Company Registration No. 02073305

Alexander Mann Solutions Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

Alexander Mann Solutions Limited

Annual report and financial statements 2019

Contents

Alexander Mann Solutions Limited

Officers and professional advisers

Directors

R Blair	
M Rodger	
E Whittaker	(Appointed 12 March 2019)
S Leach	(Appointed 30 April 2019)
J Roberts	(Appointed 30 April 2019)

Registered Office

7 Bishopsgate
London
EC2N 3AQ

Bankers

HSBC Bank Limited
8 Canada Square
London
E14 5HP

Lloyds Bank plc
25 Gresham Street,
London
EC2V 7HN
United Kingdom

Solicitors

Weil, Gotshal & Manges (London) LLP
110 Fetter Lane
London
EC4A 1AY
United Kingdom

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Alexander Mann Solutions Limited

Strategic report

This Strategic report has been prepared for Alexander Mann Solutions Limited ("the Company).

COVID-19

Since the year end, significant economic and social disruption has arisen from the Covid-19 pandemic. The Company has invoked business continuity plans and at present most offices are closed and employees are working from home to ensure their safety and well-being whilst we continue to fully support our clients and service their on-going requirements.

As a result of the pandemic the Company is expected to be impacted in the year ahead by a reduction in income from all activities and a reduction in earnings before exceptional items, interest, taxation, depreciation and amortisation (EBITDA). The Board considered in depth the impact of Covid-19 on the Company's viability and going concern status. The relevant disclosures are set out in Note 3.

Review of Alexander Mann Solutions Limited trading results for the year ended 31 December 2019

In 2019, Alexander Mann Solutions Limited generated earnings before exceptional items, interest, taxation, depreciation and amortisation (EBITDA) of £35.7m (2018: £35.3m) and an operating profit before exceptional items of £29.3m (2018: £30.9m).

The key financial metrics used by the Company to monitor trading performance are NFI (net fee income), operating profit and EBITDA. Operating profit and EBITDA are measured before exceptional items and amortisation of goodwill.

The strong progression in the Company's trading metrics is detailed below.

	2019 £'000	Increase %	2018 £'000	Increase %
Billing	1,680,118	32.9%	1,263,831	29.4%
Turnover	163,805	11.5%	146,975	8.5%
Net fee income (gross profit)	143,616	15.7%	124,116	6.8%
Operating profit (before exceptional items)	29,295	(5.1%)	30,879	6.6%
Profit before tax	28,972	19.2%	24,268	8.2%
EBITDA	35,696	1.3%	35,252	8.7%

A reconciliation between statutory operating profit and EBITDA (as defined above) is presented in the table below

	2019 £'000	2018 £'000
Operating profit	27,406	25,603
Exceptional items	1,889	5,276
	29,295	30,879
Depreciation of right of use and fixed assets	1,954	2,714
Amortisation of software and contract implementation costs	4,447	1,659
EBITDA (as defined above)	35,696	35,252

Review of Alexander Mann Solutions Limited trading results for the year ended 31 December 2019 (continued)

The Company continues to record total billings to customers as this is a driver of working capital and reflects overall transactional activity. Total billings equates to the turnover that the Company reported prior to implementing IFRS 15.

2019 was a year of growth for the Company with turnover rising by 11.5% and NFI rising by 15.7%. The growth in both turnover and NFI reflects the on-going success of Company's strategy of sector diversification with a continuing increase in the share of NFI attributed to Pharmaceutical and Life Sciences sector and the Public sector

The Company generated EBITDA of £35.7m in 2019 which is an increase of 1.3% on 2018. This performance, with EBITDA as a % of NFI decreasing from 28.4% in 2018 to 24.9% in 2019, reflects the investment in both the central team and the new volume hiring "hourly" service and the investment in new Contingent Workforce Solutions (CWS) clients in year that are loss making initially coupled with the fact that the procurement process was typically longer in 2019.

The Company acquired Karen HR Inc in 2019 and this strategic investment will support the development of an AI- driven volume hiring tool to enable the Company to enter the USA volume hiring market in 2020.

Cash generation was strong in 2019 with net cashflow from operating activities of £13.2m (2018 £8.2m) and an increase in cash balances of £8.2m (2018: £5.9m). The strong cash generation was driven by strong working capital management and the benefit of the new CWS contracts.

The Company is primarily funded through external debt provided by third party banks and funds managed by OMERS Private Equity. The Company had a net asset position at 31 December 2019 of £25.2m (£74.6m).

As at April 2020, the Company has a median gender pay gap in hourly pay of 7.5% (2018: 7.9%): this compares favourably to the national average (Office for National Statistics) of 17.3% (2018: 17.9%).

Principal risks and uncertainties

The Company's activities expose it to a number of financial risks including prolonged impact of the Covid-19 pandemic, cash flow risk, credit risk, interest rate risk and liquidity risk. With the exception of the foreign currency forwards detailed below, the Company does not use derivative financial instruments.

Prolonged impact of a pandemic

The Covid-19 pandemic is a new and emerging risk which has resulted in significant economic and social disruption since the year end. The Company could be materially impacted by lower revenues as a result of an economic downturn albeit as was experienced after the last economic downturn, there is also significant potential upside as organisations look to outsource as a way of removing fixed costs. The Company benefits from a wide portfolio of clients in divergent sectors and whilst a number of sectors are experiencing a significant reduction in demand (Airlines & Leisure), other clients (Health and Pharma) continue to grow. Our Public Sector business remains steady and we do not envisage experiencing a reduction in volumes over the coming months. Other clients continue to assess the impact of the pandemic on their businesses and key for the Company is to remain close to our clients so that we can react quickly to any change in demand from them.

The Company has invoked business continuity plans as it seeks to support its clients whilst ensuring the safety and well-being of its employees. The Company has undertaken a detailed review of government pandemic support schemes and has accessed these schemes where appropriate. The Company performs regular reforecasts to assess the likely impact of the pandemic on revenues and is in regular discussion with key clients to ensure that we can react to the fluctuating requirements of our customers in an agile manner.

The Company is closely monitoring the impact of the pandemic on liquidity and, whilst it foresees no liquidity issues, has drawn £31.5m under the Revolving Credit Facility for a 6-month period in order to protect the Company against any liquidity restrictions in the Banking market

Principal risks and uncertainties (continued)

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company aims wherever possible to match income and costs by currency and maintains foreign currency denominated bank accounts so as to minimise the exposure to converting currencies into sterling. The Company also draws funding in foreign currencies so as to minimise the foreign exchange exposure of funding the working capital requirements of its overseas subsidiaries. In addition, in view of the increasing cost base denominated in Polish zloty which is typically funded by the Company, the Company has entered into forward contracts which commit the Company to purchasing Polish zloty at a pre-determined rate each month, so as to provide some certainty about the Polish zloty exchange rate for an appropriate percentage of the Company's forecast Polish zloty funding requirements.

In early 2019, the Company also entered into forward contracts to hedge an appropriate percentage of the cost base denominated in Philippine pesos and of the profits denominated in Euros.

Credit risk

The Company is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. The Company mitigates this risk by ensuring that its counterparties do not represent excessive credit risk prior to the agreement of any transaction.

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company maintains a well-established Credit Control function that monitors the Company's trade debtors and is in regular communication with the Company's customers.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, who tend to be global, blue chip corporations with high credit ratings. Exposure to counterparties is reviewed on a regular basis to avoid any excessive reliance on a single counterparty.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company is a party to a £36.0 million invoice discounting facility with HSBC bank and Lloyds bank. Under the terms of the facility any funds advanced to the Group by the discounting house are secured against a specific basket of pre-agreed trade debtors.

The directors monitor compliance with financial covenants related to this facility agreement on an ongoing basis.

The Company is also party to a £40.0m revolving credit facility (RCF).

Interest rate risk

The Receivables Financing Agreement bears interest at HSBC Bank plc's bank base rate plus margin and is therefore exposed to interest rate risk. The Company has not put in place any hedging arrangements in relation to movements in base rate.

Brexit risk

The Company is well positioned to deal with Brexit risks. Due to the continued geographical diversification a large proportion of the NFI delivered in the UK is with clients where the relationships are pan-European or global so if those clients decide to move activities from the UK to another European destination AMS would continue to supply them in that location. There is a potential risk from Brexit impacting economic growth. For example if a 'no deal Brexit' were to occur that triggered a recession in the UK that could well impact our clients hiring plans. Although this would have a negative impact on the group the business is well positioned to deal with recession due to the nature of the contracts with clients and the flexibility of the cost base globally.

Alexander Mann Solutions Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

As well as the economic risks outlined above the Company has also considered a number of other risks including:

- Client service and supply chain: Alexander Mann Solutions already has in place flexible operational capacity in both the UK and Continental Europe, nevertheless we will continue to work with our clients and supply chain partners over the coming months, in order to operate effectively through the Brexit period and beyond.
- Employees and mobility: We will continue to ensure our employees are employed legally, and that their rights are fully understood after Brexit further to detailed analysis and management of relevant rules based on the diverse nationalities employed by Alexander Mann Solutions. It is still our intention, insofar as it is possible, to recruit and retain individuals from a global talent pool.
- Regulatory frameworks and compliance: Where necessary we will audit any international contracts and review current processes to ensure that we stay compliant with any changes in the legal order.
- Data transfer: We have reviewed our data transfer agreements to include the standard data protection clauses, ensuring that any data transfer within the organisation between the EU and non EU locations continues to be lawful after the UK leaves the EU.

Key performance indicators

The Company monitors a number of operational, financial and strategic indicators to ensure it is progressing against plan and adequately addressing any risks. As mentioned above, financial metrics measured include NFI, Operating Profit, EBITDA and cash flow. Non-financial metrics include but are not limited to, the hiring source mix and the gender pay gap ratio.

Approved by the Board of Directors
and signed on behalf of the Board

Elizabeth Whittaker

E Whittaker
Director

22 December 2020

Alexander Mann Solutions Limited

Directors' report

The Directors of Alexander Mann Solutions Limited ('the Company') present their annual report with the financial statements and independent auditor's report for year ended 31 December 2019.

Principal activities

The principal activity of the Company is the provision of Talent Acquisition and Talent Management Services usually under long-term contractual arrangements.

Business review

Profit for the year after tax was £27,650,000 (2018: £19,015,000).

Future developments

The Company will continue to expand by developing present client relationships with further geographical growth and breadth of service offering, as well as by working with new clients.

Since the year end, significant economic and social disruption has arisen from the Covid-19 pandemic. The Company has invoked business continuity plans and at present most offices are closed and employees are working from home to ensure their safety and well-being whilst we continue to fully support all our clients and service their on-going requirements.

As a result of the pandemic the Company is expected to be impacted in the year ahead by a reduction in income from all activities and a reduction in EBITDA.

The Board considered in depth the impact of Covid-19 on the Company's viability and going concern status. The relevant disclosures are set out in Note 3.

Financial risk management objectives and policies

The financial risk management objectives and policies are discussed in detail in the Strategic Report.

Directors

The current directors are listed on page 1. On 12 March 2019, R Timmins and V Byrnes both resigned as directors. E Whittaker was appointed director on 12 March 2019 and S Leach and J Roberts were appointed as directors on 30 April 2019.There have been no director changes since the year end.

Directors' indemnity arrangements

The Group has purchased directors' and officers' liability insurance in respect of itself and its directors at the end of 2019.

Dividends

During the year, as part of a group restructuring & simplification exercise, the Company paid dividends to shareholders of £77,366,000 (2018: £229,000).

During the year the Company received dividends from its subsidiaries of £2,565,000 (2018: £798,000).

Going concern

As at 31 December 2019, the Company had a cash balance of £34.6m and undrawn Confidential Invoice Discounting and Revolving Credit Facilities of £71m to further assist with its liquidity requirements. In addition, the Auxey Holdco Limited group ("the Group"), of which the Company forms part of, has a £200 million term loan facility and a $161.2 million term loan facility, which require compliance with covenants. A significant element of the indebtedness is shareholder loan notes, which are free from financial covenants. The shareholder loan notes are repayable on 15 June 2028 or on an exit event, whichever is earlier.

The Directors performed a group level assessment of the Group's forecasts for the financial years ending 31 December 2020 and 31 December 2021 and, alongside their 'base case' forecasts, have considered the potential impact of severe downside scenarios which could result from the economic disruption caused by the global Covid-19 pandemic. The major variables being the depth and duration of the pandemic and its impact on potential reductions in client demand.

Going concern (continued)

The Directors have considered several variables that may have an impact on future trading due to the global pandemic and the possibility of a global recession and have run from a Group wide perspective a number of downside scenarios that reflect various potential reductions in client demand together with the associated mitigating actions available such as headcount reductions, benefits of government sponsored payroll and tax deferral support schemes, wide ranging voluntary and temporary salary reduction measures, and a reduction in discretionary spend.

The Group has modelled various scenarios using assumptions that include significantly reduced client demand impacting NFI and EBITDA (as defined in the Strategic Report) and estimate the impact on NFI of the pandemic to be in the region of 10% to 15% for 2020. Forecast stress testing scenarios, in the light of the pandemic, have demonstrated that the Group could mitigate and withstand both a material and prolonged decrease in NFI and EBITDA without breaching the covenants attached to the banking facilities and the Group could even withstand the purely illustrative for this test and highly remote scenario of a 35% decline in NFI for the 18 months through to December 2021 and still operate within existing facilities. The covenants are measured including a number of agreed 'pro-forma' adjustments to the actual results and these adjustments have also been forecast to take account of potential downside scenarios.

These forecasts, which include the impact on lending covenants, take into account the Board's future expectations of the Group's performance and permissible covenant pro-forma adjustments, indicate that there is sufficient headroom within the bank facilities for the Group to continue to operate within those facilities and to comply with the financial covenants.

In addition, the Directors have also assessed the going concern assumption at the Company level where there are no external borrowings or covenant obligations. The directors believe that the Company is adequately placed to manage its business risks successfully and, on the basis of both the Group and Company level forecasts, and after making due enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus the Directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Refer to note 3 to the financial statements for detailed considerations made by the directors.

Subsequent events

Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11 March. There are no other material subsequent events to report.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the Company intranet and the annual appraisal process. Employees are consulted regularly on a wide range of matters affecting their current and future interests and are eligible for an annual bonus related to the overall profitability of the group and their individual performance.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Charitable and political contributions

During the year the Company made no charitable donations (2018: £1,756). The Company made no political donations in the year.

Statement of Compliance with Section 172 of the Companies Act 2006

Throughout the year the directors have performed their duty to promote the success of the company under section 172, taking into consideration:

- all issues, factors and stakeholders relevant in complying with this section of the Companies Act
- the main methods used to engage with stakeholders & how best to understand and address the issues that concern them
- how the stakeholder issues impact on the company's decisions and strategies during the financial year and in the medium to longer term

Engaging with stakeholders

The success of our business is dependent on the support of all of our stakeholders. Building positive relationships with stakeholders that share our values is important to us and working together towards shared goals assists us in delivering long-term success.

Our Company comprises a number of industry sector specific business units, all of which have extensive engagement with their own stakeholders and with other business units in the Group. Each business unit is represented on the Executive Committee that meets on a regular basis and this Executive Committee makes decisions with a long-term view in mind and with the highest standards of conduct. In order to fulfil their duties, the Heads of each business unit and the Executive Committee take care to have regard to the likely consequences on all stakeholders of the decisions and actions which they take.

Reports are regularly made to the Auxey HoldCo Board by the Executive Committee as to the strategy, performance and key decisions taken which provides the Board with assurance that proper consideration is given to stakeholder interests in decision-making.

Shareholders

The Auxey Holdco Board meets on a regular basis and two of the Directors represent the ultimate & majority shareholder. In addition, the other Auxey Holdco Directors are also shareholders in the Group and as such shareholder interests are well represented at the Board level.

Lenders

We maintain strong relationships with our lender syndicate and provide a quarterly update on all financial aspects of the Group's performance.

Workforce

Our people are key to our success and we want them to thrive both individually and as a team. There are many ways in which we engage with and listen to our people; these include sentiment surveys, listening groups, face-to-face briefings, internal town halls and via our Code of Conduct Helpline. There is also a free of charge 24/7 independent Employee Assistance Programme at the disposal of our employees where they can access help and support on a number of work and personal related topics. Key areas of focus within people engagement include health and well-being, career development opportunities, and a regular market review of pay and benefits. Regular feedback about what is important to our employees is fed back to the Board through our MD of People and Culture ensuring consideration is given to their needs. We have started a programme of Diversity & Inclusion and Global Citizenship days where we invite a broad range of individuals to present to employees & to stimulate wide ranging conversations & improve awareness.

Customers

Our ambition is to deliver best-in-class service to our customers. We build strong lasting relationships with our customers as evidenced by the long-term nature of our contracts and the high contract renewal rate. We spend considerable time with our customers to understand their needs and views and listen to how we can improve our offer and service for them. We use this knowledge to inform our decision-making and product development, for example with the new "Hourly" volume recruitment proposition that we are developing.

Suppliers

We build strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through a series of interactions and formal reviews and we also host regular conferences to bring suppliers and customers together to discuss shared goals and build relationships. The Board recognises that relationships with suppliers are important to the Group's long-term success and is briefed on supplier payment performance, supplier feedback and issues on a regular basis.

Government and regulators

We engage with government and regulators through a range of industry consultations, forums, meetings and conferences to communicate our views to policy makers relevant to our business. Key areas of focus are compliance with laws and regulations and most recently in respect of the implications of IR35. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted with Section 418 of the Companies Act 2006.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

Elizabeth Whittaker

E Whittaker
Director
22 December 2020

Alexander Mann Solutions Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company and of the profit or loss of the Company for that period.

In preparing the Company financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Each of the directors, whose names are listed on page 1, confirms that:

- to the best of their knowledge, the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- to the best of their knowledge, the Annual Report and financial statements includes a fair review of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces; and
- they consider, having taken advice from the Audit Committee, that the Annual Report and Financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Independent auditor's report to the members of Alexander Mann Solutions Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Alexander Mann Solutions Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- Statement of profit and loss and other comprehensive income;
- Statement of financial position;
- Statement of cash flows;
- Statement of changes in equity;
- Notes to the financial statements;
- Statement of accounting policies; and
- Related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Alexander Mann Solutions Limited (continued)

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 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.

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

Report on other legal and regulatory requirements

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.

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

Independent auditor's report to the members of Alexander Mann Solutions Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in respect of these matters.

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.

Peter Saunders (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
22 December 2020

Alexander Mann Solutions Limited

Statement of profit and loss and other comprehensive income
For the year ended 31 December 2019

		2019			2018		
		Before exceptional items	Exceptional items	Statutory result	Before exceptional items	Exceptional items	Statutory result
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	4	163,805	-	163,805	146,975	-	146,975
Cost of sales		(20,189)	-	(20,189)	(22,859)	-	(22,859)
Gross profit		143,616	-	143,616	124,116	-	124,116
Administrative expenses	7	(114,321)	(1,889)	(116,210)	(93,237)	(5,276)	(98,513)
Operating profit		29,295	(1,889)	27,406	30,879	(5,276)	25,603
Finance charges (net)	8			(999)			(2,133)
Dividends received				2,565			798
Profit before tax	6			28,972			24,268
Tax on profit	9			(1,322)			(5,253)
Profit for the year				27,650			19,015
Other comprehensive income							
Exchange gain/(loss)				82			(116)
Total comprehensive income for the year				27,732			18,899

All of the results presented above derive from continuing operations.

Alexander Mann Solutions Limited
Statement of financial position
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Tangible assets	**10**	1,525	4,037
Intangible assets	**11**	4,742	-
Right-of-use assets	**12**	2,500	-
Investments	**13**	1,967	1,777
Deferred tax	**18**	569	525
		11,303	6,339
Current assets			
Debtors: Amounts falling due within one year	**14**	146,691	204,919
Cash at bank and in hand		34,649	26,433
		181,340	231,352
Creditors: Amounts falling due within one year	**15**	(164,797)	(162,634)
Net current assets		16,543	68,718
Total assets less current liabilities		27,846	75,057
Creditors: amounts falling due after more than one year	**16**	(2,235)	-
Provision for liabilities	**17**	(417)	(417)
Net assets		25,194	74,640
Capital and reserves			
Called up share capital	**20**	90	90
Profit and loss account		25,104	74,550
Total shareholder's funds		25,194	74,640

The financial statements of Alexander Mann Solutions Limited, registered number 02073305, were approved by the board of directors and authorised for issue on 22 December 2020.

Signed on behalf of the board of directors

Elizabeth Whittaker

Elizabeth Whittaker
Director

Alexander Mann Solutions Limited

Statement of cash flows
For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Net cash flow from operating activities	**21**	13,206	8,204
Payments to acquire tangible fixed assets	**10**	(1,319)	(3,076)
Payments to acquire intangible assets	**11**	(3,521)	-
Dividend received		309	798
Acquisition of subsidiary	**13**	(190)	-
Net cash flow used in investing activities		(4,721)	(2,278)
Dividend paid in cash		(269)	-
Net cash flow from financing activities		(269)	-
Net increase in cash and cash equivalent		8,216	5,926
Cash and cash equivalents in the beginning of the financial year		26,433	20,507
Cash and cash equivalents in the end of the financial year		34,649	26,433

Cash and cash equivalents comprise cash and bank balances.

Alexander Mann Solutions Limited

Statement of changes in equity
For the year ended 31 December 2019

	Share capital £'000	Profit and loss account £'000	Total £'000
Balance as at 1 January 2018	**90**	**55,880**	**55,970**
Total comprehensive income for the year	-	18,899	18,899
Dividends paid	-	(229)	(229)
Balance as at 31 December 2018	**90**	**74,550**	**74,640**
Opening reserve adjustment for IFRS 16 (note 12)	-	(426)	(426)
Total comprehensive income for the year	-	27,732	27,732
Dividends paid	-	(77,366)	(77,366)
Capital contribution	-	614	614
Balance as at 31 December 2019	**90**	**25,104**	**25,194**

Alexander Mann Solutions Limited

Notes to the financial statements
For the year ended 31 December 2019

1. General Information

Alexander Mann Solutions Limited (the "Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the Company's registered office is 7 Bishopsgate, London EC2N 3AQ.

The principal activity of the Company is the provision of Talent Acquisition and Talent Management Services usually under long-term contracts.

2. Adoption of new and revised standards

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, had not yet been adopted by the EU:

- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IAS 7 (amendments) Disclosure Initiative
- IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Directors of the Company (the "Directors") expect that the adoption of the standards listed above will not have a material impact. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

(i) New and amended standards adopted by the Company

In the current year, the Company has applied IFRS 16 *Leases* (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Company's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach (2A) which:

requires the Company to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

2. Adoption of new and revised standards (continued)

(i) New and amended standards adopted by the Company (continued)

(b) Impact on Lessee Accounting

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

(a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);

(b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

(c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

(c) Financial impact of initial application of IFRS 16.

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 6%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	£'000
Operating lease commitments at 31 December 2018	3,698
Effect of discounting the above amounts	(593)
Lease liabilities recognised at 1 January 2019	3,105

2. Adoption of new and revised standards (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting years and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out above.

3. Accounting policies

Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and therefore the Company financial statements comply with Article 4 of the EU IAS Regulation. IFRS includes the standards and interpretations approved by the International Accounting Standards Board ("IASB") including International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

These financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Going concern

As at 31 December 2019, the Company had a cash balance of £34.6m and undrawn Confidential Invoice Discounting and Revolving Credit Facilities of £71m to further assist with its liquidity requirements. In addition, the Auxey Holdco Limited group ("the Group"), of which the Company forms part of, has a £200 million term loan facility and a $161.2 million term loan facility, which require compliance with covenants. A significant element of the indebtedness is shareholder loan notes, which are free from financial covenants. The shareholder loan notes are repayable on 15 June 2028 or on an exit event, whichever is earlier.

The Directors have performed a group level assessment of the Group's forecasts for the financial years ending 31 December 2020 and 31 December 2021 and, alongside their 'base case' forecasts, have considered the potential impact of severe downside scenarios which could result from the economic disruption caused by the global Covid-19 pandemic. The major variables being the depth and duration of the pandemic and its impact on potential reductions in client demand.

The Directors have considered several variables that may have an impact on future trading due to the global pandemic and the possibility of a global recession and have run a number of downside scenarios that reflect various potential reductions in client demand together with the associated mitigating actions available such as headcount reductions, benefits of government sponsored payroll and tax deferral support schemes, wide ranging voluntary and temporary salary reduction measures, and a reduction in discretionary spend.

The Group has modelled various scenarios using assumptions that include significantly reduced client demand impacting NFI and EBITDA (as defined in the Strategic Report) and estimate the impact on NFI of the pandemic to be in the region of 10% to 15% for 2020. Forecast stress testing scenarios, in the light of the pandemic, have demonstrated that the Group could mitigate and withstand both a material and prolonged decrease in NFI and EBITDA without breaching the covenants attached to the banking facilities and the Group could even withstand the purely illustrative for this test and highly remote scenario of a 35% decline in NFI for the 18 months through to December 2021 and still operate within existing facilities. The covenants are measured including a number of agreed 'pro-forma' adjustments to the actual results and these adjustments have also been forecast to take account of potential downside scenarios.

These forecasts, which include the impact on lending covenants, take into account the Board's future expectations of the Group's performance and permissible covenant pro-forma adjustments, indicate that there is sufficient headroom within the bank facilities for the Group to continue to operate within those facilities and to comply with the financial covenants.

In addition, the directors have also assessed the going concern assumptions at the Company level where there are no external borrowings or covenant obligations. The directors believe that the Company is adequately placed to manage its

3. Accounting policies (continued)

business risks successfully and, on the basis of both the Group and Company level forecasts, and, after making due enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, thus the Directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated statement of comprehensive income as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Other intangible assets

Intangible assets other than goodwill include amounts spent by the Company acquiring licences and the costs of purchasing and developing computer software. These are stated at cost less accumulated amortisation and impairment losses. Amortisation is carried out on a systematic basis as below:

- The amortisation method reflects the pattern of benefits;
- If a pattern cannot be determined reliably, the straight-line method is adopted;
- The amortisation charge is recognised in profit or loss; and

The Company has no other intangible assets with an indefinite life.

Financial assets and liabilities

Financial assets

Financial assets are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument and are measured at fair value on initial recognition. Transaction costs are included in the fair value on initial recognition except for financial assets designated at fair value through profit or loss where transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all risks and rewards. Transfers of financial assets with retention of all or substantially all risks and rewards include for example repurchase transactions and securities lending transactions. The Company classifies its financial assets in the following categories: financial instruments at fair value through profit or loss; loans and receivables; held-to maturity investments and available-for-sale financial assets.

Trade date accounting is applied to financial assets classified in the categories financial assets at fair value through profit or loss and available-for-sale financial assets. Settlement date accounting is applied to the other categories of financial assets.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss consist of financial assets classified as held for trading and financial assets which, upon initial recognition, have been designated at fair value through profit or loss (fair value option).

Financial assets are classified as held for trading if they are held with the intention to be sold in the short term and for the purpose of generating profits. Derivatives are classified as held for trading unless designated as hedging instruments.

The fair value option can be applied to contracts including one or more embedded derivatives, investments that are managed and evaluated on a fair value basis and situations in which such designation reduces measurement inconsistencies.

The nature of the financial assets and financial liabilities which have been designated at fair value through profit or loss and the criteria for such designation are described in the relevant notes to the financial statements.

3. Accounting policies (continued)

Gains and losses arising from changes in fair value are reported in the income statement on an ongoing basis under the item net financial income.

Financial liabilities
Financial liabilities are measured at fair value on initial recognition. In the case of financial liabilities measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or the issuance of the financial liability are recognised in profit or loss. For other financial liabilities direct transaction cost are recognised as a deduction from the fair value. Financial liabilities are derecognised when extinguished, that is, when the obligation is discharged, cancelled or expired.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are either classified as held for trading or designated as fair value through profit or loss on initial recognition (fair value option). The criteria for classification of financial liabilities under the fair value option are the same as for financial assets. Liabilities to policyholders and Debt securities are included in this category. Financial liabilities held for trading are primarily short positions in interest-bearing securities, equities and derivatives not designated as hedging instruments.

Gains and losses arising from changes in fair value are reported in the income statement on an ongoing basis under the item net financial income.

Other financial liabilities

The category other financial liabilities primarily include the Company's short-term and long-term borrowings. After initial recognition other financial liabilities are measured at amortised cost, using the effective interest method. The balance sheet items Deposits from credit institutions, Deposits and borrowings from the public and debt securities are included in this category.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly market between market participants at the measurement date.

The fair value of financial instruments quoted in an active market, for example derivatives, financial assets and financial liabilities held for trading, and available-for-sale financial assets, is based on quoted market prices. If the asset or liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances are used.

The fair value of financial instruments that are not quoted in an active market is determined by applying various valuation techniques with maximum use of observable inputs. The valuation techniques used are for example discounted cash flows, option pricing models, valuations with reference to recent transactions in the same instrument and valuations with reference to other financial instruments that are substantially the same. When valuing financial liabilities at fair value own credit standing is reflected.

Any differences between the transaction price and the fair value calculated using a valuation technique with unobservable inputs, the Day 1 profit, is amortised over the life of the transaction. Day 1 profit is then recognised in profit or loss either when realised through settlement or when inputs used to calculate fair value are based on observable prices or rates.

Fair value is generally measured for individual financial instruments. In addition, portfolio adjustments are made to cover market risks and the credit risk of each of the counterparties on groups of financial assets and liabilities on the basis of the net exposure to these risks. When assets and liabilities have offsetting market risks mid-market prices are used for establishing fair value of the risk positions that offset each other. To reflect counterparty risk and own credit risk in over-the-counter derivatives, adjustments are made based on the net exposure towards each counterpart.

3. Accounting policies (continued)

Revenue recognition

The Company follows IFRS 15 "Revenue from Contracts with Customers", in determining appropriate revenue recognition policies. In principle, therefore, the Company follows the fives step process when applying the revenue recognition policy:

- Identify the contracts with the customers;
- Identify the performance obligations in the contracts;
- Determine the transaction price;
- Allocation of the transaction price; and
- Recognised revenue when or as a performance obligation is satisfied.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a service to a customer. Revenue is shown net of value-added tax.

The Company operates in one class of business, that of Talent Acquisition and Talent Management services.

Performance Obligations Satisfied at a Point in Time

Talent Acquisition performance obligations are satisfied at a point in time. AMS typically transfers control over the service to the customer upon the candidate commencing work for the customer. The promised consideration is dependent on the number of hires that are successfully placed with the customer. The main area of judgement in revenue recognition relates to timing in regards to determining the point when AMS have satisfied their performance obligation to the customer. This is determined in accordance with the contractual arrangement with each customer with revenue recognised when a located candidate commences work for the customer.

Performance Obligations Satisfied Over Time

Talent Acquisition Management Service performance obligations are satisfied over time as the customer typically enjoys and consumes the benefits of our service over the contract term as we perform and transfer control of our management activities. AMS utilises an input method (based on the project status) using time as a measure of progress to recognise revenue as our management activities are performed evenly throughout the period.

Payment terms

Payment terms are negotiated on a contract by contract basis and typically averaged around 20 days after the services are completed. There is no significant financing component in the contacts.

Contract costs

No costs are recognised as an asset unless it is virtually certain that a contract will be obtained and the contract is expected to result in future net cash inflows with a present value not less than the amounts recognised as an asset. Costs to obtain a contract when not covered by implementation fees are carried forward and written off on a straight-line basis starting from the year commencing with service delivery to the client and ending at the earlier of contract end date or point of earliest possible termination at will by the client. Costs carried forward are disclosed as "capitalised contract implementation costs" within debtors due within one year.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures and fittings	four years
Plant and machinery	four years
Computer equipment	three years

Residual value is calculated on prices prevailing at the date of acquisition.

3. Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, using rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Invoice discounting

Finance and transaction costs related to invoice discounting are recognised in the profit and loss account as incurred.

3a. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

The main area of judgement in revenue recognition relates to timing in regards to determining the point when the Company has satisfied their performance obligation to the customer. This is determined in accordance with the contractual arrangement with each customer with revenue recognised when a located candidate commences work for the customer. In making its judgement, management considered the detailed criteria for the recognition of revenue set out in IFRS 15 *Revenue from contracts with customers* and, in particular.

Key sources of estimation uncertainty

The Directors of the Company do not consider there to be any key sources of estimation uncertainly at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Turnover

a. Segment information and disaggregation of turnover

The Company operates in only one class of business, that of Talent Acquisition and Talent Management Services and all its turnover, profit before tax and net assets are generated from this class of business. Geographical analysis of business by turnover, profit before tax and net assets is set out below.

	2019				2018			
	Turnover £'000	Net Fee Income £'000	Profit before tax £'000	Net assets £'000	Turnover £'000	Net Fee Income £'000	Profit before tax £'000	Net assets £'000
United Kingdom	163,797	143,733	29,210	27,544	146,798	124,064	24,936	76,835
Rest of Europe & Middle East	8	(117)	(238)	(2,350)	177	52	(668)	(2,195)
	163,805	143,616	28,972	25,194	146,975	124,116	24,268	74,640

b. Contract balances

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

	2019 £'000	2018 £'000
Trade debtors	45,171	51,215
Contract costs capitalised	8,733	9,474
Amortisation of contract cost during the year	3,182	1,659
Contract assets (accrued income)	41,773	41,905
Contract liabilities (deferred income)	(3,218)	(2,854)

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on contracts with its customers. The contract assets are transferred to trade debtors when amounts are billed. Contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised on satisfaction performance obligations (represents the obligation to transfer services to a customer). During the year £41,905,000 was transferred to trade debtors upon billing (2018: £28,284,000). £2,854,000 of deferred income was recognised in the year (2018: £3,765,000).

5 Directors' emoluments and staff costs

	2019 £'000	2018 £'000
Directors' remuneration		
Emoluments	1,273	4,731
Pension contributions	42	20
	1,315	4,751

The number of directors who were members of pension schemes was 5 (2018: 2).

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2019 £'000	2018 £'000
Emoluments	355	2,591
Contributions to personal pension scheme	-	-
	355	2,591

Staff costs

	2019 No.	2018 No.
Average number of persons employed (including directors)		
Sales	1,223	1,112
Administration	166	134
	1,389	1,246
Staff costs during the year (including directors)		
	£'000	**£'000**
Wages and salaries	63,751	60,183
Social security costs	6,670	6,376
Pension costs	2,716	1,951
	73,137	68,510

6 Profit before taxation

Profit before taxation is stated after charging:

	2019 £'000	2018 £'000
Depreciation of tangible assets	1,355	2,714
Depreciation of right-of-use assets	599	-
Amortisation of intangible assets	1,255	-
Amortisation of capitalised contract implementation costs	3,192	1,659
Rentals under operating leases	-	525
Net foreign exchange loss	139	864

Analysis of auditors' remuneration is as under:

	2019 £'000	2018 £'000
Fees payable to company's auditors for audit of company's annual accounts	88	105

7 Exceptional items within administrative expenses

	2019 £'000	2018 £'000
Redundancy and restructuring costs	700	308
Onerous Contract	510	-
Costs arising from the sale of the group	59	4,090
Provision for intercompany receivable	620	878
	1,889	5,276

During the course of 2019, the Company incurred costs and expenses that are disclosed as 'exceptional items' in the statutory accounts. These items are exceptional by virtue of their size or infrequency and require separate disclosure as they would otherwise distort the 'normal' results of the business.

The exceptional items in 2019 are in respect of redundancy and restructuring costs as part of a business transformation programme, provision for intercompany doubtful debts, as well as residual costs associated with the sale of the AMS Topco Limited group in June 2018. These costs related primarily to professional advisors fees, employment costs of staff dedicated to the sale and bonuses paid to staff who worked on the transaction. The onerous contract cost relates to the cost of terminating a contract with a supplier with whom the company had a significant minimum spend commitment.

Alexander Mann Solutions Limited

Notes to the financial statements
For the year ended 31 December 2019

8 Finance charges (net)

	2019 £'000	2018 £'000
Interest payable and similar charges		
Bank loans and overdrafts	142	161
Invoice factoring charges	659	828
Amortisation of arrangement fees	49	1,155
Interest on lease liabilities	212	-
Other interest payable	7	6
	1,069	2,150
Interest receivable and similar income	(70)	(17)
Finance charges (net)	999	2,133

9 Tax on profit

	2019 £'000	2018 £'000
Current Tax:		
Current tax on profits for the year	2,078	4,558
Adjustment in respect of prior years	(712)	254
Total current tax	1,366	4,812
Deferred tax:		
Current year	117	730
Adjustment in respect of previous periods	(149)	(212)
Effect of changes in tax rates	(12)	(77)
	(44)	441
Tax per income statement	1,322	5,253

9 Tax on profit (continued)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2019 £'000	2018 £'000
Profit before tax	28,972	24,268
Tax on profit on ordinary activities at standard UK corporation tax rate of 19%	5,505	4,611
Adjustments in respect of prior periods	(862)	42
Expenses not deductible	64	686
Tax rate changes	(12)	(77)
Income not taxable	(520)	(260)
Amounts not recognised	-	251
Effects of group relief	(2,853)	-
	1,322	5,253

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment occurred after the balance sheet date, the deferred tax balances as at 31 December 2019 continues to be measured at a rate of 17%.

10 Tangible fixed assets

	Computer equipment £'000	Fixtures and fittings £'000	Plant & equipment £'000	Total £'000
Cost				
At 1 January 2019	13,391	2,489	6	15,886
Reclassification	(3,118)	-	-	(3,118)
Additions	959	360	-	1,319
Disposals	(8,952)	-	(6)	(8,958)
At 31 December 2019	2,280	2,849	-	5,129
Accumulated depreciation				
At 1 January 2019	9,556	2,287	6	11,849
Reclassification	(642)	-	-	(642)
Charge for the year	1,222	133	-	1,355
Disposals	(8,952)	-	(6)	(8,958)
At 31 December 2019	1,184	2,420	-	3,604
Net book value				
At 31 December 2019	1,096	429	-	1,525

10 Tangible fixed assets (continued)

	Computer equipment £'000	Fixtures and fittings £'000	Plant & equipment £'000	Total £'000
Cost				
At 1 January 2018	10,334	2,496	6	12,836
Additions	3,063	13	-	3,076
Disposals	(6)	(20)	-	(26)
At 31 December 2018	13,391	2,489	6	15,886
Accumulated depreciation				
At 1 January 2018	7,125	2,027	6	9,158
Charge for the year	2,434	280	-	2,714
Disposals	(3)	(20)	-	(23)
At 31 December 2018	9,556	2,287	6	11,849
Net book value				
At 31 December 2018	3,835	202	-	4,037

Included in fixtures and fittings is £375,000 (2018: £375,000) in respect of future rectification costs associated with leasehold premises. The net book value of these assets at 31 December 2019 was £26,000 (2017: £81,000).

11 Intangible assets

	Software £'000	Total £'000
Cost		
At 1 January 2019	-	-
Reclassification	3,118	3,118
Additions	3,521	3,521
At 31 December 2019	6,639	6,639
Amortisation		
At 1 January 2019	-	-
Reclassification	642	642
Charge for the year	1,255	1,255
At 31 December 2019	1,897	1,897
Net book value		
At 31 December 2019	4,742	4,742
At 31 December 2018	-	-

Software relates to automations developed to enhance the efficiency of the recruitment process. The useful life of software is estimated at three years.

12 Right of use assets

	Buildings £'000
Cost	
At 1 January 2019	4,973
Additions	420
At 31 December 2019	5,393
Accumulated depreciation	
At 1 January 2019	2,294
Charge for the year	599
At 31 December 2019	2,893
Net book value	
At 31 December 2019	2,500
At 31 December 2018	2,679

*2018 balance is not re-stated as the Company has elected for the cumulative catch-up approach.

The Company leases buildings and the average lease term is 8 years (2018: 8 years).

There were no leases that expired in the current financial year.

During the year new contract for new underlying asset was signed. This resulted in additions to right-of-use assets of £0.4 million in 2019.

As presented in the Statement of changes in equity, the adoption of IFRS 16 has resulted in an adjustment of £0.4 million to opening reserves which represents the cumulative effect of initial application of the new accounting standard.

13 Investments

	Subsidiaries £'000
Cost	
At 1 January 2019	4,215
Additions	190
At 31 December 2019	4,405
Impairment	
At 1 January 2019	2,438
Charge for the year	-
At 31 December 2019	2,438
Net book value	
At 31 December 2019	1,967

Alexander Mann Solutions Limited

Notes to the financial statements
For the year ended 31 December 2019

13 Investments (continued)

	Subsidiaries £'000
Cost	
At 1 January 2018	4,215
Additions	-
At 31 December 2018	4,215
Impairment	
At 1 January 2019	2,438
Charge for the year	-
At 31 December 2018	2,438
Net book value	
At 31 December 2018	1,777

The company has investments in the following subsidiaries:

Subsidiary undertakings	Country of Incorporation	Status	Proportion of ordinary shares held
AMG Asia Pacific Pty Ltd	Australia	Trading	14%
Alexander Mann Solutions GmbH	Germany	Trading	100%
Alexander Mann Solutions APS	Denmark	Trading	100%
Alexander Mann Solutions AB	Sweden	Trading	100%
Alexander Mann Solutions GmbH	Switzerland	Trading	100%
Alexander Mann Solutions S.r.l	Italy	Trading	100%
Alexander Mann Solutions SARL	France	Trading	100%
Alexander Mann Solutions Poland Sp. z.o.o.	Poland	Trading	100%
Alexander Mann Solutions BVBA	Belgium	Trading	100%
Alexander Mann Solutions s.r.o.	Czech Republic	Trading	100%
Alexander Mann Solutions B.V.	Holland	Trading	100%
AMS Recruitment Process Outsourcing, S.L	Spain	Trading	100%
Alexander Mann Solutions KFT	Hungary	Trading	100%
Alexander Mann Solutions Corporation	USA	Trading	100%
Alexander Mann BPO Solutions (Singapore) Pte. Ltd	Singapore	Trading	100%
Alexander Mann Solutions K. K.	Japan	Trading	100%
Alexander Mann Solutions (HK) Limited	Hong Kong	Trading	100%
Alexander Mann Solutions Private Limited	India	Trading	100%
Alexander Mann Solutions (Shanghai) Enterprise Management Consulting Ltd	China	Trading	100%
Alexander Mann Solutions Inc	Canada	Trading	100%
Alexander Mann Outsourcing Solutions Limited	Ireland	Trading	100%
Alexander Mann BPO (HK) Limited	Hong Kong	Trading	100%
Shearwater s.r.o.	Czech Republic	Dormant	50%
AMS Processo De Recrutamento E Terceirização Ltda	Brazil	Trading	100%
Alexander Mann Solutions S. De R.L. De C.V.	Mexico	Trading	100%
Alexander Mann Solutions AS	Norway	Trading	100%
Alexander Mann Solutions BPO Inc.	Philippines	Trading	99.9%

13 Investments (continued)

Subsidiary undertakings	Country of Incorporation	Status	Proportion of ordinary shares held
Alexander Mann Solutions Limited	UAE	Trading	100%
Alexander Mann Solutions (Pty) Ltd	RSA	Trading	100%
Public Sector Resourcing Ltd	England and Wales	Dormant	100%
Karen HR Inc	Canada	Trading	100%

The principal activity of all the trading subsidiary undertakings is that of Talent Acquisition and Talent Management Services, usually under long-term contracts.

14 Debtors: Amounts falling due within one year

	2019 £'000	2018 £'000
Trade debtors	45,171	51,215
Amounts owed by group undertakings	45,681	96,226
Other debtors	1,152	1,915
Derivative (note 19)	241	241
Accrued income	41,773	41,905
Prepayments	3,940	3,943
Capitalised contract implementation costs	8,733	9,474
	146,691	204,919

All amounts shown under debtors fall due for payment within one year.

The Company is party to an invoice discounting facility, under the terms of which any funds advanced to the company by the discounting house are secured against a pre-agreed basket of the company's trade debtors.

Capitalised contract implementation costs of £8,733,000 (2018: £9,474,000) are in respect of new Recruitment Process Outsourcing contracts. These are capitalised and written off in accordance with the Company's accounting policy. Contract implementation costs capitalised in the year were £2,451,000 (2018: £6,882,000), and amounts amortised were £3,192,000 (2018: £1,659,000).

The Company always measures the loss allowance for trade debtors at an amount equal to lifetime expected credit loss (ECL). The expected credit losses on trade debtors are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company policy is to write off a trade debtor when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

14 Debtors: Amounts falling due within one year (continued)

The Company has not written off or identified any trade debtors that indicate a credit loss. The Company has not suffered any credit loss in the past three years and based on this experience, no provision for lifetime expected credit loss (ECL) is considered necessary for all aging buckets for trade debtors. There has been no change in the estimation techniques or significant assumptions made during the current reporting year.

Trade debtors can be analysed as follows:

	2019 £'000	2018 £'000
Amount receivable not past due	41,799	44,576
Amount past due but not impaired	3,372	6,639
	45,171	51,215
Less: allowance for expected credit losses	-	-
	45,171	51,215

15 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Derivative (note 19)	394	202
Trade creditors	1,813	2,334
Amounts owed to parent undertaking	3,690	3,690
Amounts owed to group undertakings	7,041	11,468
Other taxation and social security	10,715	11,538
Other creditors	668	1,875
Accruals	136,570	128,673
Deferred income	3,218	2,854
Lease liabilities (note 22)	688	-
	164,797	162,634

Amounts owed to parent and group undertakings are non-interest bearing and are repayable on demand.

16 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Lease liabilities (note 22)	2,235	-
	2,235	-

17 Provision for liabilities

	Provision £'000
At 1 January 2019 and 31 December 2019	417

The Company has provided against the cost of rectification work required to restore leasehold premises to the same condition as at the inception of the lease.

18 Deferred taxation

	2019 £'000	2018 £'000
At beginning of year	525	966
Charged/(credited) to profit and loss account	44	(441)
At end of year	569	525

	2019 £'000	2018 £'000
The amounts of deferred taxation provided at 17% are:		
Temporary differences on fixed assets	392	438
Temporary trading differences	177	66
Derivatives	-	21
	569	525

The deferred tax asset has been recognised on the basis that it is considered more likely than not that there will be suitable taxable profits in the entity from which the future reversal of the underlying timing differences can be deducted. There are no unprovided deferred tax assets.

Following the 2019 Budget Statement, the main rate of UK corporation tax will remain at 19% for the financial year beginning 1 April 2020. The deferred tax balance has been measured at the substantively enacted rate of 17%. If the 19% tax rate had been used, the deferred tax asset would have been £0.1 million higher.

19 Derivatives

	2019 £'000	2018 £'000
Financial assets carried at fair value through profit or loss (FVTPL):		
Forward contracts		
Derivative assets	241	241
Derivative liabilities	(394)	(202)

All derivatives are treated as financial assets carried at fair value through profit or loss (FVTPL) and hedge accounting is not used.

20 Share capital

	2019 £'000	2018 £'000
Authorised		
100,000 ordinary shares of £1 each	100	100
100 'A' ordinary shares of 1p each	-	-
	100	100
Called up, allotted and fully paid		
90,000 ordinary shares of £1 each	90	90
100 'A' ordinary shares of 1p each	-	-
	90	90

The 'A' ordinary shares rank pari passu in all respects with the ordinary shares of £1 except that the holders have the following rights:

- for every 'A' ordinary share held by a member, that member shall have 10,000,000 votes at any meeting of the company on a poll;
- each 'A' ordinary share shall be entitled to a dividend of 10,000,000 times the value of any dividend on each of the ordinary shares; and

on a winding-up of the company each 'A' ordinary share will be entitled to 10,000,000 times the value paid on each ordinary share.

21 Reconciliation of net cash flow from operating activities

	2019	2018
	£'000	£'000
Profit for the year	27,650	19,015
Adjustments for:		
Dividends received	(309)	(798)
Depreciation and amortisation	6,401	4,373
Increase in trade and other receivables	(24,934)	(53,070)
Increase in trade and other payables	7,407	44,113
Financing costs	(999)	(2,133)
Income tax	(2,010)	(3,296)
Net cash flow from operating activities	13,206	8,204

22 Lease liabilities

	2019
Analysed as:	**£'000**
Current	688
Non-current	2,235
	2,923

	2019
Maturity analysis:	**£'000**
Year 1	688
Year 2	713
Year 3	573
Year 4	607
Year 5	342
	2,923

23 Subsequent events

Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11 March. The Company has therefore concluded that the impact of the virus and the necessity for large scale Government interventions in response to COVID-19 only became apparent after the balance sheet date and therefore that the consequences of such interventions represent non-adjusting post balance sheet events. The full financial impact of the crisis for 2020 is impossible to predict with any degree of certainty.

However, it is possible that in addition to the impacts on our revenues and profitability in 2020, the values attributed to a number of our balance sheet items may be affected.

24 Ultimate controlling party

In the opinion of the directors, the Company's ultimate parent Company and ultimate controlling party is Auxey Holdco Limited, a Company incorporated in Jersey. Auxey Holdco Limited is also the parent undertaking of the largest group, which includes the Company and for which group accounts are prepared. Copies of the consolidated financial statements of the ultimate parent company are available from 7 Bishopsgate, London EC2N 3AQ.

The immediate parent company and parent undertaking of the smallest group is considered to be Alexander Mann Group Limited, a Company incorporated in the UK and registered in England and Wales,

Auxey Holdco Limited is under the control of Auxey Holdings (Lux) S.A.S. OMERS Administration Corporation indirectly owns 100% of the participating (economic) interest and 30% of the voting interest of Auxey Holdings (Lux) S.A.S., and OCP Trust, of which OMERS Administration Corporation is a beneficiary, indirectly owns the remaining 70% voting interest of Auxey Holdings (Lux) S.A.S. and is therefore considered to be the ultimate controlling party.

Alexander Mann Solutions Limited

Appendix to the subsidiary note

Subsidiary undertakings	Registered Address
AMG Asia Pacific Pty Ltd	101 Collins Street , Melbourne, Victoria 3004
Alexander Mann Solutions GmbH	Eschenheimer Anlage 1, 60316 Frankfurt am Main
Alexander Mann Solutions APS	Larsbjornsstraede 3, K1454, Copenhagen, Denmark
Alexander Mann Solutions AB	Stureplan 4c, 4th Floor, 114 35, Stockholm, Sweden
Alexander Mann Solutions GmbH	Hardturmstrasse 120, CH-8005 Zürich Switzerland
Alexander Mann Solutions S.r.l	Via Senato, 20, 20121 Milano, Italy
Alexander Mann Solutions SARL	12/14 Rond-Point des Champs-Elysées, 75008, Paris, France
Alexander Mann Solutions Poland Sp. z.o.o.	Ul. Puszkarska 7f, 30-644, Krakow, Poland
Alexander Mann Solutions BVBA	Rond Point Schuman 6, Box 5, 1040 Brussels, Belgium
Alexander Mann Solutions s.r.o.	Karolinska 661/4, 186 00 Praha 8, Czech Republic
Alexander Mann Solutions B.V.	Geesinkweg 901 - 999, 1096 AZ, Amsterdam, The Netherlands
AMS Recruitment Process Outsourcing, S.L	Avida Diagonal, 640 6°, 08021 Barcelona
Alexander Mann Solutions KFT	Kálmán Imre utca 1, Budapest, 1054 HUNGARY
Alexander Mann Solutions Corporation	Office Address: Erieview Tower, 1301 East 9th St, suite 1200, Cleveland, Ohio, 44114
Alexander Mann BPO Solutions (Singapore) Pte. Ltd	2 Shenton Way, SGX Centre 1, #16-03, Singapore 068804, Singapore
Alexander Mann Solutions K. K.	3-18-6 Toyo, Koto-ku, Tokyo 135-0016, Japan
Alexander Mann Solutions (HK) Limited	7/F Nan Fung Tower, 88 Connaught Road, Central, Hong Kong
Alexander Mann Solutions Private Limited	B2, 402, MARATHON INNOVA, OFF GANPATRAO KADAM MARG, OPP PENINSULA, CORPORATE BANK, LOWER PAREL, MUMBAI 400013, India
Alexander Mann Solutions (Shanghai) Enterprise Management Consulting Ltd	Unit 701, ZRT Tower, No. 20, Lane 1228 Jiangchang Road,Jingan District, Shanghai, 200072
Alexander Mann Solutions Inc	1000, rue De La Gauchetière Ouest, Bureau 900, Montréal, QC, Canada H3B 5H4
Alexander Mann Outsourcing Solutions Limited	Trinity House, Charleston Road, Ranelagh, Dublin 6
Alexander Mann BPO (HK) Limited	7/F Nan Fung Tower, 88 Connaught Road, Central, Hong Kong
Shearwater s.r.o.	U Garáží 1611/1, 170 00 Prague 7, Czech Republic
AMS Processo De Recrutamento E Terceirização Ltda	Avenida Engenheiro Luis Carlos Berrini, nº 1461, 12° andar, bairro Cidade Monções, cidade de São Paulo, estado de São Paulo,
Alexander Mann Solutions S. De R.L. De C.V.	Periférico Sur #4293, Primer Piso, Colonia Jardines en la Montaña, Delegación Tlalpan, C.P. 14210, México D.F.
Alexander Mann Solutions AS	Vassbotnen 1, 4313 SANDNES, Norway
Alexander Mann Solutions BPO Inc.	27/F Philam Life Tower Building, 8767 Paseo De Roxas Avenues, Makati City, Philippines
Alexander Mann Solutions (Pty) Ltd	Executive City Corner of Cross St & Charmaine Ave President Ridge Randburg 2125, PO Box 1734
Karen HR Inc	Toronto, Ontario, Canada