Independent auditors' report

to the Board of Directors of The British Standards Institution

Report on the audit of the financial statements

Opinion

In our opinion:

- The British Standards Institution's consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit and the group's cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and parent company balance sheet as at 31 December 2022; the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and parent company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview

Audit scope

- We performed an audit of the complete financial information of the BSI Standards Limited, BSI Assurance UK Limited, BSI Group America Inc. and BSI Group The Netherlands B.V. operations due to their financial significance to the group, together with the parent company, The British Standards Institution, which contains the global head office group function.
- We performed specified audit procedures at three further reporting locations with the group engagement team directly performing these audit procedures over BSI Professional Services UK Limited, BSI Professional Services Inc. (excluding Appsec) and BSI Management Systems Ltd. Local teams were instructed to perform work over BSI Management Systems Certification (Beijing) Co. Ltd and BSI Certification and Technical Training (Beijing) Limited in China.
- The total scope of work performed across both full scope audits and specified audit procedures accounted for 72.7% of the group's external revenues and 81.5% of the group's total assets; the full scope audits accounted for 68.9% of the group's profit before income tax.

Key audit matters

- Actuarial assumptions, inputs, calculations and judgements applied to the defined benefit pension scheme assets and liabilities (group and parent)
- Impairment of goodwill and other acquired intangible assets (group)

Materiality

- Overall group materiality: £3,050,300 (2021: £4,045,000) based on 5% of the 3 year average profit before income tax.
- Overall parent company materiality: £1,800,000 (2021: £3,640,000) based on a percentage of total assets resulting in a materiality of 0.49% (2021: 0.79%) of total assets.
- Performance materiality: £2,287,725 (2021: £3,033,000) (group) and £1,350,000 (2021: £2,730,000) (parent company).

Independent auditors' report continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

Impairment of goodwill and other acquired intangible assets is a new key audit matter this year. Capitalisation of costs associated with software as a service arrangements ('SaaS'), which was a key audit matter last year, is no longer included as the IFRS Interpretations Committee ('IFRIC') clarification in respect of the accounting for configuration and customisation costs related to SaaS arrangements was a one-off reassessment in the prior year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Assessing actuarial assumptions, inputs, calculations of scheme liabilities and the judgements applied in the recognition of the defined benefit pension scheme surplus (group and parent) Refer to note 15 on page 139 of the consolidated financial statements and note 7 on page 158 of the parent company financial statements. The group operates a UK defined benefit pension plan with a net retirement benefit surplus of £20.1m, which is significant in the context of the overall balance sheet of the group and of the parent company. The valuation of the defined benefit obligation related to the UK pension scheme is sensitive to changes in assumptions and requires judgement in applying appropriate assumptions. In respect of the valuation of the defined benefit obligations the key assumptions include discount rates, RPI and CPI inflation rates and mortality rates. The Directors engage actuarial experts to assist them in identifying appropriate assumptions to apply to the valuation of the defined benefit obligation. Given the magnitude of the defined benefit obligation, changes in assumptions could potentially result in material changes to the liability recognised. In addition the defined benefit scheme is in a net surplus position. In assessing the group and parent company's ability to recognise the net surplus position there is subjectivity in the judgement over the right to any surplus position as the pension scheme trust deed is silent on the treatment of any surplus in the situation of gradual settlement.	To address this risk, we have performed procedures over the report issued to the Directors by the actuary. We have engaged our actuarial experts to assist in the assessment of the methodology and assumptions underpinning the valuation of the defined benefit obligation. The following procedures have been performed: • review of the methodology applied by the actuary, assessing its appropriateness and consistency with prior periods; • assessing the reasonableness of the assumptions around discount rates, mortality and inflation rates by comparing them to our independently developed benchmarks; and • assessing the impact of changes in the assumptions referred to above on the valuation of the liabilities. In assessing the ability of the group and the parent company to recognize the net surplus we performed the following procedures: • we considered the judgements made by management in after consideration of the scheme rules and applicable accounting guidance; and • we considered the adequacy of the disclosures regarding the judgement made. All assumptions, methodologies, valuations and judgements subject to our procedures were supported by the work performed. The relevant disclosures were also considered adequate.

Independent auditors' report *continued*

Key audit matter *continued*

Impairment of goodwill and other acquired intangible assets (group)

Refer to the Accounting policies set out in note 2 on page 119 and note 13 on page 136 of the consolidated financial statements.

The group, before any impairments, has £75.2m of goodwill as at 31 December 2022 (31 December 2021: £71.3m) and £10.8m of acquired intangible assets (31 December 2021: £11.1m). The carrying values of these assets are contingent upon future cash flows which may be impacted by external market developments and the success in executing the business strategy.

As part of the annual impairment assessment management have identified an impairment of £16.6m (2021: nil) to goodwill and intangible assets, comprising an £11.9m impairment of the goodwill and £2.5m impairment of the acquired intangible assets of the DTC CGU, and an impairment of £2.2m of the acquired intangible assets of the EH3S CGU. The goodwill and acquired intangible asset balances after impairments as at 31 December 2022 were £63.3m and £6.1m respectively.

The key assumptions in management's cash flow projections are: short to medium-term revenue growth and profitability, long-term growth rates and discount rates. Changes in these assumptions could potentially lead to an impairment in the carrying value of these assets.

We consider this to be a key audit matter given the magnitude of the relevant balances and the significant judgement and estimation involved in the impairment assessments of these assets. The estimation of future discounted cash flows is inherently subjective and involves judgement. As a result, this assessment is also susceptible to management bias.

How our audit addressed the key audit matter *continued*

To address this risk, we have designed and performed audit procedures over the impairment assessments prepared by management.

Goodwill

We have assessed the allocation of goodwill to the respective cash generating unit groups (CGU groups) and the appropriateness of this approach.

Through the following procedures we have tested the mathematical accuracy of the model and the reasonableness of management's key assumptions included in the discounted cash flows used to determine the Value in Use (ViU):

- testing the mathematical accuracy of the spreadsheet used to model future cash flows;
- assessing the achievability of the revenue and margin forecasts, including an evaluation of the assumptions in management's forecast including understanding the following:
  - opportunities for growth in the relevant markets;
  - comparison of the historical trading with the forecast cash flows;
  - comparison of forecast growth of the divisions to comparable industry forecasts;
  - consideration of the potential impact of climate change on the cash flows; and
  - understanding the key changes in strategies/operating models which are expected to drive profit growth;
- we have utilised our valuations experts to evaluate the discount rate and long-term growth forecasts;
- we performed an evaluation of forecast costs based on existing contractual commitments and budgeted margin growth; and
- we recalculated management's sensitivities to verify the disclosure is accurate and we performed additional sensitivity analysis, including reducing cash inflows, to understand the impact that reasonably possible changes could have.

In respect of the DTC ViU assessment, an impairment was identified. As a result, using market data obtained from our valuation experts, we have considered earnings before interest tax and depreciation ("EBITDA") multiples from similar transactions to assess whether a fair value less cost to sell ("FVLCTS") basis might give a higher value than the ViU basis. Consistent with managements' assessment, we have concluded that the value would not be materially different under a FVLCTS basis.

Independent auditors' report continued

Key audit matter *continued*	How our audit addressed the key audit matter *continued*
	In performing these assessments, the audit team focused on applying an appropriate level of professional scepticism when challenging the assumptions presented by management. We concur with the impairment of goodwill in the DTC CGU and the conclusion not to impair goodwill in the EH3S CGU. However, a reasonably possible change in assumptions could lead to further impairments in both businesses and as a result additional disclosures have been included in note 13 to reflect this. **Other acquired intangible assets** We also challenged the level of impairment made to the customer lists held in the DTC and EH3S CGUs through the following procedures: • challenged management's assessment through obtaining the board acquisition papers and compared the key customers to the revenue listings for 2022; and • selected a sample of contracts tested as part of the audit in 2019 and 2017 (the relevant years for the acquisitions) and compared this to the revenue generated by these customers in 2022. We concur with management that there is no significant remaining value in the acquired customer lists in the DTC division and that it was appropriate to impair a large proportion of the customer list in the EH3S division. Overall a total impairment of £4.7m is appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The British Standards Institution group is managed on a divisional basis however, its legal entity structure is based on geographical location. In line with prior years, we have scoped our audit at a legal entity level, which is consistent with the BSI group reporting and consolidation process. The significant components for the purposes of our audit were BSI Assurance UK Limited, BSI Standards Limited, BSI Group Inc. and BSI Group The Netherlands B.V.; a full scope audit was performed for these components. We also brought smaller components into scope for specified procedures to gain comfort over specific accounts, including revenue; these were BSI Professional Services UK Limited, BSI America Professional Services Inc. (excluding Appsec), BSI Management Systems Ltd, and BSI Management Systems Certification (Beijing) Co. Ltd and BSI Certification and Technical Training (Beijing) Limited in China.

All audit work was performed by the group audit team, with the exception of audit work performed on BSI Management Systems Certification (Beijing) Co. Ltd and BSI Certification and Technical Training (Beijing) Limited in China which was performed by PwC component auditors. These auditors worked under our instruction and oversight. The group audit team was in contact, at each stage of the audit, with the component audit team through regular written communication including detailed instructions issued by the Group audit team and video conferencing at the planning, execution and completion phases.

Independent auditors' report continued

The impact of climate risk on our audit

Climate change risk is not expected to have a significant impact on BSI. As explained in the Climate change risk management section of the Strategic Report, the group is mindful of its impact on the environment and focussed on ways to reduce climate related impacts as they continue to develop their plans towards their road to Net Zero by 2030. In planning and executing our audit we considered the group's climate risk assessment process. This provided us with a good understanding of the potential impact of climate change on the financial statements.

The key financial statement line items and estimates which are more likely to be materially impacted by climate risks are those associated with future cash flows including the goodwill impairment assessment. The Board monitors the impact of climate change risk and opportunities on the group's strategy and business model. BSI has made a public commitment to reach Net Zero in it's own operations by 2030. They are continuing to work on their pathway towards this and set targets to reduce their Greenhouse Gas (GHG) scope 1 and scope 2 emissions by 90% and scope 3 emissions by 42%. We discussed with management that the estimated financial impacts of climate change will need to be frequently reassessed; our expectation is that the climate change disclosures will continue to evolve as a greater understanding of the actual and potential financial impacts on the group's future operations are obtained. As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - parent company
Overall materiality	£3,050,300 (2021: £4,045,000).	£1,800,000 (2021: £3,640,000).
How we determined it	Based on 5% of the three year average profit before income tax (2021: 5% profit before income tax)	Based on a percentage of total assets resulting in a materiality of 0.49% (2021: 0.79%) of total assets.
Rationale for benchmark applied	The benchmark applied to determine materiality is based on a three year average before income tax. Profitability has fallen in 2022 due to impairments and the costs of transformation. Given the underlying business has not changed, we have concluded a significant reduction to materiality for the current year is not appropriate and as a result we have used a three year average of profit before tax. This change was communicated to the Audit Committee and approved at the planning stage.	The parent company's operations are that of a holding company; holding the group's pension scheme and investments in subsidiaries and acting as a group-wide corporate centre. The parent company is not profit focussed and as such a performance based benchmark is not considered appropriate. We consider the parent company's investment in subsidiaries and group pension scheme activities to be the most significant balances and we have therefore identified total assets as the most appropriate benchmark on which to base materiality. The materiality applied reflects an allocation of group materiality and a reduction in overall net assets in the period.

Independent auditors' report continued

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £267,000 and £2,600,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £2,287,725 (2021: £3,033,000) for the group financial statements and £1,350,000 (2021: £2,730,000) for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £305,000 (group audit) (2021: £404,500) and £180,000 (parent company audit) (2021: £364,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed cash flow forecasts prepared by management covering the 21 month period ending 31 December 2024.
- We have inquired with management as to the assumptions behind the going concern assessment and understood the process undertaken to perform the going concern assessment.
- We have assessed the reasonableness of the assumptions made in the cash flow forecasts prepared by management, considered management's historical accuracy of forecasting and checked the mathematical accuracy of the cash flow forecast.
- We have reviewed the downside scenarios prepared by management and considered the appropriateness of the severity of the assumptions applied in the context of our knowledge of the external trading environment, business developments and historical performance.
- We have considered external factors, reviewed the minutes of meetings and other reports such as internal audit reports and risk reports to assess if there is any information which would be contrary to the assessment presented by management.
- We have reviewed the latest available management accounts to identify if there are any unusual balances or trends, or indication of issues in the performance of the group and parent company.

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.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Independent auditors’ report continued

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic report and Directors’ report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors’ report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors’ report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors’ report.

Corporate governance statement

We have reviewed the directors’ statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company’s compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies, as if the parent company were a listed company. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors’ confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors’ statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group’s and parent company’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors’ explanation as to their assessment of the group’s and parent company’s prospects, the period this assessment covers and why the period is appropriate; and
- The directors’ statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors’ statement regarding the longer-term viability of the group and parent company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors’ process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit.

Independent auditors' report continued

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 directors are responsible for assessing the group's and the parent company'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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the group maintaining compliance accreditation with national and international organizations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, tax legislation in the jurisdictions in which the group operates, Employment law and Data protection regulation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of unusual journals outside the normal course of business and management bias in assumptions and judgements of significant estimates in order to manipulate the group's performance profit measures and other key performance indicators to meet remuneration targets. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Inquiring with management, Internal audit and legal counsel to understand how the business complies with key frameworks. These inquiries were corroborated through review of Board minutes, internal audit reports and papers provided to the Audit Committee. We also attended all Audit Committee meetings.
- We considered performance targets and the potential to apply management bias to achieve bonuses.
- At a group level our procedures involved using: Computer Assisted Audit Techniques (CAATS) to analyse journals recorded centrally and at all in scope locations to identify certain unusual, unexpected or significantly material journals for specific follow up and testing.
- Challenging and testing assumptions and judgements made in significant accounting estimates for possible management bias.

Independent auditors' report continued

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's directors as a body in accordance with the Royal Charter and Bye-laws ("the Royal Charter") and Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Directors' remuneration

The parent company voluntarily prepares a Directors' remuneration report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Directors' remuneration report specified by the Companies Act 2006 to be audited as if the parent company were a quoted company.

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Owen Mackney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors Watford

5 April 2023

Consolidated income statement

for the year ended 31 December 2022

	Note	**2022 £m**	2021 £m
Revenue	5, 6	**672.8**	585.6
Cost of sales		**(335.1)**	(280.4)
Gross profit		**337.7**	305.2
Selling and distribution expenses		**(86.8)**	(71.4)
Administrative expenses		**(194.9)**	(150.7)
Underlying operating profit	5	**56.0**	83.1
Exceptional items	7	**(17.8)**	–
Operating profit	7	**38.2**	83.1
Finance income	10	**1.1**	0.3
Finance costs	10	**(1.7)**	(2.4)
Profit before tax	5	**37.6**	81.0
Income tax expense	11	**(18.3)**	(22.1)
Profit for the year		**19.3**	58.9

All amounts in the consolidated income statement relate to continuing operations.

The accompanying notes on pages 116 to 150 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Profit for the year		**19.3**	58.9
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit surplus, net of taxes	15b iii	**(11.7)**	30.9
Tax charged relating to UK tax losses		**–**	(0.9)
		(11.7)	30.0
Items that may subsequently be reclassified to profit or loss			
Currency translation differences		**10.7**	(2.2)
		10.7	(2.2)
Other comprehensive income for the year, net of taxes		**(1.0)**	27.8
Total comprehensive income for the year		**18.3**	86.7

The accompanying notes on pages 116 to 150 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Retained earnings £m	Translation reserve £m	Total £m
Balance at 1 January 2021	239.3	1.6	240.9
Profit for the year	58.9	–	58.9
Other comprehensive income/(loss) for the year, net of taxes	30.0	(2.2)	27.8
Total comprehensive income/(loss) for the year	88.9	(2.2)	86.7
Balance at 31 December 2021	328.2	(0.6)	327.6
Profit for the year	19.3	–	19.3
Other comprehensive (loss)/income for the year, net of taxes	(11.7)	10.7	(1.0)
Total comprehensive income for the year	7.6	10.7	18.3
Balance at 31 December 2022	335.8	10.1	345.9

The accompanying notes on pages 116 to 150 form an integral part of the consolidated financial statements.

Retained earnings

Retained earnings are used to record the changes in retained profit/(accumulated loss), actuarial gains/(losses) relating to retirement benefit surplus and the corresponding deferred tax.

Translation reserve

The translation reserve is used to record the foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and net investment and cash flow hedges.

Consolidated balance sheet

as at 31 December 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Property, plant and equipment	12	**22.5**	24.2
Goodwill	13	**63.3**	71.3
Intangible assets	13	**31.2**	28.1
Right-of-use assets	14	**23.7**	29.6
Net retirement benefit surplus	15b i	**20.1**	19.3
Deferred tax assets	16	**8.9**	5.7
Trade and other receivables	17	**10.2**	10.7
Contract costs	18	**18.3**	16.9
Total non-current assets		**198.2**	205.8
Current assets			
Inventories	19	**0.1**	0.1
Trade and other receivables	17	**198.8**	148.1
Current tax assets		**–**	3.1
Fixed-term deposits	20a	**53.0**	10.0
Cash and cash equivalents	20b	**111.6**	177.1
Total current assets		**363.5**	338.4
Total assets		**561.7**	544.2

	Note	2022 £m	2021 £m
Liabilities			
Non-current liabilities			
Deferred tax liabilities	16	**(3.2)**	(7.5)
Net retirement benefit obligations	15b ii	**(2.5)**	(2.7)
Provisions	21	**(4.0)**	(2.8)
Trade and other payables	22	**(8.6)**	(9.6)
Lease liabilities	14	**(23.2)**	(30.3)
Total non-current liabilities		**(41.5)**	(52.9)
Current liabilities			
Trade and other payables	22	**(156.9)**	(144.9)
Lease liabilities	14	**(9.8)**	(10.1)
Current tax payables		**(7.3)**	(8.4)
Provisions	21	**(0.3)**	(0.3)
Total current liabilities		**(174.3)**	(163.7)
Total liabilities		**(215.8)**	(216.6)
Net assets		**345.9**	327.6
Reserves			
Retained earnings		**335.8**	328.2
Translation reserve		**10.1**	(0.6)
Total reserves		**345.9**	327.6

The accompanying notes on pages 116 to 150 form an integral part of the consolidated financial statements. The consolidated financial statements on pages 111 to 115 were approved by the Board of Directors on 5 April 2023 and were signed on its behalf by:

Sara Dickinson CGMA
Chief Financial Officer

5 April 2023

Consolidated statement of cash flows

for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit before income tax		**37.6**	81.0
Adjustments for:			
– Depreciation of property, plant and equipment	7	**5.7**	5.3
– Loss on disposal of tangible assets	7	**0.1**	–
– Loss on disposal of intangible assets	7	**–**	0.4
– Amortization of intangible assets	7	**8.3**	6.4
– Impairment of goodwill and acquired intangible assets	7	**16.6**	–
– Depreciation of right-of-use assets	7	**9.0**	8.7
– Gain on disposal of right-of-use assets	7	**(0.1)**	–
– Reversal of loss allowance on trade receivables	7	**(0.1)**	(0.2)
– Bad debts written off to income statement directly	7	**1.4**	1.0
– Finance income	10	**(1.1)**	(0.3)
– Finance costs	10	**1.7**	2.4
– Retirement benefit charges (UK defined benefit plan)	15b i	**0.6**	0.6
– Retirement benefit charges (Other defined benefit schemes)	15b ii	**0.2**	0.2
– Net capitalization of contract costs	18	**(0.7)**	(1.1)
Changes in working capital (excluding the exchange differences on consolidation):			
– Increase in trade and other receivables		**(42.3)**	(11.4)
– Increase in trade and other payables		**4.4**	21.4
– Increase in provisions		**1.2**	0.2
Retirement benefit payments	15b iv	**(15.7)**	(15.8)
Cash generated from operations		**26.8**	98.8
Interest received		**0.6**	0.3
Interest elements of lease payments	14	**(1.7)**	(1.9)
Income tax paid		**(20.6)**	(18.9)
Net cash generated from operating activities		**5.1**	78.3

	Note	2022 £m	2021 £m
Cash flows from investing activities			
Purchases of property, plant and equipment	12	**(6.2)**	(5.1)
Purchases of intangible assets	13	**(11.7)**	(7.8)
Purchase of fixed-term deposits	20a	**(43.0)**	(10.0)
Net cash used in investing activities		**(60.9)**	(22.9)
Cash flows from financing activity			
Principal elements of lease payments	14	**(10.8)**	(10.0)
Net cash used in financing activity		**(10.8)**	(10.0)
Net (decrease)/increase in cash and cash equivalents		**(66.6)**	45.4
Opening cash and cash equivalents		**177.1**	132.1
Exchange gain/(loss) on cash and cash equivalents		**1.1**	(0.4)
Closing cash and cash equivalents	20b	**111.6**	177.1

The accompanying notes on pages 116 to 150 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2022

1. Corporate information

The British Standards Institution is the ultimate parent company of the BSI Group and is a company incorporated by Royal Charter in the United Kingdom and domiciled in the United Kingdom. The address of its registered office is 389 Chiswick High Road, London W4 4AL, England.

The principal activities of The British Standards Institution (the ‘Company’) and its subsidiaries (together the ‘Group’) are the development and sale of private, national and international standards; second and third-party certification of management systems; testing and certification services both for products and services; provision of performance management software solutions; a range of training services in support of standards implementation and business best practice; and business consultancy services.

The consolidated financial statements were approved by the Board of Directors on 5 April 2023.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Despite a year of significant external turbulence and global financial shocks, the Group’s performance for 2022 reflects the diversity of the markets, geographies and sectors in which we operate with a continuous and proactive financial course correction throughout the year to address inflationary pressures and geopolitical uncertainty. The Group ended the year with no debt and cash and cash equivalents and fixed-term deposits of £164.6m (Year ended 31 December 2022: £187.1m). The year-on-year reduction in cash was due to the payment of deficit funding contributions to the UK defined benefit scheme, a one-off cost of living payment and a return to pre-COVID billing cycles which has created an increase in debtor days.

The Directors have reviewed the in-year performance together with the Financial Plan for 2023 and longer-term strategic plan. The plan shows that trading is expected to continue recent trends in relation to revenue growth and profit and that we continue to retain significant cash reserves even after investment in our Transformation Programme.

As a result of this analysis, the Group continues to adopt the going concern basis in preparing its financial statements. In assessing the Group’s viability the Directors have considered the sensitivity of the assumptions within its longer-term plans. Further details on the review of the going concern and viability of the Group are disclosed on pages 99 to 101.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The consolidated financial statements are presented in British Pounds Sterling (£) and all values are rounded to the nearest £100,000, except when otherwise indicated.

b. Recent accounting developments

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16.
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37.
- Annual Improvements to IFRS Standards 2018-2020.
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The Group also elected to adopt the following amendments early:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12.
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments and interpretations would not have had any material impact on the Group in the current reporting period.

Notes to the consolidated financial statements continued

c. Basis of consolidation

i. Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de facto control.

De facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders gives the Group power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date and classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value, with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii. Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii. Disposal of subsidiaries
When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

d. Segment reporting

Included in these consolidated financial statements are the results segmented by business divisions and support functions, in line with the management information provided internally to the Board. The Board constitutes the chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments. Segment information is shown in Note 5.

Notes to the consolidated financial statements continued

e. Foreign currency translation

i. Functional and presentation currency
Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in British Pounds Sterling, which is the Group's presentation currency.

ii. Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

iii. Group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences are recognized in other comprehensive income.

No adjustments have been made to account for hyperinflation in Turkey as the impact is not material to the Group.

f. Property, plant and equipment

All items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land and assets under construction are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold buildings	5–50 years
Leasehold improvements	Over the unexpired term of the lease
Plant, machinery and office equipment	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal factors that the Group takes into account are the expected rate of technological developments and the intensity at which the assets are expected to be used.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2h).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within administrative expenses in the income statement.

The Group derecognizes property, plant and equipment: (a) on disposal; or (b) when no future economic benefits are expected from its use or disposal.

g. Intangible assets

i. Goodwill
Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or group of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment testing is undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Notes to the consolidated financial statements continued

ii. Computer software

Acquired computer software and licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized from the point at which the asset is ready for use on a straight-line basis over the asset's estimated useful economic lives, or the length of the licence as appropriate, as follows:

Computer software	3–5 years

Costs incurred in customizing, configuring and implementing a Software as a Service (SaaS) arrangement are expensed to the income statement in the year in which they are incurred.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use.
- management intends to complete the software product and use or sell it.
- there is an ability to use or sell the software product.
- it can be demonstrated how the software product will generate probable future economic benefits.
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- the expenditure attributable to the software product during its development can be reliably measured.

Costs include the employee costs incurred on software development.

The application and infrastructure development costs of product delivery websites are also capitalized where the same criteria can be met. These assets are amortized on a straight-line basis over their estimated useful economic lives.

Application and infrastructure development costs	3–5 years

Other development expenditures that do not meet these criteria are recognized as an expense to the income statement as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

iii. Acquired intangible assets

On the acquisition of a subsidiary undertaking, fair values are attributed to the acquired identifiable tangible and intangible assets, liabilities and contingent liabilities.

Acquired intangibles include client relationships, intellectual property, client order backlog, computer software and the value of sellers' non-compete agreements. These are capitalized based on valuations using discounted cash flow analysis and amortized on a straight-line basis over their estimated useful economic lives.

Acquired intangible assets	1–15 years

iv. Internally generated product development costs

Product development costs, which include costs incurred on developing training courses, are capitalized only when specific criteria for capitalization, as set out in IAS 38, "Intangible Assets", are met including consideration of probable future economic benefit. Capitalized product development costs are amortized over the asset's estimated useful life on a straight-line basis.

Internally generated product development costs	3–5 years

The Group derecognizes an intangible asset: (a) on disposal; or (b) when no future economic benefits are expected from its use or disposal.

h. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as Cash-Generating Units (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis subject to the recoverable amount of the asset.

Notes to the consolidated financial statements continued

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized 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 amortization, if no impairment loss had been recognized.

i. Inventories

Inventories which comprise hard copy publications held for sale and training materials are stated at the lower of cost and net realizable value. Cost is determined on a first-in-first-out basis and includes transport and handling costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where necessary, provision is made for obsolete, slow-moving and defective inventory.

j. Financial assets

i. Classifications

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading, unless they are designated as hedges. Derivative financial instruments are recognized at fair value. The gain or loss on re-measurement to fair value is recognized immediately in profit or loss.

Assets in this category are classified as current assets if expected to be settled within one year; otherwise, they are classified as non-current.

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for assets with maturities greater than one year after the end of the reporting period as these are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'fixed-term deposits' and 'cash and cash equivalents' in the balance sheet (Notes 17 and 20).

ii. Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise.

k. Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables; see Note 3b for further details.

Notes to the consolidated financial statements continued

l. Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

m. Derivative financial instruments and hedging activities

Derivatives are used to manage the Group's economic exposure to financial risks. The Group principally makes use of forward currency contracts (cash flow hedge) to manage currency exposure risk on committed payments and does not hold or issue any other derivative financial instruments.

Derivatives are recognized initially at fair value. Subsequently, the gain or loss on re-measurement to fair value is recognized immediately to the income statement, unless the derivative qualifies for hedge accounting treatment, in which case any gain or loss is taken to reserves.

The Group designates its derivatives as either:

i. hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
ii. hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge
The fair value of forward currency contracts is based on forward foreign exchange market rates at the balance sheet date.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the hedged transaction is settled).

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

n. Trade receivables

Trade receivables are amounts due from clients for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less loss allowance.

o. Fixed-term deposits

Fixed-term deposits are liquid investments with original maturities of over three months.

p. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less.

Bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management, are shown within borrowings in current liabilities on the consolidated balance sheet but are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

q. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

r. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Notes to the consolidated financial statements continued

Current tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates the position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Group is subject to corporate taxes in the countries in which it operates. There are many circumstances in which the application of tax law is open to interpretation with the result that taxpayers and tax administrations may adopt legitimately different interpretations. Such differences in interpretation may result in additional tax liabilities compared to the positions taken by taxpayers when filing tax returns. This creates uncertainty and it is usual for multinational enterprises to establish provisions for tax risk arising from uncertain tax positions (UTPs). The Group recognizes liabilities from UTPs based on whether it is probable that there will be an outflow in relation to additional taxes payable. In doing so, the Group takes account of the requirement to recognize liabilities assuming full disclosure of all relevant facts to tax administrations in accordance with local tax laws and the availability of any mitigation, such as mutual agreement procedures under the terms of relevant tax treaties.

Deferred tax
Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

s. Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

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

t. Employee benefits

i. Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than one year after the balance sheet date are discounted to their present value.

ii. Bonus plans
The Group recognizes a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

iii. Long Term Incentive Plan
The Group has a Long Term Incentive Plan as referred to in the report of the Remuneration Committee. The costs of the plan are accrued and charged to the income statement over the period of the plan so as to accrue, on a pro-rata basis, the anticipated incentive payments that may vest.

Notes to the consolidated financial statements continued

u. Retirement benefit obligations

i. Defined benefit pension schemes

The Group operates a funded defined benefit scheme in the UK, administered by independent Trustees. The scheme is closed to new entrants and closed to future accrual of pension.

The Group's net obligation or surplus in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the scheme up to 30 April 2010 (the date the scheme closed to the accrual of benefits). That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The valuation of the Group's net obligation or surplus is performed by an independent qualified actuary as appointed by the Group. Pension scheme assets are measured using market values for quoted assets. The Annuity Policy asset is valued at an actuarial estimate using the assumptions shown in Note 15. The pension scheme liabilities are measured using the projected unit actuarial method where estimated future cash flows are discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent duration and currency to the liability.

The income statement charge is split between an operating expense and a net finance credit. The operating charge relates to the administration costs of operating the scheme. The net finance charge relates to the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the scheme using that same discount rate, based on conditions prevailing at the start of the year.

Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

After review of the Trust Deed and rules of the pension scheme the Directors have determined that there is an unconditional right to a refund of a surplus assets, assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the plan. Based on these rights, any net surplus in the plan is recognized in full.

ii. Defined contribution pension schemes

The Group pays fixed contributions to an external pension provider and has no legal or constructive obligations to pay any further amounts. The contributions are recognized as employee benefit expense when they are due.

v. Revenue

Revenue is measured based on the consideration specified in a contract with a client net of sales-related tax, returns, rebates, discounts and amounts collected on behalf of third parties and after eliminating inter-company revenue within the Group. The Group recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a client.

For a detailed description of the revenue by activity and the associated recognition principles, see Note 6.

w. Incremental costs of obtaining contracts

Incremental costs of obtaining contracts, such as sales commissions, are capitalized and amortized on a systematic basis that is consistent with the transfer to the client of the goods or services to which the asset relates. If the expected amortization period is one year or less, then the costs are expensed when incurred.

x. Leases

Each lease is recognized as a right-of-use asset with a corresponding liability for the full lease term at the date at which the leased asset is available for use by the Group.

The Group assesses at contract inception whether a contract is, or contains, a lease, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

i. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease liabilities include the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable by the Group under residual value guarantees.
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option.
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Notes to the consolidated financial statements continued

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate 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. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (for example, changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

ii. Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in the section 'Impairment of non-financial assets' in Note 2(h).

iii. Extension and termination options
Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

iv. Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases, being those leases that have a lease term of one year or less from the commencement date and do not contain a purchase option. The Group also applies the recognition exemption to leases of which the underlying asset is of low value, comprising assets below the Group's capitalization threshold. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

y. Other income

Interest income
Interest income is recognized on a time-proportion basis using the effective interest method, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

z. Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

aa. Exceptional items

Alternative performance measures ("APMs") are used as supplemental measures in monitoring the performance of our business. Underlying operating profit is the key measure used by BSI. The adjustments applied in calculating underlying operating profit reflect certain exceptional items that the Directors believe are not related to the underlying performance of the Group. A reconciliation of underlying operating profit is shown on page 133.

In the view of the Directors, the underlying operating profit provides a meaningful supplement to the reported numbers to explain how the business is managed and measured on a day-to-day basis. Underlying results exclude certain exceptional items because, if included, these items could distort the understanding of our performance for the year and comparability between periods.

In determining whether an item should be treated as exceptional, the Group considers items which are significant because of their size or their nature, and which are non-recurring. They are typically material amounts relating to costs, gains or losses that are not considered part of the core operations of the business. These may include costs directly related to acquisitions, costs related to restructuring programmes and significant impairment losses.

Notes to the consolidated financial statements continued

ab. Contingent liabilities

A contingent liability arises where an event that occurred in the past may lead to the Group having a present obligation or a possible future obligation but where:

i. it is not probable that there will be an outflow of resources in the settlement of this obligation; or

ii. the obligation cannot be measured reliably.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. As part of an overall risk management programme, the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial risk management is undertaken by a central treasury department (Group Treasury) under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, credit risk and investment of excess liquidity. Operating within these guidelines, Group Treasury identifies, evaluates and, where appropriate, hedges financial risks in close co-operation with the Group's operating units.

a. Market risk – foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

Group companies are required to hedge material foreign exchange risk exposure. To manage their foreign exchange risk arising from known future commercial transactions and material recognized assets and liabilities, the Group will transact the relevant forward contracts, approved by Group Treasury.

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. The Group does not seek to hedge these net assets and recognizes that an element of balance sheet volatility is inherent in managing foreign operations.

The following table details the sensitivity of the Group's operating profit to movements in the major currencies in which it operates. This analysis considers the impact of the British Pound Sterling strengthening by 10% against the most significant foreign currencies used by operating units in the Group. The example movement of 10% has been selected in order to demonstrate that operating profit is not particularly sensitive to exchange rate fluctuations. The average movement in each currency during the previous three annual reporting periods is shown for comparison.

Currency	**2022 average exchange rate**	**Absolute average exchange rate movement***	**Adverse impact on operating profit of 10% rate movement**	2021 average exchange rate	Absolute average exchange rate movement*	Adverse impact on operating profit of 10% rate movement
Euro	**1.17**	**1.9%**	**£3.0m**	1.17	2.2%	£2.1m
US Dollar	**1.22**	**6.3%**	**£1.7m**	1.38	3.7%	£2.0m

* These movements indicate the absolute average exchange rate movement over the last three years to indicate volatility, whether positive or negative.

A similar strengthening of 10.0% in the British Pound Sterling against all of the currencies in which the Group has exposure would result in an adverse operating profit impact of £5.9m (2021: £5.4m).

b. Credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables. The Group considers its exposure to credit risk at 31 December to be as follows:

	2022 £m	2021 £m
Cash and cash equivalents and fixed-term deposits (Note 20)	**164.6**	187.1
Trade receivables (Note 17)	**123.4**	95.1
Other receivables, prepayments and accrued income (Note 17)	**85.6**	63.7
Total credit risk	**373.6**	345.9

i. Risk management

The Group's credit risk from financial institutions is considered to be low. The majority of funds are held in the UK with three relationship banks (HSBC, NatWest and Barclays) and in the USA with JP Morgan, in accordance with the Group counterparty exposure policy.

Notes to the consolidated financial statements continued

Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. New clients are reviewed for creditworthiness with credit terms amended as appropriate. The majority of the Group's trade receivables are due for payment within 14–60 days from invoice date. Concentrations of credit risk with respect to trade receivables are limited as the Group's client base is large and unrelated, and, where appropriate, individual accounts receivable are provided against. Due to this, management believes there is no further credit risk provision required in excess of the normal loss allowance on trade receivables.

ii. Impairment of financial assets
An allowance for expected credit losses is maintained for expected lifetime credit losses that result from the failure or inability of clients to make required payments. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of trade receivables over a period of 24 months to the balance sheet date and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on economic factors affecting the ability of the clients to settle the receivables. On that basis, the loss allowance was determined as follows for trade receivables (Note 17):

At 31 December 2022	Current	More than 30 days past due	More than 90 days past due	More than 150 days past due	Total
Expected loss rate	**0.4%**	**2.1%**	**5.4%**	**27.7%**	**2.7%**
Gross carrying amount – trade receivables (£m)	**94.0**	**19.2**	**5.1**	**8.6**	**126.9**
Loss allowance (£m)	**0.4**	**0.4**	**0.3**	**2.4**	**3.5**

At 31 December 2021	Current	More than 30 days past due	More than 90 days past due	More than 150 days past due	Total
Expected loss rate	0.6%	2.6%	8.7%	44.0%	3.5%
Gross carrying amount – trade receivables (£m)	80.1	10.2	2.9	5.3	98.5
Loss allowance (£m)	0.5	0.3	0.3	2.3	3.4

The reconciliation of the closing loss allowance on trade receivables to the opening loss allowance is shown in Note 17.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage with the Company, a failure to make contractual payments for a period of greater than 365 days past due, and impending bankruptcy. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

c. Liquidity risk
Cash flow forecasting is performed by the operating entities of the Group. Management uses the returns to monitor the Group's liquidity reserves ensuring appropriate headroom is maintained.

Cash held by the operating entities is reviewed on a regular basis and available excess cash is transferred to Group Treasury. The Group invests surplus cash in interest-bearing current accounts, bank deposits and money market funds, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group held total investments of £53.0m (2021: £10.0m).

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. As the majority of the "Trade and other payables excluding deferred income" are short term in nature, their fair values approximate to their carrying values as the impact of discounting is not significant. The Group did not hold any net-settled derivative financial liabilities at 31 December 2022 and 2021.

At 31 December 2022	Less than 1 year £m	Between 1 and 5 years £m	Over 5 years £m
Trade and other payables excluding deferred income (Note 22)	**114.2**	**4.3**	**3.4**
Lease liabilities	**9.8**	**20.6**	**2.6**

At 31 December 2021	Less than 1 year £m	Between 1 and 5 years £m	Over 5 years £m
Trade and other payables excluding deferred income (Note 22)	104.7	0.4	9.0
Lease liabilities	10.1	25.8	4.5

Notes to the consolidated financial statements continued

4. Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Impairment of goodwill and finite life intangible assets

The Group performs an impairment test annually to determine whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2h. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as Cash-Generating Units (CGUs). Goodwill is allocated to the Group's CGUs. Impairment testing requires management to assess whether the carrying value of the CGUs can be supported by the higher of value in use and fair value less cost to sell. Value in use reflect the estimated future cash flows of each CGU discounted by an estimated weighted average cost of capital that represents the rate of return an outside investor would expect to earn. This discount rate is based on the weighted average cost of capital for comparable companies and is adjusted for risks specific to the CGU including differences in risk due to its size, geographic concentration and trading history. Future cash flows are determined using the latest available Board approved forecasts and strategic plans. These forecasts and strategic plans are based on specific assumptions during the planning period with respect to revenue, results of operations, working capital, capital investments and other general assumptions for the projected period. The forecast assumptions that derive future cash flows are based on the historical results of each CGU combined with external market information and defined strategic initiatives.

Determining the estimated recoverable amount of a CGU is judgmental in nature. The key assumptions used in the estimation of value in use as at 31 December 2022 were revenue growth rates as included in the Group's strategic plan, long-term growth rates and discount rates. Revenue growth rates reflect macroeconomic activity, market growth forecasts and competitor activity.

An impairment loss is recognized when the carrying value of the asset for the CGUs exceeds its recoverable amount.

Further details of key assumptions and a sensitivity analysis are disclosed in Note 13.

In accordance with note 2h, the carrying values of finite life intangible assets are reviewed for indicators of impairment annually or when events or changes in circumstances indicate the carrying value may be impaired.

During the year, a trigger for impairment was identified in relation to certain client relationship intangible assets within Environment, Health, Safety, Sustainability and Security (EH3S) and Digital Trust Consultancy (DTC) businesses. As a result, the recoverable amount of finite life assets with a carrying value of £4.7m was reassessed based on the churn of client relationships identified at the point of acquisitions and the revenue and operating profit contribution of any remaining client relationships. As a result of the review, an impairment loss of £4.7m (2021: £nil) was recognized.

b. Deferred tax assets

Deferred tax assets are recognized for all unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses and temporary differences can be utilized. Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits shown in the latest approved financial projections, together with future tax planning strategies.

The deferred tax assets recognized and not recognized are detailed in Note 16.

c. Retirement benefit surplus

The cost of defined benefit pension schemes is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The liabilities have been calculated by, and the assumptions have been set on the recommendations of, an independent qualified actuary.

The liabilities allow for indexation of benefits in line with the Consumer Prices Index (CPI).

After review of the Trust deeds and rules of the pension scheme, the Directors recognized the pension surplus as at 31 December 2021. The Directors continue to recognize the pension surplus as at 31 December 2022 as there have been no changes to the Trust deeds and rules of the pension scheme during the year. In recognizing the surplus, we are being consistent in our accounting treatment, recognizing the accounting value generated using the principal assumptions set out below. The Directors have recognized the economic benefit considered to arise from either a reduction to future contributions or a refund of the surplus, assuming the gradual settlement of plan liabilities over time until all members and beneficiaries have left the plan.

Notes to the consolidated financial statements continued

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the plan was performed by a qualified actuary as at 31 March 2022 which revealed a funding shortfall (technical provisions minus the value of the assets) of £20.0m. The Group agreed to pay deficit contributions of £15.5m during 2022 which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 31 March 2025. The next funding valuation is due no later than 31 March 2025, at which progress towards full funding will be reviewed. In addition, given the improvement to the scheme position, an account governed by an escrow agreement has been set up whereby remaining deficit contributions of up to £7.5m could be paid into the plan if underfunded on a technical provisions basis as at 31 March 2025.

Contributions of £0.5m are expected to be paid by the Group for the year ending 31 December 2023 to cover the expenses of running the Plan.

The principal assumptions and a sensitivity analysis are detailed in Note 15b i.

d. Incremental costs of obtaining contracts

Management judgement is required to determine the period of benefit from contracts, which is either the contract period or a calculated estimate of an average client life based on historical data.

The incremental costs of obtaining contracts are disclosed in Note 18.

e. Determining the lease term of contracts with extension and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend or terminate the lease – that is, it considers all relevant factors that create an economic incentive for it to exercise either the extension or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend or to terminate (for example construction of significant leasehold improvements or significant customization to the leased asset). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

f. Leases – estimating the incremental borrowing rate

Where the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

To estimate the IBR, the Group obtains from an external international banking institution or other local banks indicative borrowing rates on hypothetical borrowing transactions. The amount to be borrowed in each case would be based on the total undiscounted future cash flows under a lease, in the same currency as required by the lease agreement, with a repayment profile that mirrors the timing of the expected lease payments. The borrowing would be without any security and backed up only by the strength of the individual entity’s latest available financial statements (or management accounts if the local entity does not have statutory reporting obligation). Once decided, the IBR will remain unchanged, unless there are modifications in lease terms or changes in the assessment of an option to purchase the underlying asset.

g. Useful economic lives of intangible assets

The useful economic lives used to amortize intangible assets relate to the expected future performance of the assets acquired and management’s estimate of the period over which the economic benefit will be derived from the asset. Refer to Note 2g for the estimated useful life of intangible assets. The carrying amount of the intangible assets is disclosed in Note 13.

h. Climate change

The Directors recognize the climate crisis and the potential impact it may have on both the wider world and the success of BSI. The threat continues to evolve and businesses globally have a responsibility to take meaningful action to mitigate and prevent further climate change. The Directors are committed to reducing the impact of BSI on the environment. Climate-related risks have been identified within our assessment of Climate Risk (see page 48 to 51) and as part of our Principal Risks and Uncertainties (see page 52 to 58); however, the Directors do not view them as a source of material estimation uncertainty for the Group.

Notes to the consolidated financial statements continued

5. Segment information

Included in these consolidated financial statements are the results segmented by business divisions and support functions, in line with the management information provided internally to the Board. The Board constitutes the chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments.

The business divisions reported are:

- Knowledge Solutions – comprises Standards Development, Services and Information Solution businesses.
- Assurance Services – comprises Systems Certification, Product Certification and Training businesses.
- Regulatory Services – comprises Systems Certification and Product Certification into the Medical Devices industry.
- Consulting Services – comprises two businesses: an Environment, Health, Safety, Sustainability and Security (EH3S) consultancy and a Digital Trust Consultancy (DTC).

Governance and support functions comprise those functions responsible for directional oversight and policy framework creation and compliance for the Group as well as support functions to the business divisions, mainly Commercial and Sector Management, Strategy and Transformation, Finance, Information Technology, People, Facilities and Legal. These are not allocated to business divisions.

The performance of these business division segments is measured at operating profit and that treatment is reported here. This measure excludes the financing costs and actuarial adjustments of the UK defined benefit pension scheme, finance income, finance costs and income tax expenses.

The segment information provided to the Board for the reportable segments for the years ended 31 December 2022 and 31 December 2021 is as follows:

2022	Knowledge Solutions £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Support functions £m	Total £m
Revenue	**70.6**	**311.2**	**201.6**	**89.4**	**–**	**672.8**
Underlying operating profit/loss	**27.4**	**94.7**	**82.1**	**13.3**	**(161.5)**	**56.0**
Depreciation and amortization	(1.8)	(3.2)	(0.8)	(0.4)	(16.8)	(23.0)
Finance income	–	–	–	–	1.1	1.1
Finance costs	–	–	–	–	(1.7)	(1.7)
Income tax expense	–	–	–	–	(18.3)	(18.3)

2021	Knowledge Solutions £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Support functions £m	Total £m
Revenue	67.4	284.7	157.9	75.6	–	585.6
Underlying operating profit/loss	28.8	94.6	72.6	16.2	(129.1)	83.1
Depreciation and amortization	(1.3)	(3.4)	(0.5)	(0.2)	(15.0)	(20.4)
Finance income	–	–	–	–	0.3	0.3
Finance costs	–	–	–	–	(2.4)	(2.4)
Income tax expense	–	–	–	–	(22.1)	(22.1)

The chief operating decision-maker is provided with the Group balance sheet. No segmental balance sheet is reported.

A reconciliation of underlying operating profit to profit before income tax is provided as follows:

	2022 £m	2021 £m
Underlying operating profit	**56.0**	83.1
Impairment losses on goodwill and acquired intangible assets (Note 7)	**(16.6)**	–
Closure of Russian operations (Note 7)	**(1.2)**	–
Finance income	**1.1**	0.3
Finance costs	**(1.7)**	(2.4)
Profit before income tax	**37.6**	81.0

As the Group transacts with a large number of diversified clients, there are no cumulative revenue transactions amounting to 10% or more of total external revenue derived from any single external client (2021: none).

Notes to the consolidated financial statements continued

6. Revenue

a. Nature of goods and services

The following is a description of the principal activities, separated by reportable segments, from which the Group generates its revenue. For more information about reportable segments see Note 5.

i. Knowledge Solutions

The Group's Knowledge Solutions business division comprises Standards Development, Services and Information Solutions businesses.

The main sources of external revenue and basis for revenue recognition in this segment are set out below:

- Document revenue

  Document revenue originates from the sale of publications in hard and/or soft copy. Revenue is recognized at a point in time when control of the goods passes to the client.

- Subscription revenue

  Subscription revenue mainly derives from providing access to BSI's intellectual property and support services, during the subscription period, e.g. BSI's digital information services and access to published standards information. In addition, BSI membership is sold as an annual subscription which gives access to newsletters, advisory and support services, discounts on BSI products and invitations to events and seminars.

Where there is an ongoing performance obligation for BSI to maintain the intellectual property being accessed, e.g. to keep it up to date and maintain its value to the client, revenue is recognized over the duration of the subscription period. Where there are no further performance obligations for BSI after granting a licence, revenue is recognized at the time the licence is granted.

- Copyright and royalties

  Copyright revenue relates to the grant of a licence to use Knowledge Solutions intellectual property over the licence period, e.g. to use all or part of a specific publication in a client document. Copyright revenues are recognized at the time the right-to-use licence is granted. Royalty revenue derives from the grant of licences allowing access to Knowledge Solutions intellectual property based on client usage. Revenue is recognized on the basis of usage or over the licence period, depending on the contract.

- Services (commissioned content, research, advisory, consultancy and technical assistance)

  Standards Services activity within Knowledge Solutions arises from contracts which vary in length, some of which are over a year in duration. Revenue is recognized as set out in the contract: contracts are a mixture of time- and material-based contracts where revenue is recognized over time and contracts where revenue is recognized when the right to consideration is established based on delivery of the whole project or when project milestones have been achieved.

ii. Assurance Services

The Group's Assurance Services business division comprises Systems Certification, Product Certification and Training businesses.

Assessment and certification services

These incorporate a number of more discrete services, the main constituents of which are:

- Application fee

  This covers administration and planning costs up to the date of the certification review and for advancing the client's application to the point of assessment. The fee is non-refundable and payable upon submission of the client's signed acceptance of the proposal, with a very specific starter pack being sent out to the client after committing to the assessment process. Revenue is recognized when this activity is delivered.

- Annual management fee (AMF)

  The AMF grants access to a number of BSI's assessment and certification tools (e.g. BSI Connect Portal), ongoing planning and information. BSI has an ongoing obligation to maintain the information and services being provided over the certification cycle that the AMF relates to. Revenue is recognized over the certification cycle that the AMF relates to.

- Assessment and certification

  These contracts are time- and materials-based, generally delivered by a number of audit visits (on site and/or remote assessments) by appropriately qualified staff, each over the course of a few days. Revenue is recognized over the period of delivery.

Notes to the consolidated financial statements continued

Product testing and certification

- Kitemark licence fee

  The annual Kitemark licence once granted does not require any further obligation on BSI over the licence period. Revenue is recognized at the point the licence is granted.

- Provision of testing services

  This is to assess whether a product conforms to required specifications. Revenue will be recognized on a percentage of work completed.

- Provision of certification of conformity services (Notified and Approved Body)

  This is to assess and certify whether a product conforms to required schemes, regulations or directives. Revenue is recognized over the period of the testing to achieve certification based on work completed and across any period of ongoing testing and certification activities post initial certification. Revenue from an additional AMF for ongoing management of the certification cycle is recognized evenly over a twelve-month period.

Training services
The revenue-generating activity comprises the delivery of both public and in-house training courses and conferences, utilizing both classroom and web/digital formats. Revenue is recognized on delivery of the training other than for on-demand digital products where revenue is recognized on sale.

iii. Regulatory Services
The Group's Regulatory Services business division comprises Systems Certification and Product Certification into the Medical Devices industry.

- Regulatory assessment and certification services and the discrete constituent services within these are as set out above under 'Assurance Services – assessment and certification services'.

  In summary, revenue for the application fee is recognized once a client order has been processed and the starter pack issued; the revenue for the annual management fee is recognized over its annual period; and the revenue for assessment and certification services is recognized over the period of delivery of the services.

- Conformité Européenne (CE) marking – document and technical file reviews

  This comprises the audit review of document and technical files, and delivering a conclusion as to whether the requirements of the relative directives or regulations are met. Revenue is recognized over the review period.

iv. Consulting Services
The Group's Consulting Services business division comprises two business lines, an Environmental, Health, Safety, Sustainability and Security (EH3S) consultancy and a Digital Trust consultancy (DTC).

- Environmental, Health, Safety, Sustainability and Security (EH3S) and Digital Trust consultancy (DTC)

  Services, such as environmental, health and safety or sustainability consulting, digital advisory and data governance reviews, penetration testing and reviewing client systems are generally contracted on a time and materials or fixed fee basis. Revenue is generally recognized as services are performed or on a percentage of completion basis.

  Revenue is recognized on a contract-by-contract basis for services that involve the granting of software licences or the sale of software. Immediate recognition of the revenue is appropriate where BSI has no ongoing performance obligations following transfer of software or the granting of a licence. Revenue is spread over the duration of ongoing performance obligations arising under all other contracts.

  Training revenue is recognized when the training is delivered.

- Supply Chain Solutions

  Supply Chain Solutions include grants of licences to access BSI's Connect Screen supply chain related content, consulting and training services and the provisioning of software as a service. The business's BSI Connect Screen supply chain tools are typically sold as an annual licence and revenue is recognized evenly over the licence period.

- Other consulting

  Revenue is recognized over time where the contract relates to a time and materials type of contract, or when project milestones are achieved, where the contract indicates that best represents the transfer of value and control to the client.

Notes to the consolidated financial statements continued

b. Disaggregation of revenue

In the following table, revenue is disaggregated by business segment (see Note 5), primary geographical market and timing of revenue recognition.

2022	Knowledge Solutions £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Total £m
Primary geographical markets					
EMEA	**70.4**	**139.2**	**63.1**	**16.6**	**289.3**
Americas	**–**	**50.7**	**122.3**	**71.2**	**244.2**
Asia Pacific	**0.2**	**121.3**	**16.2**	**1.6**	**139.3**
Revenue from external clients	**70.6**	**311.2**	**201.6**	**89.4**	**672.8**
Timing of revenue recognition					
At a point in time	**30.7**	**287.9**	**186.0**	**4.0**	**508.6**
Over time	**39.9**	**23.3**	**15.6**	**85.4**	**164.2**
	70.6	**311.2**	**201.6**	**89.4**	**672.8**

2021	Knowledge Solutions £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Total £m
Primary geographical markets					
EMEA	67.2	129.2	52.5	13.2	262.1
Americas	–	45.5	91.9	61.0	198.4
Asia Pacific	0.2	110.0	13.5	1.4	125.1
Revenue from external clients	67.4	284.7	157.9	75.6	585.6
Timing of revenue recognition					
At a point in time	29.6	263.1	143.5	4.6	440.8
Over time	37.8	21.6	14.4	71.0	144.8
	67.4	284.7	157.9	75.6	585.6

c. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with clients.

	31 December 2022 £m	31 December 2021 £m
Receivables, included in 'Trade and other receivables' (Note 17)	**126.9**	98.5
Contract assets, included in 'Contract costs' (Note 18) and 'Trade and other receivables' (Note 17)	**69.0**	50.2
Contract liabilities, included in 'Trade and other payables' (Note 22)	**(43.6)**	(40.4)

Significant changes in the contract assets and the contract liabilities balances are as follows:

	2022	
	Contract assets £m	**Contract liabilities £m**
Revenue recognized that was included in the contract liability balance at the beginning of the period	**–**	**40.2**
Increases due to cash received, excluding amounts recognized as revenue during the period	**–**	**(43.4)**
Costs recognized that were included in the contract asset balance at the beginning of the period	**(5.2)**	**–**
Increases due to cash paid, excluding amounts recognized as costs during the period	**5.9**	**–**

	2021	
	Contract assets £m	Contract liabilities £m
Revenue recognized that was included in the contract liability balance at the beginning of the period	–	35.5
Increases due to cash received, excluding amounts recognized as revenue during the period	–	(40.4)
Costs recognized that were included in the contract asset balance at the beginning of the period	(4.5)	–
Increases due to cash paid, excluding amounts recognized as costs during the period	5.6	–

Notes to the consolidated financial statements continued

7. Operating profit

Operating profit is stated after charging/(crediting) the following:

	Note	2022 £m	2021 £m
Employee expense	8	372.0	316.0
Depreciation of property, plant and equipment	12	5.7	5.3
Loss on disposal of tangible assets	12	0.1	–
Amortization of intangible assets	13	8.3	6.4
Loss on disposal of intangible assets	13	–	0.4
Impairment losses on goodwill and acquired intangible assets	13	16.6	–
Depreciation of right-of-use assets	14	9.0	8.7
Gain on disposal of right-of-use assets	14	(0.1)	–
Reversal of loss allowance on trade receivables	17	(0.1)	(0.2)
Bad debts written off to income statement directly		1.4	1.0
Other exchange losses		0.4	0.5
Expense relating to short-term leases		0.2	0.1
Charitable donations		0.1	–
Auditors' remuneration:			
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements		0.6	0.6
Fees payable to the Group's auditors and their associates for other services:			
– The audit of the Company's subsidiaries pursuant to legislation		0.1	0.1
– Other advisory services		–	0.1

Exceptional items, excluding the impact of tax, for the year ended 31 December 2022 (31 December 2021: nil) were as follows:

- Significant Impairment losses: Impairment losses in relation to goodwill attributed to the DTC CGU and certain acquired intangible assets in the DTC and EH3S CGUs of £16.6m; and
- Restructuring costs: Costs associated with the closure of the Russian operation following the invasion of Ukraine by Russia of £1.2m.

These items have been treated as exceptional and excluded from underlying operating profit to reflect performance in a consistent manner and are in line with how the business is managed on a day-to-day basis. For more information about exceptional items see note 2aa.

A reconciliation of operating profit to underlying operating profit is provided as follows:

	2022 £m	2021 £m
Operating profit	38.2	83.1
Exceptional items	17.8	—
Underlying operating profit	56.0	83.1

8. Employee expense

	Note	2022 £m	2021 £m
Wages and salaries (including termination benefits of £3.2m (2021: £2.5m)		312.5	265.7
Social security costs		36.4	28.8
Long Term Incentive Plan (LTIP) expense		2.3	1.9
Other pension costs – defined contribution plans	15a	20.8	19.6
Employee expense charged in arriving at operating profit	7	372.0	316.0
Net pension finance (income)/costs	10	(0.5)	0.5
Total employee expense charged in arriving at profit before income tax		371.5	316.5

The monthly average number of full-time equivalent individuals (including Board members) employed by the Group during the year was:

	2022 Number	2021 Number
Employees		
Production, assessment, training and laboratory	3,396	3,174
Sales and distribution	1,006	926
Administration	1,082	945
Total employees	5,484	5,045
External resource	481	473
Total headcount	5,965	5,518

External resource comprises assessors, tutors and consultants operating under a services agreement to provide the capacity, geographic presence or specialist knowledge locally to deliver BSI's services to its clients.

Notes to the consolidated financial statements continued

9. Directors' emoluments

The emoluments of the Executive and Non-Executive Board members during the year are disclosed in the Directors' remuneration report on pages 83 to 97.

10. Finance income and costs

	2022 £m	2021 £m
Bank interest receivable on cash, short and fixed-term deposits	0.6	0.3
Interest income on the UK net defined benefit pension surplus (Note 8 and Note 15b i)	0.5	–
Finance income	1.1	0.3
Interest expense on the net defined benefit pension obligation (Note 8):		
– UK (Note 15b i)	–	(0.4)
– Non-UK (Note 15b ii)	–	(0.1)
Interest on lease liabilities (Note 14)	(1.7)	(1.9)
Finance costs	(1.7)	(2.4)

11. Income tax expense

	2022 £m	2021 £m
Current tax		
UK tax current year	2.9	5.1
UK tax prior years	(2.2)	–
Foreign tax current year	24.0	17.9
Foreign tax prior years	1.1	0.5
Total current tax	25.8	23.5
Deferred tax (Note 16)		
Origination and reversal of temporary differences	(6.2)	(1.3)
Prior year deferred tax adjustments	(1.3)	0.7
Tax adjustments arising from change in UK tax rates	–	(0.8)
Total deferred tax	(7.5)	(1.4)
Total income tax expense	18.3	22.1

The tax on the Group's profit before tax is higher (2021: higher) than the UK statutory tax rate of 19% (2021: 19.0%) applicable to profits of the consolidated entities as follows:

	2022 £m	2021 £m
Profit before income tax	37.6	81.0
Tax calculated at the UK statutory tax rate of 19% (2021: 19.0%)	7.1	15.4
Effects of:		
– Net expenses not deductible for tax purposes	5.4	2.3
– Tax losses and other temporary differences for which no deferred income tax asset was recognized	0.5	–
– Rate difference on deferred tax	(1.6)	(0.8)
– Higher tax rates on overseas earnings	4.0	4.0
– Withholding tax not recoverable	2.2	–
– Other tax movements	3.1	–
Adjustments to tax charge in respect of previous periods:		
– UK	(3.5)	0.6
– Foreign	1.1	0.6
Total income tax expense	18.3	22.1

The Group effective tax rate (ETR) on profits before tax for the year is 48.7% (2021: 27.3%). The ETR comprises a current year tax charge of 55.9% and a net prior year tax credit of (7.2)% arising from net over-provided UK and foreign tax.

The ETR for the Group's underlying business operations for the current year is 33.4% (2021: 27.3%), after removing the tax impact of impairment of 6.0% (2021: nil), the establishment of a Group tax risk provision of 8.0% (2021: nil) and the non-recognition of certain foreign tax losses (2021: nil). Other tax movements of £3.1m above is principally a charge of £3.0m in respect of the provision for tax risk.

The underlying tax rate of 33.4% is reconciled to the UK statutory tax rate of 19% by the tax impacts of higher overseas tax rates of 10.6% (2021: 4.9%), prior year net tax credits of (6.3)% (2021: net charge 1.4%), non-tax deductible items 14.4% (2021: 2.8%) and the benefit of valuing the future impact of current year timing differences at the future higher UK tax rate of 25% which gives rise to a (4.3)% (2021: (1.0)%) reduction. The lower income in 2022 compared to 2021 amplifies the rate impact of non-deductible items and other components of the tax charge between the years on a like-for-like basis and is a major contributor to the increased underlying tax rate in 2022.

Notes to the consolidated financial statements continued

12. Property, plant and equipment

	Land and buildings				
	Freehold £m	Leasehold improvements £m	Assets under construction £m	Plant, machinery and office equipment £m	Total £m
Cost					
At 1 January 2021	12.2	11.3	2.0	35.1	60.6
Additions	–	0.1	3.7	1.3	5.1
Disposals	–	(0.1)	–	(2.3)	(2.4)
Reclassifications	0.3	0.1	(2.2)	1.8	–
Reclassifications with Goodwill and intangible assets (Note 13)	–	–	(0.9)	0.6	(0.3)
Exchange differences	–	–	–	(0.3)	(0.3)
At 31 December 2021	**12.5**	**11.4**	**2.6**	**36.2**	**62.7**
Additions	**–**	**0.1**	**4.6**	**1.5**	**6.2**
Disposals	**–**	**(0.2)**	**–**	**(1.2)**	**(1.4)**
Reclassifications	**–**	**0.3**	**(1.9)**	**1.6**	**–**
Reclassifications with Goodwill and intangible assets (Note 13)	**–**	**–**	**(2.7)**	**–**	**(2.7)**
Exchange differences	**–**	**0.1**	**0.3**	**1.1**	**1.5**
At 31 December 2022	**12.5**	**11.7**	**2.9**	**39.2**	**66.3**

	Land and buildings				
	Freehold £m	Leasehold improvements £m	Assets under construction £m	Plant, machinery and office equipment £m	Total £m
Accumulated depreciation and impairment					
At 1 January 2021	(4.2)	(5.9)	–	(26.0)	(36.1)
Charge for the year (Note 7)	(0.5)	(1.1)	–	(3.7)	(5.3)
Disposals	–	0.1	–	2.3	2.4
Reclassifications with Goodwill and intangible assets (Note 13)	–	–	–	(0.4)	(0.4)
Exchange differences	–	–	–	0.9	0.9
At 31 December 2021	**(4.7)**	**(6.9)**	**–**	**(26.9)**	**(38.5)**
Charge for the year (Note 7)	**(0.5)**	**(1.2)**	**–**	**(4.0)**	**(5.7)**
Disposals	**–**	**0.1**	**–**	**1.2**	**1.3**
Exchange differences	**–**	**–**	**–**	**(0.9)**	**(0.9)**
At 31 December 2022	**(5.2)**	**(8.0)**	**–**	**(30.6)**	**(43.8)**
Net book value at 31 December 2022	**7.3**	**3.7**	**2.9**	**8.6**	**22.5**
Net book value at 31 December 2021	7.8	4.5	2.6	9.3	24.2

Depreciation charges are included within administrative expenses in the income statement. Depreciation is not charged on assets under construction.

Capital commitments in respect of property, plant and equipment

Capital expenditure of £1.7m (2021: £0.5m) has been contracted for but not provided for in the consolidated financial statements.

Notes to the consolidated financial statements continued

13. Goodwill and intangible assets

	Goodwill £m	Computer software: Externally acquired £m	Computer software: Internally generated £m	Client relationships and other acquired intangible assets £m	Internally generated product development costs £m	Total £m
Cost						
At 1 January 2021	78.3	22.7	19.8	33.0	5.6	159.4
Additions	0.3	5.9	0.1	0.7	0.8	7.8
Disposals	–	–	(0.1)	–	(1.0)	(1.1)
Reclassifications	–	0.6	(0.6)	–	–	–
Reclassifications with Property, plant and equipment (Note 12)	–	(0.6)	0.9	–	–	0.3
Exchange differences	(0.9)	(0.1)	–	(0.5)	–	(1.5)
At 31 December 2021	**77.7**	**28.5**	**20.1**	**33.2**	**5.4**	**164.9**
Additions	**–**	**10.8**	**–**	**–**	**0.9**	**11.7**
Reclassifications with Property, plant and equipment (Note 12)	**–**	**2.0**	**0.7**	**–**	**–**	**2.7**
Exchange differences	**4.0**	**0.1**	**0.4**	**2.4**	**0.1**	**7.0**
At 31 December 2022	**81.7**	**41.4**	**21.2**	**35.6**	**6.4**	**186.3**
Accumulated amortization and impairment						
At 1 January 2021	(6.4)	(13.7)	(16.3)	(19.6)	(3.8)	(59.8)
Charge for the year (Note 7)	–	(2.4)	(0.9)	(2.2)	(0.9)	(6.4)
Disposals	–	–	–	–	0.7	0.7
Reclassifications with Property, plant and equipment (Note 12)	–	0.4	–	–	–	0.4
Exchange differences	–	(0.1)	–	(0.3)	–	(0.4)
At 31 December 2021	**(6.4)**	**(15.8)**	**(17.2)**	**(22.1)**	**(4.0)**	**(65.5)**
Charge for the year (Note 7)	**–**	**(4.9)**	**(1.1)**	**(1.7)**	**(0.6)**	**(8.3)**
Impairment Loss (Note 7)	**(11.9)**	**–**	**–**	**(4.7)**	**–**	**(16.6)**
Exchange differences	**(0.1)**	**(0.1)**	**(0.2)**	**(1.0)**	**–**	**(1.4)**
At 31 December 2022	**(18.4)**	**(20.8)**	**(18.5)**	**(29.5)**	**(4.6)**	**(91.8)**
Net book value at 31 December 2022	**63.3**	**20.6**	**2.7**	**6.1**	**1.8**	**94.5**
Net book value at 31 December 2021	71.3	12.7	2.9	11.1	1.4	99.4

Client relationships and other acquired intangible assets consist of intangible assets acquired as part of business combinations.

Internally generated product development costs include capitalized training course development costs .

The Group amortizes intangible assets over their useful economic life (see Note 2 g iii) Those charges are included within cost of sales or administrative expenses in the consolidated income statement, as appropriate.

Analysis of goodwill by CGU

For the purposes of impairment testing, assets are grouped at the lowest levels for which there are independent cash flows, known as Cash-Generating Units (CGUs).

There are seven CGUs in total across four primary operating segments. The carrying value of each CGU has been determined by allocating all Group net operating assets, goodwill and other acquired intangibles to the appropriate CGU.

Notes to the consolidated financial statements continued

The goodwill allocation by CGU under the heading of the operating segments is presented below:

	Knowledge Solutions	Assurance Services			Regulatory Services	Consulting Services		Total
	Knowledge Solutions £m	System Certification £m	Product Certification £m	Training £m	Regulatory Services £m	Digital Trust Consulting (DTC) £m	Environmental, Health, Safety, Sustainability and Security (EH3S) £m	
31 December 2022	**5.3**	**24.9**	**2.0**	**1.8**	**0.4**	**4.4**	**24.5**	**63.3**
31 December 2021	5.3	24.4	2.0	1.8	0.4	15.5	21.9	71.3

Impairment tests for goodwill

The Group tests goodwill annually for impairment. The estimated recoverable amount of each CGU within the aggregation of units in the table above is determined based on value-in-use calculations using pre-tax cash flows. Determining the estimated recoverable amount of a CGU is judgmental in nature. The key assumptions used in the estimation of value in use as at 31 December 2022 were revenue growth rates as included in the Group's three-year approved strategic plan, long-term growth rates and discount rates.

Revenue growth assumptions are based on historical experience adjusted for market trends, competitor activity and the Group's strategic plan.

Cash flows beyond the three-year period strategic plan period are extrapolated using a long-term growth rate for each of the CGUs based on a weighted average of rates obtained from the International Monetary Fund's World Economic Outlook Database for the countries in which the Group operates. The rate for each country is calculated based on the lower of:

- the average growth rates predicted for the three years 2023–2025.
- the predicted rate for 2025, which is the final year of the Group's three-year forecast.
- the average growth rate of the past seven years combined with the predicted rates for the three years 2023–2025.

The discount rates applied to the cash flow forecasts are pre-tax, derived using the capital asset pricing model and obtained from an independent third party.

	Knowledge Solutions	Assurance Services			Regulatory Services	Consulting Services	
	Knowledge Solutions %	System Certification %	Product Certification %	Training %	Regulatory Services %	Digital Trust Consulting (DTC) %	Environmental, Health, Safety, Sustainability and Security (EH3S) %
31 December 2022							
Long term growth rate	**1.1**	**1.9**	**1.4**	**2.3**	**1.4**	**1.9**	**2.2**
Pre-tax discount rate	**13.2**	**14.1**	**14.0**	**13.9**	**14.7**	**14.6**	**14.4**
31 December 2021							
Long term growth rate	1.5	1.3	1.5	1.5	1.4	1.7	1.5
Pre-tax discount rate	17.7	16.3	17.4	16.6	14.8	16.2	13

The year-on-year movement in the pre-tax discount rates has been driven by a decrease in certain market equity risk premiums partially offset by an increase in risk-free rates reflecting underlying macroeconomic factors.

Result of the impairment tests

Goodwill

As a result of goodwill impairment testing, an impairment loss of £11.9m (2021: nil) was recognized at 31 December 2022 in relation to the DTC CGU. Following the impairment loss, goodwill attributable to the DTC CGU was £4.4m.

Key source of estimation uncertainty

The cash flows within the value in use model on which the impairment testing is based for DTC and EH3S CGUs are sensitive to changes in revenue growth and margin improvement which could lead to further impairment within the next twelve months.

Notes to the consolidated financial statements continued

DTC CGU

The cash flows within the value in use model for DTC assume that certain margin improvements will be delivered over the course of the current forecast. Whilst management remains confident on the delivery of these improvements, given that they are at an early stage of delivery, there is a reasonably possible outcome that the benefits may not be realized within the timeframe, or the quantum currently forecast. This execution risk could lead to a change in the value in use calculation in the next twelve months which could result in a further goodwill impairment loss of £4.4m.

EH3S CGU

The cash flows within the value in use model for EH3S assume certain improvements in revenue growth underpinned by delivery of future strategic initiatives. There is a reasonably possible outcome that the benefits of the strategy are not realized at the value included in the current forecast. This could lead to a change in the value in use calculation in the next twelve months which could result in a further goodwill impairment loss of £4.5m.

The Group also undertook sensitivity analysis tests on the key assumptions for Knowledge Solutions, Systems Certification, Product Certification, Training and Regulatory Services. The sensitivity analysis applied reasonably possible changes in key assumptions including discount rates and long-term growth rates. Under all reasonably possible change scenarios, the testing identified no reasonably possible changes in key assumptions that would cause the carrying value of each of these CGUs to exceed its recoverable amount taking into account areas of estimation uncertainty in the underlying assumptions.

Acquired intangible assets

During the year, impairment triggers were identified in relation to the client relationships and other acquired intangible assets within the DTC and EH3S CGUs. As a result, impairment testing was performed to determine the recoverable amount of certain client relationship assets. This resulted in a total impairment loss of £4.7m (2021: nil) in relation to acquired intangible assets.

Capital commitments in respect of computer software

£0.1m (2021: £0.1m) capital expenditure has been contracted for but not provided for in the consolidated financial statements.

14. Right-of-use assets and lease liabilities

The Group has lease contracts for properties, motor vehicles and other equipment used in its operations. Leases of properties generally have lease terms between two and fifteen years, while motor vehicles and other equipment generally have lease terms between two and five years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and sub-leasing the leased assets.

There are several lease contracts that include extension and termination options and variable lease payments.

The Group also has certain property leases with lease terms of one year or less and leases of other equipment with low-value underlying assets. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	Properties £m	Motor vehicles £m	Other equipment £m	Total £m
Cost				
At 1 January 2021	61.4	8.0	0.2	69.6
Additions	4.8	1.7	–	6.5
Disposals	(4.8)	(1.9)	–	(6.7)
Exchange differences	(1.0)	(0.3)	–	(1.3)
At 31 December 2021	**60.4**	**7.5**	**0.2**	**68.1**
Additions	**0.2**	**1.7**	**–**	**1.9**
Disposals	**(0.7)**	**(2.3)**	**–**	**(3.0)**
Exchange differences	**2.3**	**–**	**–**	**2.3**
At 31 December 2022	**62.2**	**6.9**	**0.2**	**69.3**
Accumulated amortization and impairment				
At 1 January 2021	(32.4)	(4.0)	(0.2)	(36.6)
Charge for the year (Note 7)	(6.5)	(2.2)	–	(8.7)
Disposals	4.3	1.9	–	6.2
Exchange differences	0.3	0.3	–	0.6
At 31 December 2021	**(34.3)**	**(4.0)**	**(0.2)**	**(38.5)**
Charge for the year (Note 7)	**(6.9)**	**(2.1)**	**–**	**(9.0)**
Disposals	**0.7**	**2.3**	**–**	**3.0**
Exchange differences	**(1.1)**	**–**	**–**	**(1.1)**
At 31 December 2022	**(41.6)**	**(3.8)**	**(0.2)**	**(45.6)**
Net book value at 31 December 2022	**20.6**	**3.1**	**–**	**23.7**
Net book value at 31 December 2021	26.1	3.5	–	29.6

Notes to the consolidated financial statements continued

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022 £m	2021 £m
At 1 January	**(40.4)**	(45.0)
Additions	**(1.9)**	(6.5)
Disposals	**0.1**	0.5
Accretion of interest (Note 10)	**(1.7)**	(1.9)
Payments	**12.5**	11.9
Exchange differences	**(1.6)**	0.6
At 31 December	**(33.0)**	(40.4)
Current	**(9.8)**	(10.1)
Non-current	**(23.2)**	(30.3)

The following are amounts recognized in the consolidated income statement:

	2022 £m	2021 £m
Properties	**6.9**	6.5
Motor vehicles	**2.1**	2.2
Other equipment	**–**	–
Depreciation of right-of-use assets	**9.0**	8.7
Interest expense (included in finance costs)	**1.7**	1.9
Expense relating to short-term and low-value leases	**0.2**	0.1
Total amount recognized in consolidated income statement	**10.9**	10.7

The total cash outflow for right-of-use asset leases in 2022 was £12.5m (2021: £11.9m).

15. Net retirement benefit obligations

The Group operates the following retirement benefit schemes:

a. Defined contribution schemes

The Group offers a group personal pension plan to all new UK employees. The associated costs for the year were £14.9m (2021: £12.7m). This includes salary sacrificed contributions.

In addition, a number of other money purchase schemes are operated in overseas companies, with costs for the year totalling £5.9m (2021: £6.9m).

b. Defined benefit schemes

i. UK defined benefit plan

The Group operates a defined benefit plan in the UK (the 'Plan') which provides benefits linked to salary on retirement or earlier date of leaving service. The Plan closed to new entrants and future accrual as at 30 April 2010, although the link to final salary remains whilst members are still employed by the Company. The Plan operates under the regulatory framework of the Pensions Act 2004. The Trustees have the primary responsibility for governance of the Plan. The Trustees comprise representatives of the Company, an independent Trustee and members of the Plan. Benefit payments are from Trustee-administered funds and Plan assets are held in a Trust which is governed by UK regulation.

The risks to which the Plan exposes the Group are as follows:

- Asset volatility – The Trustees hold an Annuity Policy valued at £55.3m (2021: £73.6m) which broadly offsets movements in liabilities arising from changes in market conditions.
- Inflation risk – a significant proportion of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).
- Longevity – increases in life expectancy will increase the period over which the benefits are expected to be payable, which increases the value placed on the Plan's liabilities.

Notes to the consolidated financial statements continued

Contributions in respect of future service benefits ceased on 30 April 2010.

Balance sheet

The amounts recognized in the balance sheet on an accounting basis are determined as follows:

	2022 £m	2021 £m
Present value of defined benefit obligations	(298.3)	(428.6)
Fair value of plan assets	318.4	447.9
Net asset in the balance sheet	20.1	19.3

After review of the Trust deeds and rules of the pension scheme, the Directors have recognized the pension surplus as at 31 December 2021. The Directors continue to recognize the pension surplus as at 31 December 2022 as there have been no changes to the Trust deeds and rules of the pension scheme during the year. In recognizing the surplus, we are being consistent in our accounting treatment, recognizing the accounting value generated using the principal assumptions set out below. The Directors have recognized the economic benefit considered to arise from either a reduction to future contributions or a refund of the surplus, assuming the gradual settlement of plan liabilities over time until all members and beneficiaries have left the plan.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the plan was performed by a qualified actuary as at 31 March 2022 which revealed a funding shortfall (technical provisions minus the value of the assets) of £20.0m. The Group agreed to pay deficit contributions of £15.5m during 2022 which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 31 March 2025. The next funding valuation is due no later than 31 March 2025, at which progress towards full funding will be reviewed. In addition, given the improvement to the scheme position, an account governed by an escrow agreement has been set up whereby remaining deficit contributions of up to £7.5m, which will be paid between January 2023 and June 2023, could be paid into the plan if underfunded on a technical provisions basis as at 31 March 2025.

Contributions of £0.5m are expected to be paid by the Group for the year ending 31 December 2023 to cover the expenses of running the Plan.

The movement in the defined benefit surplus was as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1 January 2021	(475.4)	441.7	(33.7)
Amounts (charged)/credited to the income statement:			
– Administration expenses	–	(0.6)	(0.6)
– Interest (expense)/income (Note 10)	(6.6)	6.2	(0.4)
	(6.6)	5.6	(1.0)
Re-measurements (Note 15b iii):			
– Gain on plan assets, excluding amounts included in interest expense	–	1.5	1.5
– Gain from change in demographic assumptions	0.4	–	0.4
– Gain from change in financial assumptions	31.6	–	31.6
– Experience gains	5.0	–	5.0
	37.0	1.5	38.5
Contributions: Employers (Note 15b iv)	–	15.5	15.5
Payments from plans: Disbursements	16.4	(16.4)	–
	16.4	(0.9)	15.5
At 31 December 2021	(428.6)	447.9	19.3
Amounts (charged)/credited to the income statement:			
– Administration expenses	–	(0.6)	(0.6)
– Interest (expense)/income (Note 10)	(8.4)	8.9	0.5
	(8.4)	8.3	(0.1)
Re-measurements (Note 15b iii):			
– Loss on plan assets, excluding amounts included in interest expense	–	(137.2)	(137.2)
– Gain from change in demographic assumptions	1.4	–	1.4
– Gain from change in financial assumptions	130.9	–	130.9
– Experience losses	(9.7)	–	(9.7)
	122.6	(137.2)	(14.6)
Contributions: Employers (Note 15b iv)	–	15.5	15.5
Payments from plans: Disbursements	16.1	(16.1)	–
	16.1	(0.6)	15.5
At 31 December 2022	(298.3)	318.4	20.1

Notes to the consolidated financial statements continued

Assumptions

The principal actuarial assumptions used were as follows:

	2022 % p.a.	2021 % p.a.
Rate of increase in salaries	5.00	4.90
Rate of revaluation in deferment	3.20	3.00
Pension increase rate:		
– RPI (min. 3%, max. 5%)	3.65	3.65
– CPI (min. 3%, max. 5%)	3.45	3.45
– CPI (min. 0%, max. 3%)	2.00	2.25
Discount rate	4.85	2.00
Inflation assumption – RPI	3.25	3.30
Inflation assumption – CPI	2.55	2.75

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics. Life expectancy at age 65 for a member currently aged 45 is 23.4 (2021: 23.5) years (men) or 25.9 (2021: 26.0) years (women). Life expectancy for a member currently aged 65 is 22.1 (2021: 22.2) years (men) or 24.5 (2021: 24.6) years (women).

The discount rate at 31 December 2022 was based on the AON GBP Single Agency AA Curve which uses a dataset of all bonds rated AA by at least one of the main ratings agencies (31 December 2021: AON GBP Single Agency AA Curve which uses a dataset of all bonds rated AA by at least one of the main ratings agencies).

Plan assets are comprised as follows:

	Value at 31 December 2022 £m		Value at 31 December 2021 £m	
Schroders Diversified Growth Fund	–	–	20.5	5%
M&G Credit Fund	20.0	6%	20.5	5%
LGIM Future World Global Equity	35.7	11%	73.2	16%
Insight Short Dated Buy & Maintain Credit	30.3	10%	60.0	13%
Schroders Liability-Driven Investments	62.1	20%	62.5	14%
Schroders Sterling Liquidity Plus	45.2	14%	110.9	25%
Alcentra Credit Fund	20.6	7%	18.3	4%
Igneo Global Diversified Infrastructure Fund	42.6	13%	–	–
Cash	6.5	2%	8.4	2%
Annuity Policy	55.4	17%	73.6	16%
Total fair value of assets	**318.4**	**100%**	**447.9**	**100%**

The plan assets (including cash) are unquoted at fund level.

The weighted average duration of the defined benefit obligation is twelve years (2021: sixteen years).

Sensitivity analysis

The sensitivity of the net defined benefit obligation to changes in the weighted principal assumptions is:

	Increase/(decrease) in present value of surplus at 31 December 2022		
	Change in assumption	Increase in assumption £m	Decrease in assumption £m
Discount rate	0.25% p.a.	7.3	(7.4)
Inflation rate*	0.25% p.a.	(1.3)	1.1
Salary escalation	0.25%	(0.1)	
Life expectancy	1 year	(6.2)	

* This sensitivity allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases, subject to relevant caps and floors).

Notes to the consolidated financial statements continued

	Change in assumption	Increase in assumption £m	Decrease in assumption £m
	Increase/(decrease) in present value of surplus at 31 December 2021		
Discount rate	0.25% p.a.	14.8	(16.2)
Inflation rate*	0.25% p.a.	(3.8)	3.8
Salary escalation	0.25%	(0.4)	
Life expectancy	1 year	(12.0)	

* This sensitivity allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases, subject to relevant caps and floors).

ii. Other defined benefit schemes

The Group operates defined benefit pension schemes in Taiwan, Germany, Indonesia and the Philippines which provide benefits based on final pensionable salary and service. There are no assets associated with these schemes. The movement in the defined benefit obligation for these schemes over the year are as follows:

	2022 £m	2021 £m
At 1 January	**(2.7)**	(2.7)
Charged to the income statement		
– service costs	**(0.2)**	(0.2)
– interest expense (Note 10)	**–**	(0.1)
Credited directly to reserves (Note 15b iii)	**0.2**	–
Contributions (Note 15b iv)	**0.2**	0.3
At 31 December	**(2.5)**	**(2.7)**

iii. Re-measurements of post-employment benefit surplus recognized in the consolidated statement of comprehensive income

	2022 £m	2021 £m
(Loss)/gain on re-measurements of net retirement benefit surplus		
– UK (Note 15b i)	**(14.6)**	38.5
– Overseas (Note 15b ii)	**0.2**	–
Tax on re-measurements of net retirement benefit (obligations)/surplus	**(14.4)**	38.5
– Deferred tax charge (Note 16)	**(0.2)**	(11.2)
– Current tax credit	**2.9**	3.6
Re-measurements of net retirement benefit (obligations)/surplus, net of taxes	**(11.7)**	30.9

iv. Retirement benefit payments

	2022 £m	2021 £m
UK defined benefit plan (Note 15b i)	**15.5**	15.5
Other defined benefit schemes (Note 15b ii)	**0.2**	0.3
Retirement benefit payments	**15.7**	15.8

16. Deferred tax

	2022 £m	2021 £m
Deferred tax assets:		
Gross deferred tax assets	**25.2**	20.3
Offset of balances within the same tax jurisdiction	**(16.3)**	(14.6)
Net deferred tax assets	**8.9**	5.7
– To be recovered after more than twelve months	**5.4**	2.8
– To be recovered within twelve months	**3.5**	2.9
Deferred tax liabilities:		
Gross deferred tax liabilities	**(19.5)**	(22.1)
Offset of balances within the same tax jurisdiction	**16.3**	14.6
Net deferred tax liabilities	**(3.2)**	(7.5)
– To be incurred after more than twelve months	**(2.7)**	(7.1)
– To be incurred within twelve months	**(0.5)**	(0.4)
Net deferred tax assets/(liabilities)	**5.7**	(1.8)

Movement on the net deferred tax account

	2022 £m	2021 £m
At 1 January	**(1.8)**	8.6
Credited to the income statement (Note 11)	**7.5**	1.4
Tax charged to equity relating to retirement benefit obligations (Note 15b iii)	**(0.2)**	(11.2)
Tax (charged)/credited to equity relating to UK tax losses	**–**	(0.9)
Exchange differences	**0.2**	0.3
At 31 December	**5.7**	(1.8)

Notes to the consolidated financial statements continued

Gross movement on the deferred tax account

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred tax assets	Accelerated capital allowances £m	Pension £m	Losses £m	Leases £m	Other temporary differences £m	Total £m
At 1 January 2021	4.1	6.4	1.2	9.2	5.1	26.0
(Charged)/credited to the income statement	(0.6)	–	1.2	(0.1)	1.0	1.5
Charged directly to reserves	–	(6.4)	(0.9)	–	–	(7.3)
Exchange differences	0.1	–	–	–	–	0.1
At 31 December 2021	**3.6**	**–**	**1.5**	**9.1**	**6.1**	**20.3**
Credited/(charged) to the income statement	**3.1**	**–**	**3.0**	**(2.2)**	**1.0**	**4.9**
At 31 December 2022	**6.7**	**–**	**4.5**	**6.9**	**7.1**	**25.2**

Deferred tax liabilities	Capitalized contract costs £m	Pension £m	Leases £m	Other temporary differences £m	Total £m
At 1 January 2021	(3.6)	–	(7.0)	(6.8)	(17.4)
(Charged)/credited to the income statement	(0.7)	–	0.3	0.3	(0.1)
Charged directly to reserves	–	(4.8)	–	–	(4.8)
Exchange differences	0.1	–	0.1	–	0.2
At 31 December 2021	**(4.2)**	**(4.8)**	**(6.6)**	**(6.5)**	**(22.1)**
Credited to the income statement	**–**	**–**	**1.7**	**0.9**	**2.6**
Charged directly to reserves	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Exchange differences	**–**	**–**	**–**	**0.2**	**0.2**
At 31 December 2022	**(4.2)**	**(5.0)**	**(4.9)**	**(5.4)**	**(19.5)**

The deferred tax charged directly to equity during the period was £0.2m (2021: charge of £11.2m), which related to the retirement benefit obligation and £nil charge to release the UK tax losses (2021: debit £0.9m).

There is no recognition in the consolidated financial statements of deferred tax on temporary differences associated with investments in subsidiaries as there is control by BSI over the dividend policies of its subsidiaries.

The carrying amount of deferred tax assets is recognized to the extent that the realization of the related tax benefit through future profits is probable.

The Group continues not to recognize deferred tax assets of £1.2m (2021: £2.9m) in respect of prior years' cumulative tax losses and other temporary differences amounting to £1.0m (2021: £11.1m) that can be carried forward against future taxable income, the latter being primarily US state tax losses. The USA Consulting Services businesses continue not to meet the tests required for deferred tax asset recognition. The German business has recognized, in full, a deferred tax asset for prior years' accumulated losses based on its future taxable profits' projections. Unrecognized losses in the current year have a tax value of £0.5m (2021: nil).

Subsidiary companies across the Group hold undistributed earnings of £7.8m (2021: £13.4m) which, if paid out as dividends, would be subject to withholding taxes in the hands of the recipient companies. No liability has been recognized for this because the Group is able to control the timing of distributions, there are no current plans to distribute these undistributed earnings and it cannot be known at the balance sheet date from where the earnings would be distributed.

Notes to the consolidated financial statements continued

17. Trade and other receivables

	2022 £m	2021 £m
Trade receivables	126.9	98.5
Less: loss allowance (Note 3b(ii))	(3.5)	(3.4)
Trade receivables – net	123.4	95.1
Other receivables	17.9	15.9
Prepayments	17.0	14.5
Accrued income	50.7	33.3
Total trade and other receivables	209.0	158.8
Less non-current portion:		
– Other receivables	(10.2)	(10.7)
Current portion of trade and other receivables	198.8	148.1

Trade and other receivables are non-interest bearing and are generally on 14–60 day (2021: 30–60 day) terms.

As the majority of the receivables are short term in nature, the fair values of trade and other receivables approximate to their carrying values as the impact of discounting is not significant.

Movements on the Group loss allowance on trade receivables are as follows:

	2022 £m	2021 £m
At 1 January	3.4	3.7
Increase in loss allowance recognized in profit or loss during the year	0.7	0.1
Receivables written off during the year as uncollectable	–	(0.1)
Unused amounts reversed	(0.8)	(0.3)
Exchange differences	0.2	–
At 31 December	3.5	3.4

The creation and release of the loss allowance on receivables have been included within administrative expenses in the income statement. Receivables are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold collateral as security.

18. Contract costs

Incremental costs of obtaining contacts, such as sales commissions, are capitalized and amortized on a systematic basis that is consistent with the transfer to the client of the goods or services to which the asset relates (i.e. over the estimated period of benefit). Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the assets that the Group otherwise would have recognized is one year or less.

Movements on the contract costs balance are as follows:

	2022 £m	2021 £m
At 1 January	16.9	16.0
Capitalization during the year	6.5	6.2
Amortization during the year	(5.8)	(5.1)
Exchange differences	0.7	(0.2)
At 31 December	18.3	16.9

19. Inventories

	2022 £m	2021 £m
Consumables	0.1	0.1
Total inventories	0.1	0.1

20. Fixed-term deposits and cash and cash equivalents

a. Fixed-term deposits

The Group has invested £53.0m of cash in a fixed-term bank deposits as at 31 December 2022 (2021: £10.0m), with original maturity of three months or longer (2021: three months or longer). This is classified within the consolidated statement of cash flows under investing activities as it does not fall within the definition of cash and cash equivalents. In the consolidated balance sheet, this fixed-term deposit is shown within current assets.

b. Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and in hand, representing cash and cash equivalents	111.6	177.1

The Group held bank overdraft facilities of £2.7m (2021: £2.8m), on an unsecured basis, although none were in use at 31 December 2022 (2021: £nil). The balance above corresponds to cash and cash equivalents for the purposes of the consolidated cash flow statement.

Notes to the consolidated financial statements continued

c. Additional information on fixed-term deposits and cash and cash equivalents

The fair value of cash and short-term deposits at 31 December 2022 was £164.6m (2021: £187.1m). The maximum exposure to credit risk at the reporting date is the fair value of cash and short-term deposits mentioned above.

The interest rate risk profile and currency profile of cash and cash equivalents and fixed-term deposits were:

	2022				2021			
	Fixed rate £m	**Floating rate £m**	**Non-interest bearing £m**	**Total £m**	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Currency								
British Pounds Sterling	**32.4**	**3.4**	**21.6**	**57.4**	–	57.8	71.0	128.8
Chinese Renminbi	**16.8**	**0.7**	**–**	**17.5**	–	16.3	–	16.3
US Dollars	**23.5**	**0.5**	**35.6**	**59.6**	–	0.6	15.3	15.9
Euros	**–**	**0.5**	**6.4**	**6.9**	0.5	0.2	5.0	5.7
Australian Dollars	**–**	**–**	**3.5**	**3.5**	–	–	4.7	4.7
Japanese Yen	**2.2**	**–**	**0.1**	**2.3**	1.9	–	0.2	2.1
Other currencies	**–**	**0.7**	**16.7**	**17.4**	1.5	0.1	12.0	13.6
Total	**74.9**	**5.8**	**83.9**	**164.6**	3.9	75.0	108.2	187.1

21. Provisions

	Property provisions £m	Other provisions £m	Total £m
At 1 January 2021	1.4	1.5	2.9
Charged to the income statement	–	0.2	0.2
At 31 December 2021	**1.4**	**1.7**	**3.1**
Charged to the income statement	**0.5**	**0.7**	**1.2**
At 31 December 2022	**1.9**	**2.4**	**4.3**

The property provisions are held against dilapidations. Such provisions relate to legal obligations to return leased properties to the conditions which are specified in the individual leases.

Other provisions relate to amounts required to cover end-of-service indemnities pursuant to the United Arab Emirates Federal Labour Law and other employment-related provisions.

Provisions are recognized at the best estimate of the expenditure required to settle the Group's obligation.

Analysis of total provisions:

	2022 £m	2021 £m
Non-current	**4.0**	2.8
Current	**0.3**	0.3
Total provisions	**4.3**	3.1

Cash outflows associated with these provisions are expected to materialize between three and five years. The provisions are discounted to present value only if the effect is material.

22. Trade and other payables

	2022 £m	2021 £m
Trade payables	**15.8**	12.8
VAT and sales taxes	**3.5**	3.8
Other taxes and social security	**7.3**	6.7
Other payables	**15.3**	15.0
Accruals	**80.0**	75.8
Deferred income	**43.6**	40.4
Total trade and other payables	**165.5**	154.5
Less non-current portion:		
– Trade and other payables	**(7.7)**	(9.4)
– Deferred income	**(0.9)**	(0.2)
Current portion of trade and other payables	**156.9**	144.9

Notes to the consolidated financial statements continued

Trade payables are non-interest bearing and are generally on 10-60 day (2021: 30–60 day) terms. Other payables are non-interest bearing and are generally on 14-45 day (2021: 30–90 day) terms.

As the majority of payables are short term in nature, the fair values of trade and other payables approximate to their carrying values as the impact of discounting is not significant.

23. Financial assets and financial liabilities

a. Financial assets by category

Other financial assets	2022 £m	2021 £m
Assets as per balance sheet		
Trade and other receivables excluding prepayments (Note 17)	**192.0**	144.3
Fixed-term deposits (Note 20a)	**53.0**	10.0
Cash and cash equivalents (Note 20b)	**111.6**	177.1
Total	**356.6**	331.4

b. Financial liabilities by category

Other financial liabilities at amortized cost	2022 £m	2021 £m
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities (Note 22)	**111.1**	103.6
Lease liabilities (Note 14)	**33.0**	40.4
Total	**144.1**	144.0

c. Credit quality of financial assets

The Directors consider the credit risk associated with fully performing financial assets to be immaterial to the Group.

24. Contingent liabilities

In the normal course of its business the Group faces legal actions and claims. Based on legal advice and taking into account the availability of insurance and provisions, the Board does not expect these legal actions or claims to have a significant impact upon the Group.

In relation to the acquisition or establishment of new businesses in overseas jurisdictions, the Group follows the requirements of local laws, regulations and conventions in the relevant jurisdictions. These may require the creation of structures or arrangements with vendors or local partners or other third parties whereby the Group assumes contingent liabilities of such parties which may or may not materialize. Taking into account experience to date, the Board has made provisions where appropriate.

In the normal course of its business, the Group from time to time provides advance payment guarantees, performance bonds and other bonds in connection with its activities. Taking into account experience to date and the availability of provisions, the Board does not expect these bonds and guarantees to have a significant impact on the Group.

25. Related party transactions

Transactions with related parties have been determined in accordance with IAS 24 and are disclosed below:

a. Pension scheme Trustees

Transactions with the pension scheme Trustees are disclosed in Note 15bi.

b. Key management

Key management of the Group includes the Directors (Executive and Non-Executive) and other members of the Executive Committee. Emoluments of the Directors are disclosed in the Directors' remuneration report on pages 81 to 95. Emoluments paid to other members of the Executive Committee for employee services are shown in the table below:

	2022 £m	2021 £m
Salaries and short-term benefits	**4.1**	3.2
Terminations and post-employment benefits	**0.2**	0.2
Post-employment benefits	**0.2**	–
Other long-term benefits	**0.2**	0.2
Total emoluments	**4.7**	3.6

Notes to the consolidated financial statements continued

26. Interests in Group undertakings

Name	Registered office address	Country of incorporation or registration	Voting rights	Proportion held*	Activity
British Standards Institution Group Iberia S.A.U.	Calle Juan Esplandiu, 15 3a plta, 28007, Madrid, Spain	Spain	100%	100%	Business services
British Standards Institution Group Middle East WLC***	4605 Palm Tower B, West Bay, Doha, PO Box 27774, Qatar	Qatar	100%	49%	Business services
BSI America Professional Services Inc.	251 Little Falls Drive, Wilmington, DE, 19808, United States	USA	100%	100%	Business services
BSI Assurance UK Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Business services
BSI Brasil Sistemas de Gestao Ltda	Av. Pres. Juscelino Kubitschek, 1327 – 20° andar 04543-011 – São Paulo, Brazil	Brazil	100%	100%	Business services
BSI Canada Professional Services Inc.	44 Chipman Hill Suite 1000, Saint John New Brunswick, E2L 2A9, Canada	Canada	100%	100%	Business services
BSI Certification and Technical Training (Beijing) Ltd	Room 2002, No. 24A Jianguomenwai Street, Chaoyang District, Beijing, 100004, China	China	100%	100%	Business services
BSI Professional Services (Ireland) Ltd	Corrig Court, Corrig Road, Sandyford Industrial Estate, Dublin, D18C6K1, Ireland	Ireland	100%	100%	Business services
BSI Professional Services UK Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Business services
BSI Group (Thailand) Co., Ltd	127/25 Panjathani Tower, 24th Floor, Nonsee Road, Chongnonsee, Yannawa, Bangkok, 10120, Thailand	Thailand	100%	100%	Business services
BSI Group America Inc.	251 Little Falls Drive, Wilmington, DE, 19808, United States	USA	100%	100%	Business services
BSI Group ANZ Holdings Pty Ltd	Level 1, Waterloo Road, Macquarie Park, NSW 2113, Australia	Australia	100%	100%	Holding company
BSI Group ANZ Pty Ltd	52-54 Waterloo Road, Macquarie Park, NSW 2113, Australia	Australia	100%	100%	Business services
BSI Group Assurance Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Holding company
BSI Group Australia Holdings Pty Ltd	Level 1, 54 Waterloo Road, Macquarie Park, NSW 2113, Australia	Australia	100%	100%	Holding company
BSI Group Canada Inc.	Brookfield Place, 181 Bay Street, Suite 1800, Toronto, M5J 2T9, Canada	Canada	100%	100%	Business services
BSI Group Deutschland GmbH	Eastgate, Hanauer Landstrasse 115, 60314, Frankfurt a.m., Germany	Germany	100%	100%	Business services

Notes to the consolidated financial statements continued

Name	Registered office address	Country of incorporation or registration	Voting rights	Proportion held*	Activity
BSI Group Eurasia Belgelendirrme Hizmetleri Limited Sirketi	Degirmen Sk No: 16 Ar Plaza, A-Blok Kat: 6 Ofis: 61–62, Kozyatagi – Kadikoy, Erenkoy, Istanbul, Turkey	Turkey	100%	100%	Business services
BSI Group France Sarl***	76 route de la Demi-Lune Les Collines de l'Arche Bat. Opera E, 7ème étage 92057 Paris La Defense Cedex, France	France	100%	98%	Business services
BSI Group Holdings The Netherlands BV	John M. Keynesplein 9, Unit 4.2, 1066EP Amsterdam, The Netherlands	The Netherlands	100%	100%	Holding company
BSI Group India Private Ltd	A-2 Mira Corporate Suites, Plot 1 & 2, Ishwar Nagar, Mathura Road, New Delhi, 110020, India	India	100%	100%	Business services
BSI Group Italia S.R.L.	Via Gustavo Fara, 35 20124, Milano, Italy	Italy	100%	100%	Business services
BSI Group Japan K.K	Ocean Gate Minato Mirai 3F 3-7-1 Minato Mirai, Nishiku Yokohama, Kanagawa 220-012, Japan	Japan	100%	100%	Business services
BSI Group Korea Ltd	Insa-dong, Tdehwa Bldgo, 8th Floor, 29 Insa-dong, 5-gil, Jongo-gu, Seoul, South Korea	South Korea	100%	100%	Business services
BSI Group KSA	Office No. 4, Rawana Plaza, 7925 Uthman ibn Affan, Al Taawun, Riyadh 12478 – 4080, Saudi Arabia	Saudi Arabia	100%	100%	Business services
BSI Group Mexico S dr RL de CV	Av. Paseo de la Reforma 505, Piso 50, 06500 Ciudad de México, CDMX, Mexico	Mexico	100%	100%	Business services
BSI Group New Zealand Ltd	Gannaway Mercer Ltd, Chartered Accountants, 11a Wynyard Street, Devonport, Auckland 0624, New Zealand	New Zealand	100%	100%	Business services
BSI Group Nordics AB	c/o Hummelkläppen i Stockholm AB, Villagatan 19, 114 32 Stockholm, Sweden	Sweden	100%	100%	Business services
BSI Group Polska Spolka z o.o.	UL Krolewska, nr. 16, Lok, Kod 00-103, Poczta, Warszawa, Poland	Poland	100%	100%	Business services
BSI Group Singapore Pte Limited	77 Robinson Road, Unit #28-01 & #28-03, 068896, Singapore	Singapore	100%	100%	Business services
BSI Group South Africa (Pty) Ltd***	De Haviland Crescent Nr. 5, Ill Villaggio Nr. 12, Persequor, Pretoria, South Africa	South Africa	100%	74%	Business services
BSI Group The Netherlands BV	John M. Keynesplein 9, Unit 4.2, 1066EP Amsterdam, The Netherlands	The Netherlands	100%	100%	Business services

Notes to the consolidated financial statements continued

Name	Registered office address	Country of incorporation or registration	Voting rights	Proportion held*	Activity
BSI Healthcare Saudi Arabia LLC	SFDA Building, 2nd Floor Office, 854 Al Olaya Street, Riyadh, Al Ghadheer Area, Saudi Arabia	Saudi Arabia	100%	100%	Business services
BSI International Projects Sarl	76 route de la Demi-Lune Les Collines de l'Arche Bat. Opera E, 7ème étage 92057 Paris La Defense Cedex, France	France	100%	100%	Business services
BSI Ltd**	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Holding company
BSI Management Systems Certification (Beijing) Co. Ltd	Room 2008, East Ocean Centre, No. 24A Jianguomenwai Street, Beijing, 100004, China	China	100%	100%	Business services
BSI Management Systems CIS LLC	Panfilova str. 19/4, Khimki, 141407, Moscow reg., Russian Federation	Russia	100%	100%	Business services
BSI Management Systems Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Business services
BSI Management Systems Ltd – Abu Dhabi Branch	Suite 1303 13th Floor, Al Niyadi Building Airport Road, Abu Dhabi, United Arab Emirates	United Arab Emirates	N/A	100%	Business services
BSI Management Systems Ltd - Dubai Branch	Suite 208 Sultan Business Centre P.O. Box: 26444, Dubai, United Arab Emirates	United Arab Emirates	N/A	100%	Business services
BSI Pacific Ltd	23rd Floor, Cambridge House, Taikoo Place, 979 King's Road, Island East, Hong Kong	Hong Kong	100%	100%	Business services
BSI Pacific Ltd – Taiwan Branch	2nd Floor, No.37, Ji Hu Road, Nei Hu District, Taipei, Taiwan	Taiwan	N/A	100%	Business services
BSI Pension Trust Ltd**	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Pension plan trustee
BSI Professional Services Asia Pacific Ltd	23rd Floor, Cambridge House, Taikoo Place, 979 King's Road, Island East, Hong Kong	Hong Kong	100%	100%	Business services
BSI Professional Services Australia Pty Ltd	Level 1 54 Waterloo Road, Macquarie Park,New South Wales, NSW 2113, Australia	Australia	100%	100%	Business services
BSI Professional Services EMEA Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Business services
BSI Professional Services Holdings Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Holding company
BSI Professional Services Japan Co., Ltd	Ocean Gate Minato Mirai 3F 3-7-1 Minato Mirai, Nishiku Yokohama, Kanagawa 220-012, Japan	Japan	100%	100%	Business services

Notes to the consolidated financial statements continued

Name	Registered office address	Country of incorporation or registration	Voting rights	Proportion held*	Activity
BSI Services (Asia Pacific) Sdn Bhd	Suite 25.01, Level 25, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Malaysia	100%	100%	Business services
BSI Services (EMEA) Spolka Zo.o	ul. ALEJA "SOLIDARNOŚCI", nr 171, 00877, WARSZAWA, Poland	Poland	100%	100%	Business services
BSI Services (Singapore) Pte Ltd	331 North Bridge Road #12-03, Odeon Towers, 188720, Singapore	Singapore	100%	100%	Business services
BSI Services Holdings Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Business services
BSI Services Malaysia Sdn Bhd	56, Jalan Kempas Utama 2/2 Taman Kempas Utama, 81300 Johor, Malaysia	Malaysia	100%	100%	Business services
BSI Standards Holdings Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Holding company
BSI Standards Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Business services
BSI Vietnam Co., Ltd	Suite 1106, 11F/L Citilight Tower, 45 Vo Thi Sau Street, Dakao Ward, District 1, Ho Chi Minh City, Vietnam	Vietnam	100%	100%	Business services
Hypercat Alliance Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Business services
Neville-Clarke (M) Sdn Bhd***	Level 15-2 Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Malaysia	100%	30%	Business services
Neville-Clarke (Singapore) Pte Ltd	331 North Bridge Road, #12-03 Odeon Towers, 188720, Singapore	Singapore	100%	100%	Business services
Neville-Clarke International Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Holding company
BSI Group Philippines, Inc***	Unit 2408, The Orient Square, Emerald Avenue, Ortigas Center, Pasig City, The Philippines	The Philippines	100%	99.99%	Business services
PT BSI Group Indonesia	Talavera Office Park, Jl. TB. Simatupang Kav.2, Talaver 2 Suite, 20 Floor, Jakarta 12430, Indonesia	Indonesia	100%	100%	Business services
PT Neville-Clarke Indonesia	Talavera Office Park, Jl. TB Simatupang Kav.2, Talavera 2 Suite 20 Floor, Jakarta 12430, Indonesia	Indonesia	100%	100%	Business services

* Percentage of ordinary share capital.
** Companies directly owned by The British Standards Institution.
*** The non-controlling shareholders have no residual interest in the companies' assets; therefore, the Group consolidates 100% of the companies' assets and results.
All the above subsidiaries are controlled by the Group and are accounted for by acquisition accounting.

Parent company balance sheet
as at 31 December 2022

The British Standards Institution
Registered number ZC000202

	Note	2022 £m	2021 £m
Fixed assets			
Intangible assets	4	**14.9**	9.4
Tangible assets	5	**8.8**	9.2
Investments	6	**68.3**	68.3
Net defined benefit pension surplus	7	**20.1**	19.3
		112.1	106.2
Current assets			
Debtors (including £1.5m (2021: £nil) due after one year)	8	**197.6**	147.2
Fixed-term deposits	9	**22.4**	10.0
Cash at bank and in hand		**38.0**	125.4
		258.0	282.6
Creditors – amounts falling due within one year	10	**(316.2)**	(271.3)
Net current (liabilities) / assets		**(58.2)**	11.3
Total assets less current liabilities		**53.9**	117.5
Provisions for liabilities	11	**(0.1)**	(0.1)
Deferred tax liabilities	12	**–**	(4.3)
Net assets		**53.8**	113.1
Reserves			
Revaluation reserves		**4.3**	4.3
Retained earnings		**49.5**	108.8
Total equity		**53.8**	113.1

The Company’s loss for the year ended 31 December 2022 was £47.4m (2021 profit: £6.0m).

The accompanying notes on pages 153 to 163 form an integral part of the parent company financial statements.

The financial statements on pages 151 and 152 were approved by the Board of Directors on 5 April 2023 and were signed on its behalf by:

Sara Dickinson CGMA
Chief Financial Officer

5 April 2023

Parent company statement of changes in equity

for the year ended 31 December 2022

	Revaluation reserves £m	Retained earnings £m	Total £m
At 1 January 2021	**4.3**	**72.8**	**77.1**
Profit for the year, net of tax	–	6.0	6.0
Tax charged relating to UK tax losses	–	(0.9)	(0.9)
Movement in actuarial valuation of defined benefit pension scheme, net of taxes	–	30.9	30.9
At 31 December 2021	**4.3**	**108.8**	**113.1**
Loss for the year, net of tax	**–**	**(47.4)**	**(47.4)**
Movement in actuarial valuation of defined benefit pension scheme, net of taxes	**–**	**(11.9)**	**(11.9)**
At 31 December 2022	**4.3**	**49.5**	**53.8**

Retained earnings

Retained earnings represent accumulated comprehensive income for the year and prior years.

Revaluation reserves

The revaluation reserves arose on the revaluation of an investment property when the asset was reclassified from an investment property to tangible assets on transition to FRS 102. The balance includes the associated deferred tax of £0.9m (2021: £0.9m).

Notes to the parent company financial statements

for the year ended 31 December 2022

1. Statement of compliance

The individual financial statements of The British Standards Institution have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the UK and the Republic of Ireland” (FRS 102), and the Companies Act 2006.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. These areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

b. Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. A review of the going concern and viability of the Group is disclosed on pages 99 to 101.

c. Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following exemptions:

- FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and the Company’s cash flows are included in the Group consolidated financial statements; and
- FRS 102 paragraph 1.12(e), from disclosing key management personnel compensation in total.

d. Exemptions under the Companies Act 2006

In accordance with the concession granted under Section 408 of the Companies Act 2006, the profit and loss account of The British Standards Institution has not been separately presented in these financial statements. The retained profit for the year is shown in the statement of changes in equity.

e. Foreign currencies

i. Functional and presentation currency

The Company’s functional and presentation currency is the British Pound Sterling (£) and all values are rounded to the nearest £100,000 except when otherwise indicated.

ii. Transactions and balances

Transactions denominated in foreign currencies are translated into Sterling at contracted rates or, where no contract exists, at average monthly rates. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are taken to the profit and loss account.

f. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company’s activities. Revenue is calculated net of value added tax, returns, rebates and discounts allowed by the Company.

The Company recognizes revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Company’s activities as described below. The Company bases its estimates on historical results, taking into consideration the type of client, the type of transaction and the specifics of each arrangement.

Significant categories of revenue and the recognition criteria for each are detailed below.

i. Rendering of services

Membership, subscriptions and annual management fees provide varying levels of service, which can include access to information services, published standards information, newsletters, advisory services, discounts on products and invitations to events and seminars. Revenue is spread over the life of the arrangement, which is normally one year but can vary depending on the level of service and specific agreements with clients.

ii. Copyright and royalty income

The Company recognizes copyright and royalty income on an accrual basis or when it is advised by the client, generally on a monthly basis. Where there are licence arrangements, fees are spread over the life of the licence.

Notes to the parent company financial statements continued

g. Interest income

Interest income is recognized on a time-proportion basis using the effective interest method, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

h. Dividend income

Dividend income is recognized when the right to receive payment is established.

i. Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial instruments, including trade and other receivables, cash at bank and loans to fellow subsidiary companies, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortized cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortized cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognized in profit or loss.

Other financial assets are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognized in the profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognized when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party which has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including trade and other payables and loans from subsidiary companies, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at transaction price and subsequently measured at amortized cost using the effective interest method. The Company does not hold or issue any other financial liabilities for trading purposes.

j. Finance and operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the profit and loss on a straight-line basis over the period of the lease.

Lease incentives

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market values.

The Company does not have any finance leases.

k. Fixed-term deposits

Fixed-term deposits are liquid investments with original maturities of over three months.

l. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

m. Investment in Group undertakings

Investments are stated at cost less any provision for impairment in value. Impairment testing is conducted whenever indicators of impairment are present.

Notes to the parent company financial statements continued

n. Intangible assets

Computer software

Acquired computer software is capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over three to five years, or the length of licence as appropriate. Costs incurred in customising, configuring and implementing a Software as a Service (SaaS) arrangement are expensed in the year in which they are incurred.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs include the software development employee costs. The application and infrastructure development costs of product delivery websites are also capitalized where the same criteria can be met. These assets are amortized on a straight-line basis over three to five years.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

o. Tangible fixed assets

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Under the transition provisions of FRS 102, the Company reclassified an investment property as a tangible asset at fair value on the date of transition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Freehold land and asset under construction are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold buildings and improvements	20 years
Short leasehold improvements	Over the unexpired term of the lease
Plant, machinery and office equipment	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal factors that the Company takes into account are the expected rate of technological developments and the intensity at which the assets are expected to be used.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the profit and loss.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

p. Provisions for liabilities and charges

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

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

Notes to the parent company financial statements continued

q. Contingent liabilities

Contingent liabilities, arising as a result of past events, are not recognized when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date, or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are described in the financial statements, unless the probability of an outflow of resources is remote.

r. Employee benefits

i. Defined benefit pension schemes

The Company operates a funded defined benefit scheme in the UK, administered by independent Trustees. The scheme is closed to new entrants and closed to future accrual of pension.

The Company's net obligation or surplus in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the scheme up to 30 April 2010 (the date the scheme closed to the accrual of benefits). That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The valuation of the Company's net obligation or surplus is performed by an independent qualified actuary as appointed by the Company. Pension scheme assets are measured using market values for quoted assets. The Annuity Policy asset is valued at an actuarial estimate using the assumptions shown in Note 7. The pension scheme liabilities are measured using the projected unit actuarial method where estimated future cash flows are discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent duration and currency to the liability.

The profit and loss charge is split between an operating expense and a net finance credit. The operating charge relates to the administration costs of operating the scheme. The net finance charge relates to the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the scheme using that same discount rate, based on conditions prevailing at the start of the year.

Actuarial gains and losses are charged or credited to equity in the period in which they arise.

After review of the Trust Deed and rules of the pension scheme the Directors have determined that there is an unconditional right to a refund of a surplus assets, assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the plan. Based on these rights, any net surplus in the plan is recognized in full.

ii. Defined contribution pension schemes

The Company pays fixed contributions to an external pension provider and has no legal or constructive obligations to pay any further amounts. The contributions are recognized as employee benefit expense when they are due.

s. Current tax

Current tax is the amount of income tax payable or receivable on the profit or loss for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been substantively enacted by the period end.

Management periodically evaluates the position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes a provision where appropriate on the basis of amounts expected to be paid to the authorities.

t. Deferred taxation

Deferred tax arises from timing differences between the inclusion of income and expenses in tax assessments in periods different from those in which they are recognized in the financial statements.

Deferred tax is recognized on all timing differences at the reporting date with some exceptions. Unrelieved tax losses and other deferred tax assets are only recognized when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profit.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

u. Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

3. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the parent company financial statements continued

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Useful economic lives of intangible assets
The useful economic lives used to amortize intangible assets relate to the expected future performance of the assets acquired and management's estimate of the period over which the economic benefit will be derived from the asset. The estimated useful life of these intangible assets is three to five years. See Note 4 for the carrying amount of the intangible assets.

b. Defined benefit scheme
The Company operates a funded defined benefit scheme in the UK, administered by independent Trustees. The scheme is closed to new entrants and closed to future accrual of pension.

The Company's net obligation or surplus in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the scheme up to 30 April 2010 (the date the scheme closed to the accrual of benefits). That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The valuation of the Company's net obligation or surplus is performed by an independent qualified actuary as appointed by the Company. Pension scheme assets are measured using market values for quoted assets. The Annuity Policy asset is valued at an actuarial estimate using the assumptions shown in Note 7. The pension scheme liabilities are measured using the projected unit actuarial method where estimated future cash flows are discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent duration and currency to the liability.

The profit and loss charge is split between an operating expense and a net finance credit. The operating charge relates to administration costs of operating the scheme. The net finance charge relates to the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the scheme using that same discount rate, based on conditions prevailing at the start of the year.

Actuarial gains and losses are charged or credited to equity in the period in which they arise.

After review of the Trust Deed and rules of the pension scheme the Directors have determined that there is an unconditional right to a refund of a surplus assets, assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the plan. Based on these rights, any net surplus in the plan is recognized in full.

c. Investments
FRS 102 requires management to undertake an annual test for impairment of investments, to test for impairment if events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of investments can be supported by the net present value of future cash flows derived from such investments using cash flow projections which have been discounted at an appropriate rate. Further details of investments can be seen in Note 6.

4. Intangible assets

	Computer software £m
Cost	
At 1 January 2021	23.3
Additions	3.0
At 31 December 2021	**26.3**
Additions	**7.5**
Reclassifications from Tangible assets (Note 5)	**1.8**
At 31 December 2022	**35.6**
Accumulated amortization and impairment	
At 1 January 2021	(14.9)
Charge in the year	(2.0)
At 31 December 2021	**(16.9)**
Charge in the year	**(3.8)**
At 31 December 2022	**(20.7)**
Net book value at 31 December 2022	**14.9**
Net book value at 31 December 2021	**9.4**

Notes to the parent company financial statements continued

5. Tangible assets

	Freehold land, buildings and improvements £m	Short leasehold improvements £m	Assets under construction £m	Plant, machinery and office equipment £m	Total £m
Cost					
At 1 January 2021	5.6	5.8	0.3	6.7	18.4
Additions	–	–	0.7	–	0.7
Disposals	–	–	–	(0.4)	(0.4)
Reclassifications	–	–	(0.7)	0.7	–
At 31 December 2021	**5.6**	**5.8**	**0.3**	**7.0**	**18.7**
Additions	**–**	**–**	**3.0**	**–**	**3.0**
Disposals	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Reclassifications	**–**	**–**	**(0.8)**	**0.8**	**–**
Reclassifications to Intangible assets (Note 4)	**–**	**–**	**(1.8)**	**–**	**(1.8)**
At 31 December 2022	**5.6**	**5.8**	**0.7**	**7.3**	**19.4**
Accumulated depreciation and impairment					
At 1 January 2021	(0.3)	(3.0)	–	(5.1)	(8.4)
Charge in the year	(0.1)	(0.6)	–	(0.4)	(1.1)
At 31 December 2021	**(0.4)**	**(3.6)**	**–**	**(5.5)**	**(9.5)**
Charge in the year	**(0.1)**	**(0.7)**	**–**	**(0.4)**	**(1.2)**
Disposals	**–**	**–**	**–**	**0.1**	**0.1**
At 31 December 2022	**(0.5)**	**(4.3)**	**–**	**(5.8)**	**(10.6)**
Net book value at 31 December 2022	**5.1**	**1.5**	**0.7**	**1.5**	**8.8**
Net book value at 31 December 2021	5.2	2.2	0.3	1.5	9.2

6. Investments

	2022 £m	2021 £m
Cost at 1 January / 31 December	**68.3**	68.3

The Directors consider that the fair value of investments is not less than their carrying value.

A list of subsidiaries is provided in Note 26 to the consolidated financial statements.

7. Pension obligations

The Company operates the following retirement benefit schemes:

a. Defined contribution scheme

Following the closure of the defined benefit final salary scheme to new entrants, the Company offers a Group personal pension plan to all new UK employees. The costs for the year were £4.1m (2021: £3.0m). This includes salary sacrificed contributions.

b. Defined benefit scheme

The Company operates a defined benefit plan in the UK (the 'Plan') which provides benefits linked to salary on retirement or earlier date of leaving service. The Plan closed to new entrants and future accrual, as at 30 April 2010, although the link to final salary remains whilst members are still employed by the Company. The Plan operates under the regulatory framework of the Pensions Act 2004. The Trustees have the primary responsibility for governance of the Plan. The Trustees comprise representatives of the Company, an independent Trustee and members of the Plan. Benefit payments are from Trustee-administered funds and the Plan assets are held in a Trust which is governed by UK regulation.

Contributions in respect of future service benefits ceased on 30 April 2010.

The liabilities have been calculated by, and the assumptions have been set on the recommendations of, an independent qualified actuary as required by FRS 102.

The liabilities at the disclosure date allow for indexation in line with the Consumer Prices Index.

The Company paid a total of £15.5m in contributions to the fund during the year (2021: £15.5m).

Notes to the parent company financial statements continued

The amounts recognized in the balance sheet on an accounting basis are determined as follows:

	2022 £m	2021 £m
Present value of defined benefit obligations	**(298.3)**	(428.6)
Fair value of plan assets	**318.4**	447.9
Net asset in the balance sheet	**20.1**	19.3

After review of the Trust deeds and rules of the pension scheme, the Directors recognized the pension surplus as at 31 December 2021. The Directors continue to recognize the pension surplus as at 31 December 2022 as there have been no changes to the Trust deeds and rules of the pension scheme during the year. In recognizing the surplus, we are being consistent in our accounting treatment, recognizing the accounting value generated using the principal assumptions set out below. The Directors have recognized the economic benefit considered to arise from either a reduction to future contributions or a refund of the surplus assuming the gradual settlement of plan liabilities over time until all members and beneficiaries have left the plan.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the plan was performed by a qualified actuary as at 31 March 2022 which revealed a funding shortfall (technical provisions minus the value of the assets) of £20m. The Company agreed to pay deficit contributions of £15.5m during 2022 which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 31 March 2025. The next funding valuation is due no later than 31 March 2025, at which progress towards full funding will be reviewed. In addition, given the improvement to the scheme position, an account governed by an escrow agreement has been set up whereby remaining deficit contributions of up to £7.5m, which will be paid between January 2023 and June 2023, could be paid into the plan if underfunded on a technical provisions basis as at 31 March 2025.

Contributions of £0.5m are expected to be paid by the Company for the year ending 31 December 2023 to cover the expenses of running the Plan.

The movement in the defined benefit obligation was as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1 January 2021	(475.4)	441.7	(33.7)
Amounts (charged)/credited to the profit and loss:			
– Administration expenses	–	(0.6)	(0.6)
– Interest (expense)/income	(6.6)	6.2	(0.4)
	(6.6)	5.6	(1.0)
Re-measurements:			
– Gain on plan assets, excluding amounts included in interest expense	–	1.5	1.5
– Gain from change in demographic assumptions	0.4	–	0.4
– Gain from change in financial assumptions	31.6	–	31.6
– Experience gains	5.0	–	5.0
	37.0	1.5	38.5
Contributions: Employers	–	15.5	15.5
Payments from plans: Disbursements	16.4	(16.4)	–
	16.4	(0.9)	15.5
At 31 December 2021	**(428.6)**	**447.9**	**19.3**
Amounts (charged)/credited to the profit and loss:			
– Administration expenses	**–**	**(0.6)**	**(0.6)**
– Interest (expense)/income	**(8.4)**	**8.9**	**0.5**
	(8.4)	**8.3**	**(0.1)**
Re-measurements:			
– Loss on plan assets, excluding amounts included in interest expense	**–**	**(137.2)**	**(137.2)**
– Gain from change in demographic assumptions	**1.4**	**–**	**1.4**
– Gain from change in financial assumptions	**130.9**	**–**	**130.9**
– Experience losses	**(9.7)**	**–**	**(9.7)**
	122.6	**(137.2)**	**(14.6)**
Contributions: Employers	**–**	**15.5**	**15.5**
Payments from plans: Disbursements	**16.1**	**(16.1)**	**–**
	16.1	**(0.6)**	**15.5**
At 31 December 2022	**(298.3)**	**318.4**	**20.1**

Notes to the parent company financial statements continued

The major assumptions used for the updated actuarial valuation were:

	2022 % p.a.	2021 % p.a.
Rate of general increase in salaries	5.00	4.90
Rate of revaluation in deferment	3.20	3.00
Pension increase rate:		
– RPI (min. 3%, max. 5%)	3.65	3.65
– CPI (min. 3%, max. 5%)	3.45	3.45
– CPI (min. 0%, max. 3%)	2.00	2.25
Discount rate	4.85	2.00
Inflation assumption – RPI	3.25	3.30
Inflation assumption – CPI	2.55	2.75

Life expectancy at age 65 for a member currently aged 45 is 23.4 (2021: 23.5) years (men) or 25.9 (2021: 26.0) years (women). Life expectancy for a member currently aged 65 is 22.1 (2021: 22.2) years (men) or 24.5 (2021: 24.6) years (women).

Plan assets are comprised as follows:

	Value at 31 December 2022		Value at 31 December 2021	
	£m		£m	
Schroders Diversified Growth Fund	–	–	20.5	5%
M&G Credit Fund	20.0	6%	20.5	5%
LGIM Future World Global Equity	35.7	11%	73.2	16%
Insight Short Dated Buy & Maintain Credit	30.3	10%	60.0	13%
Schroders Liability-Driven Investments	62.1	20%	62.5	14%
Schroders Sterling Liquidity Plus	45.2	14%	110.9	25%
Alcentra Credit Fund	20.6	7%	18.3	4%
Igneo Global Diversified Infrastructure Fund	42.6	13%	–	–
Cash	6.5	2%	8.4	2%
Annuity Policy	55.4	17%	73.6	16%
Total fair value of assets	**318.4**	**100%**	**447.9**	**100%**

Expected contributions to retirement benefit plans for the year ending 31 December 2023 are £8.0m (2022: £15.5m).

The weighted average duration of the defined benefit obligation is twelve years (2021: sixteen years).

Sensitivity analysis

The sensitivity of the net defined benefit obligation to changes in the weighted principal assumptions is:

	Increase/(decrease) in present value of surplus at 31 December 2022		
	Change in assumption	Increase in assumption £m	Decrease in assumption £m
Discount rate	0.25% p.a.	7.3	(7.4)
Inflation rate*	0.25% p.a.	(1.3)	1.1
Salary escalation	0.25%	(0.1)	
Life expectancy	1 year	(6.2)	

* This sensitivity allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases, subject to relevant caps and floors).

8. Debtors

	2022 £m	2021 £m
Trade debtors	0.7	0.7
Amounts owed by Group undertakings	181.0	134.1
Other debtors	0.4	0.1
VAT receivable	3.7	2.9
Prepayments and accrued income	10.3	9.4
Deferred tax asset (Note 12)	1.5	–
Total debtors	**197.6**	**147.2**

Amounts owed by Group undertakings include trade and finance amounts. The unsecured finance amounts of £70.4m (2021: £36.0m) have no fixed terms of repayment and are repayable on demand, but are interest bearing with the rates ranging between 1.8% and 5.3% (2021: 1.5% and 3.2%).

Notes to the parent company financial statements continued

9. Fixed-term deposits

The amount invested by the Company in a fixed-term bank deposits as at 31 December 2022 was £22.4m (2021: £10.0m), with original maturity of three months or longer (2021: three months or longer).

10. Creditors – amounts falling due within one year

	2022 £m	2021 £m
Trade creditors	4.5	2.6
Amounts owed to Group undertakings	255.4	247.3
Corporation tax payable	6.3	4.0
Other taxation and social security	1.3	1.0
Other creditors	1.1	1.2
Accruals	42.4	10.3
Deferred income	5.2	4.9
Total creditors	**316.2**	271.3

Trade creditors are non-interest bearing and are generally on 30-60 day terms (2021: 30-60 day terms). Amounts owed to Group undertakings include trade and finance amounts. The unsecured finance amounts of £12.3m (2021: £32.5m) have no fixed terms of repayment and are repayable on demand, but are interest bearing with rates set at 2% (2021: between 1.5% and 2.3%).

11. Provision for liabilities

Provisions for liabilities represent property provisions which are held against dilapidations and there have been no movements in 2022 (2021: no movements). The Company has used either the known position or a best estimate of the Company's potential exposure to calculate the potential cost to the Company over the remaining lease periods.

12 Deferred taxation

	2022 £m	2021 £m
Deferred tax assets:		
– To be recovered within twelve months	6.6	1.2
Total deferred tax assets	**6.6**	1.2
Deferred tax liabilities:		
– To be incurred after more than twelve months	(5.0)	(5.5)
– To be incurred within twelve months	(0.1)	–
Total deferred tax liabilities	**(5.1)**	(5.5)
Total net deferred tax assets/(liabilities)	**1.5**	(4.3)

The amounts of net deferred taxation assets/(liabilities) recognized are set out below:

	Accelerated capital allowances £m	Pension provision £m	Losses £m	Other timing differences £m	Total £m
At 1 January 2022	1.2	(4.8)	–	(0.7)	(4.3)
Credited to profit and loss account	2.2	–	3.2	0.6	6.0
Debited to current year reserves	–	(0.2)	–	–	(0.2)
At 31 December 2022	3.4	(5.0)	3.2	(0.1)	1.5

Notes to the parent company financial statements continued

13. Financial assets and financial liabilities

a. Financial assets by category

Loans and receivables	**2022 £m**	2021 £m
Assets as per balance sheet		
Debtors excluding prepayments and accrued income and deferred taxation	**185.8**	137.8
Fixed-term deposits	**22.4**	10.0
Cash at bank and in hand	**38.0**	125.4
Total	**246.2**	273.2

b. Financial liabilities by category

Other financial liabilities at amortized cost	**2022 £m**	2021 £m
Liabilities as per balance sheet		
Creditors excluding non-financial liabilities	**303.4**	261.4
Total	**303.4**	261.4

14. Employee expense

	2022 £m	2021 £m
Wages and salaries	**36.9**	30.1
Social security costs	**4.7**	3.8
Long Term Incentive Plan (LTIP) expense	**1.9**	1.9
Other pension costs	**4.1**	3.0
Total employee expense	**47.6**	38.8

The average number of full-time equivalent individuals (including Board members) employed by the Company during the year was:

	2022 Number	2021 Number
Production, inspection and laboratory	**33**	25
Sales and distribution	**62**	55
Administration	**391**	311
Total headcount	**486**	391

Disclosures in respect of Directors' emoluments can be found in the Directors' remuneration report on pages 83 to 97.

Notes to the parent company financial statements continued

15. Auditors' remuneration

The amount of remuneration receivable by the Company's auditors in respect of the audit of the parent company financial statements is £0.2m (2021: £0.2m).

16. Financial commitments

At 31 December annual commitments under non-cancellable operating leases were as follows:

	2022			2021		
	Land and buildings £m	**Motor Vehicles £m**	**Total £m**	Land and buildings £m	Motor Vehicles £m	Total £m
No later than 1 year	**2.0**	**0.2**	**2.2**	2.2	0.2	2.4
Later than 1 year and no later than 5 years	**3.6**	**0.4**	**4.0**	6.5	0.3	6.8
Minimum lease payments	**5.6**	**0.6**	**6.2**	8.7	0.5	9.2

The profit and loss account lease rental charge will not equate to lease payments for those leases having the benefit of lease incentives. In these cases the incentives are released to the profit and loss account over the period of the lease.

17. Related party transactions

Transactions with related parties have been determined in accordance with FRS 102 and are disclosed below:

a. Pension scheme Trustees

Transactions with the pension scheme Trustees are disclosed in Note 7.

b. Key management

The Company has taken advantage of the exemption available under FRS 102 paragraph 1.12(e) from disclosing key management personnel compensation in total.

c. Transactions with non-wholly owned subsidiaries

There were no material transactions with non-wholly owned subsidiaries during the year. All transactions between the Company and non-wholly owned Group companies arise in the ordinary course of business and are on an arm's length basis.

18. Contingent liabilities

In the normal course of its business the Company faces legal actions and claims. Based on legal advice and taking into account the availability of insurance and provisions, the Board does not expect these legal actions or claims to have a significant impact upon the Company.

In the normal course of its business, the Company from time to time provides advance payment guarantees, performance bonds and other bonds in connection with its activities. Taking into account experience to date and the availability of provisions, the Board does not expect these bonds and guarantees to have a significant impact on the Company.

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