



Sedex Annual Report 2022

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Introduction

About Sedex

Sedex is a global technology company that provides data, insights and professional services to improve sustainability in supply chains.

Our platform, tools, and services make it simpler for businesses to manage and improve environmental, social and governance (ESG) performance and meet their sustainable supply chain goals.

Sedex has nearly 20 years of expertise and provides end-to-end supply chain solutions for all businesses, including SMETA, our world-leading audit. We work with a community of 75,000 businesses across 35 diverse sectors globally, including some of the world's most recognisable brands. Visit our website for more information.

Letter from the Chair

I am pleased to report on Sedex's growth and strategic development in 2022.

Sedex has continued to deliver a strong performance, with 20% revenue growth and over 8,000 new members in 2022, demonstrating our value to business amid a turbulent geopolitical and economic environment. We expanded our capabilities in the US, investing to firmly establish our presence and be closer to more members and their supply chains. We made fantastic progress on our platform transformation, to deliver even greater flexibility, accessibility, and usability.

I would like to firstly recognise the Sedex Team for successfully navigating a challenging environment under Jon Hancock's leadership as he completes his first year at Sedex. Our Member Directors play a key role on our Board and I would like to thank our outgoing Member Directors, Mardee Job and Samuel Cliff, for their significant contribution and integrity, during their tenures. I would also like to welcome our two new Member Directors, Barbara Gregory and Katie Smothers, who join us at this pivotal time.

We recognise that 2022 was a difficult year for Sedex members, with many uncertainties alongside a rapidly evolving landscape for corporate sustainability. Businesses face an increasingly complex world of sustainability-related demands, from evolving legislation to detailed environmental, social and governance (ESG) reporting, and must balance these with immediate pressures to maintain operational resilience.

Our members rightly demand more from us to support them in these challenging times; we are determined to meet those demands. They recognise the deep expertise Sedex has in social sustainability, and so ask for solutions that support them across the wider sustainability agenda to make it easier for them to drive positive change.

After a detailed review of our current offering and a member consultation, we have renewed and refreshed Sedex's strategy. We believe it will secure our market-leading position in key territories and provide the services our members need.

Our new strategy is designed to provide increased support and better value for members through a suite of data-driven services that enable a tangible improvement in supply chain sustainability. We will do this by delivering flexible solutions and an expanded service range that adapts to help companies respond to the shifting demands of their stakeholders whilst supporting long-term value creation.

To help us to deliver this, we continue to invest in our leaders across the globe and have made a number of senior appointments to strengthen our Executive Team. I welcome Chief Technology Officer Ross Heritage, Chief Financial Officer Sonny Bangar and Chief Marketing Officer Maurizio Capuzzo.

Execution of our strategy has already begun, building on our ongoing transformation work, and I look forward to shaping it further across 2023. Our strategy will require us to secure external investment, to meet the needs of present and future members, and create the best possible tools and solutions for them.

With sustainability continuing to feature prominently in member companies' long-term strategies, I am confident that our strategy will ensure Sedex's continued success and growth, including into priority markets across North America and Asia-Pacific. We are confident our plans will guarantee we continue to be seen as a critical business partner in the ESG space.

I would like to thank our members, our Sedex staff and the Sedex Board, especially our Member Directors, for their faith, tireless work and dedication through a transformational year. We are excited to execute this ambitious strategy alongside our teams, our members, and our partners.

Sincerely,



Steven Esom
Chair of the Board

Letter from the Chief Executive Officer

Jon Hancock reflects on a dynamic and transformational year for Sedex.

A year on from joining Sedex, I am incredibly pleased and proud of the team that has delivered 20% year-on-year financial growth, with a turnover of £24.3 million. Drivers of this growth include 310 new buyer members (including Buyer/Suppliers), an increase of 12% in total members and a 21% increase in SMETA audits. We accelerated our platform transformation, expanded our global reach, and laid the foundations for our successful future.

Sedex has emerged from 2022 a stronger, more resilient business, with a robust all-round performance that demonstrates the benefits of our continued transformation. Today, we have a global footprint of nearly 75,000 members across 180 countries, representing dozens of diverse industries across their supply chains. In 2022, in collaboration with our membership, our Board, staff, and the strategy team at KPMG, we developed a new strategy that builds on these established strengths.

While we recognise the ever-changing and challenging operating landscape for companies, key stakeholders including investors and legislators increasingly appreciate the role that sustainability plays in business resilience. Sedex is perfectly positioned to assist companies in meeting these stakeholders' expectations, with the credible data and dynamic assessment tools they need to deliver and demonstrate improvement. The demand for these services will only grow.

Our strategy firmly positions Sedex in the sustainability data and insights space.

It articulates our ambition to be a world-leading company in making global supply chains more socially and environmentally sustainable, leveraging the power of data and technology to drive progress at scale.

In achieving these goals, we believe we will ensure Sedex's own lasting success while helping to embed sustainable practices deeper into supply chains, for the benefit of both people and planet.

Through data-driven insight, robust assessment solutions, and accessible tools, we will make it easier for companies to make informed decisions, build effective supply chain sustainability strategies, and evidence performance towards their ESG goals. We are determined that Sedex continues effectively supporting our members to meet the challenges they face.

As we scale our operation with growth capital, I look forward to the partnerships that will enable us to build more efficient products, invest in our people, deliver ultimate value for all our customers, and achieve our mission. With the support of our expanded Executive Team, our dedicated Sedex staff, and our members, I am confident we will do so.

Sincerely,



Jon Hancock
Chief Executive Officer

Sedex Executive Team

This is as at March 2023, at the time of publication.

Jon Hancock
Chief Executive Officer

Maurizio Capuzzo
Chief Marketing Officer

Allison Hudson
Director of Member and
Customer Relations

Ross Heritage
Chief Technology Officer

Eve Pienaar
Senior Legal Counsel &
Company Secretary

Shelley Rankine
Director of Finance and
Planning

Charlotte Blount
Director of Strategy
Delivery

Sonny Bangar
Chief Financial Officer

Liz Aldred
People Director

Walter Lin
Managing Director, Asia

Mark Hooper
Commercial Director

Company information and professional advisors

Company information

- Sedex Information Exchange Limited,
Company number: 05015443

Sedex global head office

- 5 Old Bailey
London
EC4M 7BA

Global HR lawyers

- Lewis Silkin
5 Chancery Lane
London
EC4A 1BL

Professional advisers/UK and USA legal

- Womble Bond Dickinson
4 More London Riverside,
London SE1 2AU
- Womble Bond Dickinson
One West Fourth Street
Winston-Salem, NC 27101,
USA

Intellectual Property agents

- IP Lane
The Forum
33 Gutter Ln
London EC2V 8AS

Independent auditors

- RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Professional advisers – Strategy and other

- KPMG LLP
15 Canada Square
London
E14 5GL

Professional advisers – Corporate finance

- PwC
7 More London Riverside
London
SE1 2RT

Strategic report

The importance of sustainable sourcing and key drivers

Sustainable, or "responsible", sourcing is where an organisation seeks to source their products and services in a socially and environmentally sustainable way, throughout each tier of their supply chain. To source sustainably, a business must be able to trace a product or service throughout each stage of their supply chain, and work with their business and suppliers to ensure working conditions are fair, and environmental practices are sustainable.

Sedex aims to provide the best sustainable sourcing solutions for its members, helping businesses to drive improvement and effectively manage social and environmental impacts throughout global supply chains.

Operating sustainably has never been more important, as focus on ESG, business conduct, and supply chain resilience continues to increase across nations, sectors, and business. Technology and data are powerful enablers of positive, genuine change for people and the planet, and help facilitate robust, accurate assessment of practices and conditions around the world.

A range of key factors continue to drive the adoption and growth of sustainable business practices and ethical sourcing globally.

Changing conditions in supply chains

As new and ongoing disruptions apply pressure and exacerbate existing fault lines in supply chains, organisations of all types must adapt to better manage these challenges. Businesses continue to experience challenges such as labour shortages, disruptions in supply regions and transport gridlocks, while political tensions affect sourcing capabilities.

ESG and ethical investment

The investment community's high interest in companies' ESG practices continues, evolving with increased scrutiny on ESG data and the risk of greenwashing. Investors', asset managers' and other financial institutions' growing understanding of the value of ESG performance, including to support companies' sustainable growth, risk management and long-term resilience, means they continue offering financial incentives for companies taking action and improving their ESG outcomes.

Media and consumer awareness

Media and consumer attention on brands' practices remains, even as companies must pivot to address new and immediate operational challenges. This continues to result in intense, sometimes high-profile, scrutiny and criticism for those linked to unethical activity in their own operations or supply chains.

Legislation and increasing mandatory human rights due diligence

In 2022 several nations passed or drafted new laws that place greater responsibility on businesses to be more transparent about their supply chains, and take steps to manage risks to workers and environments, in line with human rights and environmental due diligence. Legislation is increasingly detailed, demanding, and broad in scope, with some laws explicitly requiring reporting and action that goes beyond a country's borders and deeper into international supply chains.

Sedex strategic review

2022 in review

In 2022, Sedex continued to invest in the Sedex platform and assessment tools, delivering a significant number of new features to meet member needs, and drive sustainability in supply chains. We recorded Group revenue at £24.3 million, a strong growth of 20%, compared with £20.3 million in 2021. We delivered profit after tax of £1.5 million, compared with £2.5 million in 2021; this was after investment of over £8.0 million into our new technology platform.

Delivering 50% of user journeys in the new Sedex platform in 2022

Throughout 2022, we made significant progress on the delivery of our new Sedex platform, with over 50% of user journeys in the new platform, by the end of 2022.

Our agile, customer-centric approach, has enabled us to understand and solve over 80 challenges, that our customers face, as well as delivering new, better-performing functionality, faster than ever before.

Some of the main functionality the Sedex team have delivered in 2022 includes:

- Launching and developing a new eLearning platform enabling members access to training content more easily
- Improving the onboarding journey for businesses to become members
- Improving the performance of our Self-Assessment Questionnaire, as well as developing and updating a new question set, to be delivered in early 2023

- Making it easier for members to connect with each other via the platform
- Improving the ability to surface insights in the platform and see risks faster in the supply chain
- Developing the new Site Compliance Report, giving members key insights into what parts of their supply chain require the most attention
- Launching the new customer API, allowing members to integrate Sedex data within their own systems, making it quicker and easier to make informed decisions about their supply chain and prioritisation of resources.

Improving SMETA

Sedex continued to invest in SMETA audit, our core product, in 2022, including the assessment methodology, and improving audit quality through Sedex's Audit Quality Programme.

Improving the methodology included running a series of workshops, surveys and feedback sessions with members and establishing advisory groups. These feedback channels and advisory groups highlighted a number of key areas to focus and test a new methodology through tests, pilots, and surveys. A first phase of pilots were conducted at sites across China, India, UK, Bangladesh, Turkey, South Africa, Italy, Mexico, Puerto Rico and Colombia. This feedback and the results of the pilots will be used in 2023 to launch a new version of SMETA.

Growing Sedex members by 9% and delivering more value via the Sedex Community

Members increased by 8,185 annually to 74,701 in 2022, with a total of 104,282 member sites active on the Sedex platform. This growth signifies the continued focus on ESG and businesses improving their own sustainability, alongside Sedex's investment in improving its tools and services, and expanding its business sales and marketing capabilities.

To support member retention and allow members gain the most value out of Sedex, we delivered over 50 events to the Sedex Community via webinars and in-person events, across multiple languages. We expanded our Community activity into new markets and geographies, including our first in-person event in the US and our first event delivered in Portuguese.

Looking ahead: Developing our new business strategy and strategic focus areas

In April 2022, Sedex invited members to participate in research, to support Sedex to better understand their strategic needs, and how the business can evolve our offering to meet those challenges.

Over 2,100 of our members responded, demonstrating the strength of engagement with our members and their support for growth and evolution.

This included responses by region as follows:

Based on this research and engagement, alongside interviews and workshops with the Sedex Board, staff and ESG experts, we are updating our strategy for the next five years in line with our findings – building this around five key areas:

- **Data** - Make data, analytics and ratings central to everything Sedex does.
- **Dynamic assessment** – provide an assortment of assessments, that allow businesses to assess risks, based on the characteristics of work places, such as country, sector and business type. This will support us to keep pace with the changing ESG landscape.
- **Geographical expansion** - Sedex will grow and fulfil our potential by expanding into attractive markets.
- **Supplier value proposition** - enhance the value of Sedex to our supplier members.
- **Consulting and professional services** - grow Consulting to become a trusted implementation partner to our customers.

Sedex impact in numbers

164

Buyer
members

1,325

Buyer/Supplier
Members

73,212

Supplier
members

74,701

Total
members

Total number of members' business sites:

104,282

116,112

non-compliances¹ closed in 2022

35,519

SMETA audits

2,262

Sedex Virtual Assessments

¹ Non-compliance: an observed and recorded finding at a SMETA or Sedex Virtual Assessment audit when a work site does not meet local, national or international law requirements. A related term, "non-conformance", is an observed and recorded finding when a work site meets the law but does not meet the ETI Base Code or customer code requirements. While Sedex differentiates between the two concepts (non-compliance and non-conformance), most Sedex members use "non-compliance" as a general term that covers both. For the sake of simplicity, we use "non-compliance" in this document to cover both.

Top 5 categories of non-compliance in 2022:

		Non-compliance category	Definition
1.		Chemicals	Non-compliances relating to chemicals, such as inadequate safety measures and training around handling, storage and disposal of hazardous materials and chemicals
2.		Overtime	Non-compliances relating to overtime, for example overtime being used irresponsibly, or excessive working hours
3.		Machinery	Non-compliances relating to machinery, such as inadequate or inappropriate protection equipment, training and safety measures for machinery, causing danger to health and safety
4.		Fire safety – fire alarms and evacuation	Non-compliances relating to fire alarms and evacuation, such as inadequate fire prevention and safety measures to reduce or eliminate the risks of workplace fires
5.		Benefits and insurance	Non-compliances relating to worker benefits and insurance, such as when social security and employment benefits are not received by some or all members of the workforce (e.g. legally required leave payments are not paid, or no social insurance paid for employees)

Our analysis
of SMETA and

Virtual Assessment reports show that these assessments continue to identify, and enable resolution of, thousands of issues (non-compliances) in supply chains.

The categories here are often highly represented in audit findings, reflecting common areas of concern regarding ethical and environmental conduct at work sites.

Financial review for the year ended 31 December 2022

Turnover

Turnover for 2022 was £24.3 million (2021: £20.3 million) demonstrating an ongoing strong growth rate of 20% (22% in 2021).

Our revenue from membership fees grew by 22% year on year. This was driven from attracting 310 new buyer members (including Buyer/Suppliers) whilst maintaining our high retention rate for existing buyer members of 96%. Overall, the total number of buyer members (including Buyer/Suppliers) grew by 21% to 1,489 members. In addition, our supplier members grew by 8,202 to 73,212 overall.

Our other service offerings continued to grow with audit upload revenue fees remaining a key service provided as well as significant growth in our consulting practices, which more than doubled in 2022 to reflect over £1.0 million of revenue.

Operating profit

Group operating profit for 2022 was £1.1 million (2021: £2.2 million).

Management views the business' adjusted operating earnings before interest, tax, depreciation, and amortisation ("adjusted EBITDA") as a key performance indicator. We achieved adjusted EBITDA of £3.8 million (2021: £4.3 million). The overall reduction in adjusted EBITDA is due to continued investment into the business, such as the expansion of our global teams including the US, which is considered a key growth market in our business strategy.

A reconciliation of adjusted EBITDA to statutory operating profit is set out in Note 4 to the financial statements.

Taxation

Sedex is careful to ensure it complies with tax legislation in the jurisdictions within which it operates around the world and does not engage in aggressive tax planning. We understand our responsibility to comply fully with the laws in the countries we operate in but also respect the underlying tax policy intent and ensure our tax payments are fair and equitable across our subsidiaries.

Sedex has surrendered current year and brought forward tax losses use to relieve the profit in the UK in 2022. After this, the UK entities carry forward £3.2 million of trading losses into future years (2021: £3.2 million). The overseas subsidiaries recognised tax expense where relevant based on the tax legislation and requirements of their respective jurisdictions. At 31 December 2022 there is £0.4 million of tax payable in our overseas subsidiaries (2021: £0.2 million).

Included in the 2022 results is the reclaimed R&D tax credit in respect of financial years 2020 and 2021 for the UK. At 31 December 2022 this is a tax income and a corporation tax receivable balance of £1.5 million.

Cashflow

We closed the year with a cash balance of £5.4 million (2021: £7.4 million). Overall net cash had a reduction of £2.0m in 2022 (2021 increase of £0.3 million).

The overall reduction in cash was driven by the investment in the platform which included purchases of £8.0 million in the year. This is a significant cash outflow but reflects the investment in Sedex to achieve our strategy.

However our cash generated from operations remained strong with £6.0 million generated in 2022 (2021: £5.5 million).

Sedex has an existing overdraft facility arrangement of £1.5 million which has not been drawn down.

In 2022, Sedex continues to engage RSM UK Audit LLP as our independent auditors.

Sedex's contribution to ESG

At Sedex, we are passionate about driving businesses and their supply chains to become more socially and environmentally sustainable. We strive to achieve this through the delivery of data, our tools and services, and the way we operate – including the culture we build through our people.

Driving sustainability through our members

Sedex sits at the centre of a large ecosystem. As a small business, the greatest impact we can make is through our membership network – enabling each member to drive sustainability at scale through their collectively wide-ranging supply chains.

Through this network, Sedex reaches millions of workers at over 100,000 work sites. Our tools and services cover a range of environmental, social and governance areas, supporting members to identify, prioritise, resolve, and report on ESG concerns at scale across global supply chains.

We provide a large e-Learning platform alongside training, Community sessions and events to educate members and non-member businesses on supply chain sustainability, facilitate open discussion, and encourage collaboration on critical challenges across the corporate sustainability space.

Driving sustainability through Sedex

We recognise the importance of the contributions we can make to progressing ESG goals directly, operating as a socially responsible organisation with activities proportionate to our size and resources.

Like our members, we are on a journey of continuous improvement. As the core of our expertise has been in the social space, the more mature work to drive ESG within our own organisation reflects this – as we apply our expertise and principles internally. We continue working to improve our environmental footprint, supported by our existing initiatives including flexible working (reducing travel), office recycling, and energy-saving lighting in our Head Office.

Our vision and mission

Our vision is to be a leader in making global supply chains more socially and environmentally sustainable.

Our mission is to supply data-driven insights through the most accessible tools and services. We engage with companies and our community to continuously improve their environmental, social and governance (ESG) outcomes.

Our core values

Our values help guide us in the way we operate and behave to achieve our ambitious goals. Our values create a set of guiding principles to be clear on how we interact with each other, our customers, and stakeholders every day. In 2022, following consultation with our staff, we launched our new values, and worked to embed these across the business through Values Champions, regular workshops and recognition for those staff who display the values.

These are our 5 core values:

Respect Each Other

Be Customer-Driven

Think Creatively

Take Ownership

Deliver Results

Our people

Improving sustainability starts with our people. Sedex is driven by our people, and we are fortunate to have an extremely committed, passionate and diverse team that enables us to deliver on our business goals. In 2022, our headcount grew by 18% globally.

Our commitment to diversity and inclusion

Our diversity is our strength and our spirit. We recognise that people have different experiences at work, influenced by their gender, ethnicity and country location, among other things. We believe it is essential to support this diversity, and support people in their different experiences, to enable our people to reach their full personal and professional potential. We strive to create a culture of inclusivity, where diversity is celebrated and every voice is heard, in the knowledge that being empowered supports

our ability to influence sustainable outcomes around the world.

Our Diversity and Inclusion Committee helps to establish a supportive and welcoming workplace environment, in which employees of all backgrounds and demographic characteristics can work together. Their work in 2022 included developing three action-based initiatives to improve diversity and inclusion, with execution continuing into 2023.

Staff breakdown

Population	Male (%)	Female (%)	Ethnic minorities (%)	White (%)
Global Staff	54	46	36	64
Executive Team	56	44	22	78
Board of Directors	42	58	17	83

Gender diversity of Sedex staff on 31 December 2022

Sedex Office	Total	Male	Female
UK	149	73	76
China	22	13	9
India	4	2	2
Chile	6	2	4
Australia	5	3	2
Japan	9	7	2
USA	1	1	0
Total	196	101	95

Gender pay gap

At Sedex we are committed to building an organisation where everyone can thrive and help to support the business to deliver its strategic aims. Although we are not required under government legislation to report our gender pay gap, we believe in the overarching aims of the legislation and monitor our gap carefully.

On 31 December 2022, Sedex's global median gender pay gap remained around 22% in favour of men. The gap is largely driven by the high population of technology staff supporting our new platform development. This group is paid competitively and while we offer equal opportunities in this industry, our team profile reflects the industry and is male dominated.

Our Remuneration Committee (RemCo) will continue to review our pay gap during the year, reviewing the implementation and effectiveness of our action plan to address our gender pay imbalance.

Supporting employees and mental health

Sedex is committed to supporting the mental health of our employees by providing trained mental health support and tools through our external support partners. Sedex believes in fostering an open culture on mental health and in 2022 continued to develop our network of staff Mental Health First Aiders, who work across global teams offering help and support by providing a confidential forum in which to discuss challenges and get support. We run regular events to encourage socialising, relaxation, and celebrate success across our teams.

We also support flexible working for all employees, asking only that employees aim to physically travel to their office base an average of one day per week. We offer flexible working patterns and contracts, enabling employees to balance their work with family, health and other lifestyle needs.

Supporting good governance across our business

Sedex operates with a robust governance structure and principles, as demonstrated in our Articles of Association, our process to elect and rotate Member Directors, and our member engagement process to update our strategy.

We engage Sedex colleagues as part of this governance, maintaining several two-way communication channels to ensure our people's voices are heard. These include regular Town Halls, informal messaging groups, the strategy engagement work, our Mental Health First Aiders, the D&I Committee, and staff surveys carried out twice per year.

Risks and internal controls

Our risk management approach

Potential risks to the business are reviewed on a regular basis by the Board, the Audit and Risk Committee, and the Executive team. These risks continue to inform our business strategy, to ensure we are responsive. We recognise that to have an effective risk management framework, we need to continue developing an appropriate risk management culture, controls, and supporting processes.

The Board operates in a financially prudent manner with a low-to-medium risk appetite. Risks are identified and reviewed on a regular basis and risk mitigation strategies are implemented. Separate serious incident management policies and frameworks are in place for IT and data breaches, and more generally for the business.

During the year a full risk review has taken place and identified risks have been scored to reflect the magnitude of the risk and the likelihood of occurrence. All risks are reviewed on a regular basis, however those with a higher risk rating are reviewed with more frequency.

Internal controls and risk management

The Board has primary responsibility for the Group's overall approach to risk management and systems of internal control. The Board has delegated oversight of management of risk and internal control to the Audit and Risk Committee. During the year, and in line with its responsibilities in its terms of reference, the Audit and Risk Committee reviews the identification, evaluation and management of the risks facing the business and considers the effectiveness of associated controls and processes. The Audit and Risk Committee reports regularly to the Board, and appropriate measures are put in place to mitigate these risks.

Principal risks and uncertainties as of 31 December 2022

The principal risks and uncertainties facing the business are detailed below. Risks are assessed on a regular basis according to our current view of their potential severity (being the combination of impact and likelihood) and taking into account the expected effectiveness of measures in place to mitigate the risks. The list below is not an exhaustive list of all risks the Group faces, but is a list of only the principal risks and uncertainties.

Risk	Controls / mitigation
Pace of change in the ESG industry	
<p>We see across the world that there are increasing amounts of regulation and demands on our members to improve their ESG understanding, impact and reporting. We must have the flexibility and agility to keep up to the pace with the market to offer our members the right services to meet their needs.</p>	<ul style="list-style-type: none"> • We have updated and improved our SMETA audit methodology • We are due to roll out improvements in our Self-Assessment Questionnaire in 2023 • We have increased our member engagement to understand their requirements and plan our responses based on this • We have launched our customer API to improve integration with members' existing systems
Organisational capacity	
<p>Sedex is a small organisation which must balance the pace of change in the ESG market with affordability for our members and capacity within our team. We continually strive to get this balance right but recognise if the balance is not right then it could impact member satisfaction, which could in turn impact our member retention.</p>	<ul style="list-style-type: none"> • We use the contractor market to access talented resources promptly • We have performed competitor analysis and benchmarking to improve our staff offering to increase staff retention • We are looking at the opportunities that third party investment might provide
Technological advancement	
<p>Our Sedex platform is our key offering to our members. The success of our 2023-2028 strategy is determined by the ability of our team to develop this platform on time and offer the right products and services to our members. We risk not delivering on this strategy if an element of our technological advancement is not achieved.</p>	<ul style="list-style-type: none"> • We have conducted market research and member engagement to understand the requirements of our offerings • We have ringfenced resources and built in contingency to deliver our strategy on time • The development is modular ensuring that one product/service delay will not impact others • Our marketing function work closely with our technology teams to understand new capabilities and harness market demand for the products • We use the contractor market to access talented resources promptly

Risk	Controls / mitigation
Reputational damage through member failure	
<p>Members have supply chains which extend long beyond their boundaries. As an organisation committed to improve social and environmental responsibility in supply chains globally we will come across areas of non-compliance and we recognise that there is a risk that in identifying these we could be damaged by association.</p>	<ul style="list-style-type: none"> • Our audit quality programme ensures the quality and independence of the audit firms using the SMETA audit methodology • We limit our responsibility to only identifying and highlighting the non-compliances and following up on these. The responsibility to ensure changes are made falls to our members
Cyber security	
<p>We recognise that we are a data platform which is therefore at risk of cyber attacks and other cyber security threats. We acknowledge that all organisations suffer this risk but that the data we hold is important to our members to protect appropriately.</p>	<ul style="list-style-type: none"> • We back up our data regularly and securely • We have a disaster recovery plan in place • Our staff have cyber security training on at least an annual basis • There is a three-year development plan in place to continue to improve our resilience to cyber security threats
Geopolitical and macroeconomic environment	
<p>After a number of years of geopolitical uncertainty and significant unexpected shocks to the macroeconomic environment, including COVID-19 and the war in Ukraine, we acknowledge that these risks continue to be front of mind to us and to our members. These unexpected shocks can have a significant impact on the way we run our business, as well as that of our members.</p>	<ul style="list-style-type: none"> • We continuously monitor situations and operational impacts for both Sedex and our members • We regularly review where Sedex can better support members through our tools and services to support their ethical business operations • There is regular communication with Sedex staff, members and stakeholders where appropriate • Our strategy has been stress-tested for unexpected decline in markets or increases in costs

Governance

Corporate governance

Sedex Information Exchange Limited (Sedex) is a membership association and is incorporated in the UK as a company limited by guarantee. As a membership association Sedex operates for the mutual benefit of all its members. Sedex is a private company and, although it is not strictly required to comply with the Corporate Governance Code, it draws on best practice principles of the Code to report to its members.

Sedex is headquartered in London, UK, with regional offices located in Chicago, Gurugram, Santiago, Shanghai, and Sydney, and associate offices in Japan.

The Board of Directors is responsible for the governance of Sedex, approves the Company's vision, and approves the Sedex strategic plan. The Board meets approximately six times a year and is responsible for overseeing the management of the business.

Standing agenda items for the Board meetings include: the KPI report, financial reporting and variance to budget, delivery of the strategic plan and risk management measures, and updates on the development of tools and services for Sedex members.

The Board holds the Executive Team to account for delivery of the business plan, and the Chief Executive Officer provides a clear communication channel between the Board and the Executive team. The Board reports to Sedex's members at the Annual General Meeting (AGM) and other events, such as Sedex Conferences and Community stakeholder forums. The Board manages conflicts of interest by checking whether conflicts arise, at every Board and Committee meeting, and ensuring that any Director who is conflicted on any agenda item recuses themselves from influencing or making a decision on that item. Board minutes for every Board meeting are approved and filed on a regular basis.

Board of Directors

In line with Sedex's Articles of Association, two Member Directors rotated off of the Board after serving their maximum term. New Member Directors were elected according to the governance process at the 2022 Annual General Meeting (AGM).

Board of Directors 1 January – 31 December 2022

- | | |
|--|---|
| <ul style="list-style-type: none"> ● Steven Esom
Chair of the Board | <ul style="list-style-type: none"> ● Michelle French
Member Director |
| <ul style="list-style-type: none"> ● Barbara Gregory
Member Director
(joined May 2022) | <ul style="list-style-type: none"> ● Richard Wright
Chief Financial Officer
(resigned March 2022) |
| <ul style="list-style-type: none"> ● Esther Tsang
Member Director | <ul style="list-style-type: none"> ● Samuel Cliff
Member Director
(resigned May 2022) |
| <ul style="list-style-type: none"> ● Jeannie Arthur
Independent Non-Executive Director | <ul style="list-style-type: none"> ● Sonny Bangar
Chief Financial Officer
(joined September 2022) |
| <ul style="list-style-type: none"> ● Jon Hancock
Chief Executive Officer
(joined January 2022) | <ul style="list-style-type: none"> ● Stephen Bolton
Independent Non-Executive Director |
| <ul style="list-style-type: none"> ● Katie Knaggs
Member Director | <ul style="list-style-type: none"> ● Susan Barton
Independent Non-Executive Director |
| <ul style="list-style-type: none"> ● Katie Smothers
Member Director (joined May 2022) | <ul style="list-style-type: none"> ● Tim Brooks
Independent Non-Executive Director |
| <ul style="list-style-type: none"> ● Mardee Job
Member Director (resigned May 2022) | |
-

Eve Pienaar

Senior Legal Counsel and Company Secretary, supports the Board and Standing Committees on all governance matters.

Board Committees

The Board works closely with its Standing Committees:

- **Nomination Committee** - oversees appointments to the Board and the Member Director elections process
- **Audit and Risk Committee** - oversees risk, the independent audit process, the appointment of the auditors and the integrity of the financial accounts, and ensures sound risk mitigation strategies are in place
- **Remuneration Committee** - approves material remuneration decisions, such as Executive pay and bonus awards.

These are the Standing Committees of the Board, and they meet regularly, as the business requires (and not less than quarterly in the case of the Audit and Risk Committee). These Standing Committees report to the Board regularly as a standing item on the Board agenda.

Composition of Standing Committees in 2022

Nomination Committee

- **Stephen Bolton**,
Non-Executive Director – Chair
- **Esther Tsang**, Member Director
- **Jeannie Arthur**, Non-Executive Director
- **Katie Knaggs**, Member Director
- **Steven Esom**, Non-Executive Director

Audit and Risk Committee

- **Susan Barton**,
Non-Executive Director – Chair
- **Michelle French**, Member Director
- **Barbara Gregory**, Member Director
- **Stephen Bolton**, Non-Executive Director
- **Tim Brooks**, Non-Executive Director
- **Samuel Cliff**, Member Director

Remuneration Committee

- **Steven Esom**,
Non-Executive Director – Chair
- **Katie Knaggs**, Member Director
- **Susan Barton**, Non-Executive Director
- **Tim Brooks**, Non-Executive Director
- **Mardee Job**, Member Director

Board members

Steven Esom, Chair of the Board

Steven is an experienced board member and chairs several membership and private company boards. His current directorships include Advantage Travel Partnership, Andrews Property Group and British Wrestling Association, responsible for developing community participation and potential Olympic athletes. His retail career board experience included Executive Director at Marks & Spencer, Executive Director, John Lewis Partnership plc as Waitrose Managing Director where he repositioned Waitrose as the leading UK fresh food retailer, initially joining the John Lewis Partnership as Waitrose's Director of Buying. Before joining the Partnership, Steven spent most of his career at Sainsbury's in commercial roles.

- Board meetings attended: 6/6
- Nomination Committee meetings attended: 4/4
- Remuneration Committee meetings attended: 4/4

Barbara Gregory, Member Director

Barbara currently holds the position of Senior Manager on Walmart's Responsible Sourcing team. She is a 19-year Walmart associate with over 15 years' experience in supply chain compliance and investigations. In her current role, Barbara works to promote positive impacts in the areas of Human Rights, including gender-based violence, and the Environment. Alongside this work, one of her primary responsibilities is to manage the relationships with the third-party social audit programs that Walmart accepts and engage collaboratively with them to influence enhancements in their processes and protocols, with the aim of positively impacting the global supply chain as a whole. During her tenure, she has gained significant expertise in social standards comparison and indicators of forced labour.

- Board meetings attended: 3/3
- Audit and Risk Committee meetings attended: 1/2

Esther Tsang, Member Director

Esther has over 15 years of experience working in global supply chains and has delivered various sustainability and ethical trade programs in multiple industries. She is the Scope 3 NetZero & Sustainability Assurance Manager at The Body Shop. Before then, she worked in responsible procurement to ensure ethical and sustainable operations and supply chains for global cosmetics group Natura & Co and their brands Avon, Aesop, Natura, and The Body Shop. She also worked at US furniture retailer La-Z-Boy, set up their supplier ethical trade programme and conducted audits across Asia and Europe focusing on improving labour standards and health and safety in workplaces. She also worked with McDonald's in roles in social accountability, and managing their supplier ethical programme in Asia-Pacific, Middle East, and Africa regions.

- Board meetings attended: 6/6
- Nomination Committee meetings attended: 1/1

Jeannie Arthur, Independent Non-Executive Director

Jeannie joined the Board in November 2020 and brings 20 years' experience creating and growing technology and data-driven businesses. With an engineering and management consulting background, she is passionate about using technology and data to solve big problems. Alongside her role at Sedex, Jeannie is the CEO of a high-growth software company and holds a non-executive role at a global insurance scale-up company.

- Board meetings attended: 6/6
- Nomination Committee meetings attended: 4/4

Jon Hancock, Chief Executive Officer

Jon joined Sedex in January 2022 to lead Sedex. As a technology sector professional with over 10 years' experience in executive leadership, he brings extensive experience in driving high-performing growth strategies for international organisations. He is passionate about the power of technology to improve people's lives, and the potential of Sedex's ambitious plans to support this vision. Jon's career spans retail banking, consulting, and IT-related professional services. Previous roles include Corporate Vice-President at HCL Technologies and Chief Operating Officer at Axon Group.

- Board meetings attended: 6/6
- Audit and Risk Committee meetings attended: 4/4

Katie Knaggs, Member Director

Katie is a sustainability and ethical trade professional with over 20 years' experience working in the food and agricultural sector. She is based in Australia and works as the Group Ethical Sourcing Manager for Costa Pty Ltd. In her role, she has developed and implemented the company strategy on ethical sourcing. Katie's passion for responsible sourcing and social sustainability evolved through developing ethical sourcing standards for UK fresh produce farms in 2002; she then found an outlet to go beyond compliance in her previous role as Head of Sustainability at International Procurement Limited (IPL). In this role, she developed and implemented projects focusing on living wages for workers, livelihoods for smallholders, women's empowerment, and modern slavery mitigation.

- Board meetings attended: 5/6
- Nomination Committee meetings attended: 4/4
- Remuneration Committee meetings attended: 4/4

Katie Smothers, Member Director

Katie has a bachelor's degree in Finance and is completing a master's degree in Environmental Science and Sustainability. She works at Ingredion Incorporated as a Senior Sustainability Manager and her responsibilities include their global human rights programme, community impact initiatives, and developing a renewable energy strategy to meet Ingredion's 2030 sustainability goals.

Katie has previously held roles at Schneider Electric, and global management consulting firm Kearney (formerly A.T. Kearney).

- Board meetings attended: 2/3
- Remuneration Committee meetings attended: 0/1

Mardee Job, Member Director

Mardee departed the Board at the end of her term in May 2022.

- Board meetings attended: 2/2
- Remuneration Committee meetings attended: 2/3

Michelle French, Member Director

Michelle is Director of Global Sustainability Programs at Archer Daniels Midland Company (ADM) focusing on sustainable supply chain initiatives, including implementation of the company's human rights policy and sustainable agriculture programmes. Michelle engages with stakeholders in the supply chain, growers, customers, and other stakeholders such as NGOs and investors to communicate the company's sustainability strategy. Prior to this role, she spent 10 years in environmental compliance. Michelle has a BSc in Natural Resources and Environmental Science from the University of Illinois Urbana Champaign and currently serves as Secretary of the Board of Directors for Field to Market.

- Board meetings attended: 6/6
- Audit and Risk Committee meetings attended: 4/4

Richard Wright, Chief Financial Officer

Richard departed Sedex to retire in March 2022.

- Board meetings attended: 1/1

Samuel Cliff, Member Director

Samuel departed the Board at the end of his term in May 2022.

- Board meetings attended: 2/2
- Audit and Risk Committee meetings attended: 1/1
- Nomination Committee meetings attended: 1/1

Sonny Bangar, Chief Financial Officer (joined September 2022)

Sonny brings substantial experience to Sedex drawn from a 30-year career in senior finance and operational roles, across listed and non-listed businesses of various sizes in the technology, digital media, and managed services industries.

A qualified accountant and Board representative experienced in business-wide transformation through both organic and inorganic growth, which includes raising investment and M&A activity. He takes on accountability for financing Sedex's ambitious growth plans.

- Board meetings attended: 2/2
- Audit and Risk Committee meetings attended: 2/2

Stephen Bolton, Independent Non-Executive Director

Stephen has been a fellow of the Chartered Institute of Management Accountants since 1992 and is an experienced finance director. He has nearly 40 years of experience of operational and strategic finance, investor relations, M&A, audit risk and compliance, coupled with a strong understanding of international markets and supply chains gained whilst working for Unilever plc and Diageo. He is an Honorary Doctor of Business from Solent University and is Vice Chairman of the Board of Governors at the university. He is also a Non Executive Director of Clarks the iconic shoe company and Naked Wines Plc the leading Online Wine retailer.

- Board meetings attended: 6/6
- Audit and Risk Committee meetings attended: 4/4
- Nomination Committee meetings attended: 4/4

Susan Barton, Independent Non-Executive Director

Susan joined the Sedex Board in June 2020 and brings over 20 years of experience in strategy development, operational performance and business transformation built within the postal, logistics and professional services industries. She has held leadership positions with the UK Post Office, PA Consulting and Accenture, and is a member of the Chartered Institute of Management Accountants. Susan is an accredited mediator and sits on the Board of Escher alongside her role at Sedex.

- Board meetings attended: 6/6
- Audit and Risk Committee meetings attended: 4/4
- Remuneration Committee meetings attended: 3/4

Tim Brooks, Independent Non-Executive Director

Tim is chair of Public Digital, a global digital transformation consultancy, and of RCNi, the commercial arm of the Royal College of Nursing. He also chairs the Advisory Council of the British Library. Four decades' work in the media industry have seen Tim chair or manage businesses in China, India, the USA, and Australia, as well as the UK, and lead famous brands such as The Guardian and The BMJ. In his spare time he is a Samaritans' listening volunteer, and a member of Samaritans' Audit & Risk Committee.

- Board meetings attended: 6/6
- Audit and Risk Committee meetings attended: 4/4
- Remuneration Committee meetings attended: 4/4

Financial statements

Sedex Information Exchange Limited

Directors' report

For the year ended 31 December 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the group continues to be that of the provision of a business information exchange platform accessed via the internet. The platform's purpose is to enable members to share information on ethical trading practices across supply chains.

Sedex Information Exchange Limited is a membership organisation limited by guarantee.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch.7 to be contained in the directors' report. It has done so in respect of key performance indicators, principal risks and uncertainties and future developments.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

- J Arthur
- S Barton
- S Bolton
- T Brooks
- S Esom

- E Tsang
- M French
- K Knaggs
- J Hancock (appointed 10 January 2022)
- B Gregory (appointed 17 May 2022)
- K Smothers (appointed 17 May 2022)
- S Bangar (appointed 01 October 2022)
- M Job (resigned 17 May 2022)
- S Cliff (resigned 17 May 2022)
- R Wright (resigned 11 March 2022)

Results and dividends

The results for the year are set out on **page 43**.

Research and development

The business continues to invest in research and development for its IT platform, with continued focus on constantly improving the access and functionality available to members.

Auditor

RSM UK Audit LLP were appointed as auditor of the Company and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at the Annual General Meeting.

Post balance sheet events

No events or circumstances have occurred since the end of the reporting period which are relevant to the reporting period or the annual report.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



Jon Hancock

Director

Wednesday, 19 April 2023

Independent auditor's report to the members of Sedex Information Exchange Limited

Opinion

We have audited the financial statements of Sedex Information Exchange Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the group profit and loss account, group statement of comprehensive income, group balance sheet, company balance sheet, group statement of changes in equity, company statement of changes in equity, group statement of cash flows, company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on **page 38**, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws

and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;

- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to General Data Protection (GDPR). We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations, reviewed legal expenditure for evidence of claims and obtained reports showing the company's compliance.

The group audit engagement team identified the risk of management override of controls and revenue recognition (cut-off and existence) as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

In respect of revenue recognition (cut-off), audit procedures performed included but were not limited to reviewing sales invoices either side of the year end and deferred revenue at the year end.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP (Apr 19, 2023 16:17 GMT+1)

Richard Heap

(Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP,
Statutory Auditor

Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
United Kingdom

Sedex Information Exchange Limited

Group profit and loss account

For the year ended 31 December 2022

		2022	2021
	Notes	£'000	£'000
Turnover	3	24,309	20,257
Cost of sales		(2,958)	(2,713)
Gross profit		21,351	17,544
Administrative expenses		(20,226)	(15,319)
Operating profit	5	1,125	2,225
Interest receivable and similar income	9	13	13
Interest payable and similar expense	10	-	(2)
Profit before taxation		1,138	2,236
Tax on profit	11	381	304
Profit for the financial year		1,519	2,540

Profit for the financial years are all attributable to the owners of the parent company.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Sedex Information Exchange Limited

Group statement of comprehensive income

For the year ended 31 December 2022

	2022	2021
	£'000	£'000
Profit for the financial year	1,519	2,540
Other comprehensive income		
Currency translation differences	-	(6)
Total comprehensive income for the year	<u>1,519</u>	<u>2,534</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

Sedex Information Exchange Limited

Group balance sheet

As at 31 December 2022

	Notes	2022		2021	
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible assets	12		11,977		6,280
Tangible assets	13		251		428
Deferred tax asset	11		786		594
			<u>13,014</u>		<u>7,302</u>
Current assets					
Debtors	17	5,909		3,356	
Cash at bank and in hand		<u>5,379</u>		<u>7,420</u>	
		11,288		10,776	
Creditors: amounts falling due within one year	18	<u>(15,909)</u>		<u>(13,194)</u>	
Net current liabilities			<u>(4,621)</u>		<u>(2,418)</u>
Total assets less current liabilities			8,393		4,884
Creditors: amounts falling due after more than one year	19		(1,841)		(721)
Provisions for liabilities					
Deferred tax liability	11		<u>(1,005)</u>		<u>(136)</u>
Net assets			<u><u>5,547</u></u>		<u><u>4,027</u></u>
Capital and reserves					
Profit and loss reserves			<u><u>5,547</u></u>		<u><u>4,027</u></u>

The financial statements were approved by the board of directors and authorised for issue on 19 April 2023 and are signed on its behalf by:



J Hancock - Director

Sedex Information Exchange Limited

Company balance sheet

As at 31 December 2022

	Notes	2022		2021	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12		754		351
Tangible assets	13		232		420
Deferred tax asset	11		786		594
Investments	14		104		104
			<u>1,876</u>		<u>1,469</u>
Current assets					
Debtors	17	13,196		7,053	
Cash at bank and in hand		<u>3,647</u>		<u>6,031</u>	
		16,843		13,084	
Creditors: amounts falling due within one year	18	<u>(13,432)</u>		<u>(11,052)</u>	
Net current assets			<u>3,411</u>		<u>2,032</u>
Total assets less current liabilities			5,287		3,501
Creditors: amounts falling due after more than one year	19		<u>(1,745)</u>		<u>(639)</u>
Net assets			<u><u>3,542</u></u>		<u><u>2,862</u></u>
Capital and reserves					
Profit and loss reserves			<u><u>3,542</u></u>		<u><u>2,862</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £680,000 (2021 - £2,485,000).

The financial statements were approved by the board of directors and authorised for issue on 19 April 2023 and are signed on its behalf by:



S Bangar - Director

Company Registration No. 05015443

Sedex Information Exchange Limited

Group statement of changes in equity

For the year ended 31 December 2022

	Profit and loss reserves
	£'000
Balance at 1 January 2021	1,493
Year ended 31 December 2021:	
Profit for the year	2,540
Other comprehensive income:	
Currency translation differences	(6)
Total comprehensive income for the year	2,534
Balance at 31 December 2021	4,027
Year ended 31 December 2022:	
Profit for the year	1,519
Other comprehensive income:	
Currency translation differences	-
Total comprehensive income for the year	1,519
Balance at 31 December 2022	5,547

Sedex Information Exchange Limited

Company statement of changes in equity

For the year ended 31 December 2022

	Profit and loss reserves
	£'000
Balance at 1 January 2021	377
Year ended 31 December 2021:	
Profit and total comprehensive income for the year	2,485
Balance at 31 December 2021	2,862
Year ended 31 December 2022:	
Profit and total comprehensive income for the year	680
Balance at 31 December 2022	3,542

Sedex Information Exchange Limited

Group statement of cash flows

For the year ended 31 December 2022

	Notes	2022		2021	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	26		6,320		5,493
Interest paid			-		(2)
Income taxes refunded/(paid)			(365)		(17)
Net cash inflow from operating activities			5,955		5,474
Investing activities					
Purchase of intangible assets net of proceeds on disposal			(7,990)		(5,065)
Purchase of tangible fixed assets			(19)		(74)
Interest received			13		13
Net cash used in investing activities			(7,996)		(5,126)
Net (decrease)/increase in cash and cash equivalents	28		(2,041)		348
Cash and cash equivalents at beginning of year			7,420		7,072
Cash and cash equivalents at end of year			5,379		7,420

Sedex Information Exchange Limited

Company statement of cash flows

For the year ended 31 December 2022

	Notes	2022		2021	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash (absorbed by) / generated from operations	27		(2,802)		15
Income taxes refunded			-		13
Net cash inflow/(outflow) from operating activities			(2,802)		28
Investing activities					
Purchase of intangible assets		(515)		(360)	
Purchase of tangible assets		-		(80)	
Interest received		1		1	
Dividends received		932		875	
Net cash generated from investing activities			418		436
Net (decrease)/increase in cash and cash equivalents	29		(2,384)		464
Cash and cash equivalents at beginning of year			6,031		5,566
Cash and cash equivalents at end of year			3,647		6,030

Sedex Information Exchange Limited

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies

Company information

Sedex Information Exchange Limited ("the company") is a private company limited by guarantee and domiciled and incorporated in England and Wales. The registered office is 5 Old Bailey, London, EC4M 7BA.

The group consists of Sedex Information Exchange Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Sedex Information Exchange Limited and all of its subsidiaries (ie entities that the group controls through its power

to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2022, except those of Sedex India Private Limited, for which adjustments are made to recognise the results for the year ended 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign subsidiaries are converted from their own currency to pounds sterling using the year end conversion rate for the balance sheet and using the average yearly exchange rate for profit and loss items. Any differences are treated as exchange rate differences.

1.3 Going concern

The group is in a net current liability position at 31 December 2022 of £4,621,000 (2021: £2,418,000). Despite this, the group has continued to trade

profitability and at 31 December 2022 the group had cash and cash equivalent balances of £5,379,000. The Group also remains in a net asset position of £5,547,000 (2021: £4,028,000).

The directors have reviewed detailed forecasts for the group's profitability and cash flows until 30 June 2024, and considered scenarios that could adversely affect performance. In all the scenarios considered, the group continues to manage cash flows to ensure that there is sufficient headroom to continue operating as a going concern. There is an overdraft facility of £1,500,000 which has not been drawn down and is extended until November 2023. This is typically extended on an annual basis.

The directors therefore have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future for a period of at least 12 months following the signing of the financial statements. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover is recognised when the significant risks and rewards of ownership have been transferred to the buyer and the group retains no continuing involvement, the amount of revenue can be reliably measured and it is expected that future economic benefit will flow to the group. Overall it is recognised by revenue stream as follows.

Membership

Membership revenue is recognised on a straight line basis over the membership term. This is recognised when the membership is granted to the member.

Services

Services revenue is recognised as the relevant service is performed and the risks and rewards of ownership are transferred to the buyer.

Other income

Other income is recognised as the revenue generating activities are performed.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets consist of externally and internally generated software which are recognised at cost less accumulated amortisation and accumulated impairment losses. The cost for internally generated software includes employment costs for staff directly contributing to the development of assets.

An asset is recognised once it is confirmed that probable economic benefit will flow from the asset, with particular reference to the technical, commercial and financial feasibility of the software. Any cost of research prior to this point will be treated as an expense in the profit and loss account.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Intangible assets - over 1 to 5 years on straight line basis

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

- Fixtures, fittings & equipment - between 3 and 5 years on a straight line basis or over the life of the lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.8 Investment in subsidiaries

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed and intangible assets

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

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease, which would be recognised in other comprehensive income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Cash and cash equivalents

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

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Current and deferred tax, other than the tax effects of distributions to owners, is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity. The tax expense or income effects of distributions to owners are recognised in profit or loss.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2. Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key judgements:

Internally generated assets

The group reviews all costs relating to the internally generated platform on a case by case basis and only capitalise the costs when it is evidenced that economic benefit from the project is likely. This includes a portion of staff salaries where the staff member is working on a capitalisable asset. To determine whether the internally generated project meets the criteria to be recognised as an intangible asset, consideration is paid to the expected use of the asset, feasibility of the project and the expected future economic benefit to the group.

Recognition of accumulated tax losses

Included in the deferred tax asset balance are deferred tax assets in relation to taxable losses incurred in 2022 and prior years. These can only be recognised to the extent that the directors expect that future taxable profits will be generated. The directors judge that, although the group currently reclaims a significant amount of research and development expenditure, it is probable the deferred tax asset relating to the losses will be recovered against future taxable profits and so the full deferred tax asset has been recognised.

Impairment of intangible assets

On an annual basis, or earlier if indicators of impairment exist, the group performs an intangible asset impairment assessment to identify if there are any impairment indicators which would require an impairment calculation to be performed. The directors judge that given the expected use of the platform, external market conditions and internal conditions that there are no impairment indicators relevant as at 31 December 2022 and therefore no impairment exists.

Key estimates:

Deferral of turnover

A portion of membership turnover and services turnover is deferred to reflect the period of time over which the service is performed. An estimate is made with regards to what portion of the revenue should be recognised each reporting period. This estimate is based on expected service length and average contract price and is reviewed on a monthly basis.

3. Turnover and other revenue

An analysis of the group's turnover is as follows:

	2022	2021
	£'000	£'000
Turnover analysed by class of business		
Membership	19,209	15,778
Services	4,844	4,257
Other income	256	222
	<u>24,309</u>	<u>20,257</u>

	2022	2021
	£'000	£'000
Turnover analysed by geographical market		
United Kingdom	6,935	6,395
Rest of Europe	3,591	4,329
USA/Canada	2,130	2,333
Rest of World	11,653	7,200
	<u>24,309</u>	<u>20,257</u>

4. Adjusted EBITDA

	2022	2021
	£'000	£'000
Adjusted EBITDA	3,826	4,317
Adjust for professional services - 2020 and 2021 R&D claim	(112)	-
Adjust for professional services - transformation costs	(100)	-
Depreciation and amortisation	(2,489)	(2,092)
Operating profit	<u>1,125</u>	<u>2,225</u>

Management views the business' underlying operating earnings before interest, tax, depreciation, and amortisation ("Underlying EBITDA") as a key performance indicator because it reflects the Group's most current and sustainable profitability.

5. Operating profit

	2022	2021
	£'000	£'000
Operating profit/(loss) for the year is stated after charging:		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	-	6
Depreciation of tangible assets	196	186
Amortisation of intangible assets	2,293	1,906
Operating lease charges	691	705

6. Auditor's remuneration

	2022	2021
	£'000	£'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	71	50
Audit of the financial statements of the company's subsidiaries	20	12
	91	62
For other services		
Tax compliance services	15	15
Tax advisory services	-	25
	106	102

7. Employees

The average monthly number of persons (including directors) employed by the group and company during the period was:

	Group		Company	
	2022	2021	2022	2021
	Number	Number	Number	Number
	194	166	146	124

Their aggregate remuneration comprised:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Wages and salaries	11,291	7,040	7,316	5,024
Social security costs	1,396	874	841	520
Pension costs	594	272	309	202
	13,281	8,186	8,466	5,746

8. Directors' and key management personnel remuneration

	2022	2021
	£'000	£'000
Directors remuneration for qualifying services	677	551

The number of directors to whom retirement benefits are accruing under money purchase schemes was two (2021: two)

Remuneration for the highest paid director were as follows:

	2022	2021
	£'000	£'000
Remuneration for qualifying services	301	257

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below.

	2022	2021
	£'000	£'000
Salaries and other short-term benefits	1,486	1,227
Post-employment benefits	146	75
	<u>1,632</u>	<u>1,302</u>

9. Interest receivable and similar income

	2022	2021
	£'000	£'000
Interest income		
Interest on bank deposits	<u>13</u>	<u>13</u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	<u>13</u>	<u>13</u>

10. Interest payable and similar expenses

	2022	2021
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>-</u>	<u>2</u>

11. Taxation

	2022	2021
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	-	-
Adjustments in respect of prior periods	(1,460)	-
Total UK current tax	(1,460)	-
Foreign current tax on profits for the current period	402	153
Current tax	(1,058)	153
Deferred tax	677	(457)
Total current tax	<u>(381)</u>	<u>(304)</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£'000	£'000
Profit before taxation	<u>1,138</u>	<u>2,236</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	216	425
Utilisation of brought forward losses not previously recognised as a deferred tax asset	-	(692)
Expenses not deductible for tax purposes	283	30
Income not subject to tax	(177)	-
Accelerated capital allowances	(9)	11
Change in unrecognised deferred tax assets	508	(109)
Effect of overseas tax rates and losses	95	31
Adjustment to prior years due to R&D tax credits	(1,460)	-
Re-measurement of deferred tax - change in UK tax rate	163	-
Taxation charge	<u>(381)</u>	<u>(304)</u>

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using the enacted tax rates and reflected in these financial statements.

	Group	Company
	£'000	£'000
Deferred tax asset reconciliation		
Opening (1 January 2022)	594	594
Tax benefit	192	192
Closing (31 December 2022)	786	786

The deferred tax asset of £786,000 (2021: £594,000) is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

The deferred tax asset includes losses of £786,000 (2021: £594,000) which may be carried forward indefinitely.

	Group	Company
	£'000	£'000
Deferred tax liability reconciliation		
Opening (1 January 2022)	(136)	-
Tax charge	(869)	-
Closing (31 December 2022)	(1,005)	-

The deferred tax liability of £1,005,000 (2021: £136,000) is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

12. Intangible fixed assets

Group	Intangible assets £'000
Cost	
At 1 January 2022	12,774
Additions	7,989
Disposals	(376)
At 31 December 2022	20,387
Amortisation and impairment	
At 1 January 2022	6,494
Amortisation charged for the year	2,293
Disposals	(377)
At 31 December 2022	8,410
Carrying amount	
At 31 December 2022	11,977
At 31 December 2021	6,280

Company	Intangible assets £'000
Cost	
At 1 January 2022	411
Additions	515
Disposals	-
At 31 December 2022	926
Amortisation and impairment	
At 1 January 2022	60
Amortisation charged for the year	112
At 31 December 2022	172
Carrying amount	
At 31 December 2022	754
At 31 December 2021	351

13. Tangible fixed assets

Group	Fixtures, fittings and equipment £'000
Cost	
At 1 January 2022	650
Additions	19
Disposals	(5)
At 31 December 2022	664
Depreciation and impairment	
At 1 January 2022	222
Depreciation charged in the year	196
Disposals	(5)
At 31 December 2022	413
Carrying amount	
At 31 December 2022	251
At 31 December 2021	428

Company	Fixtures, fittings and equipment £'000
Cost	
At 1 January 2022	629
At 31 December 2022	629
Depreciation and impairment	
At 1 January 2022	209
Depreciation charged in the year	188
At 31 December 2022	397
Carrying amount	
At 31 December 2022	232
At 31 December 2021	420

14. Investments

	Notes	Group		Company	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Investments in subsidiaries	15	-	-	104	104

Company	Shares in group undertakings
Movements in fixed asset investments	£'000
Cost or valuation	
At 1 January 2022 and 31 December 2022	104
Carrying amount	
At 31 December 2022	104
At 31 December 2021	104

15. Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking		Country	Nature of business	Class of shares held	% Held
					Direct
Sedex Australia PTY Limited	1	Australia	See below	Ordinary	100.00
Sedex Information Exchange (Shanghai) Limited	2	China	See below	Ordinary	100.00
Sedex Chile SPA	3	Chile	See below	Ordinary	100.00
Sedex Solutions Limited	4	UK	See below	Ordinary	100.00
Sedex India Private Limited	5	India	See below	Ordinary	100.00
Sedex USA LLC	6	USA	See below	Ordinary	100.00

Registered numbers and office addresses

	Registration number	Registered address
1	621 825 009	Suite 2003 Level 20, 109 Pitt Street, Sydney NSW 2000, Australia
2	91310000596413673N	Room 701-703, Office Block of Shanghai International Equatorial Hotel, 65 West Yan An Road, Shanghai 200040, China
3	10.059-2018	Providencia 1650, of 1303, Santiago, 7500027 Chile
4	8183688	5 Old Bailey, London, EC4M 7BA, United Kingdom
5	U74999HR2019FTCo78252	14th Floor, Tower 5B, DLF Epitome, DLF Cyber City Phase - III, Gurugram, Haryana 122002, India
6	87-2784199	920 North King Street, 2nd Floor, Wilmington, New Castle County, Delaware 19801

The principal activity of Sedex Solutions Limited is the provision of professional consultancy services to the membership organisations of Sedex Information Exchange Limited.

The main business scope of Sedex Information Exchange (Shanghai) Limited includes business information consulting and business administration consulting in Southeast Asia.

The main business scope of Sedex Chile SPA includes business information consulting and business administration consulting in South America.

The main business scope of Sedex Australia PTY Limited includes business information consulting and business administration consulting in Oceania.

The main business scope of Sedex India Private Limited includes business information consulting and business administration consulting in Central Asia.

The main business scope of Sedex USA, LLC is the provision of sales and marketing support for Sedex Information Exchange Limited in North America

For the financial period ended 31 December 2022, the following subsidiary companies were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

- Sedex Solutions Limited, company registration no. 08183688

16. Financial instruments

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	<u>2,925</u>	<u>2,602</u>	<u>12,343</u>	<u>6,613</u>
Carrying amount of financial liabilities				
Measured at amortised cost	<u>3,695</u>	<u>2,968</u>	<u>2,761</u>	<u>1,941</u>

17. Debtors

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	2,197	2,362	2,188	2,336
Corporation tax recoverable	1,545	140	-	-
Amounts owed by group undertakings	-	-	10,100	4,208
Other debtors	728	240	56	69
Prepayments and accrued income	<u>1,439</u>	<u>614</u>	<u>852</u>	<u>440</u>
	<u>5,909</u>	<u>3,356</u>	<u>13,196</u>	<u>7,053</u>

18. Creditors: amounts falling due within one year

	Notes	Group		Company	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Trade creditors		810	150	111	78
Amounts owed to group undertakings		-	-	460	148
Other taxation and social security		335	217	335	217
Corporation tax payable		34	52	-	-
Deferred income	20	11,845	9,956	10,336	8,895
Other creditors		171	46	98	32
Accruals and deferred income		2,714	2,772	2,092	1,682
		<u>15,909</u>	<u>13,193</u>	<u>13,432</u>	<u>11,052</u>

19. Creditors: amounts falling due after more than one year

	Notes	Group		Company	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Deferred income	20	<u>1,841</u>	<u>721</u>	<u>1,745</u>	<u>639</u>

20. Deferred income

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Deferred income	<u>13,686</u>	<u>10,677</u>	<u>12,081</u>	<u>9,534</u>
Deferred income is included in the financial statements as follows:				
Current liabilities	11,845	9,956	10,336	8,895
Non-current liabilities	<u>1,841</u>	<u>721</u>	<u>1,745</u>	<u>639</u>
	<u>13,686</u>	<u>10,677</u>	<u>12,081</u>	<u>9,534</u>

21. Retirement benefit schemes

	2022	2021
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>594</u>	<u>272</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The total amount outstanding at the year end was £72,000 (2021 - £34,000)

22. Share capital

The company is limited by guarantee, not having a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required not exceeding £1.

23. Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum payments under non-cancellable operating agreements, which fall due as follows:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Within one year	669	829	554	633
Between two and five years	910	494	814	475
	<u>1,579</u>	<u>1,323</u>	<u>1,368</u>	<u>1,108</u>

All of the above amounts relate to rental leases.

24. Related party transactions

Company

The company has taken advantage of FRS 102.33.1A Related Party Disclosures not to disclose intercompany transactions.

The company has provided guarantees in respect of the debts of its subsidiary, Sedex Solutions Limited registered number 8183688, in accordance with S.479C Companies Act 2006, thus enabling it to claim exemption from audit under S.479S Companies Act 2006.

25. Controlling party

The company is controlled by its members.

26. Cash generated from group operations

	2022	2021
	£'000	£'000
Profit for the year after tax	1,519	2,540
Adjustments for:		
Taxation recoverable	(381)	(304)
Investment income	(13)	(13)
Finance costs	-	2
Amortisation and impairment of intangible assets	2,293	1,906
Depreciation and impairment of tangible fixed assets	196	186
Foreign exchange gains/(losses) on cash equivalents	-	(5)
Movements in working capital:		
Increase in debtors	(1,148)	(356)
Increase/(decrease) in creditors	845	(120)
Increase in deferred income	3,009	1,657
Cash generated from operations	6,320	5,493

27. Cash generated from operations - company

	2022	2021
	£'000	£'000
Profit for the year after tax	680	2,485
Adjustments for:		
Taxation recoverable	(192)	(575)
Investment income	(1)	(876)
Amortisation and impairment of intangible assets	112	21
Depreciation and impairment of tangible fixed assets	188	186
Foreign exchange losses on cash equivalents	(12)	-
Movements in working capital:		
Increase in debtors	(6,142)	(2,299)
Decrease in creditors	(458)	(500)
Increase in deferred income	3,023	1,573
Cash (absorbed by)/generated from operations	(2,802)	15

28. Analysis of changes in net funds - group

	1 January 2022	Cash flows	31 December 2022
	£'000	£'000	£'000
Cash at bank and in hand	7,420	(2,041)	5,379

29. Analysis of changes in net funds - company

	1 January 2022	Cash flows	31 December 2022
	£'000	£'000	£'000
Cash at bank and in hand	6,031	(2,384)	3,647

30. Events after the reporting period

No events or circumstances have occurred since the end of the reporting period which are relevant to the reporting period or the annual report.



Head Office: 5 Old Bailey, London, EC4M 7BA

+44 (0)20 7902 2320 | communications@sedex.com | www.sedex.com

Chicago | Gurugram | London | Santiago | Shanghai | Sydney | Tokyo