m). This differs from the IAS19 valuation, which is used for deriving the statement of financial position and P&L figures, the principles of which are set out in the IFRS standards using a best estimate approach.

The different purposes and principles lead to different assumptions being used, which in turn lead to different estimates for the surplus/deficit of the pension scheme.

Going concern

The RICS Board is required to state whether it considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements, and to identify any material uncertainties around the Group's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.

Taking account of the Group's current position and principal risks, the RICS Board should explain 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. This has been demonstrated below.

Background

Throughout the period, COVID-19 and overall economic uncertainty have continued to provide constant challenges for all businesses. RICS has continued to monitor the impact on the Group's financial performance and liquidity to ensure that we remain responsive to the manifestation of any new risks.

During the financial period, we have acted in maintaining a reduced cost base to avert substantial financial loss and managed the cash and working capital position of RICS, including the voluntary exit from the revolving credit facility.

The £14.9m proceeds from the sale of BCIS provides RICS with future financial stability and the ability to fund strategic initiatives, to the primary benefit of our members and the public.

Looking beyond this period, RICS is confident in its future revenue predictions, while remaining committed to supporting members of the profession who continue to suffer financial hardship and uncertainty.

Financial facilities

For several years, the Group had a seasonal overdraft facility in place to cover its period of maximum cash exposure during the winter of each year. This overdraft was short-term in nature and aimed to bridge the subscription renewal cycle. At the outbreak of COVID-19, our cashflow modelling indicated that the availability of traditional facilities would be exceeded under the business conditions being faced. The Group therefore agreed a new funding facility with NatWest to cover expected requirements to October 2023. This facility was voluntarily removed in March 2022 due to the lack of necessity, in turn driven by strong working capital management practices. The two covenants attached to the revolving credit facility of a minimum EBITDA (earnings before interest, taxes, depreciation, and amortisation) and DSCR (debt service coverage ratio) were fully met throughout the period of the revolving credit facility.

Cash and investments held as designated funds

During 2022, the newly formed ARAF committee, working with the RICS Finance team, have placed a strong emphasis on the strategy for future financial stability, with renewed financial policies providing clarity to both the management and governance bodies over the purpose and authority of cash and investments held as designated funds.

Cash and investments were held as designated funds as follows:

	31 December 2022	31 July 2021
Adversity funds	£17.0m	£18.1m
General funds	£15.0m	£0.0m
Total funds (free reserves)	**£32.0m**	**£18.1m**
Restricted funds	£3.0m	£2.8m
Total funds	**£35.0m**	**£20.9m**

The adversity funds are held for the purpose of ensuring funds are available to RICS in the event that RICS is subject to detrimental conditions in which the financial stability or working capital position of RICS is at significant risk.

The general funds are held for the strategic benefit of RICS and are under the full control of the RICS Board.

Restricted funds are those funds which have a specific purpose and are not available for general use.

The increase in designated funds is due primarily to the sale of BCIS and the net proceeds of £14.9m.

Going concern assessment

The RICS Board used the financial forecasts prepared for business planning and liquidity projection purposes as the basis for its assessment of the Group's ability to continue as a going concern for at least 12 months from the date of the financial statements, in this case the period to 31 December 2024.

The period to 31 December 2024 was modelled, creating a reasonably plausible worst-case scenario, which included a small deterioration in our subscription income and a modest increase in commercial income. The following assumptions have been used.

- Subscription income is expected to remain relatively stable when compared with the 2022 membership year.
- Commercial income is expected to reduce due to the sale of BCIS.
- Our costs will remain controlled and are expected to increase by circa £2.9m, recognising the impact of inflation but also due to improving our staff retention strategy, replacing vacancies and implementing the recommendations of the Bichard Review.
- Strategic initiatives on key projects are expected to continue at a similar level to the previous financial year.

Going concern conclusion

The RICS Board is well placed to manage the business risks and accordingly continues to adopt the going concern basis in preparing the annual report and accounts. Having made appropriate enquiries of management, the RICS Board have a reasonable expectation that the Group expects to be able to operate within the Group's available resources for at least 12 months following the date upon which the financial statements were signed.

Political donations

There were no political donations made during the financial year by the RICS Group.

Charitable contributions

There were no charitable donations made during the financial year by the RICS Group.

Financial risk management

The methodology adopted by RICS to manage internal control and risk management is covered on page 34 of this report. In this context, financial risk is actively managed and the approach to liquidity risk, market risk and foreign currency risk is reported in Note 23 of this report.

Where appropriate, foreign exchange differences are recorded in the profit and loss account and statement of other comprehensive income.

Financial assets represent current assets available for sale, as described in Note 12. These assets represent an integral part of the Group's long-term stability and they are managed within a portfolio by an external professional investment manager. The portfolio comprises equities, bonds and alternative assets.

The performance of the investment manager is reviewed on a regular basis by external advisors and the Finance Committee (now the Audit, Risk, Assurance and Finance Committee). Short-term surplus cash balances are held in interest-bearing accounts or short-term fixed interest deposits. The cash requirements of RICS are regularly reviewed and the forecasting of our cash requirements, including foreign currency needs, is undertaken on a regular basis.

RICS manages its credit risk closely. The Bye-Laws and Regulations set out the obligations of members in relation to annual RICS subscriptions and all other debts are managed by RICS credit control.

The Group's operations are located globally, which exposes its financial performance and position to fluctuations in foreign currency exchange rates. However, a natural hedge against this is in place in that local entities transact in local currencies. This still leaves the Group open to currency translation risk when reporting financial performance. The associated gains/losses on translation are taken to the profit and loss account.

Property valuation risk and its potential financial impact is mitigated as the assets are viewed as long-term assets not held for resale. The assets are subject to an annual revaluation performed by external advisors at the statement of financial position date, this will act as an indication of a material impairment. Any surplus or deficit arising is recorded in each year's annual financial statements.

SIGNED ON BEHALF OF THE RICS BOARD ON 19 May 2023

Martin Samworth FRICS

Chair, RICS Board

Richard Collins

Interim Chief Executive

12 Great George Street

Parliament Square

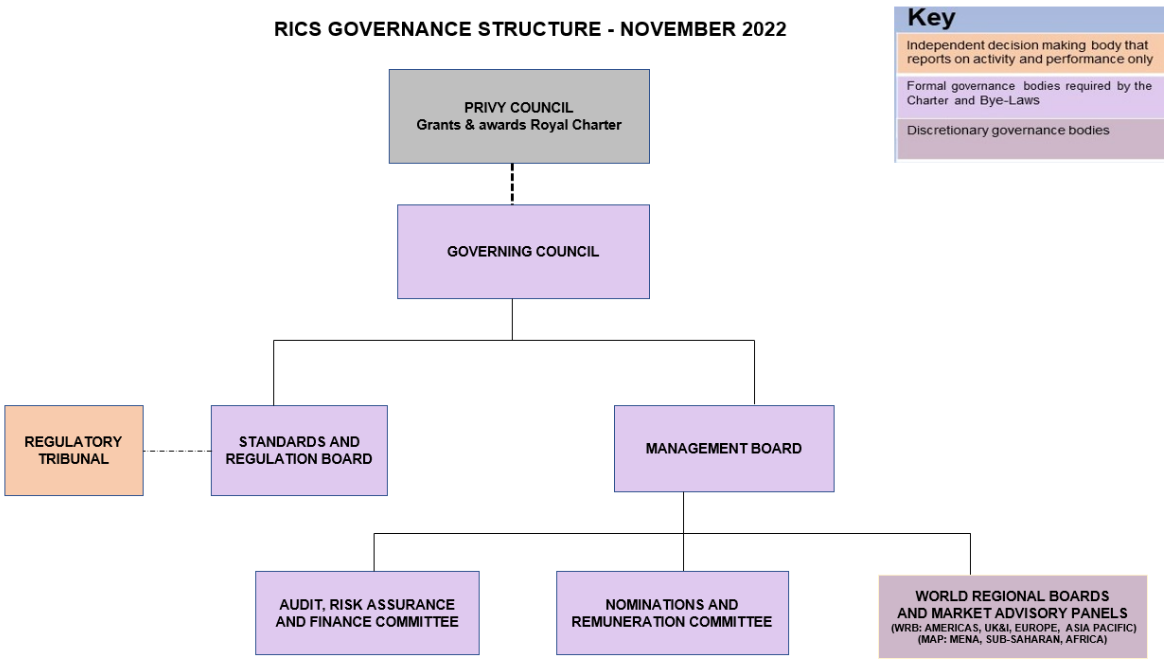
London SW1P 3AD

Governance report

Our governance structure

Under the Royal Charter, RICS' governing body is Governing Council, which is responsible for approving the strategy and overseeing the direction and performance of RICS and the RICS Group. Governing Council is supported by a number of expert boards and committees populated by active RICS members, RICS employees and independent non-executives.

The Bichard Review, carried out during 2022, made various recommendations to address issues with the RICS governance structure. Therefore, as this report is to cover the period ending 31 December 2022, there are items covered under this report that refer to previous governance arrangements alongside those currently in place. The governance structure in place on 31 December 2022 is set out below. The current RICS governance structure can be found at **www.rics.org**.



Changes to leadership roles

The Levitt Review was published on 9 September 2021 and the following resignations were received by Governing Council on the same day.

- President and member of RICS Management Board – Kathleen Fontana
- Chair of Governing Council – Chris Brooke
- Chair of the Management Board – Paul Marcuse
- Chief Executive – Sean Tompkins

In addition:

- Amit Shah, Chair of the Audit Committee's term of office came to an end on 5 September 2021.
- Marina Kilcline, Chief People Officer, resigned in October 2021.

Following the publication of the Levitt Report, Governing Council approved the appointment of the following people to the vacancies that arose following these departures.

- President – Clement Lau
- Interim Chair of Governing Council – Nick Maclean (to October 2022)
- Interim Chair of the Management Board – Isobel O'Regan
- Interim Chief Executive – Richard Collins

In addition, the following appointments were made during the financial reporting period:

- Chair of the Audit Committee – Mike Driver (appointed in line with RICS' Global Appointments Model, following the term of office of the former Audit Committee Chair coming to an end)
- Interim Executive Director, Profession and Advocacy – Chris Alder (appointed October 2021)
- Interim Executive Director, Market Strategy, Growth and Engagement – Neil Shah (appointed July 2022)
- Interim Chief Operating Officer – Rofi Ihsan (appointed by the former Chief Executive following the departure of the former Chief Operating Officer in June 2021; Rofi Ihsan left RICS in December 2021 when his contract came to an end)
- Interim Chief People Officer – Kay Meredith (appointed following the resignation of the former Chief People Officer)
- Interim Chief Financial Officer – Garry Hirth (appointed December 2021 to April 2022)
- Interim Chief Financial Officer – Justin Lester (appointed May 2022)
- Interim Executive Director of Corporate Services – Alison Currie (appointed October 2022)
- Interim Director of Quality and Customer Experience – Rebecca Brown (appointed October 2022)
- Interim People Director – John Malley (appointed October 2022 to March 2023)
- Interim Director of Communications – Ilana Rapaport-Clark (appointed October 2022)

This annual report and accounts are for the reporting period ended 31 December 2022 and are required to set out who was in post during that reporting period, despite some of the people who will be listed in the corporate governance statement no longer holding positions at RICS.

RICS' officers

RICS' officers for the period covered by this report are the Chair of Governing Council, President, President Elect and Senior Vice President. All candidates for officer appointments are assessed through a rigorous appointment process: the Chair of Governing Council was appointed via a process approved by Governing Council and all other officer appointments are ultimately selected by the Governing Council.

Following the Levitt Report, Chris Brooke as Interim Chair of Governing Council and Kathleen Fontana as President of RICS resigned from their positions before their terms were due to expire. Governing Council subsequently approved the appointment of Nick Maclean as Interim Chair of Governing Council (up to October 2022).

The Bichard Report recommended that the role of Chair of Governing Council be removed and that the President should take over the responsibilities of the role. Governing Council accepted this recommendation, which was implemented in October 2022. Clement Lau, as RICS President, began chairing Governing Council from then until his term expired in December 2022.

Normally at the AGM (usually held in November or December), the President Elect becomes President, the Senior Vice President becomes President Elect, and the person elected by Governing Council to become the next Senior Vice President takes up their role. However, in April 2022 Governing Council took the decision to defer election of the next Senior Vice President. Governing Council also took the decision to align the Presidential year with the financial reporting period. This meant that Clement Lau remained President following the AGM up until 31 December 2022. Ann Gray also remained President Elect and Tina Paillet remained Senior Vice President during the interim period.

The table below shows the officers in post during the reporting period 1 August 2021 to 31 December 2022 (the financial reporting period end).

President	Clement Lau	From 10 September 2021
	Kathleen Fontana	To 9 September 2021
Chair of Governing Council (interim)	Nicholas Maclean	From 8 October 2021 to 7 October 2022
	Chris Brooke	To 9 September 2021
President-Elect	Ann Gray	From 10 September 2021
	Clement Lau	To 9 September 2021
Senior Vice President	Tina Paillet	From 10 September 2021
	Ann Gray	To 9 September 2021

Governance body members

All governance body members are required to participate in a full induction following their appointment as an RICS non-executive and raise any conflicts of interest at the start of each of their meetings. If a conflict of interest or a perceived conflict of interest arises that could affect the integrity of the decision-making, appropriate safeguards are employed to ensure that these conflicts are mitigated.

Annual General Meeting (AGM)

All members are entitled to attend the AGM so they can:

- participate in voting for the appointment of the independent auditor for the next financial reporting period
- receive the most recent annual report and accounts
- receive an update on corporate and financial performance for the most recent financial reporting period.

In 2022, the meeting was held on 8 December and was a hybrid meeting, with members attending in person and remotely. Over 300 members worldwide participated.

Governing Council

Governing Council is the governing body for RICS and promotes the success of RICS. Governing Council's key responsibilities are to:

- be accountable for the overall governance framework of RICS
- set the strategic direction for RICS
- review the key risks facing the organisation
- seek assurance that the business activities undertaken by RICS are appropriate and effective, and
- ensure that RICS remains sustainable and can achieve its public interest purpose.

Governing Council holds a strategy meeting and an oversight meeting in each 12-month period, as well as holding a number of ad-hoc special meetings as required. During the reporting period, Governing Council met at least once a month.

The key area of focus for Governing Council during the reporting period was RICS' response to the Levitt Report, commissioning the Bichard Report and the activities required to implement the recommendations of each of those reports. Governing Council accepted the recommendations of each report in full, and has reported regularly on implementation progress to members and other stakeholders. The Levitt recommendations have been fully implemented. Significant work has been undertaken to implement the Bichard recommendations, with the second and third phases of work due to be completed in 2023 – with the exception of amending the Charter and Bye-Laws, which may take longer.

Key items dealt with by Governing Council during the financial reporting period included:

- setting up and running Steering Groups to implement transformation workstreams, as set out by the Bichard recommendations
- consulting with members on the re-establishment of Professional Group Panels
- updating the composition of Governing Council
- agreeing revised election processes for Governing Council and Senior Vice President
- combining the role of President and Chair of Governing Council
- establishing the Nominations and Remuneration Committee
- establishing the Audit, Risk Assurance and Finance Committee, and
- approving the Regulatory Framework Agreement, which confirms the delegation of authority to the Standards and Regulation Board (SRB) in line with the approved Bichard RICS Review recommendations, and sets out how Governing Council and the SRB work together.

Governing Council is currently composed of 24 seats, including the RICS officers (President, President Elect and the Senior Vice President), as well as 15 market seats and 6 strategy seats. However, there were only 22 members of Council as at 31 December 2022 due to resignations and unfilled vacant seats at election.

Following Governing Council's acceptance of the Bichard recommendations, the composition of Governing Council will change during 2023. Elections will be held during the first half of the calendar year to fill the newly agreed composition of seats.

The table below sets out the composition of Governing Council during the financial reporting period that ended on 31 December 2022, as well as those Governing Council members who have vacated their seats during the reporting period covered.

Composition of Governing Council as at 31 December 2022

Albert Wang Hao MRICS	
Louise Archer FRICS	
Claudio Bernardes FRICS	
Lord Michael Bichard	Senior Independent Governor (interim) from 23 August 2022
Alan Child FRICS	
Martin Eberhardt FRICS	
Andrew Gooding FRICS	
Ann Gray FRICS	President Elect from 10 September 2021 Senior Vice President up to 9 September 2021
Birgit Hempel FRICS	
David Hourihan FRICS	
Gordon Johnston MRICS	
William Jones FRICS	
Clement Lau FRICS	President from 10 September 2021 President-Elect up to 9 September 2021
Nicholas Maclean FRICS	Chair of Governing Council (interim) 8 October 2021–7 October 2022
Kathleen Michell MRICS	
Jonathan Milner MRICS	
Alexia Nalewaik FRICS	
Colin Uche Obi FRICS	
Tina Paillet FRICS	Senior Vice President from 10 September 2021
Praveen Subramanya MRICS	

David Torrens FRICS

Robert Wilson MRICS

Previous members of Governing Council during reporting period 1 August 2021–31 December 2022

Kevin Brogan FRICS	Term ended 30 June 2022
Chris Brooke FRICS	Chair of Governing Council (interim) up to 9 September 2021
Paul Collins MRICS	Term ended 30 June 2022
Marion Ellis FRICS	Stepped down 31 August 2022
Kathleen Fontana FRICS	President up to 9 September 2021
Isobel O'Regan FRICS	Term ended 30 June 2022
David Sandbrook FRICS	Term ended 30 June 2022
Chris Seymour FRICS	16 December 2021–7 October 2022
Peter Smith FRICS	Interim up to 26 November 2021
Benjamin Towell MRICS	Term ended 30 June 2022

The Chairs of the Management Board, Standards and Regulation Board and Audit Committee were invited to attend the annual scheduled oversight and strategy Governing Council meetings.

Standards and Regulation Board

The role of the Standards and Regulation Board (SRB) is to oversee the setting of professional standards and entry to the profession, and provide assurance to the profession, markets and the public that RICS members and regulated firms operate to RICS' professional standards.

Independently chaired by Dame Janet Paraskeva and with an independent majority, the SRB leads the development of a consistent regulatory strategy and oversees operational implementation globally. The SRB acts on delegated authority from Governing Council to exercise RICS' regulatory powers and functions, being accountable and reporting annually to Governing Council on its performance and activities.

RICS' regulatory functions include:

- setting the requirements for entry to the profession, routes to qualification, assessments, accreditation, enrolment and election – delivered through the Qualifications and Assessments Committee, chaired by Keith Thomas FRICS
- setting standards, including the RICS Rules of Conduct, all professional standards and practice information in all areas of the profession
- regulation of RICS members and firms, from compliance and monitoring (including regulatory review visits and compliance with CPD requirements) through to disciplinary proceedings (such as investigation of complaints), which in the most serious of instances can lead to cases before the Regulatory Tribunal
- the Dispute Resolution Service, which is responsible for the appointment of President's Panel dispute resolvers, education and accreditation of alternative dispute resolution (ADR)

qualifications and the administration of disputes, as well as promoting alternative mechanisms of dispute resolution, and

- to 1 November 2022, thought leadership and advocacy, working with the profession, experts, governments and thought leaders globally to develop RICS professionals' knowledge, capability and value, ensuring the leadership and sustainability of the profession.

Key items dealt with by the SRB during last financial reporting period included:

- the implementation of the new Rules of Conduct, which apply to all RICS members and RICS registered firms globally
- the review, approval and publication of Peter Pereira Gray's *Review of Real Estate Investment Valuations*, and subsequent implementation of its recommendations, including the establishment of the Valuation Review Implementation Committee, an interim Committee taking forward the recommendations; this incorporates the establishment of a Valuation Assurance Committee, which will come into operation in mid-to-late 2023
- receiving assurance regarding the operational response to challenges caused through RICS' IT implementation
- overseeing the ongoing progress of the Entry and Assessment Review through the work of the Entry and Assessment Steering Group
- the establishment of the CPD Framework Steering Group, with the purpose of reviewing the existing CPD framework, both pre- and post-qualification, and formulating recommendations for any revisions to the existing framework based upon the findings of the review
- responding to the outcomes of the Levitt and Bichard RICS reviews, and subsequent correspondence generated by these reviews; the Directorates that fall within the remit of the SRB and work of the Board retained the confidence of senior independent external reviewers through the Levitt Review, the Valuation Review conducted by Peter Pereira Gray and the most recent Review conducted by Lord Bichard
- Supporting the preparation, adoption and implementation of the Governing Council Regulatory Framework Document, which applies the recommendations of the Bichard Review, and as agreed between RICS' Governing Council and the Standards and Regulation Board, to ensure greater independence, transparency and autonomy of regulation. As provided for in the Bichard Review, since 27 October 2022 and following approval of the framework by Governing Council, the SRB has equivalence in RICS governance with the RICS Board. Both Boards report directly to Governing Council. The Regulatory Framework Document was approved by RICS' Governing Council on 27 October 2022.

RICS' Regulatory Tribunal is independent of RICS and the Standards and Regulation Board is independently chaired, to ensure the integrity of the standards setting and regulatory processes that the SRB oversee. Assurance that the Regulatory Tribunal and its processes are operating effectively is provided to Governing Council by the Chair of the Standards and Regulation Board as part of the governance and assurance reporting framework.

The Regulatory Tribunal consists of independent and professional members, sitting on their own (single-member decisions) or as panels of three to make disciplinary and regulatory decisions. The Presiding Chair of the Regulatory Tribunal is Sir Michael Burton GBE. The Standards and Regulation Board is responsible for making rules in respect of the composition of the Regulatory Tribunal and the role, function and process of the Registration, Disciplinary and Appeal Panels.

The table below sets out the composition of the Standards and Regulation Board during the financial reporting period that ended on 31 December 2022.

Name:	Position:
Dame Janet Paraskeva	Chair
Anne Spackman	Independent
Julia Woodhouse	Independent
Deborah Nicol-Omeruah	Independent
Carmen Wee	Independent
Richard Waterhouse FRICS	RICS member
Bruce Haswell MRICS	RICS member
Leigh Miller FRICS	RICS member
Dele Mosaku FRICS	RICS member
Dr Diane Dumashie FRICS	RICS member (until September 2022, when appointed as FIG President)

From 1 November 2022, in line with the Regulatory Framework, standards and regulation staff report to the SRB by way of the Chair of the SRB. The SRB is supported by standards and regulation staff, who are not members of the SRB.

Christopher Alder	Senior Executive Officer for the Profession
Belinda Howell	Director of Profession Support & Assurance
Theresa Thorp	Director of Regulation Enforcement & Governance
Luay Al-Khatib	Director of Standards & Professional Development
Ian Jeal	Director of Education & Qualification Standards
Dr John Fletcher	Director of Dispute Resolution Services

Management Board (now RICS Board)

The Management Board was delegated by Governing Council to inform and oversee RICS' affairs. Isobel O'Regan, a non-executive Board member, chaired the Management Board from October 2021 to December 2022. Paul Marcuse chaired the Management Board up until his resignation in September 2021, following the publication of the Levitt Report.

The main duties of the Management Board include:

- approval of a business plan to meet the strategic objectives set by the Governing Council while safeguarding RICS' and the Group's assets
- assessing and monitoring strategic risks
- monitoring performance against agreed financial strategy
- preparing the annual report and financial statements, and
- approval of the annual report and financial statements.

In addition to the annual cyclical requirements, the Management Board paid particular attention during the reporting period to the sale of BCIS and the transfer of activity of the Schools of the Built

Environment to Amity University in India. Both of these activities were completed in 2022. The Management Board also recommended to Governing Council that the financial reporting period be changed to better reflect the cycle of business and to align with the Presidential term. This recommendation was adopted by Governing Council. In addition, the Management Board took the decision to remove the revolving credit facility that had been put in place in 2020, thus also removing the associated covenants.

Other key items dealt with by the Management Board during the financial reporting period included:

- preparation of the Budget and Business Plan for the 2023 financial reporting period
- approval of updated Terms of Reference following the Bichard Review and
- approval of changes to the RICS employee pension scheme.

The Chief Executive reported quarterly to the Management Board on performance and key activities. The Management Board reported on its activities to Governing Council at its annual oversight meeting and at appropriate intervals during the reporting period.

The Management Board met 14 times during the reporting period.

The table below sets out the composition of the Management Board during the financial reporting period, which ended on 31 December 2022.

Name:	**Position:**	
Isobel O'Regan FRICS	Chair (interim)	(from 8 October 2021)
Edgar Li Kwok Wah MRICS	RICS non-executive member	
Natalie Cohen MRICS	RICS non-executive member	(until 31 March 2022)
Javed Edahtally MPA, MIED, RSES	Independent non-executive member	
Anurag Mathur FRICS	RICS non-executive member	
Rebecca Best FRICS	RICS non-executive member	
Hannah Purves Solicitor Advocate	Independent co-opted	(from 31 January 2022)
Matthew Rees FCA	Independent co-opted	(from 31 January 2022)
Richard Collins OBE	Chief Executive Officer (interim)	(from 5 October 2021)
*Justin Lester FCA	Chief Financial Officer (interim)	(from May 2022)
Paul Marcuse	Chair	(until 9 September 2021)
Kathleen Fontana FRICS	RICS non-executive member	(until 9 September 2021)
Sean Tompkins	Chief Executive	(until 9 September 2021)
*Rofi Ihsan FCMA CGMA	Chief Operating Officer (interim)	(until 31 December 2021)
*Garry Hirth FCA	Chief Financial Officer (interim)	(from December 2021 to April 2022)

***** The Management Board Terms of Reference required the lead finance executive to be an executive member of the Management Board. The lead finance executive is the interim Chief Financial Officer.

The Management Board co-opted the following people to the Board on 31 January 2022 to ensure that they had independent expertise in key areas of risk and finance.

Hannah Purves Solicitor Advocate	Independent co-opted risk expert
Matthew Rees FCA	Independent co-opted finance expert

Following the recommendations of Lord Michael Bichard, the Management Board has been disbanded and was replaced by the RICS Board in March 2023. Therefore, the RICS Board will take on the responsibility for approval of the 2021/22 RICS Annual Report and Financial Statements. At the date of signature, the composition of that Board is as follows.

Martin Samworth FRICS	Chair of RICS Board
Andrew Gooding FRICS (interim)	Chair of Knowledge & Practice Steering Group
Rory Murphy FRICS (interim)	Chair of Member Services Steering Group
Louise Brooke-Smith FRICS	Chair of Diversity, Equity and Inclusion
Frank Hovorka FRICS	Chair of Sustainability
Hannah Purves Solicitor Advocate	Co-opted
Matthew Rees FCA	Co-opted
Harriet Kemp	Chair of Nominations & Remuneration Committee
Mike Driver (non-voting member due to Bye-Law restrictions)	Chair of Audit, Risk Assurance & Finance Committee
Javed Edahtally MPA, MIED, RSES	Independent
Lord Michael Bichard	Senior Independent Governor
Richard Collins	Chief Executive Officer (interim)

Audit, Risk, Assurance and Finance Committee

This report on the activities of the Audit, Risk Assurance & Finance (ARAF) Committee from 7 September 2022 to 31 December 2022 is to be read in conjunction with:

1. the report on the activities of the Audit Committee from 1 August 2021 to 7 September 2022 (the Audit Committee having been reconstituted as the ARAF Committee on 7 September 2022 pursuant to the recommendations of the Bichard Review), and
2. the report on the activities of the Finance Committee from 1 August 2021 to 5 September 2022 (the Finance Committee having been dissolved pursuant to the recommendations of the Bichard Review, with responsibilities for finance matters being assumed by the ARAF Committee with effect from 7 September 2022).

The ARAF Committee acted under delegated authority from Governing Council up to 27 October 2022 and the Management Board from 27 October 2022 onwards, and was independently chaired by Mike Driver during the period from 7 September 2022 to 31 December 2022.

The main purposes of the ARAF Committee under its terms of reference are:

- oversight regarding financial management and reporting, financial sustainability and the annual reports and accounts
- accountability for reserves policy, investments and pensions, and
- ensuring that there is an adequate and effective risk management and assurance framework in place, and that these are reviewed to meet the needs of the RICS Board and, where necessary, Governing Council.

The ARAF Committee's responsibilities are to challenge or advise the RICS Board and CEO on:

- the strategic process for risk, control and governance
- the accounting policies, the accounts and the RICS annual report, including the process for review of the accounts prior to submission for audit, levels of error identified and management's letter of representation to the external auditors
- the planned activity and results of both internal and external audit
- adequacy of the response of management to issues identified by audit activity, including external audit's management letter
- assurances relating to the management of risk for RICS
- the performance of and (where appropriate) proposals for tendering for either internal or external audit services, and for the purchase of non-audit services from contractors for special investigations
- anti-fraud policies, whistleblowing processes and arrangements for special investigations, and
- succession plans in place for the roles of Chief Financial Officer and Chief Risk Officer.

The ARAF Committee reports directly to the RICS Board (previously the Management Board). Prior to the RICS Board being established, the Committee reported to Governing Council and provided assurance reports to Governing Council at its annual oversight meeting and after each of its meetings on how it had discharged its responsibilities.

Work in relation to audit, risk and assurance during the extended financial reporting period from 1 August 2021 to 31 December 2022, which started under the Audit Committee and has continued under the ARAF Committee, is covered in this section as part of the activities of the ARAF Committee, to avoid duplication.

Tracking audit recommendations

The ARAF Committee has an external audit recommendations tracker. Work on tracking internal audit recommendations has made good progress but is less mature. The monitoring of recommendations is a standing item at all ARAF Committee meetings.

Risk

The Head of Audit & Risk conducted a review of risk management across RICS in spring 2022 and presented findings for the consideration of the Audit Committee/ARAF Committee. The Committee concluded:

1. that there was an immediate need to update and enforce the Risk Management Policy
2. that the principle of the three lines of defence model needs to be applied on a consistent basis across the organisation
3. that an effective delegation matrix that focuses on clear accountabilities was required
4. that an effective risk and control function needs to be established to support the Head of Audit & Risk
5. that a defined process is needed to capture, monitor and manage risk
6. that risk management is not just about management and process but is also about leadership and culture, and
7. that this work should be done internally rather than by external management consultants.

Responsibilities for finance matters were assumed by the ARAF Committee with effect from 7 September 2022.

Financial performance

The ARAF Committee has maintained a quarterly review of RICS' financial performance. The Committee has also noted the continued need to focus on multi-year financial planning and the sustainability of RICS' finances.

Business plan

The ARAF Committee has reviewed the RICS business plan for 2023. This has included a risk assessment of the assumptions underpinning the business plan. The ARAF Committee has noted the need for RICS to demonstrate that 2023 is a transitional year that must have a clear bridge to 2024 in terms of member satisfaction, retention and growth.

Pension scheme

The ARAF Committee made recommendations to the Management Board regarding the proposed closure of the Defined Contribution (DC) section of the RICS Pension Scheme, which the Management Board accepted. The ARAF Committee continues to monitor the two continuing pension arrangements for RICS, the Aviva Group Personal Pension Scheme and the Defined Benefit (DB) section of the RICS Pension Scheme, with particular focus on the financial sustainability of the DB scheme.

The ARAF Committee met four times in the period from 7 September 2022 to 31 December 2022.

The table below sets out the composition of the ARAF Committee from 7 September 2022 to 31 December 2022.

Name:	**Position:**
Mike Driver CB, FCPFA, FCMA, CGMA	Chair

Tom Barclay BSc, FRICS, CMCIH, MBA	RICS non-executive member
Peter Lewis MRICS MCMI	RICS non-executive member
Brigid Sutcliffe ACA	Independent non-executive member

Members of the ARAF Committee have the professional qualifications required to effectively undertake the role, and the composition includes members who have recent and relevant financial accounting experience.

Under the ARAF Committee Terms of Reference, the Committee shall comprise six members: three RICS members and three independent members. Two interim independent members have been appointed and will take up their roles in July 2023. The recruitment of an RICS member is underway.

External auditor

The ARAF Committee annually reviews the quality, effectiveness, and independence of the external auditors. This includes a review of safeguards in place in relation to non-audit services, to ensure appropriate levels of independence. The general principle followed is that the external auditor should not be asked to carry out non-audit services where it may, in the future, be required to give an audit opinion. There is a policy for the approval of such work, including reporting all non-audit work to the ARAF Committee. Grant Thornton UK LLP did not carry out any non-audit work on behalf of RICS during the reporting period 1 August 2021 to 31 December 2022.

To assess the effectiveness of the external auditors the ARAF Committee reviews:

- the external auditor's fulfilment of the agreed audit plan and variations from it, and
- the external auditor's report of major issues arising during the course of the audit.

Prior to the original financial year end date of 31 July 2022, the Audit Committee considered whether to test the market for a different external auditor through a tender exercise. However, in view of the decision to change the financial year end date to 31 December 2022, the ARAF Committee recommended that Grant Thornton UK LLP remain as external auditors for the extended financial reporting period ending 31 December 2022. This was approved by RICS members at the AGM on 8 December 2022.

Following the period end, the ARAF Committee have developed and approved an Auditor Appointment and Rotation Policy for RICS, which sets the rotation period for any continued service at a maximum of 10 years with a change of partner after 5 years. In the first quarter of 2023, a tender process was held to determine the audit firm for the 31 December 2023 financial statements, the outcome of which will be presented at the AGM for member approval.

Audit Committee

During the period from 1 August 2021 to 7 September 2022, the Audit Committee acted under delegated authority from Governing Council and was independently chaired by Mike Driver from 21 October 2021, following expiry of Amit Shah's term of office on 5 September 2021.

The main purposes of the Audit Committee under its terms of reference (prior to becoming the ARAF Committee) were:

- to monitor the integrity and effectiveness of the financial reporting systems
- to monitor the effectiveness of the internal control and risk management systems
- to review anti-fraud measures and whistleblowing policies, and
- to review the effectiveness of the external auditor and recommend their reappointment.

The Audit Committee operated independently of Governing Council, the Management Board and the SRB. The Audit Committee reported to Governing Council at its annual oversight meeting and after each of its meetings on how it had discharged its responsibilities.

As the work of the Audit Committee from 1 August 2021 to 7 September 2022 in relation to audit, risk and assurance has continued into that of the ARAF Committee, to avoid duplication the report on the activities of the ARAF Committee from 7 September 2022 to 31 December 2022 covers most of that work.

In relation to the accounts for the period ending 31 July 2021, at its meeting on 24 January 2022 the Audit Committee reviewed the audit findings from the external auditors and the Annual Report and Financial Statements prepared by the Finance Team, and the Audit Committee was able to recommend to the Management Board that the accounts should be agreed and signed. Importantly, the Audit Committee noted that the external audit opinion was positive, and that the auditors stated that:

1. the Annual Report and Financial Statements provide a true and fair view of the organisation's affairs and profit for the period ended 31 July 2021
2. the Financial Statements had been prepared in accordance with international accounting standards and UK accepted accounting practice, and
3. the auditors confirmed that they had not identified any material uncertainties that would lead them to believe that RICS was anything other than a going concern (for at least 12 months from when the financial statements were authorised for issue).

The Audit Committee met five times in the period from 1 August 2021 to 6 September 2022.

The table below sets out the composition of the Audit Committee from 1 August 2021 to 7 September 2022.

Name:	**Position:**	
Amit Shah FCA	Chair	(until 5 September 2021)
Mike Driver CB, FCPFA, FCMA, CGMA	Chair	(from 21 October 2021)
Tom Barclay BSc, FRICS, CMCIH, MBA	RICS non-executive member	
Peter Lewis MRICS MCMI	RICS non-executive member	
Brigid Sutcliffe ACA	Independent non-executive member	

Members of the Audit Committee have the professional qualifications required to effectively undertake the role, and the composition includes members who have recent and relevant financial accounting experience.

Finance Committee

The Finance Committee was a sub-committee of the Management Board and reported to the Management Board on a quarterly basis before it disbanded in September 2022. It was independently chaired by Richard Gunning. The Finance Committee met quarterly and provided assurance over the financial wellbeing of the organisation, as well as ensuring the appropriate financial policies are in place. The Finance Committee was responsible for conducting regular financial scenario planning, including stress testing, and recommending the long-term investment plan.

The Finance Committee was comprised of an independent non-executive Chair, up to six non-executive members (either independent or RICS members) and up to two executive staff members.

The Finance Committee met five times in the period from 1 August 2021 to 5 September 2022 (the date of the final Finance Committee meeting). Items covered included the following:

- quarterly review of RICS' financial performance
- consideration of RICS' business plan for 2021/2022
- consideration of statutory financial statements for the period ending 31 July 2021 and the report of the external auditor
- monitoring the impact of D365 on the finance reporting system
- monitoring investment portfolio performance and valuation with external advisors
- reviewing investment managers' performance
- monitoring of compliance with the Reserves Policy and Treasury Policy
- monitoring of pension arrangements, including consideration of the Trustees' triennial valuation of the funding of the RICS Defined Benefit scheme
- monitoring the process leading to the sale of BCIS, and
- monitoring the process of disposal of RICS' investment in the School of the Built Environment

The table below sets out the composition of the Finance Committee over the period from 1 August 2021 to 5 September 2022.

Richard Gunning	Chair, independent non-executive member	
Cate Agnew	RICS non-executive member	
Jitendra Bhuva	Independent non-executive member	
John Turner	Independent non-executive member	
Colin Sarre	Independent non-executive member	
Rofi Ihsan	Interim Chief Operating Officer	(from 5 June 2021 until 31 December 2021)
Garry Hirth	Interim Chief Financial Officer	(from December 2021 until April 2022)
Justin Lester	Interim Chief Financial Officer	(from May 2022)

Nominations and Remuneration Committee

This report on the activities of the Remuneration Committee (NRC) from 25 July 2022 (the date when the Remuneration Committee and the Nominations Committee merged to become the NRC pursuant to the recommendations of the Bichard Review) up to 31 December 2022 is to be read in conjunction with:

1 the report on the activities of the Remuneration Committee from 1 August 2021 to 25 July 2022, and

2 the report on the activities of the Nominations Committee from 1 August 2021 to 25 July 2022.

This covers the whole of the extended financial reporting period from 1 August 2021 to 31 December 2022.

The NRC acted under delegated authority from the Management Board and was independently co-chaired by Harriet Kemp and Desmond Hudson during the period from 25 July 2022 to 31 December 2022.

The main purposes of the NRC under its terms of reference are:

- to oversee the election, appointment and succession planning process, as appropriate, for all governance bodies, the President and the CEO, ensuring that processes are fair, objective and able to identify high-calibre individuals with the right skill sets from a diverse pool of applicants
- to oversee the performance evaluation process for all governance bodies, ensuring they are linked to the appraisals for individual governance body members and that there are mechanisms in place to address poor performance and identify mentoring and training needs
- to set the remuneration policy for RICS employees at all levels in line with RICS' long-term strategy, and approve the annual budget available for salary review
- to determine and review the remuneration strategy for senior RICS employees to recruit, retain, motivate and engage high-calibre senior employees in order to deliver its business objectives globally, and
- to set the total remuneration for the CEO and non-executives, and review the remuneration of the executive team and other senior employees that fall within its remit.

The NRC's responsibilities include:

- approval and oversight of the Global Appointments Model (GAM)
- an advisory role to Governing Council and the RICS Board
- oversight of elections to Governing Council, including any validation process
- identifying and nominating for approval candidates to fill RICS Board vacancies
- monitoring adherence to the GAM in relation to other governance body appointments
- ensuring orderly succession planning to governance bodies and to the executive team
- ensuring adequate induction and training for all new governance body members
- performance evaluation reviews of Governing Council and the RICS Board
- oversight of the performance evaluation process used by other governance bodies
- approval and review of the appointment process for the CEO
- assessing the diversity and inclusiveness of governance bodies and senior management
- setting the remuneration policy for RICS employees in line with RICS' long-term strategy
- determining the terms of employment and remuneration package for the CEO
- determining the terms of employment and remuneration for the executive team
- determining the remuneration of non-executive governance body member roles
- approving the design of executive incentive plans, including eligibility and plan rules, and
- approving the overall level of incentive payments and individual bonus amounts.

The key activities of the NRC during the period from 25 July 2022 to 31 December 2022 were the following:

- **Global Appointments Model (GAM)**: The Committee approved the new GAM at its inaugural meeting in July 2022, enabling urgent new appointments required pursuant to the Bichard Review to be progressed.
- **RICS Board Chair**: The Committee convened to formally approve the preferred candidate for this role selected by the Appointment Panel, in accordance with the GAM, who was subsequently appointed by Governing Council.

- **Amnesty arrangement for World Regional Board (WRB) appointments**: The Committee agreed an amnesty arrangement to enable the current appointment of an individual serving on a WRB, or a subsidiary board or panel of a WRB, to be extended for a period not exceeding six months, subject to certain caveats.
- **Governing Council election process**: Pursuant to Governing Council delegating to the NRC responsibility to review and simplify the Governing Council election process in line with the recommendations of the Bichard Review, the Committee established a working group to develop proposals, which were reviewed and agreed by the Committee, and were then approved at the Governing Council oversight meeting in November 2022.
- **Senior Vice President election process**: Pursuant to Governing Council delegating to the NRC responsibility to review and simplify the SVP election process in line with the recommendations of the Bichard Review, the Committee established a working group to develop proposals, which were reviewed and agreed by the Committee, and were then approved at the Governing Council oversight meeting in November 2022.
- **Risk**: The Remuneration Committee conducted periodic reviews of the HR Risk Register.
- Detailed remuneration activity can be found in the Remuneration Report on page 39.

The NRC comprises RICS members and independent non-executives. No serving executive is a member of the Committee. The Committee seeks external advice from a retained independent adviser, Mercer Limited, and other external benchmarking services as necessary.

The NRC met eight times in the period from 25 July 2022 to 31 December 2022, its first meeting being held on 25 July 2022.

The table below sets out the composition of the NRC from 25 July 2022 to 31 December 2022. The terms of office of three of the Committee members came to an end on 31 December 2022. With effect from 1 January 2023, Martin Samworth (Chair of RICS Board) became a Committee member and Harriet Kemp became sole Chair of the Committee.

Name:	**Position:**	
Harriet Kemp	Co-Chair	
Desmond Hudson	Co-Chair	
Isobel O'Regan	Interim Chair of the Management Board	
Nicholas Maclean	Interim Chair of Governing Council	(until 7 October 2022)
Helen Munro	Independent non-executive member	(until 2 November 2022)
Bhavna Sharma	Independent non-executive member	
Fiona Griffiths	Independent non-executive Member	
Mary Robertson	Independent non-executive member	
Ashley Hook	RICS non-executive member	
Katie Smith	RICS non-executive member	
Ben Chaston	RICS non-executive member	

Nominations Committee

This report on the activities of the Nominations Committee from 1 August 2021 to 25 July 2022 (when the Nominations Committee merged with the Remuneration Committee to become the NRC) is to be read in conjunction with the report on the activities of the NRC from 25 July 2022 to 31 December 2022, thus covering the whole of the extended financial reporting period from 1 August 2021 to 31 December 2022.

During the period from 1 August 2021 to 25 July 2022, the Nominations Committee acted on delegated authority from Governing Council and was independently chaired by Desmond Hudson.

The main purposes of the Nominations Committee, prior to the merger to create the NRC, were as follows:

- to play a strategic role in overseeing and approving changes to the GAM, which provides the framework for appointing governance body members
- to act as the appointment panel to Governing Council in relation to the qualified election process, and
- to play an advisory role in talent and succession planning for Governing Council.

In addition, the Committee was responsible for supporting the Chair of Governing Council in monitoring the performance and effectiveness of members of Governing Council.

The key activities of the Nominations Committee during the period from 1 August 2021 to 25 July 2022 were the following:

- **US market seat election 2021**: The election was successfully completed for the elected candidate to commence their term of office on 27 November 2021. Subsequent review of the election provided adequate assurance that the processes were fairly and consistently applied across all candidates.
- **Strategy seat elections 2022**: The elections were successfully completed for four elected candidates to commence their terms of office on 1 July 2022. However, in two seats there were no candidates, and both seats remain unfilled. Subsequent review of the elections provided adequate assurance that the processes were fairly and consistently applied across all candidates.
- **Pilot use of candidate videos**: During the US market seat election, the Nominations Committee agreed a proposal to introduce video presentations from each candidate. Clear rules were agreed for their use and available indications suggested that levels of awareness and engagement were improved. Subsequent review of the election process led the Nominations Committee to suggest further widespread trialing in other elections.
- **Review of election services provider**: The Nominations Committee conducted a competitive tender to evaluate the external provision of the election services. Although the Nominations Committee decided to renew the appointment of the current provider (Civica), an alternative supplier was identified to be trialed on some specific tasks.

The Nominations Committee met five times in the period from 1 August 2021 to 24 July 2022.

The Terms of Reference were updated in March 2022, in line with governance best practice, such that executives ceased to be members of the Nominations Committee and henceforth participated in the Committee as attendees.

The table below sets out the composition of the Nominations Committee from 1 August 2021 to 25 July 2022.

Name:	**Position:**	
Desmond Hudson	Chair	
Chris Brooke FRICS	Interim Chair of Governing Council	(until 9 September 2021)
Nick Maclean FRICS	Interim Chair of Governing Council	(from 8 October 2021)
Kevin Brogan FRICS	RICS non-executive member	
Ashley Hook MRICS	RICS non-executive member	
Katie Smith MRICS	RICS non-executive member	
Kevin Brogan FRICS	RICS non-executive member	(until 30 June 2022)
Bernard Swain FRICS	RICS non-executive member	(until 21 February 2022)
Fiona Griffiths	Independent non-executive member	
Helen Munro	Independent non-executive member	
Rofi Ihsan	Interim Chief Operating Officer	(until 31 December 2021)
Marina Kilcline	Chief People Officer	(until 18 October 2021)
Garry Hirth	Interim Chief Financial Officer	(from 1 January 2022 until 15 April 2022)
Kay Meredith	Interim Chief People Officer	(from 18 October 2021 until 3 March 2022)

Remuneration Committee

This report on the activities of the Remuneration Committee from 1 August 2021 to 25 July 2022 (when the Remuneration Committee merged with the Nominations Committee to become the NRC) is to be read in conjunction with the report on the activities of the NRC from 25 July 2022 to 31 December 2022, thus covering the whole of the extended financial reporting period from 1 August 2021 to 31 December 2022.

During the period from 1 August 2021 to 25 July 2022, the Remuneration Committee acted under delegated authority from the Management Board and was independently chaired by Harriet Kemp.

The main purposes of the Remuneration Committee, prior to the merger to create the NRC, were as follows.

The Remuneration Committee was responsible for setting and reviewing the RICS Remuneration Policy, ensuring that it is clearly aligned to RICS strategic objectives, and that all elements of reward are justified and appropriately valued. The Remuneration Committee was responsible for reviewing the remuneration strategy for senior employees of RICS, to enable RICS to recruit, retain, motivate and engage high-calibre senior employees to deliver its business objectives globally. The Remuneration Committee was also responsible for setting the total remuneration for the CEO, following a review of the CEO's annual performance assessment, and for reviewing the CEO's remuneration decisions in relation to the executive team. The Remuneration Committee made decisions on the remuneration of all senior managers that fell within its remit, through the provision of annual bonus schemes, short-term incentive plans and long-term incentive plans. The Remuneration Committee also oversaw the reward framework for all employees. The Remuneration Committee followed best practice governance developments in relation to pay and benefits, and sought to implement these, where appropriate, to ensure principles of good corporate governance are maintained.

The key activities of the Remuneration Committee during the period from 1 August 2021 to 25 July 2022 were the following:

- salary review consideration and approval
- Executive Incentive Plan 2020/2021 payment approval
- Executive Incentive Plan 2021/2022 change approval
- external independent review of executive remuneration
- confirmation of leaver status: the Remuneration Committee confirmed the leaver status in 2021 of the former CEO, COO, Chief People Officer and General Counsel
- non-executive fees review and recommendations
- succession planning: the Remuneration Committee reviewed the current succession planning process and documentation but, given that the majority of the executive team were currently acting up into roles, there was no discussion on succession planning during this period
- risk, compliance and reporting: the Remuneration Committee conducted periodic reviews of the HR Risk Register, with particular focus during this period on actions being taken to address the high levels of employee turnover; the Committee also reviewed RICS' UK Gender Pay Gap report
- detailed remuneration activity can be found in the Remuneration Report on page 39.

The Remuneration Committee comprised RICS members and independent non-executives. No serving executive was a member of the Committee. The Remuneration Committee sought external advice from a retained independent adviser, Mercer Limited, and other external benchmarking services as necessary.

The Remuneration Committee met six times in the period from 1 August 2021 to 24 July 2022 (the first meeting of the NRC being held on 25 July 2022).

The table below sets out the composition of the Remuneration Committee from 1 August 2021 to 25 July 2022.

Name:	**Position:**	
Harriet Kemp	Chair	(from 27 July 2021)
Isobel O'Regan	Chair of Management Board (Interim)	(from 8 October 2021)
Nicholas Maclean	Interim Chair of Governing Council	(from 8 October 2021)
Liz Spencer	Independent non-executive member	(until 31 March 2022)
Bhavna Sharma	Independent non-executive member	
Chris Fossick	RICS non-executive member	
Mary Robertson	Independent non-executive member	(from 6 June 2022)
Ben Chaston	RICS non-executive member	(from 6 June 2022)

Chief Executive

The Chief Executive operates in accordance with the Delegated Authority Matrix established and approved by Governing Council. Reporting to the Chair of the Management Board, they are responsible for the overall management of RICS, the development and implementation of strategy and ensuring that RICS operates effectively. Sean Tompkins was Chief Executive up until his resignation on 9 September 2021 ahead of publication of the Levitt Report referred to in the strategic report. Richard Collins was appointed as Interim Chief Executive by Governing Council on 5 October 2021.

Executive team

The executive team report directly to the Chief Executive and have day-to-day management responsibility for RICS' key operational areas.

The table below sets out the composition of the executive team during the financial reporting period that ended on 31 December 2022.

Name:	**Position:**	
Richard Collins	Chief Executive Officer (interim)	(from October 2021)
Alison Currie	Executive Director of Corporate Services (interim)	(from October 2022)
Justin Lester	Chief Financial Officer (interim)	(from May 2022 to October 2022)
Chris Alder	Executive Director, Profession and Advocacy (interim)	(from October 2021)
Neil Shah	Executive Director for Market Strategy, Growth and Engagement (interim)	(from July 2022)
John Malley	Chief People Officer (interim)	(from October 2022 to March 2023)
Rebecca Brown	Director of Quality and Customer Experience (interim)	(from October 2022 to May 2023)
Ilana Rapaport-Clark	Director of Communications (interim)	(from October 2022)
Sean Tompkins	Chief Executive	(until September 2021)
Garry Hirth	Chief Financial Officer (interim)	(from December 2021 to April 2022)
Rofi Ihsan	Interim Chief Operating Officer	(from June 2021 until December 2021)
Kay Meredith	Chief People Officer (interim)	(until October 2022)
Marina Kilcline	Chief People Officer	(until October 2021)
Matt Harrison	Executive Director for Market Strategy, Growth and Engagement	(until June 2022)
Richard Collins	Executive Director, Profession and Advocacy	(until October 2021)

Liz Banks	Executive Director, Brand and Communications	(until November 2021)

Directors' insurance and indemnities

Members of RICS governance bodies, officers and members/agents acting on behalf of RICS defined as 'directors' for the purpose of the insurance have the benefit of the indemnity provisions contained in the Bye-Laws. Directors' and officers' insurance cover has been established for all of these individuals to provide appropriate cover for their reasonable actions on behalf of RICS. The indemnities were in force during the 2021/22 financial reporting period and remain in force for all current and past directors and officers (as defined) of RICS.

Internal control and risk management

In June 2022, Lord Bichard published his review and recommendations. The review identified potential enhancements, such as providing clarity and focus, in bringing the finance, audit and risk functions together in one committee. The recommendations were accepted, resulting in the Finance Committee being dissolved and a new Audit, Risk, Assurance and Finance (ARAF) Committee being formed with revised terms of reference.

The ARAF Committee reports to the RICS Board. Its remit extends across the whole organisation, including the regulatory function. Each year it reports to Governing Council at its oversight meeting on how it has discharged its duties. The Committee is comprised of independent non-members and members of RICS.

The ARAF Committee monitors the integrity and effectiveness of RICS' financial reporting, internal control and risk management systems, reviews anti-fraud measures and Raising Concerns policies, and reviews the effectiveness of and recommends each year the appointment of the external auditor.

RICS' approach to risk management and internal controls has been refreshed during 2022, and aims to create a framework within which the Group and its staff can operate and deliver the business objectives, achieving a balance between cost, efficiency and the need to safeguard RICS' assets and members' interests.

The key features of the Group's system of internal controls are:

- an established management structure operating throughout the Group, with clearly defined levels of responsibility and delegation of authorities
- operating guidelines with authorisation limits set at appropriate levels in both business units and Group functions
- a comprehensive budgeting and forecasting system, which is regularly reviewed and updated
- a formal quarterly review of each business unit's year-end forecast, business performance, risk, and internal control matters, as carried out by the executive leads in each directorate and region
- monthly management reporting, including regular comparison of actual results against latest forecasts
- approval of investment decisions
- regular monitoring, review and reporting progress towards key organisational objectives
- internal audit reviews of risks and controls
- regular monitoring of the risk register by the Management Board and Governing Council, and
- regular horizon scanning for emerging risks.

Risk management

As a global organisation, it is important that we identify, assess and appropriately mitigate the risks to ensure that we achieve our strategic aims and objectives. A refreshed strategic risk register is in the final stages of consultation and, once finalised, will be maintained and updated regularly.

It is also subject to review and challenge by the ARAF Committee, RICS Board (previously the Management Board) and Governing Council. Details of the key strategic risks in place during 2022 faced by RICS, their impact and key mitigating actions taken are set out later in this section.

Recovery from the COVID-19 pandemic

The operational impact of the COVID-19 pandemic has reduced throughout the financial year. Our strong risk response mitigated this unprecedented risk, and we have continued to focus on our operational and financial resilience.

Workforce welfare and productivity

The COVID-19 situation has moved on significantly. Where necessary, we continue to monitor our activities in each country where we have a physical presence. Our capability to continue to work remotely, leveraging our IT infrastructure, has been well-tested and our workforce remains productive. The health, safety and welfare of our people remains a priority during the extended periods of working remotely and we continue to offer workstation setup support and access to mental wellbeing tools as required. A new network of Mental Health First Aiders and Wellbeing Champions has been created, with all undertaking training to enable them to support colleagues globally. Our offices are open for staff, and we are seeing an increase of people returning to the office for face-to-face events such as team and various leadership and committee meetings.

Key strategic risks

During 2022, we identified the strategic risks set out below, taking key mitigating actions to address them.

	Strategic risks	Key strategic impacts	Key mitigations
Influential thought leader Trusted by our stakeholders and society	• Loss of trust and confidence in RICS or RICS professionals • Standards are not set or enforced as per the public expectation of RICS. • Self or member interest is placed above public interest. • Internal behaviours are not in line with external expectations.	Public interest is not served. Negative impact on the reputation of RICS and the profession. Loss of influence. Loss of confidence in RICS and its ability to regulate and represent the profession.	• Key appointments of several new exec leaders. • New regulatory framework providing strengthened independence for the SRB. • Appointment of Senior Independent Governor. • Established new governance bodies - ARAF Committee and Nominations and Renumeration Committee. • Appointed new Chair of RICS Board. • Recruitment progressing for permanent CEO.

		Our standards not adopted by markets.	• Signed up to Climate Action Charter. • Revised and launched new Whistleblowing Policy.
RICS professional qualifications remain in demand	Loss of relevance of RICS and its qualifications for the profession. Increase in effective competition in the market.	Unable to achieve strategic objectives. Loss of market share. Loss of influence.	• Launched new online assessment platform and RICS Community.
Sustainable 21st century	Insufficient financial capacity to support delivery of the strategy. Ineffective leadership.	Unable to support the delivery of the strategy through the achievement of operational and strategic objectives.	• Exercised break clause on Birmingham office. • Sale of BCIS. • School of Built Environment transfer to Amity University.

Loss of trust and confidence

The survey of the profession is a key measure we currently use to understand how well the organisation is performing. The April 2022 survey saw scores either staying the same or having a marginal increase. The latest survey of the profession results show scores increased across most areas measured. The trust and confidence score increased by 9% globally, demonstrating a positive upward trajectory. There has been an absence of negative press coverage, which is another positive indicator.

Following the publication of the Bichard Review and the subsequent agreement by Governing Council to implement all the recommendations, it is expected that RICS will continue to improve further in the area of trust and confidence as the recommendations are delivered.

Financial stability

While we have taken significant action over the last 12 months to mitigate against the impacts of COVID-19 and macroeconomic headwinds, we still face a volatile and less predictable economic climate ahead, and this requires continued levels of prudence. The newly formed ARAF committee and interim CFO have placed significant focus on building a strong financial foundation for RICS, evident through a number of revised policies, internal papers and financial strategies. It is on this basis that RICS is confident of dealing with the future challenges that external events will present.

Loss of relevance

Loss of relevance of RICS, and recognition of RICS membership, could impact trust and confidence in RICS members, which may also have a detrimental impact on RICS membership numbers. The effects of this could include a risk to RICS' financial position.

Internal behaviours and culture not in line with expectations

This risk remains high, and the Alison Levitt QC and Lord Bichard recommendations allow us to take stock of behavioural expectations, which are being communicated and embedded with the appointment of the new interim executive leadership team.

Self or members interest vs public interest

This issue was clearly addressed by Lord Bichard in the Bichard RICS Review which reviewed RICS' governance, purpose and strategy. The independence and autonomy of the SRB has been strengthened through Governing Council's decision to implement the Regulatory Framework Document, emphasising RICS' clarity on acting to the public advantage in line with its Charter obligations.

Ineffective leadership

Further to the Levitt report and Bichard recommendations, several leadership appointments have been completed at RICS during 2022 to stabilise the organisation and provide effective leadership. A new Chair of the RICS Board has been appointed, along with onboarding interim executive team members such as Executive Director of Corporate Services, Chief People Officer, Director of Quality and Customer Experience and Director of Communications. In addition, a robust recruitment process is underway for the appointment of the new CEO. These leadership appointments will allow RICS to continue to provide effective leadership and oversight through an ongoing and significant period of change.

Setting standards and enforcing them

There is a high level of inherent risk associated with RICS' work to set and enforce standards. It is mitigated to a managed risk level by rules, documented operational process, systems, governance frameworks and staffing arrangements to support appropriate process management and decision making.

The SRB continues to implement actions stemming from its strategy captured in the 2019 report Professionalism in the Public Interest. Additional credibility for the regulatory functions (including creating and setting robust professional standards) has been enhanced through Governing Council's adoption of the regulatory framework and subsequent implementation.

Statement of the RICS Board's responsibilities in preparing the financial statements

The Board is responsible for preparing the annual report and financial statements, in accordance with applicable law and regulations.

The Management Board (predecessor to the RICS Board) had previously elected, as recommended by the lead financial executive, to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS), in conformity with the requirements of the *Companies Act* 2006 and RICS' financial statements in accordance with FRS 101.

The Bye-Laws require the Board to prepare annual accounts and the Board must not approve those financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and RICS, and of their profit or loss for that period.

In preparing each of the Group and RICS financial statements, the Board are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting and financial standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that RICS will continue in business.

At its meeting to approve the annual report and financial statements, the Board received and discussed a report from the Chair of the ARAF Committee, on behalf of that Committee, which confirmed that the interim Chief Financial Officer had met the requirements noted above in preparing these accounts.

Governing Council has delegated responsibility for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, and disclose with reasonable accuracy at any time the financial position of the Group. Activities are delegated in accordance with the Delegated Authority Matrix previously approved by Governing Council. The executives have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

On behalf of the RICS Board, the executive management have confirmed to the independent auditors that

- so far as each executive is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- the executives have taken all steps that they ought to have taken as executives to make themselves aware of any relevant audit information, and to establish that the auditors are aware of that information.

The RICS Board has authorised the Chief Executive Officer to sign letters of representation to this effect.

SIGNED ON BEHALF OF THE RICS BOARD ON 19 MAY 2023

Martin Samworth

Chair, RICS Board

Richard Collins

Interim Chief Executive

12 Great George Street

Parliament Square

London SW1P 3AD

Remuneration Report 2022

Accounting period of 17 months from 1 August 2021 to 31 December 2022

Chair's introduction

I am pleased to present the RICS Remuneration Report ('this Report') for the 17-month accounting period from 1 August 2021 to 31 December 2022. On 25 July 2022, the Remuneration Committee and the Nominations Committee merged to become the Nominations and Remuneration Committee ('NRC' or 'the Committee') pursuant to the recommendations of Lord Bichard's review of governance at RICS. This Report covers the remuneration activities of the Committee through the full 17-month accounting period.

The Committee is composed of RICS-qualified professionals and independent non-executives with relevant global experience. No serving executive is a member of the Committee. The aim of the Committee is to set a remuneration policy that is clearly aligned to RICS' strategic objectives as an institution established for the public advantage, while taking account of the geographical and industry markets in which we compete for talent. The Committee follows wider best practice developments in relation to pay and rewards, and seeks to implement these where possible and appropriate to ensure principles of good corporate governance are maintained.

In the period from 1 August 2021 to 24 July 2022, the Remuneration Committee met six times and discussed a number of matters, including:

- management and review of the Executive Incentive Plan 2021/22 for executives and key senior management roles, including the setting of performance measures
- review and assessment of performance across all criteria for the Executive Incentive Plan 2020/21 for executives and key senior management roles, and determination of payments made in accordance with its rules
- review and approval of the executive and all-employee annual salary increases, effective from 1 October 2021
- review of fees for non-executives providing services to RICS on various governance bodies
- input to senior management succession and development planning, executive benefit plans and the strategic approach to reward for all RICS employees
- oversight of:
  - the HR Risk Register where it relates to reward
  - the 2021 UK Gender Pay Gap Report
- external remuneration benchmarking for executives and key senior managers in the organisation, conducted by Mercer Limited, RICS' external, independent remuneration advisors.

From 25 July to 31 December 2022, the NRC met eight times covering both remuneration and nominations matters. The following remuneration matters were discussed:

- non-executive directors' fees for new roles and structure in the context of Lord Bichard's review
- the appropriateness of paying fees to RICS members who sit on committees and boards for the Institution
- the impact of the change in financial year on remuneration and the remuneration cycle

- review and approval of the executive and all-employee annual salary increases, effective from 1 October 2022
- review and assessment of performance across all criteria for the Executive Incentive Plan 2021/22 for executives and key senior management roles, and determination of payments made in accordance with its rules
- the release of deferred bonus payment for FY 2019/2020
- the bonus construct, corporate objectives and associated targets for the Five-Month Bonus Plan for 1 August to 31 December 2022, and
- consideration of the proposals for the Executive Incentive Plan 2023.

In addition, during 2022 an independent review of remuneration at RICS was carried out on behalf of the Committee by Korn Ferry, as recommended by Alison Levitt QC in her review. The members of the Committee also met with Lord Bichard and provided input into his review.

When determining remuneration policies and practices, the Committee considers the requirement for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture. In addition, the Committee continues to maintain an open and transparent policy with regards to remuneration, and believes this Remuneration Report demonstrates this.

I look forward to reporting fully on the Committee's activities in 2023, including those relating to nominations.

Harriet Kemp

Chair, Nominations and Remuneration Committee

Introduction

Although the Royal Charter status held by RICS does not require disclosure of executive reward, this Report has been prepared by the Committee on behalf of RICS for transparency in accordance with good corporate governance and is presented on a voluntary basis. The Committee composition and responsibilities are presented in the Governance Report on pages 12–22 for the 17-month accounting period from 1 August 2021 to 31 December 2022.

In addition to attendance by the Committee members, the Chief Executive Officer (CEO), Chief People Officer (CPO), Head of Reward and other executives or senior leaders may attend meetings at the invitation of the Committee Chair, although they are not present for discussions regarding their own remuneration.

The Committee also takes external independent advice from advisors, Mercer Limited, who have been the Committee's advisors since July 2015. They were reappointed in April 2021 until July 2023, following a full market review. Mercer Limited is a member of the Remuneration Consultants' Group and, as such, operates under the Remuneration Consultants' Group Code of Conduct. Advice may be sought on matters related to remuneration market trends, external benchmarking data, survey data, corporate governance updates and remuneration policy. Mercer Limited also provides advice to the Finance Committee on RICS' defined benefit pension.

The NRC reports to the RICS Board pursuant to the changes to RICS governance structure recommended by Lord Bichard's review. (The Remuneration Committee formerly reported to the Management Board.)

Executive remuneration policy

The Committee's key objectives when setting the remuneration policy are:

- to ensure a clear link between remuneration and RICS' overall corporate strategy and performance as an institution established for the public advantage
- to set competitive total remuneration packages, in the short and long term, with the appropriate split between variable and fixed pay, which will attract, retain and motivate high-calibre executives to lead RICS successfully
- oversight of pay and employment conditions elsewhere within RICS
- to take into consideration the wider environment for members' pay and employment conditions when making decisions on executive remuneration, and
- to be mindful of remuneration policy developments in the wider corporate environment and how these can be incorporated into the promotion of good corporate governance.

When setting executive remuneration packages, the Committee will use external benchmarking data from different independent sources. The Committee considers remuneration packages against those in other professional bodies and private sector companies of similar size and complexity to inform the decisions it makes.

While benchmarking provides a general guide to pay levels in broadly comparable roles, the Committee is mindful of other factors such as the contribution of the individual in the role, the performance of RICS and pay budgets for the wider workforce when setting remuneration packages.

Executive Incentive Plan

RICS operates a global Executive Incentive Plan, which rewards eligible employees for the achievement of performance against a balanced scorecard of KPIs aligned to the objectives of RICS and its Business Plan, and their own personal objectives. Certain financial thresholds must be achieved prior to any payment being made, and all payments are subject to an affordability underpin. In addition, the Committee retains the discretion to adjust the calculated level of payments up and down, and has previously exercised discretion in both directions.

The corporate and financial targets are reviewed and agreed in conjunction with the Management Board at the start of each financial year and are cascaded to all participants.

The KPIs are generally focused on the strategic priorities of the profession and the firms and individuals that operate within it. As such, financial objectives have a lower weighting than would be the case in a purely profit-driven organisation.

Executive Incentive Plan 2021/22

The Committee debated whether there should be an Executive Incentive Plan for 2021/22, given the significant concerns that had been raised about the historic operation of the Plan and the level of some of the payments that had been made. The Committee concluded that there should be a Plan for 2021/22 recognising that:

- there would be a significant impact on senior leaders who had been hired on the basis of a remuneration package which included a bonus
- it would hinder the Institution's ability to attract talent from other organisations where bonuses are the norm
- the Plan has a financial underpinning, i.e. if the financial targets are not met, there is no bonus payment, and
- variable pay is an effective way to control costs in challenging times and is therefore in the interest of members.

The design of the Plan and in particular the unusually high number of KPIs (17) was debated by the Committee. It was concluded that 17 were too many, but it was also recognised that these reflected the KPIs in the Corporate Scorecard, which had already been agreed by the Management Board. The Committee therefore accepted this number of KPIs for the 2021/22 Plan, but it was agreed that the number of KPIs would be reduced for future cycles.

The Committee also reviewed a proposal to change the number of participants in the Plan to align participation with a job levelling structure. In light of the upcoming independent review of remuneration, it was agreed not to change the population for the 2021/22 Plan but to review it again once the recommendations of the independent review were known.

A number of other changes to the design and operation of the Plan were agreed:

- The financial underpinning for 2021/22 was changed to EBITDA and cash position against Plan.
- The multipliers applied to corporate performance were returned to their original levels, having been reduced during the pandemic: Threshold 50%, Target 100%, Exceed 150%, Superior 200%.

The Committee also agreed changes to the Plan rules; these included:

- clarifying the good leaver status and treatment of payments in the event of death or serious ill-health retirement, and
- tightening the malus and clawback rules to reflect best practice.

Executive Incentive Plan 2021/22 performance outcomes

Prior to making any decision on any payment for 2021/22, the Committee was presented with the financial numbers that confirmed that the underpinning had been met, and also had access to an assurance validation report from Internal Audit and Risk, approved by the ARAF Committee, on the achievement levels of the KPIs in the scorecard. Based on the information, the Committee concluded that the proposed level of achievement of 72% against a target of 80% was a fair reflection of achievements during the year.

The Committee approved incentive plan awards for 47 eligible employees totalling £562k to be made under the Executive Incentive Plan 2021/22, in line with the calculated level of pay out.

For the interim CEO and two legacy participants, an additional deferred bonus equal to 50% of their short-term initial payment was awarded to be paid two years later. The deferred portion is subject to being employed by the business at the time of payment to receive it.

In addition, for payments under the 2020/21 incentive plan, as disclosed in the previous Remuneration Report, the Committee determined that 50% of the initial payment would be withheld until the outcome of the forensic accounting review was known and this 50% would be at risk, pending the outcome of that review. At its meeting in June 2022, the Committee was updated on the outcome of the review and agreed that the portion of the bonus that had been withheld should be released.

Executive Incentive Plan 2019/2020 deferred bonus

The Committee approved the payments of the 2019-2020 deferred bonus to the interim CEO and three legacy participants, as the RFC covenants to which payments were subject had been met. The Committee also made its decision in the context of the Plan rules and the leaver provisions. The total amount approved was £108k, paid in December 2022.

Executive Incentive Plan for five months to 31 December 2022

The Committee reflected on a proposal from management to operate the Executive Incentive Plan for a five-month period from 1 August to 31 December 2022. It agreed with the principle that employees should not be disadvantaged by the financial year end transition from 31 July to 31 December. However, being cognisant of Lord Bichard's overall governance review, the independent remuneration review from Korn Ferry and the timing and short duration of the plan period, the Committee approved the following key changes to the five-month plan compared to previous years. These were as follows:

- maximum bonus opportunity was reduced to 150% from 200%
- no deferred bonus
- performance condition based on 100% corporate performance, rather than split between corporate and individual performance due to the short period
- balanced scorecard of five objectives
- financial underpinning of 'positive net surplus' and
- percentage of base salary as at 31 December instead of 31 July.

Eligibility was on the same basis as the previous Executive Incentive Plan, and there are 49 employees participating in the five-month Plan.

Any pay-out under this Plan will be determined in 2023, once the achievements for the period are known and have been audited. The outcome will be disclosed in the next Remuneration Report.

Annual salary review

The Committee approved salary increases for the executive team on the same basis as the October 2022 salary review for the wider workforce. The approved salary increases reflected both individual performance and locations, with the new annual salaries effective 1 October 2022.

Due to the change in financial year end to 31 December 2023, the annual salary review date is being moved to 1 April. This means that in this transitional period, the next salary increase would not be until 1 April 2024, being a 17-month gap from 1 October 2022. To ensure that employees are not disadvantaged by the financial year transition, the Committee approved in principle a compensation review for 1 April 2023, with the approach for distributing the budget to be developed and presented by management nearer the time.

Interim appointments and arrangements

Immediately following the publication of the Levitt Review, three appointments were made on an interim basis for a 12-month period from 8 October 2021 to 7 October 2022:

- Nicholas MacLean was appointed Interim Chair of Governing Council on a fee of £75,000 per annum. He has not taken this fee, which instead is being paid to the Lionheart Charity.
- Isobel O'Regan was appointed Interim Chair of Management Board and has waived any fee – Isobel O'Regan's interim term was subsequently extended to 31 December 2022.
- Richard Collins was appointed Interim Chief Executive – Richard Collins' interim term was subsequently extended to cover the period until a permanent Chief Executive is appointed.
  - His base salary was increased from £175,000 to £210,000 per annum (the previous CEO's base salary was £264,000); he received an increase of 3% as part of the annual salary review on 1 October 2022.
  - His annual on-target bonus was set at 25% (the previous CEO had an annual on-target bonus of 50%).
  - He will receive an acting up allowance of £40,000 for the duration of the appointment.

Nicholas Maclean stood down from his interim role on 7 October 2022 prior to Clement Lau taking over the combined role of President and Chair of Governing Council on 8 October 2022. Isobel O'Regan stood down from her interim role on 31 December 2022, prior to Martin Samworth being appointed Chair of the new RICS Board on 1 January 2023.

Subsequently, the Committee approved a number of other interim appointments and associated acting up payments for senior leaders to cover the vacancies created by the departure of the previous executive team. These arrangements will all come to an end when permanent appointments are made, at which time the individuals will step back into their substantive roles.

External independent review of executive remuneration

The Committee appointed Korn Ferry to carry out an independent review of remuneration. The review took place between March and June 2022. (It should be noted, therefore, that the review was commissioned via the Remuneration Committee, thus predating the creation of the NRC, and accordingly references in the Korn Ferry report are to the Remuneration Committee.)

The terms of reference for the review covered:

1. the structure of remuneration within RICS at all levels, covering:
   - appropriateness of organisations used for benchmarking, including other global professional bodies
   - positioning of remuneration versus these benchmarks
   - structure of the annual bonus plan
   - competitiveness of any benefit plans, including pension arrangements, and
   - appropriateness of expatriate remuneration packages for senior staff who are located (or relocated) outside of their 'base country'.
2. the processes by which decisions are made on remuneration, both for those individuals and plans within and outside the remit of the Remuneration Committee.

In order to examine the issues highlighted, Korn Ferry:

- interviewed 13 individuals in the governance structure and in management roles within RICS, and also Lord Bichard (who was conducting his review at the same time)
- spoke to the Remuneration Committee’s appointed external advisers Mercer Limited
- studied a range of documents and data on the work of the Remuneration Committee and remuneration policies and practices, and
- compared the findings with Korn Ferry’s experience and data, assisted by their specialist Executive Pay & Governance team, which provided advice and challenge.

Korn Ferry’s review concluded that many of the practices under investigation were good and in line with common practice; it did not find policies and systems that were unsuitable and needed to be discarded. They made 17 recommendations, which should bring further improvement. These cover:

- the Remuneration Committee’s relationship to the governance structure membership and terms of reference should be altered in line with Lord Bichard’s review
- benchmarking and market positioning:
  - the benchmarks used and the overall approach are supported

  - it is recommended that benchmarking should always extend to the total remuneration value rather than just base salary (as has been the Committee's practice)
  - there should be a clearer articulation of the policy in relation to all aspects of remuneration.
- Bonus:
  - there should continue to be a bonus plan as it provides an important link between pay and performance, and is part of a market-competitive package
  - eligibility should be clarified and access to the bonus scheme should apply at specific job levels
  - the real issue is not the existence of bonuses or their current level, but the performance scorecard and process that are applied to them.
- Performance measurement:
  - the scorecard should be simplified, so there are fewer, more important measures
  - the financial thresholds should be reviewed to ensure payments are justified and relate to how the organisation's performance is actually measured
  - the governance process for agreeing targets and reviewing full-year performance should be strengthened
  - values, behaviours and culture need to be better reflected in performance judgements in future.
- Wider workforce reward:
  - the pay and benefits system for the UK is clearly structured and should be capable of delivering competitive pay and benefits; however, staff turnover is high and there is criticism that the offer is below market
  - some guidance documents to overcome this are already in draft, but a fuller communication programme to managers and staff is recommended, covering salaries, recognition, benefits and all other aspects of the employment proposition
  - overseas arrangements are also benchmarked and linked to local markets.
- Reporting:
  - information about executive pay is in the report and accounts, and made available in a separate report from the Chair of the Remuneration Committee, but neither document is easy to find, which makes RICS appear less open than it actually is
  - some of the other recommendations, such as clearer policy, will affect what is communicated in future in these reports.

Succession planning

The Committee understands that succession planning at executive level is a key area of focus for the organisation, to ensure leadership continuity and to retain and develop knowledge while encouraging individual employee growth and development. The Committee reviewed the current succession planning process and documentation but, given that the majority of the executive team are currently acting up into roles, discussion regarding individual plans was deferred.

Risk, compliance and reporting

The Committee is aware of its responsibility to maintain effective risk management controls in relation to the remuneration policy. The Committee reviews the overall policy, in particular the Executive Incentive Plan, to ensure it continues to operate within RICS' overall risk framework.

During the financial year 2021–22 the Committee conducted periodic reviews of:

- The HR Risk Register, which is updated on an ongoing basis to document risks that have been identified and the mitigation actions that are being taken to minimise risk; and
- UK Gender Pay Gap reporting regulations, the gender pay gap that has been identified at RICS and the actions that are being taken to address the gender pay gap.

The Committee was particularly concerned about the ongoing high level of turnover in the Institution and was provided with more information on the reasons driving this and the wider employment market context that has affected the vast majority of employers. This will continue to be monitored by the Committee, which is also supportive of the executive team if they need to take specific actions. The Committee particularly endorsed the setting up of the Employee Voice Forum, which will provide more direct feedback to the executive team on employee morale and sentiment.

Independent auditor's report to the members of the Royal Institution of Chartered Surveyors

Opinion

We have audited the financial statements of the Royal Institution of Chartered Surveyors (the 'parent institution's) and its subsidiaries (the 'group') for the 17 month period ended 31 December 2022, which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated and RICS Statements of Financial Position, Consolidated Statement of Changes in Equity, RICS Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards, in conformity with the requirements of the UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent institution financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent Institution's affairs as at 31 December 2022, and of the group's result for the period then ended.
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the UK-adopted international accounting standards.
- the parent institution financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent institution, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and parent Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent Institution to cease to continue as a going concern.

In our evaluation of the executive's conclusions, we considered the inherent risks associated with the group's and the parent Institution's business model including effects arising from macro-economic uncertainties such as cost of living crisis and increase in interest rates, we assessed and challenged the reasonableness of estimates made by the executives and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resource or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the executive's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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.

Responsibilities of Governing Council, RICS Board and executives

As explained more fully in the statement of the RICS Board's responsibilities in preparing the financial statements on page 37, the RICS Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the executives determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the executive is responsible for assessing the Institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Governing Council either intend to liquidate the Institution or to cease operations, or have no realistic alternative but to do so.

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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Institution and determined that the most significant are those that relate to the reporting frameworks adopted.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or noncompliance with laws and regulations throughout the audit.
- We enquired of management and those charged with governance, concerning the Institution's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations, and
  - the detection and response to the risks of fraud.
- We enquired of management and those charged with governance, whether they were aware of any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual, suspected or alleged fraud.
- Audit procedures performed by the engagement team included:
  - evaluation of the programmes and controls established to address the risks related to irregularities and fraud
  - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions, and
  - identifying and testing related party transactions. Irregularities, including fraud, are instances of noncompliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Institution's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement
- the applicable statutory provisions and
- the Institution's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, the adequacy of procedures for authorisation of transactions and internal review procedures over the Institution's compliance with regulatory requirements.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud and error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the **Financial Reporting Council's website**. This description forms part of our Auditor's Report.

Use of our report

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

David White BA FCA (Senior Statutory Auditor)

for and on behalf of

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Birmingham

Date: 19/5/2023

Consolidated Income Statement

for the 17-month period ended 31 December 2022

	Notes	17 Months 2022 £m	12 Months 2021 £m
Revenue	2	**102.9**	76.4
Cost of sales		**(27.9)**	(17.6)
Gross profit		**75.0**	58.8
Key activities and services			
Regional and local service provision		**(18.7)**	(15.0)
Creating and enforcing professional standards		**(11.0)**	(8.0)
Gaining influence and building brand profile		**(4.1)**	(3.2)
Technology development and operations		**(11.5)**	(9.3)
Legal and governance		**(2.6)**	(1.4)
Depreciation and amortisation		**(7.1)**	(5.2)
Finance operations and ongoing compliance		**(5.6)**	(3.0)
Property operations and lifecycle maintenance		**(3.7)**	(1.3)
Central activities		**(5.9)**	(4.2)
Expenditure on key activities and services		**(70.2)**	(50.6)
Exceptional Costs	5	**(6.8)**	(3.4)
Total operating expenditure		**(77.0)**	(54.0)
Other income/(costs)		**0.1**	-
Loss on foreign exchange		**(0.3)**	(1.2)
Changes in the Fair Value of investments		**0.8**	1.7
Gain on sale of property, plant and equipment and available for sale investments		**0.4**	0.4
Total other income/(costs)		**1.0**	0.9
Result before interest and taxation		**(1.0)**	5.7
Finance income	6	**0.5**	0.1
Result before taxation		**(0.5)**	5.8
Taxation	7	**(0.4)**	0.2
Result after taxation from continuing operations		**(0.9)**	6.0
Result after taxation from discontinued operations	21	**21.5**	2.0
Net Result after taxation attributable to RICS for the financial period		**20.6**	8.0

The notes on pages 60 to 107 form part of the financial statements.

Consolidated statement of Other Comprehensive Income

for the 17-month period ended 31 December 2022

	Notes	**17 Months 2022 £m**	12 Months 2021 £m
Items that will not be reclassified subsequently to profit or loss:			
(Loss)/gain on revaluation of property, plant and equipment		(1.4)	0.3
Actuarial (loss)/gain recognised in period		(5.7)	2.2
Deferred tax		1.8	(2.4)
Other comprehensive (loss)/gain in the period		(5.3)	0.1
Net result after taxation, attributable to RICS for the financial period	*2*	**20.6**	8.0
Total comprehensive gain for the period		**15.3**	8.1

The notes on pages 60 to 107 form part of the financial statements.

Consolidated and RICS statements of Financial Position

As at 31 December 2022

		Group		RICS	
					As Restated
	Notes	**2022**	2021	**2022**	2021
Assets		**£m**	£m	**£m**	£m
Non current assets					
Right of use assets	*8*	**5.4**	7.6	**5.0**	5.9
Property, plant and equipment	*9*	**37.2**	39.1	**37.2**	39.0
Intangible assets	*10*	**1.7**	4.9	**1.7**	4.9
Investments in subsidiaries and associates	*11*	**-**	-	**2.2**	2.2
Deferred tax asset	*13*	**2.2**	2.2	**2.1**	2.2
Financial assets: investments	*12*	**0.9**	-	**0.9**	-
Pension asset	*18*	**2.8**	7.3	**2.8**	7.3
		50.2	61.1	**51.9**	61.5
Current assets					
Financial assets: available for sale investments	*12*	**19.1**	20.3	**-**	-
Trade and other receivables*	*14*	**21.3**	6.4	**62.0**	44.6
Cash and cash equivalents	*15*	**28.2**	17.2	**8.3**	3.2
		68.6	43.9	**70.3**	47.8
Total assets		**118.8**	105.0	**122.2**	109.3
Liabilities					
Current liabilities					
Bank overdraft	*16*	**(1.7)**	(0.7)	**-**	-
Trade and other payables*	*17*	**(45.8)**	(44.3)	**(71.3)**	(72.9)
Current tax liabilities		**(0.5)**	(0.5)	**(0.1)**	(0.1)
Right of Use Liabilities	*8*	**(1.4)**	(2.4)	**(1.1)**	(1.0)
Current liabilities		**(49.4)**	(47.9)	**(72.5)**	(74.0)

* - Trade and other receivables and Trade and other payables have been restated for RICS Company, in 2021, to reflect the gross disclosure of Amounts owed by subsidiary undertakings (***Note 14)*** and Amounts owed to subsidiary undertakings ***(Note 17)***, which were previously shown as a net receivable: Amounts owed by subsidiary undertakings £9.6m.

The notes on pages 60 to 107 form part of the financial statements

Consolidated and RICS statements of Financial Position (continued)

As at 31 December 2022

	Notes	Group 2022 £m	Group 2021 £m	RICS 2022 £m	RICS As Restated 2021 £m
Current liabilities		**(49.4)**	(47.9)	**(72.5)**	(74.0)
Non -current liabilities					
Right of Use Liabilities	8	**(5.1)**	(6.5)	**(5.1)**	(6.2)
Provisions	19	**(0.8)**	(0.7)	**(0.7)**	(0.5)
Deferred tax liability	13	**(7.0)**	(8.8)	**(6.6)**	(8.2)
		(12.9)	(16.0)	**(12.4)**	(14.9)
Total liabilities		**(62.3)**	(63.9)	**(84.9)**	(88.9)
Total net assets		**56.5**	41.1	**37.3**	20.4
Reserves	22				
Revaluation reserve		**25.6**	27.0	**25.6**	27.0
Investment revaluation reserve		**3.2**	3.2	**-**	-
Revenue reserve		**19.2**	2.5	**12.5**	(14.4)
Other reserves		**8.5**	8.4	**(0.8)**	7.8
		56.5	41.1	**37.3**	20.4

RICS has not published an income statement with these consolidated accounts. The result in the RICS financial statements was £22.2m (2021: £2.6m).

There is no share capital since the constitution of RICS is that of a body corporate under Royal Charter.

The accounts were approved by Management Board and signed on its behalf on 19 May 2023.

by:

Martin Samworth, Chair, RICS Board

Richard Collins, Interim Chief Executive

The notes on pages 60 to 107 form part of the financial statements

Consolidated statement of changes in equity

for the 17-month period ended 31 December 2022

	Revaluation reserve	Premises reserve	Clients' money reserve	Revenue reserve	Translation reserve	Investment revaluation reserve	Restricted reserve	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Reserves at 1 August 2020	26.7	6.0	1.6	(5.3)	(0.7)	3.2	1.6	33.1
Net result after taxation	-	-	-	8.0	-	-	-	8.0
Actuarial gains recognised in defined benefit pension scheme	-	-	-	2.2	-	-	-	2.2
Deferred tax on pension scheme / revaluation of property	-	-	-	(2.4)	-	-	-	(2.4)
Revaluation of property	0.3	-	-	-	-	-	-	0.3
Total comprehensive gain in the period	**0.3**	**-**	**-**	**7.8**	**-**	**-**		**8.1**
Reserves at 31 July 2021	**27.0**	**6.0**	**1.6**	**2.5**	**(0.7)**	**3.2**	**1.6**	**41.2**
Net result after taxation	-	-	-	20.6	-	-	-	20.6
Actuarial losses recognised in defined benefit pension scheme	-	-	-	(5.7)	-	-	-	(5.7)
Deferred tax on pension scheme / revaluation of property/investments	-	-	-	1.8	-	-	-	1.8
Revaluation of property and antiques	(1.4)	-	-	-	-	-	-	(1.4)
Total comprehensive gain in the period	**(1.4)**	**-**	**-**	**16.7**	**-**	**-**	**-**	**15.3**
Reserves at 31 December 2022	**25.6**	**6.0**	**1.6**	**19.2**	**(0.7)**	**3.2**	**1.6**	**56.5**

The notes on pages 60 to 107 form part of the financial statements.

RICS statement of changes in equity

for the 17-month period ended 31 December 2022

	Revaluation reserve	Premises reserve	Clients' money reserve	Revenue reserve	Restricted reserve	Total
	£m	£m	£m	£m	£m	£m
Reserves at 1 August 2020	26.7	4.9	1.5	(16.9)	1.5	17.7
Net result after taxation	-	-	-	2.6	-	2.6
Actuarial gains recognised in defined benefit pension scheme	-	-	-	2.2	-	2.2
Deferred tax on pension scheme / revaluation of property	-	-	-	(2.4)	-	(2.4)
Revaluation of property	0.3	-	-	-	-	0.3
Total comprehensive gain in the period	**0.3**	**-**	**-**	**2.4**		**2.7**
Reserves at 31 July 2021	27.0	4.9	1.5	(14.5)	1.5	20.4
Net result after taxation	-	-	-	22.2	-	22.2
Actuarial losses recognised in defined benefit pension scheme	-	-	-	(5.7)	-	(5.7)
Deferred tax on pension scheme / revaluation of property/investments	-	-	-	1.8	-	1.8
Revaluation of property & antiques	(1.4)	-	-	-	-	(1.4)
Total comprehensive gain in the period	**(1.4)**	**-**	**-**	**18.3**	**-**	**16.9**
Reserves at 31 December 2022	25.6	4.9	1.5	3.8	1.5	37.3

The notes on pages 60 to 107 form part of the financial statements.

Consolidated Cash Flow Statement

for the 17-month period ended 31 December 2022

	Notes	17 Months 2022 £m	As restated 12 Months 2021 £m
Cash flows from operating activities			
Result after taxation			
From continuing operations		**(0.9)**	6.0
From discontinued operations	*21*	**21.5**	2.0
Net result after taxation		**20.6**	8.0
Adjustments for:			
Depreciation of tangible assets	*9*	**2.2**	2.3
Taxation	*7*	**0.8**	0.3
Amortisation of Intangible assets	*10*	**1.8**	0.5
Depreciation of right of use assets	*8*	**3.1**	2.5
Impairment of Intangible assets	*10*	**1.7**	-
Impairment of assets under construction	*9*	**1.3**	-
Profit on disposal of subsidiary		**(19.7)**	-
Changes in fair value of investment		**(0.8)**	(1.7)
Profit on sale of property, plant and equipment and available for investment sale		**(0.6)**	(0.4)
Cash flows from operating activities before movements from working capital		**10.4**	11.5
Movements in working capital			
(Increase)/decrease in trade and other receivables	*14*	**(14.9)**	3.9
Increase/(decrease) in trade and other payables	*17*	**6.8**	(0.7)
Unrealised deficit on foreign exchange		**(0.2)**	(0.9)
		(8.3)	2.3
Cash flows from operating activities after movements from working capital		**2.1**	13.8

In the year to 31 July 2021, the repayment of lease liabilities was previously disclosed within investing activities. The comparatives have been restated to include this amount within financing activities.

The notes on pages 60 to 107 form part of the financial statements.

Consolidated Cash Flow Statement (continued)

for the 17-month period ended 31 December 2022

	Notes	17 Months 2022 £m	As restated 12 Months 2021 £m
Cash flows from operating activities after movements from working capital		**2.1**	13.8
Provisions	19	**0.1**	0.3
Tax (paid)		**(0.8)**	(0.2)
Defined benefit pension contributions	18	**(1.0)**	(0.6)
		(1.7)	(0.5)
Net cash generated from operating activities		**0.4**	13.3
Cash flows from investing activities			
Purchase of property, plant and equipment	9	**(4.3)**	-
Purchase of intangible assets	10	**(0.3)**	(2.6)
Proceeds from disposal of available for sale investments		**7.6**	-
Purchase of available for sale investments	12	**(5.0)**	(6.2)
Net proceeds from disposal of subsidiary	12	**14.9**	6.0
Net cash generated/ (used) in from investing activities		**12.9**	(2.8)
Cash flows from financing activities			
Repayment of lease liabilities		**(3.3)**	(2.9)
Net cash used in from financing activities		**(3.3)**	(2.9)
Net increase in cash and cash equivalents in the period		**10.0**	7.6
Net cash and cash equivalents at 1 August 2021 and 2020		**16.5**	8.9
Net cash and cash equivalents at 31 December 2022 and 31 July 2021	15	**26.5**	16.5

The notes on pages 60 to 107 form part of the financial statements.

Notes to the Financial Statements

(forming part of the financial statements)

1 Accounting policies

The Royal Institution of Chartered Surveyors (RICS) is a body established by Royal Charter in the UK that is incorporated, domiciled and registered in England and Wales. The registered office is at 12 Great George Street, Parliament Square, London SW1P 3AD (registered with company number RC000487).

The Group financial statements consolidate those of RICS and its subsidiaries (together referred to as 'the Group'). The parent financial statements present information about RICS as a separate body and not about its group.

The Group financial statements have been prepared by the Executive and approved by the RICS Board in accordance with International Financial Reporting Standards in conformity with the requirements of the *Companies Act* 2006. RICS has elected to prepare its parent financial statements in accordance with FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

RICS is exempt from the requirement to present its own profit and loss account.

In these financial statements, RICS has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes
- comparative period reconciliations for tangible fixed assets and intangible assets
- disclosures in respect of transactions with wholly owned subsidiaries
- disclosures in respect of capital management
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements include the equivalent disclosures, RICS has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Judgements made by the Executive in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in Note 21.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value, property and financial instruments classified as available-for-sale.

1 Accounting policies (continued)

1.2 Going concern

As part of the business plan, the Group maintains 2-year business forecasts and projections to demonstrate that the Group and RICS will have sufficient cash and reserves to meet the day-to-day working requirements of their business operations. The current assessment of going concern has been detailed further on page 9 of these financial statements. Accordingly, the going concern basis has been adopted in preparing the annual report and financial statements.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

1.4 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the statement of financial position date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, and associates and subsidiaries, trade and other receivables, cash and cash equivalents, and trade and other payables.

1 Accounting policies (continued)

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any expected credit losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in the profit and loss account.

Investments in associates and subsidiaries

Investments in associates and subsidiaries are carried at cost less impairment.

Available-for-sale investments

Investments are stated at fair value less accumulated impairment, with changes in fair value being recognised directly in the income statement. When such investments are disposed or become impaired, the accumulated gains and losses, previously recognised in equity, are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Right of use assets

Leased assets

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use
- the Group has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

1 Accounting policies (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. 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 at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been included as separate items.

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost and land and buildings at valuation, less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Freehold building 50 years
- Leasehold buildings over life of lease

Other assets:

- Fixtures and fittings 5 years
- Motor vehicles 5 years
- Office equipment 4 years
- Computer equipment 3-5 years

1 Accounting policies (continued)

Listed buildings that are believed to have an economic life in excess of 50 years are not depreciated on the grounds that the charge would not be material.

Depreciation methods, useful lives and residual values are reviewed at each statement of financial position date.

Assets in the course of construction are not subject to depreciation until the asset is brought into use.

Artwork and silverware owned by the Group is held at brought forward valuation, which is deemed cost under IFRS.

1.8 Intangible assets

Software costs
Other intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the useful economic lives of the assets concerned, which are assessed annually, and are principally as follows:

- Software costs 3–5 years

Research and development
Expenditure on research activities is recognised in the income statement as an expense as incurred.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle. Inventories consist of *RICS Valuation – Global Standards* and other literature material. Provision is made for obsolete, slow moving or defective items where appropriate.

1.10 Impairment excluding inventories

Financial assets (including receivables)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax

1 Accounting policies (continued)

discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which RICS pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Group determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/(liability).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

1 Accounting policies (continued)

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

1.12 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.13 Revenue

Revenue represents the value of goods, services and subscriptions provided and is stated net of discounts and VAT.

Professionals' subscriptions to RICS are due on 1 January for the subsequent 12 months. Revenue is taken to the statement of financial position when professionals confirm their renewal; this is taken to be on receipt of a payment. Revenue is released to the profit and loss account over the period of the membership year. The deferred income is recorded in the statement of financial position within creditors and will fall into the income statement for the following year.

Assessment of Professional Competence (APC) revenue is recognised at the point of candidate registration.

All other revenue, including entrance fees, conferences and events, CPD training and book sales, are recognised in the income statement in the period in which the services or goods are provided.

1.14 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprise interest payable and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy).

Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

1 Accounting policies (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

1.16 Leases

Leases are accounted for under IFRS 16 'Leases' for all operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. Right of Use assets are measured at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 2.22% (2021: 2.08%).

1.17 Exceptional costs

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

1.18 Discontinued activities

A discontinued operation is a component of the group that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations, or
- Is part of a plan to dispose of a separate major line of business or geographical area of operation.

Profit or loss from discontinued operations, including prior year comparatives of profit and loss, is presented in a single amount in the income statement. This amount which comprises the post-tax profit or loss of discontinued operations and the post tax gain or loss resulting from measurement and disposal of assets classified as held for sale, is further analysed in Note 21.

2 Revenue

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, and whose operating results are reviewed by the Group's Chief Operating Decision Maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available. The Chief Operating Decision Maker has defined that the Group's only operating segment is that of operating as a global, independent and self-regulating professional body, providing associated services to its members. The vast majority of the Group's assets arise in the UK.

	17 Months 2022 £m	12 Months 2021 £m
Profession, subscription and entry fees	**80.5**	56.6
Learning professional development and other professional services	**27.5**	25.6
	108.0	82.2
From continuing activities	**102.9**	76.4
From discontinued activities	**5.1**	5.8
	108.0	82.2
Americas	**0.6**	0.1
EMEA	**103.4**	76.1
ASIA PAC	**4.0**	6.0
	108.0	82.2

3 Expenses and auditor's remuneration

	Notes	**17 Months 2022 £m**	12 Months 2021 £m
Depreciation of property, plant and equipment	*9*	**2.2**	2.0
Depreciation of right-of-use assets	*8*	**3.1**	2.4
Amortisation of intangible assets	*10*	**1.8**	0.5
Impairment of Intangible assets and assets under construction	*9,10*	**3.0**	-
Audit Fees (£'000)		**£'000**	**£'000**
Audit of these financial statements		**165.0**	79.1
Audit of subsidiary financial statements payable to Grant Thornton UK LLP		**22.8**	22.8
Audit of subsidiary financial statements payable to Grant Thornton International firms		**54.0**	33.8

Staff numbers and costs

The average number of persons employed by the Group during the period, analysed by category, was as follows:

	17 Months	12 Months
	Number of Employees	
	2022	2021
United Kingdom	**474**	540
Rest of world	**203**	226
	677	766

The aggregate payroll costs of these persons were as follows:

	£m	£m
Wages and salaries	**51.7**	33.7
Social security costs	**4.5**	3.2
Contributions to defined contribution plan	**2.5**	2.1
	58.7	39.0

4 Exceptional costs

	17 Months	12 Months
	2022	2021
	£m	£m
Independent Review	**1.8**	1.2
Severance payment restructuring	**1.8**	1.8
Impairment of Intangible assets and assets under construction	**3.0**	-
Other	**0.7**	0.4
	6.8	3.4

5 Finance income/(costs)

	17 Months	12 Months
	2022	2021
	£m	£m
Returns earned on available for sale investments	**0.3**	0.2
Pension funding net interest receivable	**0.2**	0.1
Bank & other interest receivable	**0.3**	0.1
Bank and similar charges	**(0.1)**	(0.1)
Interest expense for leasing arrangements	**(0.2)**	(0.2)
	0.5	0.1

6 Taxation

a) Recognised in the income statement

	17 Months 2022 £m	12 Months 2021 £m
Current tax expense (UK)		
Current year	**0.7**	0.3
Overprovision regarding prior years	**(0.1)**	-
Current tax expense (Overseas)		
Current year	**0.1**	0.1
Total current tax expense	**0.7**	0.4

	17 Months 2022 £m	12 Months 2021 £m
Deferred tax expense ***(see note 13)***		
Origination and reversal of temporary differences	**0.1**	0.3
Change in taxation rate	**-**	(0.4)
Deferred tax credit	**0.1**	(0.1)
Tax charge in income statement	**0.8**	0.3

b) Income tax recognised in other comprehensive income	**17 Months 2022 £m**	12 Months 2021 £m
Revaluation of property, plant and equipment	**(0.4)**	(0.2)
Remeasurements of defined benefit asset	**(1.4)**	(2.2)
Deferred tax credit	**(1.8)**	(2.4)

7 Taxation (continued)

c) Reconciliation of total tax

	17 Months 2022 £m	12 Months 2021 £m
Result before taxation	**21.5**	8.3
Tax using the UK corporation tax rate of **19%** (2021: **19%**)	**4.1**	1.6
Non-deductible expenses	**0.4**	0.6
Tax asset not recognised	**0.5**	-
Tax asset now recognised	**-**	(1.1)
Change in tax rates	**-**	(0.4)
Chargeable gain	**0.1**	-
Non-taxable income	**(3.9)**	(0.1)
Utilisation of tax losses	**(0.4)**	-
Difference in overseas tax rates	**(0.1)**	(0.1)
Overprovision regarding prior years	**0.1**	(0.2)
Total tax charge	**0.8**	0.3

In the Spring Budget 2021, the government announced that the corporation tax rate would remain at 19% for the financial year beginning 1 April 2022, but would increase to 25% for the financial year beginning 1 April 2023.

8 Right-of-use assets

The Group has leases for its main offices. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 9).

Leases of property generally have a lease term ranging from 0.2 years to 9.09 years, however most leases of property are now generally expected to be limited to 5 years or less except in special circumstances. Lease payments are generally fixed.

8 Right-of-use asset (continued)

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings, the Group must keep those properties in a good state of repair and

return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on the statement of financial position.

	No. of right of use assets leased	**Range of remaining term**	**Average remaining lease term**	**No of leases with extension options**	**No of leases with terminatio n options**	**No of leases with options to purchase**
Leasehold buildings *Group*	15.0	0 - 9.1 years	2.0 years	-	-	-

	Leasehold buildings £m
Cost	
At 31 July 2021	12.4
Additions	0.9
Disposals	(4.2)
Foreign Exchange Movement	0.1
At 31 December 2022	**9.2**
Accumulated depreciation	
At 31 July 2021	4.8
Charge for the period	3.1
Disposals	(4.2)
Foreign exchange movement	0.1
At 31 December 2022	**3.8**
Net Book Value	
At 31 December 2022	**5.4**
At 31 July 2021	**7.6**

8 Right-of-use asset (continued)

Right-of-use assets (continued

RICS

	Leasehold buildings £m
Cost	
At 31 July 2021	7.7
Additions	0.4
Disposals	(0.1)
Foreign exchange movement	-
At 31 December 2022	**8.0**
Accumulated	
At 31 July 2021	1.8
Charge for the period	1.3
Disposals	(0.1)
Foreign exchange movement	-
At 31 December 2022	**3.0**
Net Book Value	
At 31 December 2022	**5.0**
At 31 July 2021	**5.9**

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

Lease liabilities are presented in the statement of financial position as follows:

	Group		**RICS**	
	2022	**2021**	**2022**	**2021**
	£m	**£m**	**£m**	**£m**
Current	**1.4**	2.4	**1.1**	1.0
Non-current	**5.1**	6.5	**5.1**	6.2
	6.5	8.9	**6.2**	7.2

At 31 December 2022, the Group had no leases committed to that had not commenced.

8 Right-of-use asset (continued)

Right-of-use assets (continued)

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 December 2022 is as follows:

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Lease payments	1.5	1.2	1.2	1.2	1.2	0.5	6.8
Finance charges	(0.1)	(0.1)	-	-	-	-	(0.3)
Group	**1.4**	**1.1**	**1.2**	**1.2**	**1.2**	**0.5**	**6.5**

Lease payments not recognised as a liability. The Group has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

Amounts recognised in the consolidated cash flow statement.

	Group	
	17 Months	12 Month:
	2022	2021
	£m	£m
	3.3	2.9
Total cash outflow for leases	**3.3**	2.9

The expense relating to payments not included in the measurement of the lease liability is as follows:

	Group		**RICS**	
	17 Months	12 Months	**17 Months**	12 Months
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
Short term leases	**0.1**	0.1	**0.1**	0.1
Total cash outflow for leases	**0.1**	0.1	**0.1**	0.1

At 31 December 2022 the Group was committed to short-term leases and the total commitment at that date was £0.1m.

9 Property, plant and equipment

All freehold properties are revalued every year, at open market value by independent, professionally qualified valuers. They are included in the statements of financial position at their revalued amounts derived from observable market data of comparative 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.

The valuations were undertaken in accordance with RICS Valuation – Global Standards ('Red Book'). RICS (in its capacity as professional regulatory body), informed by the Material Valuation Uncertainty Leaders Forum (UK), which meets regularly to discuss material valuation uncertainty in UK real estate markets, recommended on 7 July 2020 that reporting material valuation uncertainty may no longer be appropriate for 'Central London offices'. It was subsequently recommended on 4 August 2020 that this be extended to 'All Offices'. More recently, consensus was reached at the Forum, on 8 September 2020, that reporting material valuation uncertainty may no longer be appropriate for 'All UK real estate'.

Given the unknown future impact that current economic uncertainty and cost of living pressure might have on the real estate market and the difficulty in differentiating between short-term impacts and long-term structural changes, we will continue to revalue our properties on an annual basis.

The deficit arising in the Group in the year was £1.4m (2021: £0.3m surplus). The historic cost of the properties was £2.08m (2021: £2.08m).

Other plant and equipment
Other plant and equipment are capitalised at cost. Depreciation is charged on a straight-line basis over the estimated useful economic lives of the individual assets.

The impairment of property, plant and equipment is considered annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and provisions are made where necessary.

9 Property, plant and equipment (continued)

Group

	Land & Buildings: Freehold	Land & Buildings: Long Leasehold	Assets in the course of construction	Artwork & Silverware	Other assets	Total
	£m	£m	£m	£m	£m	£m
Cost or valuation						
At 31 July 2021	33.0	4.8	3.9	0.3	5.2	47.2
Additions	-	-	4.6	-	-	4.6
Transfers	-	-	(1.0)	-	0.7	(0.3)
Disposals	-	-	(1.2)	-	(0.9)	(2.1)
Revaluation	(1.6)	-	-	0.2	-	(1.4)
At 31 December 2022	**31.4**	**4.8**	**6.3**	**0.5**	**5.0**	**48.0**
Accumulated depreciation						
At 31 July 2021	-	3.0	-	0.1	5.0	8.1
Disposals	-	-	-	-	(0.8)	(0.8)
Charge for the period	-	1.4	-	-	0.8	2.2
Impairment	-	-	1.3	-	-	1.3
At 31 December 2022	**-**	**4.4**	**1.3**	**0.1**	**5.0**	**10.8**
Net Book Value						
At 31 December 2022	**31.4**	**0.4**	**5.0**	**0.4**	**-**	**37.2**
At 31 July 2021	33.0	1.8	3.9	0.2	0.2	39.1

9 Property, plant and equipment (continued)

RICS

	Land & Buildings: Freehold	Land & Buildings: Long Leasehold	Assets in the course of construction	Artwork & Silverware	Other assets	Total
	£m	£m	£m	£m	£m	£m
Cost or valuation						
At 31 July 2021	33.0	4.8	3.8	0.2	3.4	45.2
Additions	-	-	4.6	-	-	4.6
Transfers	-	-	(0.9)	-	0.6	(0.3)
Disposals	-	-	(1.2)	-	(0.8)	(2.0)
Revaluation	(1.6)	-	-	0.2	-	(1.4)
At 31 December 2022	**31.4**	**4.8**	**6.3**	**0.4**	**3.2**	**46.1**
Accumulated depreciation						
At 31 July 2021	-	3.0	-	-	3.2	6.2
Disposals	-	-	-	-	(0.7)	(0.7)
Charge for the period	-	1.4	-	-	0.7	2.1
Impairment	-	-	1.3	-	-	1.3
At 31 December 2022	**-**	**4.4**	**1.3**	**-**	**3.2**	**8.9**
Net Book Value						
At 31 December 2022	**31.4**	**0.4**	**5.0**	**0.4**	**-**	**37.2**
At 31 July 2021	33.0	1.8	3.8	0.2	0.2	39.0

10 Intangible assets

Group and RICS

	Intangible Assets £m
Cost	
At 1 August 2021	5.8
Transfers	0.3
At 31 December 2022	**6.1**
Accumulated Amortisation	
At 1 August 2021	0.9
Amortisation for period	1.8
Impairment	1.7
At 31 December 2022	**4.4**
NET BOOK VALUE	
At 31 December 2022	**1.7**
At 31 July 2021	4.9

11 Investments in subsidiaries

Group investments

RICS has investments in the following subsidiary undertakings that affected the surpluses or net assets of the Group.

	Country of incorporation	Reg office	Principal activity	Class of shares	2022	2021
					%	%
Subsidiary undertakings – direct holdings						
RICS Holdings Limited	United Kingdom	**1**	Activities of other holding companies not elsewhere classified	Ordinary	100	100
RICS Americas Inc	United States of America	**2**	Professional activities in North America	Non-stock corporation	-	-
RICS Australasia Pty Limited	Australia	**3**	Professional activities in Australia and New Zealand	Ordinary	100	100
CMP Insurance PCC Limited	Guernsey	**4**	Insurance	Ordinary	100	100
RICS India Private Limited	India	**5**	Professional activities in India	Ordinary	99	99
Royal Institution of Chartered Surveyors in Mexico, S. de R.L. de C.V.	Mexico	**6**	Non-trading	Ordinary	99	99

11 Investments in subsidiaries (continued)

	Country of incorporation	Reg office	Principal activity	Class of shares	2022	2021
					%	%
Subsidiary undertakings – indirect holdings						
RICS International Limited	United Kingdom	**1**	Other professional, scientific and technical activities not elsewhere classified	Ordinary	100	100
RICS China Limited	China	**7**	Professional activities in China	Ordinary	100	100
RICS Japan Kabushiki Kaisha	Japan	**8**	Professional activities in Japan	Ordinary	100	100
RICS Business Services Limited	United Kingdom	**1**	Non-trading	Ordinary	100	100
The Association of Quantity Surveyors Limited	United Kingdom	**1**	Dormant	Limited by Guarantee	.	-
R.I.C.S. Services Limited	United Kingdom	**1**	Non-trading	Ordinary	100	100
RICS NewCo 1 Limited (formerly Building Cost Information Service Limited)	United Kingdom	**1**	Dormant	Ordinary	100	100
Building Data Banks Limited	United Kingdom	**1**	Non-trading	Ordinary	100	100

Number	Registered office
1	12 Great George Street, Parliament Square, London, England, SW1P 3AD
2	615 South DuPont Highway, Dover, Delaware, 19901, USA. C/o National
3	Spaces Martin Place, Office 317, 60 Martin Place, Sydney NSW, Australia-2000
4	PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 4ET
5	16th Floor, Tower - 9A, Cybercity, DLF City Phase II, Gurgaon-122002, Haryana, India
6	No registered office as entity is dormant.
7	Room 1008. 10F, IFC East Tower, No. 8 Jianguomenwai Avenue ,Chaoyang District, Beijing, PRC 100022
8	8F, Shinkawa Ohara Building, 1-27-8, Shinkawa, Chuo-ku, Tokyo

11 Investments in subsidiaries (continued)

RICS

	Investment in subsidiaries £m
Cost at 31 July 2021	2.2
Net book value at 31 December 2022 and 31 July 2021	**2.2**

12 Other financial assets

Other financial assets: non-current investments

Group & RICS

	UK Unlisted securities £m
At 31 July 2021	-
Additions	0.9
At 31 December 2022	**0.9**
On a historical cost basis the comparable amounts of investment are:	
At 31 December 2022	**0.9**
At 31 July 2021	-

Shares in an unlisted company [BCIS] held for the purpose of long-term investment growth are considered to be level 3 assets as defined by IFRS 13 – Fair Value Measurement. As indicated in the IFRS 13 fair value hierarchy table the fair value has been calculated using available quantitative data including market multiples, PE ratios and future cash flows.

12 Other financial assets (continued)

Other financial assets: available for sale investments

Group

	Gov'ment securities	Corporate bonds	UK listed securities	Listed securities in overseas funds	Certificates of deposit	Total
	£m	£m	£m	£m	£m	£m
At 31 July 2021	-	3.0	5.3	9.7	2.3	20.3
Additions	0.3	1.2	0.8	2.7	-	5.0
Disposals	-	(3.1)	-	(3.5)	(0.4)	(7.0)
Change in market value of investments: Recognised in profit and loss account	-	1.1	(0.2)	(0.1)	-	0.8
At 31 December 2022	**0.3**	**2.2**	**5.9**	**8.8**	**1.9**	**19.1**

On a historical cost basis the comparable amounts of investment are:

At 31 December 2022	**0.4**	**2.4**	**5.1**	**7.4**	**1.9**	**17.2**
At 31 July 2021	-	3.0	4.4	7.5	2.3	17.2

Interest-bearing investments, equities and unit trusts held for the purposes of generating long-term investment income are considered to be level 1 assets as defined by IFRS 13 – Fair Value Measurement and are treated as available for sale investments. As indicated in the fair value hierarchy table below, they are included at mid-price market value at the year-end date. As per IFRS 9 gains and losses on re-measurement are taken to the income statement.

12 Other financial assets (continued)

At each year-end date, an assessment is made as to whether there is objective evidence that an available for sale equity instrument is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. Judgement is used to determine what constitutes a significant or prolonged decline. As the Group has adopted IFRS 9 any impairment charges are recognised in the profit & loss account.

The methods and valuation techniques used to measure fair value are unchanged compared to the previous year, except for the initial recognition and 31 December 2022 valuation in relation to the RICS' 22.63% shareholding in BCIS. The shares in BCIS have been valued using available quantitative data including market multiples, PE ratios and future cash flows. It is the view of the RICS Board that the value of BCIS remains unchanged during the period from sale to 31 December 2022.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities.

Deferred tax assets and liabilities are attributable to the following:

Group

	Assets		**Liabilities**	
	2022	**2021**	**2022**	**2021**
	£m	**£m**	**£m**	**£m**
Property, plant and equipment	1.9	1.9	-	-
Revaluations	-	-	(5.9)	(6.3)
Financial assets: available for sale investments	-	-	(0.4)	(0.7)
Employee benefits	-	-	(0.7)	(1.8)
Provisions	0.3	0.3	-	-
Tax assets / (liabilities)	**2.2**	**2.2**	**(7.0)**	**(8.8)**
Tax assets			2.2	2.2
Net tax liabilities			**(4.8)**	**(6.6)**

The deferred tax asset in respect of tax losses not recognised at the year-end is £1.9m.

13 Deferred tax assets and liabilities (continued)

Group (continued)

	1 August 2021	Recognised expense	Recognised in equity	31 December 2022
	£m	£m	£m	£m
Property, plant and equipment	1.9	-	-	1.9
Revaluations	(6.3)	-	0.4	(5.9)
Financial assets: available for sale investments	(0.7)	0.3	-	(0.4)
Employee benefits	(1.8)	(0.3)	1.4	(0.7)
Provisions	0.3	-	-	0.3
	(6.6)	**-**	**1.8**	**(4.8)**

	1 August 2020	Recognised expense	Recognised in equity	31 July 2021
	£m	£m	£m	£m
Property, plant and equipment	1.2	0.7	-	1.9
Revaluations	(4.8)	-	(1.5)	(6.3)
Financial assets: available for sale investments	(0.2)	(0.5)	-	(0.7)
Employee benefits	(0.9)	-	(0.9)	(1.8)
Provisions	0.3	-	-	0.3
	(4.4)	**0.2**	**(2.4)**	**(6.6)**

RICS

	Assets		Liabilities	
	2022	2021	2022	2021
	£m	£m	£m	£m
Property, plant and equipment	1.9	1.9	-	-
Revaluations	-	-	(5.9)	(6.3)
Employee benefits	-	-	(0.7)	(1.8)
Provisions	0.2	0.3	-	-
Tax assets / (liabilities)	**2.1**	**2.2**	**(6.6)**	**(8.1)**
Tax assets			2.1	2.2
Net tax liabilities			**(4.5)**	**(5.9)**

13 Deferred tax assets and liabilities (continued)

RICS

The deferred tax asset in respect of tax losses not recognised at the year-end is £0.2m.
Movement in deferred tax during the period

	1 August 2021	Recognised expense	Recognised in equity	31 December 2022
	£m	£m	£m	£m
Property, plant and equipment	1.9	-	-	1.9
Revaluations	(6.3)	-	0.4	(5.9)
Employee benefits	(1.8)	(0.3)	1.4	(0.7)
Provisions	0.3	(0.1)	-	0.2
	(5.9)	**(0.4)**	**1.8**	**(4.5)**

RICS

	1 August 2020	Recognised expense	Recognised in equity	31 July 2021
	£m	£m	£m	£m
Property, plant and equipment	1.2	0.7	-	1.9
Revaluations	(4.8)	-	(1.5)	(6.3)
Employee benefits	(0.9)	-	(0.9)	(1.8)
Provisions	0.3	-	-	0.3
	(4.2)	**0.7**	**(2.4)**	**(5.9)**

14 Trade and other receivables

	Group		RICS	
				As Restated
	2022	2021	2022	2021
	£m	£m	£m	£m
Trade receivables	16.1	1.1	15.6	0.9
Other receivables	1.2	0.6	0.7	-
Amounts owed by subsidiary undertakings*	-	-	42.4	40.8
Accrued income	0.9	0.9	0.7	0.2
Prepayments	3.1	3.8	2.6	2.7
	21.3	**6.4**	**62.0**	**44.6**

*- 'Amounts owed by subsidiary undertakings' has been restated to reflect the gross amounts of £40.8m receivable, and £31.2m payable. These figures were previously presented as a net receivable of £9.6m.

15 Cash and cash equivalents

		Group		RICS	
	Note	2022	2021	2022	2021
		£m	£m	£m	£m
Cash at bank		27.6	16.9	8.3	3.2
Cash held by investment managers for ultimate investment in available for sale investments		0.6	0.3	-	-
		28.2	**17.2**	**8.3**	**3.2**
Bank overdraft	***16***	(1.7)	(0.7)	-	
Net cash and cash equivalents		**26.5**	**16.5**	**8.3**	**3.2**

16 Bank overdraft

	Group		RICS	
	2022	2021	2022	2021
	£m	£m	£m	£m
Bank overdraft	1.7	0.7	-	-
	1.7	**0.7**	**-**	**-**

16 Bank overdraft

At the period end, RICS India Private Limited had utilised £1.7m (31 July 2021: £0.7m), of a £1.8m overdraft facility. The overdraft is secured by a Natwest Standby Letter of Credit in the amount of £2.0m.

17 Trade and other payables

	Group		RICS	
				As Restated
	2022	2021	2022	2021
	£m	£m	£m	£m
Current liabilities:				
Trade payables	4.1	2.9	3.7	2.9
Amounts owed to subsidiary undertakings*	-	-	29.0	31.2
Other taxation and social security	0.8	1.0	0.7	0.8
Accrued charges	9.8	11.9	7.0	9.7
Deferred income	31.1	28.5	30.9	28.3
	45.8	**44.3**	**71.3**	**72.9**

*- 'Amounts owed to subsidiary undertakings' has been restated, to reflect, the gross amounts of £40.8m receivable and £31.2m payable. These figures were previously presented as a net receivable of £9.6m.

18 Employee benefits

Pension plans

RICS operates a pension scheme, which has a defined benefit funded section and a defined contribution section. All active members of the scheme are employed directly by RICS. Employees of subsidiary undertakings have pension arrangements appropriate to the circumstances prevailing within the individual countries.

The assets of the defined benefit pension scheme are held in a separate trustee administered fund, known as The Royal Institution of Chartered Surveyors Pension and Assurance Scheme. The defined benefit section was closed to new entrants from 1 January 1999 and from future service accrual from 1 May 2008 when the active members were offered membership of the defined contribution section and retained a salary link to their defined benefit section pensions until they retire or leave service.

The defined benefit section of the Scheme is valued on a triennial basis; the most recent completed valuation of the Scheme was undertaken as 1 January 2021, and RICS have agreed to pay in £1 million per annum for the foreseeable future. Pension costs relating to the defined contribution section are based on a set percentage of salary and are accounted for separately and included as a staff cost (see Note 3). The pension cost relates to the defined benefit section only and is assessed in accordance with the advice of a qualified actuary using the projected unit method.

18. Employee benefits (continued)

The assumptions as at 31 December 2022 that had the most significant effect on the outcome of the valuation were:

1. discount rate of 5.0% per annum
2. CPI at 2.3%
3. RPI at 3.1%
4. Salary increases of 2.3%

The results of the assumptions used within the valuation are set out below:

	Group		**RICS**	
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
Defined benefit asset	47.0	77.9	47.0	77.9
Total defined benefit liability	(44.2)	(70.6)	(44.2)	(70.6)
Total employee surplus	**2.8**	7.3	**2.8**	7.3

18. Employee benefits (continued overleaf)

18 Employee benefits (continued)

Group and RICS

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset/liability	
	2022	2021	**2022**	2021	**2022**	2021
	£m	£m	**£m**	£m	**£m**	£m
Balance at 1 August	**(70.6)**	(75.1)	**77.9**	79.5	**7.3**	4.4
Included in income statement:						
Past service cost	**-**	-	**-**	-	**-**	-
Interest (cost)/income	**(1.7)**	(1.2)	**-**	1.3	**(1.7)**	0.1
	(72.3)	(76.3)	**77.9**	80.8	**5.6**	4.5
Included in other comprehensive income:						
Change in financial assumptions	**28.5**	0.4	**-**	-	**28.5**	0.4
Change in experience adjustments	**(3.6)**	0.1	**-**	-	**(3.6)**	0.1
Change in demographic assumptions	**-**	3.3	**-**	-	**-**	3.3
Return on plan assets excluding interest income	**-**		**(30.5)**	(1.7)	**(30.5)**	(1.7)
Total changes in other comprehensive income	**24.8**	3.8	**(30.5)**	(1.7)	**(5.7)**	2.1
Other	**(47.4)**	(72.5)	**49.2**	79.1	**1.8**	6.6
Contributions paid by employer	**-**	-	**1.0**	0.7	**1.0**	0.7
Benefits paid	**3.2**	1.9	**(3.2)**	(1.9)	**-**	-
interest income	**-**		**-**		**-**	-
At 31 December/July	**(44.2)**	(70.6)	**47.0**	77.9	**2.8**	7.3

Plan assets

	2022	2021	**2022**	2021
	£m	**£m**	**£m**	**£m**
Cash	**0.4**	0.4	**0.4**	0.4
Insured pensions	**3.0**	4.3	**3.0**	4.3
Equity instruments	**-**	-	**-**	-
Debt instruments	**35.4**	63.9	**35.4**	63.9
Investment funds	**8.2**	9.3	**8.2**	9.3
	47.0	**77.9**	**47.0**	**77.9**

18 Employee benefits (continued)

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA- rated. All other plan assets are not quoted in an active market.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Group		**RICS**	
	2022	2021	**2022**	2021
	%	%	**%**	%
Discount rate at 31 December/July	**5.0**	1.7	**5.0**	1.7
Future salary increases	**n/a**	2.3	**n/a**	2.3
Medical cost trend rate	**3.1**	3.2	**3.1**	3.2
Future pension increases	**3.1**	3.2	**3.1**	3.2

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

- Current pensioner aged 65: 23.4 years (male), 24.5 years (female).
- Future retiree currently aged 45 upon reaching 65: 25.1 years (male), 26.3 years (female).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table shows the value of the defined benefit obligation at the end of the reporting period with a change in the respective assumptions by 0.25%. The amounts below are in millions.

	Group		**RICS**	
	-0.25%	**0.25%**	**-0.25%**	**0.25%**
	£m	£m	£m	£m
Discount rate	44.2	45.6	44.2	45.6
Inflation rate (RIR,CPI)	43.8	44.5	43.8	44.5
Mortality rate- 1 year age rating	45.6		45.6	

18 Employee benefits (continued)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the current actuarial valuation at 1 January 2021 and are applied to adjust the defined benefit obligation

at the end of the reporting period for the assumptions concerned. While the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

The following table shows the fair value of scheme assets at the end of the reporting period with a change in the respective assumptions by 0.25% (allowing for the impact of the increase or decrease of the particular assumption on the secured pensioner annuities only). The amounts below are in millions.

	Group		RICS	
	-0.25%	**0.25%**	**-0.25%**	**0.25%**
	£m	£m	£m	£m
Discount rate	47.0	46.9	47.0	46.9
Inflation rate (RIR,CPI)	47.0	47.0	47.0	47.0
Mortality rate- 1 year age rating	47.1		47.1	

Funding

The funding requirement of the defined benefit plan is based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions above. Employees are not required to contribute to the defined benefit section of the plan.

Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £2.5m (2021: £2.1m).

19 Provisions

	Group		RICS	
	2022	2021	2022	2021
	£m	£m	£m	£m
Dilapidations provision	0.8	0.7	0.7	0.5
	0.8	0.7	**0.7**	0.5

A provision is made for an estimate of dilapidation costs on the leasehold property in relation to both repairs and reinstatement relating to conditions in place at the reporting date. This provision is expected to be used on termination of the respective leases; the actual outflows will vary dependent upon agreement with the landlord at that time.

20 Notes to cashflow

	2021	Cashflow	Non Cash	Foreign Exchange	2022
	£m	£m	£m	£m	£m
Current liabilities:					
Cash and cash equivalents	17.2	11.0	-	-	28.2
Debt due within one year					
Lease Liabilities	(6.2)	(3.3)	3.0	-	(6.5)
Bank overdraft	(0.7)	(1.0)	-	-	(1.7)
	10.3	6.7	3.0	**-**	**20.0**

Reconciliation of Movements in Net Debt

Net debt funds at beginning of year	10.3
Increase in cash	10.0
Repayment of lease liabilities	(3.3)
Inception of lease liabilities	3.0
Net debt funds at end of year	**20.0**

21 Discontinued operations

On 10 June 2022, RICS sold the majority shareholding in its subsidiary, BCIS Limited ('BCIS') to a third party, resulting in an increase in cash reserves of £14.9m while still maintaining a 22.6% shareholding in BCIS. The continued shareholding will allow the RICS to benefit from the future success and growth of BCIS under its new ownership.

An analysis of the financial results of the discontinued operation is as follows:

	11 months to 31 May 2022 £m	12 months to 31 July 2021 £m
Revenue	5.1	5.8
Expenses	(2.9)	(3.3)
Gain on disposal of investment	19.7	-
Profit before tax of discontinued operation	21.9	2.5
Tax at 19%	(0.4)	(0.5)
Profit after tax of discontinued operation	**21.5**	2.0

21 Discontinued operations (continued overleaf)

21 Discontinued operations (continued)

The following items have been included in arriving at the profit before tax of the discontinued operation:

	11 months to 31 May 2022 £m	12 months to 31 July 2021 £m
Depreciation of property, plant and equipment	(0.03)	(0.02)

The effect of the discontinued operation on the financial position of the group is analysed as follows:

	2022 £m
Property, plant and equipment	(1.40)
Trade and other receivables	-
Cash and bank balances	-
Creditors and Accrued income	5.3
Net assets disposed	**3.9**
Total Disposal proceeds received	17.0
Fair Value of 22.63% shareholding	0.9
Professional Fees incurred	(2.1)
Profit on sale of discontinued operation	**19.7**

The effect of the discontinued operation on the cashflow of the Group is analysed as follows:

	2022 £m
Cash consideration received	17.0
Professional Fees Paid	(2.1)
Net Cash inflow to the group	**14.9**

22 Reserves

Group and RICS

Revaluation reserve

The revaluation reserve predominantly arises from the valuation of 12 Great George Street, Parliament Square, London, SW1P 3AD and 175, St George Wharf, London SW8 2LJ. The reserve is unrealised and cannot be used to fund the activities of RICS unless the properties are sold.

Premises reserve

The reserve is intended to fund major one-off refurbishments to the RICS properties and ongoing repairs.

Client money reserve

This reserve represents funds received to cover claims falling under the insurance of the Clients' Money Protection (CMP) Scheme. RICS has a subsidiary in Guernsey, whose principal activity is that of providing insurance to the Royal Institution of Chartered Surveyors to reimburse it for payments made to the members of the public in respect of funds. This would include any claims made under the Client Money Protection Scheme. Claims are settled either directly by the captive or recovered through related reinsurance policies. Any such liabilities are consolidated in the group accounts.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Investment revaluation reserve

The investment reserve arises from the valuation from cost to market value of the listed financial investments. The reserve is unrealised and cannot be used to fund the activities of RICS unless the investments are sold.

Restricted reserves include:

Professional support service

The Professional Support Service reserve consists of contributions made by professionals and is used to assist professionals who find themselves faced with a third-party claim in respect of work carried out in the course of their employment, where the employer (past or present) is uninsured.

Other reserves

The other reserves include the Prize Fund, Forum Reserves and International Reserves.

Financial instruments

Financial instruments comprise cash, investments and various items such as trade receivables and trade payables that arise directly from operations. The main purpose of these financial instruments is to maintain Group and RICS operations.

23 Financial Instruments

		Group		RICS	
		2022	**2021**	**2022**	**2021**
	Note	**£m**	**£m**	**£m**	**£m**
Financial assets:					
Cash and cash equivalents	***15,16***	26.5	17.2	8.3	3.2
Trade receivables (net of provision)	***14***	16.1	1.1	15.6	0.9
Available for sale investments	***12***	19.1	20.3	-	-
		61.7	**38.6**	**23.9**	**4.1**
Financial liabilities:					
Trade payables	***17***	**4.1**	**2.9**	**3.7**	**2.9**

The accounting classifications of each class of financial assets and liabilities are as follows:

Group

	Financial assets at fair value through other comprehen sive income	Financial assets / (liabilities) at amortised cost	Fair value through profit or loss	Total
At 31 December 2022	**£m**	**£m**	**£m**	**£m**
Cash and cash equivalents	-	26.5	-	26.5
Available for sale investments	-	-	19.1	19.1
Lease liabilities	-	(6.5)	-	(6.5)
	-	**20.0**	**19.1**	**39.1**

23 Financial Instruments (continued)

Group (continued)

	Financial assets at fair value through other comprehensive income	Financial assets / (liabilities) at amortised cost	Fair value through profit or loss	Total
At 31 July 2021	**£m**	**£m**	**£m**	**£m**
Cash and cash equivalents	-	16.5	-	16.5
Available for sale investments	-	-	20.3	20.3
Lease liabilities	-	(8.9)	-	(8.9)
	-	**7.6**	**20.3**	**27.9**

RICS

	Financial assets at fair value through other comprehensive income	Financial assets / (liabilities) at amortised cost	Fair value through profit or loss	Total
At 31 December 2022	**£m**	**£m**	**£m**	**£m**
Cash and cash equivalents	-	8.3	-	8.3
Lease liabilities	-	(6.2)		(6.2)
	-	**2.1**	**-**	**2.1**

23 Financial Instruments (continued)

RICS

	Financial assets at fair value through other comprehensive income	Financial assets / (liabilities) at amortised cost	Fair value through profit or loss	Total
At 31 July 2021	**£m**	**£m**	**£m**	**£m**
Cash and cash equivalents	-	3.2	-	3.2
Lease liabilities	-	(7.2)	-	(7.2)
	-	**(4.0)**	**-**	**(4.0)**

Fair value hierarchy

The following table presents the Group's financial assets and liabilities that are measured at fair value by the level of fair value hierarchy:

- quoted prices (unadjusted) from active markets for identical assets or liabilities (Level 1)
- inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Group

	Level 1	Level 2	Level 3	Total
At 31 December 2022	**£m**	**£m**	**£m**	**£m**
Financial assets at fair value through income statement	19.1	-	-	19.1
	19.1	**-**	**-**	**19.1**

	Level 1	Level 2	Level 3	Total
At 31 July 2021	**£m**	**£m**	**£m**	**£m**
Financial assets at fair value through income statement	20.3	-	-	20.3
	20.3	**-**	**-**	**20.3**

23 Financial Instruments (continued)

The fair values of all other assets and liabilities in are not significantly different from their carrying amount. During the 17-month period ended 31 December 2022 and the year ended 31 July 2021, there were no transfers between valuation levels.

Credit risk

Financial risk management
Credit risk is the risk of financial loss to the Group if a professional, customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from its professionals and other customers and cash deposits held by financial institutions.

Due to the nature of the Group's activities, there is no significant exposure to any one party in relation to trade receivables; additional disclosure is however provided to illustrate geography and ageing of trade receivables.

Financial instruments
The concentration of credit risk for trade receivables at the statement of financial position date by geographic region was:

	Group		**RICS**	
	2022	**2021**	**2022**	**2021**
	£m	**£m**	**£m**	**£m**
United Kingdom	15.6	0.9	15.6	0.9
Other	0.5	0.2	-	-
	16.1	**1.1**	**15.6**	**0.9**

Credit quality of financial assets and expected credit losses
The aging of trade receivables (excluding other receivables) at the statement of financial position date was:

Group

	Gross	**Impairment**	Gross	Impairmen t
	2022	**2022**	2021	2021
	£m	**£m**	£m	£m
Not past due	9.4	-	1.0	-
30-60 days	5.2	-	0.1	-
61- 90 days	0.4	-	-	-
90 days +	1.9	0.8	0.4	0.4
	16.9	**0.8**	1.5	0.4

23 Financial instruments (continued)

RICS

	Gross 2022 £m	**Impairment 2022 £m**	Gross 2021 £m	Impairment 2021 £m
Not past due	9.0	-	0.8	-
30-60 days	4.9	-	0.1	-
61- 90 days	0.4	-	-	-
90 days +	1.9	0.6	0.4	0.4
	16.2	**0.6**	1.3	0.4

Counterparty risk

The principal counterparty risk faced by the Group relates to cash deposits invested with financial institutions. Accordingly, the Group ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited and limits its investment activities to cash on deposit only.

Liquidity risk

Financial risk management
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by continuously monitoring forecast and actual cashflows. Future cash requirements are forecast on a monthly basis and funding including appropriate headroom is secured through overdraft arrangements if required.

Liquidity risk
The following are the contractual maturities of financial liabilities:

Group

31 December 2022	Carrying amount	Contract-ual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
	£m	**£m**	**£m**	£m	£m	£m
Non derivative financial liabilitities	-	-	-	-	-	-
Trade and other payables	4.1	4.1	4.1	-	-	-
Lease liabilities	6.5	6.5	1.4	1.1	3.5	0.5
	10.6	**10.6**	**5.5**	1.1	3.5	0.5

23 Financial Instruments (continued)

RICS

31 December 2022	Carrying amount	Contract-ual cash flows	1 year or less	1 to <2 years	2 to <5 years	5 years and over
	£m	**£m**	**£m**	£m	£m	£m
Non derivative financial liabilitities	-	-	-	-	-	-
Trade and other payables	3.7	3.7	3.7	-	-	-
Lease liabilities	6.2	6.2	1.1	1.1	3.5	0.5
	9.9	**9.9**	**4.8**	1.1	3.5	0.5

Market risk

Financial risk management
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Foreign currency risk
The Group's exposure to foreign currency risk is as follows. This is based on the carrying amounts for monetary financial instruments.

Group

31 December 2022	Sterling	Euro	Us Dollar Other	Other	Total
	£m	£m	£m	£m	£m
Cash and cash equivalents	24.3	0.8	0.7	0.1	25.9
Trade receivable	15.4	0.1	-	-	15.5
Trade payables	(3.7)	0.1	-	-	(3.6)
Net exposure	**36.0**	**1.0**	**0.7**	**0.1**	**37.8**

31 July 2021	Sterling	Euro	Us Dollar Other	Other	Total
	£m	£m	£m	£m	£m
Cash and cash equivalents	14.2	0.5	0.1	1.7	16.5
Trade receivable	0.6	0.2	-	0.3	1.1
Trade payables	(2.9)	-	-	-	(2.9)
Net exposure	11.9	0.7	0.1	2.0	14.7

23 Financial Instruments (continued)

RICS

RICS's exposure to foreign currency risk is as follows:

31 December 2022	Sterling	Euro	Us Dollar Other	Other	Total
	£m	£m	£m	£m	£m
Cash and cash equivalents	8.3	-	-	-	8.3
Trade receivable	15.6	-	-	-	15.6
Trade payables	(3.7)	-	-	-	(3.7)
Net exposure	**20.2**	**-**	**-**	**-**	**20.2**

31 July 2021	Sterling	Euro	Us Dollar Other	Other	Total
	£m	£m	£m	£m	£m
Cash and cash equivalents	3.2	-	-	-	3.2
Trade receivable	0.9	-	-	-	0.9
Trade payables	(2.9)	-	-	-	(2.9)
Net exposure	**1.2**	**-**	**-**	**-**	**1.2**

Sensitivity analysis

Group

The Group seeks to mitigate its foreign currency risk by maintaining currency at levels equivalent to a maximum of 1 months working capital requirements only. A 5% weakening of the following currencies against the pound sterling at 31 December 2022 would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the statement of financial position date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 July 2021.

23 Financial Instruments (continued)

Group	Equity		Profit or loss	
31 December 2022/ 31 July 2021	**2022**	2021	**2022**	2021
Impact of +/- 5%	**£m**	£m	**£m**	£m
€	**0.1**	0.1	-	-

A 5% strengthening of the above currencies against the pound sterling at 31 December 2022 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

RICS

A 5% weakening of the following currencies against the pound sterling at 31 December2021 would have increased (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the statement of financial position date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 July 2021.

RICS	Equity		Profit or loss	
31 December 2022/ 31 July 2021	**2022**	2021	**2022**	2021
Impact of +/- 5%	**£m**	£m	**£m**	£m
€	**0.1**	0.1	-	-

A 5% strengthening of the above currencies against the pound sterling at 31 July 2021 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Market risk – Interest rate risk

Exposure to interest rate risk is not considered significant since the Group does not hold significant interest-bearing assets or liabilities. The Group does not therefore utilise interest rate swaps or other hedging instruments.

Market risk – Equity price risk

The Group's exposure to equity price risk arises from its investment in equity securities, which are classified as available for sale financial assets and are shown on the statement of financial position as current assets (see Note 11). The Group has engaged professional investment managers to manage the equity risk of its investment holdings.

23 Financial Instruments (continued)

Capital management

The Group operates within the Treasury and Reserves policies established by its Finance Committee. Within the scope of these policies, the Group manages its capital with the objectives of delivering the wider RICS strategy. The assets and liabilities that are managed as capital comprise trade and other receivables, cash and cash equivalents, investments held for resale, inventories and trade and other payables.

24 Related parties

Transactions with key management personnel

RICS defines key management as the Executive Team members who have delegated responsibility for the day-to-day running of the organisation. Total remuneration for the Executive Team, including the Chief Executive, is provided below.

	17 Months	12 Months
	2022	2021
	£000	£000
Salary earned	**2,203**	1,454
Waived salary	**-**	-
Executive remuneration	**2,203**	1,454
Short Term Incentive Plan Bonus (STIP)	**234**	171
Long Term Incentive Plan Bonus (LTIP)	**144**	-
Contributions to money purchase pension plans	**87**	29
Contributions to personal pension arrangements	**51**	8
Other benefits	**99**	17
Total	**2,818**	1,679

24 **Related parties** (continued overleaf)

24 Related parties (continued)

Salary, performance bonus, benefits and pension contributions made to the Executive Team of the Group (excluding the Chief Executive) are disclosed in remuneration bands in the table below on a like-for-like comparison.

	17 Months 2022* Number	12 Months 2021* Number
£50,000 - £100,000	6	-
£100,001 - £125,000	1	-
£125,001 - £150,000	-	1
£150,001 - £175,000	1	-
£175,001 - £200,000	1	-
£200,001 - £225,000	1	3
£225,001 - £250,000	-	1
£250,001 - £275,000	-	-
£275,001 - £300,000	1	1
£300,001 - £325,000	-	-
£325,001 - £350,000	-	-
£350,001 - £375,000	1	-
£375,001 - £400,000	-	-
£400,001 - £425,000	-	-
£425,001 - £450,000	1	-
Current	13	6

*Excluding CEO

The aggregate of Executive remuneration and other benefits provided to the Chief Executive, being the highest paid Executive, was £483,855 (2021: £391,615). Included in this figure is an STIP payment of £70,000 (2021: £72,948) in respect of the 2021 financial year, LTIP payments of £41,745 (2021: £Nil) and a cash payment in lieu of contributions to a personal pension arrangement of £25,744 (2021: £42,280).

The composition of the executive team throughout the period is detailed on page 33.

24 Related parties (continued)

The amount of provision relating to the deferred awards is £40,166, which is due to be paid in July 2024 to those Executive Team members who are eligible.

Retirement benefits are accruing to the following number of Executive Team members under:

	17 Months	12 Months
	2022	2021
	Number	Number
Money purchase scemes	**10**	3
Pension allowance paid towards personal pension arrangements	**3**	4
	13	7

25 Accounting estimates and judgements

To be able to prepare financial statements according to generally accepted accounting principles, the Group must make estimates and assumptions that affect the recorded asset and liability items (including those under lease arrangements and intercompany balances) as well as other information, such as that provided on pensions, as well as valuations of our freehold property and recoverability of deferred tax assets. These estimates are based on historical experience and various other assumptions that the Institution believes are reasonable under the circumstances.

The results of these form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Further details in relation to specific areas are included below.

Leases – Note 8

At the lease commencement date, the lease liability is calculated by discounting the lease payments. The discount rate used should be the interest rate implicit in the lease (IRIIL). However, if that rate cannot be readily determined, the lessee's incremental borrowing rate (IBR) is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. Due to the capital structure of the Group, the Group's cost of debt forms the base of the IBR with specific finance and lease adjustments made, when applicable, which are linked to the lease term, country of lease and start date.

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term. Hence at commencement of the lease, break or extension options are not typically considered reasonably certain that they will be exercised. Leases are regularly reviewed and will be revalued if it becomes likely that a break clause or option to extend the lease is exercised.

25 Accounting estimates and judgements (continued)

Valuations of property– Note 9
Freehold properties are revalued annually to fair value in accordance with RICS Valuation – Global Standards, as well as incorporating IFRS 13. The Group engages the services of external experts in conducting the valuation of freehold property.

Retirement benefits – Note 18
In determining the valuation of defined benefit pension scheme assets and liabilities, a number of key assumptions, which are largely dependent on factors outside the control of the Group, have been made in relation to:

- expected return on plan assets
- inflation rate
- mortality
- discount rate
- salary and pensions increases.

Management have carefully considered the extent to which a pension asset can 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.

Management has concluded that it can recognise the full amount of the defined benefit pension surplus on the grounds it could gain sufficient economic benefit from a future reduction in contributions.

Impairment of Intangible Assets – Note 10
Management has considered the recoverability of the net book value of the intangible assets and reviewed this against the expected utilisation and economic inflow derived from the intangible assets. Any impairment identified is recognised immediately in the income statement.

26 Subsequent events

There are no subsequent events to report.