

Company Registration number: 11347507

Auxey Finco Limited

Annual report and consolidated financial statements

For the year ended 31 December 2021

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Auxey Finco Limited

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	6
Directors' responsibilities statement	13
Independent auditor's report	14
Consolidated statement of profit and loss and other comprehensive income	18
Consolidated statement of financial position	19
Company statement of financial position	20
Consolidated statement of changes in equity	21
Company statement of changes in equity	21
Consolidated statement of changes in cash flow	22
Notes to the financial statements	23

Auxey Finco Limited

Officers and professional advisers

Directors

D Leigh (Chief Executive Officer)
G Stuart (Chief Financial Officer – Appointed on 20 May 2022)
M Rodger (Chief Growth Officer)
G Bull (Global Managing Director Legal, Risk & Compliance) – Appointed on 5 May 2022
R Blair (the Chair and Founder) – Resigned on 5 May 2022
S Leach (Regional Managing Director) – Resigned on 5 May 2022
F Whittaker (Director of Financial Accounting & Operations) – Resigned on 5 May 2022

Registered office

7-11 Bishopsgate
London
EC2N 3AQ
United Kingdom

Bankers

HSBC Bank Limited
8 Canada Square
London
E14 5HP
United Kingdom

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

Solicitors

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

Auditor

Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ
United Kingdom

Auxey Finco Limited

Strategic Report

Review of trading results for the year ended 31 December 2021

This Strategic report has been prepared for Auxey Finco Limited ("the Company") and its subsidiaries (together "the Group") trading as Alexander Mann Solutions until January 2021, and subsequently as "AMS".

2021 was a very positive year for AMS, driven by good market conditions and significant growth facilitated by the regional structure which was put in place in late 2020.

AMS delivered a strong financial performance with earnings before interest, taxes, depreciation and amortisation ("EBITDA") before exceptional items and amortisation of customer relationships and brand of £66.8m (2020: £38.1m). The group also delivered an operating profit before exceptional items and amortisation of customer relationships and brand of £53.3m (2020: £26.1m).

An overall loss for the year after taxation was recognised of £54.1m, largely driven by the interest charges on the group's shareholder debt and external bank borrowings (2020: loss of £70.2m).

The key financial metrics and key performance indicators ("KPIs") used by the group to monitor trading performance are net fee income ("NFI"), operating profit and EBITDA. Operating profit for this purpose is measured before exceptional items and amortisation of customer relationships and brand. The trading metrics of the Group are detailed below.

	2021	%	2020	%
	£m	change	£m	change
Billings	2,175.9	38.6%	1,569.9	-15.3%
Revenue	418.1	53.9%	271.6	-6.6%
NFI (Gross profit)	331.0	44.1%	229.7	-7.1%
Operating profit (before exceptional items and amortisation of customer relationships and brands)	53.3	103.4%	26.1	-32.3%
EBITDA (before exceptional items and amortisation of customer relationships and brands)	66.8	74.8%	38.1	-21.6%

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

	2021	2020
	£m	£m
Operating profit / (loss)	31.2	(4.2)
Exceptional items	-	8.9
Amortisation of customer relationships and brand	<u>22.0</u>	<u>21.3</u>
Operating profit (before exceptional items and amortisation of customer relationships and brands)	53.3	26.1
Depreciation of right of use and fixed assets	5.1	4.7
Amortisation of software and contract implementation costs	<u>8.4</u>	<u>7.3</u>
EBITDA (as defined above)	<u>66.8</u>	<u>38.1</u>

Auxey Finco Limited

Strategic Report (continued)

Market conditions improved significantly in 2021. Demand recovered following the Covid-19 global pandemic coupled with existing customers increasing their hiring volumes in 2021 as well as strong demand from new customers. This supported a 53.9% increase in revenue and 44.1% increase in gross profit. In addition, the Group benefitted from the cost control programme that had been put in place during the pandemic and this, coupled with the increase in demand from our clients resulted in a very busy year for our employees. The Group increased its headcount during the year to meet the extra demand and took a number of actions to recognize and reward the exceptional efforts of employees.

AMS has continued to deliver on its pipeline of large new outsourcing wins and the pipeline continues to be strong across the business but especially in the Americas, following targeted investment in the Sales and Marketing function there.

Creation of the Innovation function has enabled the Group to accelerate development, including further technology enablement of its service lines.

The acquisition of the Up Group in late 2020 has proved to be very positive for the Group with strong financial results in 2021 and good market recognition for the further digital expertise which this allows the Group to provide to its clients.

The Group completed its transformation programme and saw the benefits of moving its operating model to a four-region model - Asia Pacific ("APAC"), Europe, Middle East, and Africa ("EMEA"), United Kingdom and Ireland ("UK&I") and the Americas. This model better equips the Group to target growth both locally and globally and has helped to create and accelerate new sales activity.

Cash generation was steady with operating cashflow of £32.4m (2020: £37.3m) driven by the benefit of strong working capital management offset by the payment of indirect taxes that had been deferred from the prior year under government Covid relief schemes and the increase in accrued income as a result of growth in the Recruitment Process Outsourcing and consulting businesses. This resulted in the Group increasing its cash funds by £14.4m (2020: £14.6m) in the year to close the year at £71.8m of gross cash (2020: £57.4m).

The Group is primarily funded through shareholder debt and debt provided by third party banks. The Group had a net liabilities position at 31 December 2021 of £119.9m (2020: net liabilities £64.5m) as a result of the 9% coupon accruing on shareholder debt of £400m coupled with amortisation of intangible assets, neither of which impact the Group's cash generation and ongoing financial viability. In addition, the Group has a net current assets position at 31 December 2021 of £4.9m (2020: net current liabilities position of £17.4m) as a result of the strong recovery in trading.

As at December 2021, the Group had a median gender pay gap in hourly pay of 6.2% (2020: 7.5%) which, whilst still requiring attention, compares favourably to the national average as published by the Office for National Statistics ("ONS") of 15.4%.

Principal risks and uncertainties

The Group's activities expose it to a number of financial and operational risks including prolonged impact of a pandemic, impact of the war in Ukraine, credit risk, cash flow risk and liquidity risk, each discussed in further detail below.

Prolonged impact of a pandemic

The Covid-19 pandemic resulted in significant economic and social disruption in 2020. The Group was impacted by lower revenues as a result of an economic downturn in that year; however, in 2021 the Group experienced a significant rebound in hiring activity at existing clients and strong volumes from new customers. This was not unexpected as the Group had previously identified significant potential upside associated with organisations looking to outsource as a way of removing fixed costs and of coping with the challenges of re-hiring the talent they need. The Group benefits from a wide portfolio of clients in divergent sectors and in 2021 all sectors flourished. Our Public Sector business experienced significantly increased demand in 2020 and this continued throughout 2021 as a result of the additional ongoing requirements arising from both Brexit and the pandemic. The Group continues to remain close to our clients so that we can react quickly to any change in demand from them.

Auxey Finco Limited

Strategic Report (continued)

War in Ukraine

The Group ceased working with Russian clients in February 2022. In respect of non-Russian clients that the Group have historically supported in Russia, the Group worked with them to cease those operations as swiftly as possible. More broadly, the Group has not experienced any identifiable negative impact on trading to date as a result of the war in Ukraine. Demand from clients has remained strong although the Group continues to monitor developments and customer demand closely and is prepared to respond should overall customer demand reduce.

Inflation risk

The Group is exposed to inflation risk in the current economic climate primarily in relation to employee related costs. The Group seeks to mitigate this risk by also focusing on non-monetary benefits to employees to aid staff retention. In addition, inflation clauses are built in to many customer contracts from a pricing perspective and where pricing is based on a percentage of starting salary there is an automatic inflation protection in contracts.

Cash flow and interest rate risk

The Group's balance sheet at year end was funded by a GBP denominated senior loan of £200m and USD denominated senior loan of \$161.2m and it has entered into derivative contracts to hedge interest rate risk associated with the loans.

In 2018, the Group entered into derivative contracts that capped the LIBOR rate at 1.5% for 60% of the GBP loan and 3.5% for 75% of the USD loan. These derivative contracts expired in July 2021 and the Group has entered into further derivative contracts to hedge its interest rate risk after this date for a period of a further 3 years so as to cap SONIA at 1.5% for 60% of the GBP loan and USD LIBOR at 1.5% for the 75% the USD loan.

In addition to this, the Group's trading activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group 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 Group 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 amount of the cost base denominated in Polish zloty and Philippine pesos, the Group has entered into forward contracts which guarantee that the Group can purchase Polish zloty and Philippine pesos at a pre-determined rate each month so as to provide some certainty about the Polish zloty and Philippine pesos exchange rates for an appropriate percentage of the Group's forecast Polish zloty and Philippine pesos funding requirements.

The Group has entered into forward contracts to hedge an appropriate percentage of the profits denominated in Euros, Swiss Francs and Hong Kong Dollars.

Credit risk

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

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

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of expected credit losses. The Group maintains a well-established credit control function that monitors the Group's trade debtors and is in regular communication with the Group's customers. The Directors do not consider there to be a significant concentration of credit risk, with other exposure spread over a large number of counterparties and customers, who tend to be global, blue chip corporations with high credit ratings. There is an element of risk that rests ultimately with the UK Government under the Public Sector Resourcing ("PSR") contingent PSR contract, but this exposure is monitored closely.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through committed facilities.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group has a senior term and multicurrency facilities agreement with a syndicate of banks

Auxey Finco Limited

Strategic Report (continued)

incorporating a £36.0m UK invoice discounting facility, a \$5.0m USA invoice discounting facility, a £40.0m revolving credit facility, a £200.0m term loan facility and a \$161.2m term loan facility. These facilities have end dates ranging between 31 December 2024 and 30 June 2025. The above facilities require compliance with covenants and the Directors monitor compliance on an ongoing basis.

Brexit risk

As anticipated, the Group has not been unduly impacted by Brexit primarily due to the continued geographical diversification of our business. In 2021, about 49% of NFI (2020: 45%) was delivered from outside the UK and 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 had decided or decide in the future to move activities from the UK to another European destination, AMS could continue to supply them in that location. There continues to be a potential risk that Brexit could still impact economic growth, and although this would have a negative impact on the Group, as was amply demonstrated in 2020 through the actions undertaken by the Group in the face of the global pandemic, the business is well positioned to deal with a recession due to the nature of the contracts with clients and the flexibility of the cost base globally.

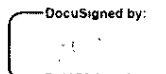
As well as the economic risks outlined above, the Group also considered a number of other risks including:

- **Client service and supply chain:** The Group has flexible operational capacity in place in both the UK and Continental Europe, and we continue to work with our clients and supply chain partners, in order to operate effectively in the post Brexit trading and regulatory environment.
- **Employees and mobility:** We continue to ensure our employees are employed legally, and that their rights are fully understood based on the diverse nationalities employed by the Group. We continue, insofar as it is possible, to recruit and retain individuals from a global talent pool.
- **Data transfer:** All our data transfer agreements include standard data protection clauses, ensuring that any data transfer within the organisation between the EU and non-EU locations continues to be lawful now that the UK has left the EU.

Key performance indicators

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

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

DocuSigned by:

7193FDC341B84F8

G Stuart
Director

29 September 2022

Auxey Finco Limited

Directors' report

The directors of Auxey Finco Limited present their annual report on the affairs of the Company and its subsidiaries, alongside the financial statements and auditor's report for the year ended 31 December 2021.

Activities

The principal activity of the Company is that of an investment holding company. The principal activity of the Group, trading as Alexander Mann Solutions until January 2021, and subsequently as "AMS", is the provision of talent acquisition and talent management services predominantly under long-term contracts.

The subsidiaries principally affecting the results or net liabilities of the Group in the year are listed in note 30 to the financial statements.

Ownership

The Company's parent undertaking is Auxey Holdco Limited, a company incorporated in Jersey and which is tax resident in the United Kingdom and 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.

The Directors believe that OMERS' Private Equity (as a private equity asset manager for OMERS Administration Corporation) knowledge and network together with their sector expertise are helping accelerate the Group's growth.

Strategic Objectives

The Group's strategic objective is to generate significant growth through a combination of expansion of services with existing clients (into new service areas and geographies), acquiring new clients, and through acquisitions and a focus on increasing our footprint in the Americas, EMEA and Asia Pacific and through strategic acquisitions.

Business Model

The Group is a leading provider of Recruitment Process Outsourcing ("RPO") with over 8,100 employees partnering with blue-chip organisations across the globe in a multitude of languages.

We deliver a distinctive blend of outsourcing solutions and a full range of consulting and specialist services. We provide unrivalled experience, capability and thought leadership to help clients attract, engage and retain the talent they need for business success.

The Group's global solutions increase the efficiency, effectiveness and competitive advantage of our clients' talent acquisition activities, and we adopt a total workforce approach that encompasses permanent and contingent workforces and internal mobility. We help our clients achieve superior outcomes through a combination of subject matter expertise, process optimisation and technology. Our business intelligence capability provides our clients with deep and relevant insights.

Our solutions are deeply embedded within each client's organisation and processes. Our employees are client branded and fully integrated into clients' infrastructure, operations and internal processes.

The Group maintains C-suite level relationships with key decision makers and we are involved in corporate and HR strategy with our clients which result in entrenched and progressive client relationships.

The Group provides a broad range of solutions, including:

- Total workforce solutions • Contingent workforce solutions
- Permanent workforce solutions • Early careers and campus • Executive Search • Volume hiring

Business review

The loss after taxation for the year ended 31 December 2021 was £54.1m (2020: £70.2m).

Auxey Finco Limited

Directors' report (continued)

The Group experienced significant growth in 2021 as a result of volume increases at existing clients coupled with the impact of new wins. The loss after tax includes a 9% interest coupon of £44.7m (2020: £43.2m) that accrues on shareholder loans and amortisation of intangible assets of £22.0m (2020: £21.3m) in relation to the amortisation charge recognised on the Group's brand and customer contracts. Neither of these costs has any cash impact. The 9% interest coupon that is accruing on the shareholder loans is repayable on the earlier of an exit event or 15th June 2028.

Future developments

The Group intends to 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.

The Board considered in depth potential impacts of Covid-19, the war in Ukraine and a global recession on the Group's viability and going concern status. The relevant disclosures are set out in the Directors Report on page 10 and in note 3.

Financial risk management objectives and policies

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

Employee consultation

The Group 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 Group. This is achieved through formal and informal meetings, the Group 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

Disability inclusion is a key priority for AMS and we regularly review our hiring processes and employment policies to ensure that we are creating a level playing field for disabled colleagues. Our active Disability and Neurodiversity employee resource group is a key enabler, supporting the needs of our disabled community (and allies) across the business and creating a culture of learning for all colleagues. We prioritise training and support for managers to ensure that they understand the distinct needs for disabled employees in their teams.

Diversity, Equity & Inclusion (DEI)

DEI is at the core of what we believe in and is integral to our success. Talent acquisition is our business. We focus on attracting and retaining the best talent and AMS being the best place to work for our employees. We lead and inspire our clients and wider industries at large to understand the value of a diverse workforce.

We ourselves value the diversity of people's backgrounds, ethnicities, gender, orientation, cognitive and physical abilities, because we know that the combination of people's personal life experiences will contribute to the success of our company and support our day to day activity.

We understand that this diversity of profiles might create different needs. For this reason, we offer our employees a range of arrangements wherever possible, such as flexible working patterns and home working.

We know that change comes from within and we are proud of our employees and what they bring to our clients in terms of both their skills and their individual life experiences.

We have a DEI Board that is chaired by one of our Non Executive Directors and includes our CEO. The Board oversees our global DEI strategy and ensure that we continue to enhance and develop our inclusive culture. We have embedded employee resource groups (ERGs) e.g Race, Women, LGBTQ, Social Mobility etc to create employee communities so that we continue to support and progress our strategy with the relevant protected characteristic.

We work with a number of organisations that actively seek to promote diversity including Recruit for Spouses and Tomorrow's People and we have signed up to the Valuable 500 as part of our commitment to putting disability on the business leadership agenda. We are a member of the Confederation of British Industry (CBI) Change the Race Ratio campaign to increase racial and ethnic participation in British businesses.

Auxey Finco Limited

Directors' report (continued)

In addition, all employees are entitled to one additional day's holiday each year to work for a charity of their choice.

Gender mix across the Group as at 31 December 2021 was:

	Female	Male	Other	Undisclosed
Senior Management (bands 6-8)	125	88	-	3
All Workers	5,236	2,048	6	448

Gender mix across the Group as at 31 December 2020 was:

	Female	Male	Other	Undisclosed
Senior Management (bands 6-8)	103	70	-	2
All Workers	3,144	1,179	-	79

Charitable and political contributions

During the financial year the Group made charitable donations of £59,000 (2020: £7,000). The Group and the Company made no political donations in the year (2020: £nil).

Directors and their interests

The directors who have served during and since the year end are listed on page 1.

M Rodger, S Leach and E Whittaker are a member of a money purchase pension scheme.

Sourcing talent, responsibly

We understand that we have a significant role to play in managing our business carefully and responsibly. We continuously focus on driving corporate responsibility through adopting appropriate policies, not only within the Group, but also within our global supply chain.

With the introduction of the Modern Slavery Act which came into effect in 2015, we have formally documented our commitment to ensuring slavery is not present within any part of our business or across our supply chain. The Group is fully supportive of the Modern Slavery Act and its aims and will not knowingly support or deal with any business involved in slavery or human trafficking.

As part of our responsibility to our fellow citizens around the world, we will continue to invest in compliance with our legal obligations and to ensure that all our employees undertake regular training so as to ensure they understand what constitutes modern day slavery and are equipped with the tools to identify it.

Auxey Finco Limited

Directors' report (continued)

Our relationship with the environment

The Group recognises that as a global company, our activities have an impact on the environment. As a service provider, these mainly relate to our use of energy and the resulting greenhouse gas emissions, as well as the waste we produce and natural resources we consume.

We pride ourselves on being a responsible organisation and have committed to continually improving our environmental performance and preventing pollution. We support and comply with all environmental legislation and advocate a precautionary approach with regard to environmental concerns.

Our objectives are to reduce our impact on the environment by:

- Reducing energy use, thereby reducing greenhouse gas emissions. We support innovative technical solutions as well as empowering our staff to make real changes
- Minimising our waste by reducing the amount we print and recycling at all opportunities
- Reducing the impact of the goods we procure and natural resources we use through our Procurement and Supply Chain policy
- Developing relationships with responsible suppliers and clients who share our views and aspirations

We believe that our people are the foundation of our success, not just in our business operations but also in our drive to improve environmental performance. As a result, our people are fully involved in our environmental programmes. At a local level, we are fully supportive of employee-led initiatives to reduce waste and to protect the environment and we encourage our employees, wherever possible, to keep business travel to a minimum by meeting clients and colleagues remotely through online meeting forums.

Below we detail our greenhouse gas ("GHG") emissions:

	UK and offshore 2021	UK and offshore 2020
Emissions from combustion of gas (Scope 1 – tonnes of CO ₂ e)	2,066.82	Nil
Emissions from combustion of fuel for transport purposes (Scope 1 – tonnes of CO ₂ e)	Nil	Nil
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO ₂ e)	72.83	163.66
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3 – tonnes of CO ₂ e)	89.99	18.10
Total gross CO₂e based on above	2,229.64	181.76
Energy consumption used to calculate emissions – kwh	342,980	323,095
Carbon intensity ratio (tonnes of CO ₂ e per £m revenue)	0.53	0.67

The reporting boundary used for collation of the above data is limited to the UK entities. Emissions from all other entities in the Group outside of the UK were outside of the scope of this disclosure.

We have followed the 2019 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 to calculate the above disclosures.

Directors' indemnity arrangements

The Group had directors' and officers' liability insurance in respect of itself and its directors at the end of 2021 and 2020.

Auxey Finco Limited

Directors' report (continued)

Going concern

As at 31 December 2021, the Group had a gross cash balance of £71.7m and undrawn Confidential Invoice Discounting and Revolving Credit Facilities of £75m. The Group also has a £200m term loan facility and a \$161.2m term loan facility, which require compliance with covenants. A significant element of the indebtedness is the £400m 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 Board has reviewed the Group's forecasts for the financial year ending 31 December 2022 and the 12 months ending 31 December 2023 and, alongside their 'base case' forecasts, have considered the potential impact of downside scenarios which could possibly still result from further economic disruption caused by the global Covid-19 pandemic or the war in Ukraine. The major variables being the impact of either of these on client volumes.

The Group has considered several variables that may have an impact on future trading due to the risks identified above and the possibility of a global recession. The Group has 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 and a reduction in discretionary spend.

Forecast stress testing scenarios have demonstrated that the Group could mitigate and withstand a further material and prolonged decrease in NFI and EBITDA without breaching the covenants attached to the banking facilities. The Directors have also modelled that the Group could also withstand the highly remote scenario of a 21% decline in NFI and a 50% decline in EBITDA for the 24 months through to December 2023 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, and 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.

The Directors believe that the Group is adequately placed to manage its business risks successfully. On the basis of the Group's forecasts and after making due enquiries, the Directors have a reasonable expectation that the Group 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.

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 Group 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

The Auxey Holdco Limited Board is where the group-wide activities and operation are managed. 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.

Auxey Finco Limited

Directors' report (continued)

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 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.

Engaging with stakeholders

The success of our business is dependent on the support 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.

Subsequent events

On 15 July 2022, the Company acquired 100% of the issued capital of Flexability HR Solutions Private Limited. Flexability has been the company's longstanding Recruitment Process Outsourcing (RPO) partner in India. Initial consideration for the acquisition was £33.2m with a further £2.1m held in escrow. The Company funded the acquisition through the securing of a US\$40 million senior secured term loan.

Auxey Finco Limited

Directors' report (continued)

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 Group'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 Group'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. 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.

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

DocuSigned by:
7193FDC341B84F8

G Stuart
Director
29 September 2022

Auxey Finco 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 United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. 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 these 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 of the financial reporting framework are 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.

Independent auditor's report to the members of Auxey Finco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Auxey Finco Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit and loss and other comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of changes in cash flow; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions 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 the parent 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

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.

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

- financing facilities including nature of facilities, repayment terms and covenants
- assumptions used in the forecasts
- amount of headroom in the forecasts (cash and covenants)
- sensitivity analysis
- sophistication of the model used to prepare the forecasts, testing of the clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and 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.

Independent auditor's report to the members of Auxey Finco Limited (continued)

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.

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 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.

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.

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

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

Independent auditor's report to the members of Auxey Finco Limited (continued)

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, IT and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the revenue recognition on new contracts and of permanent placements. In order to respond to these fraud risks, we have assessed the terms of each new contract signed in the financial year to assess whether any non-standard terms have been accounted for correctly in order to determine whether the performance obligation has been fulfilled. In addition, we have tested a sample of permanent placement revenues recognised around the period end to assess whether the performance obligation had been met in the financial year through obtaining and reviewing the terms of the contract and therefore whether it was correct to recognise the revenue.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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

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:

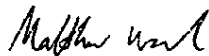
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors'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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Auxey Finco Limited (continued)

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.



Matt Ward FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

29 September 2022

Auxey Finco Limited

Consolidated statement of profit and loss and other comprehensive income For the year ended December 2021

		2021			2020		
	Notes	Before exceptional items and amortisation of intangible assets £'000	Exceptional items and amortisation of intangible assets £'000	Statutory result £'000	Before exceptional items and amortisation of intangible assets £'000	Exceptional items and amortisation of intangible assets £'000	Statutory result £'000 (Restated*)
Revenue	4	418,065	-	418,065	271,564	-	271,564
Cost of sales		(87,097)	-	(87,097)	(41,827)	-	(41,827)
Gross profit		330,968	-	330,968	229,737	-	229,737
Administrative expenses	5	(277,711)	(22,021)	(299,732)	(203,659)	(30,243)	(233,902)
Operating profit / (loss)		53,257	(22,021)	31,236	26,078	(30,243)	(4,165)
Finance charges (net)	6			(70,576)			(64,397)
Loss before taxation	8			(39,340)			(68,562)
Tax on loss	9			(14,731)			(1,675)
Loss after taxation for the year				(54,071)			(70,237)
Items that may be reclassified subsequently to profit or loss (net of tax):							
Other comprehensive loss:							
Exchange gain on translation of foreign operations							
				535			138
Exchange loss on translation of goodwill							
				(1,934)			(2,899)
Total comprehensive loss				(55,470)			(72,998)

All of the results presented above derive from continuing operations.

* The comparative information has been restated as a result of the prior year goodwill revaluation adjustment as discussed in note 32.

Auxey Finco Limited

Consolidated statement of financial position As at 31 December 2021

	Notes	2021 £'000	2020 £'000 (Restated*)	2019 £'000 (Restated*)
Non-current assets				
Goodwill	11	570,587	572,521	556,793
Other intangible assets	11	272,856	292,373	302,955
Property, plant and equipment	12	6,883	3,048	3,550
Right of use assets	13	7,346	6,463	8,208
Deferred tax	21	6,646	4,140	2,774
Capitalised contract implementation costs		6,348	8,406	9,505
		<u>870,666</u>	<u>886,951</u>	<u>883,785</u>
Current assets				
Trade and other receivables	14	184,581	114,033	121,957
Cash and bank balances	15	71,785	57,355	42,767
		<u>256,366</u>	<u>171,388</u>	<u>164,724</u>
Current liabilities	16	<u>(257,791)</u>	<u>(197,235)</u>	<u>(165,402)</u>
Net current assets/(liabilities)		<u>(1,425)</u>	<u>(25,847)</u>	<u>(678)</u>
Total assets less current liabilities		<u>869,241</u>	<u>861,104</u>	<u>883,106</u>
Non-current liabilities	17	<u>(924,078)</u>	<u>(870,685)</u>	<u>(874,132)</u>
Provisions	22	<u>(65,095)</u>	<u>(54,882)</u>	<u>(439)</u>
Net liabilities		<u>(119,933)</u>	<u>(64,463)</u>	<u>8,535</u>
Equity				
Share capital	24	93,402	93,402	93,402
Foreign currency translation reserve		(7,964)	(6,565)	(3,804)
Retained earnings		<u>(205,371)</u>	<u>(151,300)</u>	<u>(81,063)</u>
Total shareholders' deficit		<u>(119,933)</u>	<u>(64,463)</u>	<u>8,535</u>

* The comparative information has been restated as a result of the prior year goodwill revaluation and capitalised contract implementation costs adjustments as discussed in note 32.

The financial statements of Auxey Finco Limited, registered number 11347507, were approved by the board of directors and authorised for issue on 29 September 2022.

Signed on behalf of the board of directors

DocuSigned by:
7193FDC341B84F8.
G Stuart
Director

Auxey Finco Limited

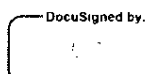
Company statement of financial position As at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Investments	30	93,402	93,402
Receivable from subsidiary company	19	605,094	555,136
		<u>698,496</u>	<u>648,538</u>
Non-current liabilities	17	<u>(605,094)</u>	<u>(555,136)</u>
Net assets		<u>93,402</u>	<u>93,402</u>
Equity			
Share capital	24	93,402	93,402
Retained earnings		-	-
Total equity		<u>93,402</u>	<u>93,402</u>

The financial statements of Auxey Finco Limited, registered number 11347507, were approved by the board of directors and authorised for issue on 29 September 2022.

As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company. The result for the financial year for the Company was £nil (2020: nil).

Signed on behalf of the board of directors

DocuSigned by:

 7193FDC341B84F8
 G Stuart
 Director

Auxey Finco Limited**Consolidated statement of changes in equity
For the year ended 31 December 2021**

	Share capital	Foreign currency translation reserve	Retained earnings	Total
	£'000	£'000 (Restated*)	£'000 (Restated*)	£'000 (Restated*)
At 1 January 2020	93,402	-	(82,980)	10,422
Change in foreign currency translation adjustment		(1,887)		(1,887)
Reclassification of translation of foreign operations	-	(1,917)	1,917	-
At 1 January 2020 - As restated	<u>93,402</u>	<u>(3,804)</u>	<u>(81,063)</u>	<u>8,535</u>
Change in foreign currency translation adjustment	-	(2,899)	-	(2,899)
Reclassification of translation of foreign operations	-	138	(138)	-
Total comprehensive loss for the year	-	-	(70,099)	(70,099)
At 31 December 2020	<u>93,402</u>	<u>(6,565)</u>	<u>(151,300)</u>	<u>(64,463)</u>
Total comprehensive loss for the year	-	(1,399)	(54,071)	(55,469)
At 31 December 2021	<u>93,402</u>	<u>(7,964)</u>	<u>(205,371)</u>	<u>(119,932)</u>

* The comparative information has been restated as a result of the prior year goodwill revaluation adjustment as discussed in note 32.

**Company statement of changes in equity
For the year ended 31 December 2021**

	Share capital	Share premium	Retained earnings	Total
	£'000	£'000	£'000	£'000
At 1 January 2020	-	93,402	-	93,402
Total comprehensive result for the year	-	-	-	-
At 31 December 2020	<u>-</u>	<u>93,402</u>	<u>-</u>	<u>93,402</u>
Total comprehensive result for the year	-	-	-	-
At 31 December 2021	<u>-</u>	<u>93,402</u>	<u>-</u>	<u>93,402</u>

Auxey Finco Limited

Consolidated statement of changes in cash flow For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Net cash flow from operating activities	25	32,431	37,251
Purchase of intangible assets	11	(5,697)	(3,795)
Purchase of tangible fixed assets	12	(6,726)	(1,539)
Cash acquired on acquisition of subsidiary		-	6,714
Acquisition of subsidiary		(2,469)	(21,127)
Net cash flow used in investing activities		(14,892)	(19,747)
Lease liability repayment		(3,190)	(2,813)
Net cash flow used in financing activities		(3,190)	(2,813)
Exchange gain/ (loss) on cash and bank balances		81	(103)
Net increase in cash and bank balances		14,430	14,588
Cash and bank balances at the beginning of the financial year		57,355	42,767
Cash and bank balances at the end of the financial year		71,785	57,355

Auxey Finco Limited does not hold any cash, therefore the company has taken an exemption from preparing a company statement of changes in cash flow.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

1. General information

Auxey Finco Limited (the "Company") is a company incorporated in the United Kingdom. The Company is a private company limited by shares. The address of the Company's registered office is 7 Bishopsgate, London, EC2N 3AQ.

The principal activity of the Company is that of an investment holding company. The principal activity of the Group, trading as Alexander Mann Solutions until January 2021, and subsequently as "AMS", is the provision of talent acquisition and talent management services usually under long-term contracts.

The presentational currency of the financial statements of the Group is British Pounds sterling.

2. Adoption of new and revised standards

At the date of authorisation of these financial statements, the Group 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 UK:

- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018 – 2020 Cycle Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, and IFRS 16 Leases
- Amendments to IAS 1 and IFRS Practice Statements 2 Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred tax related to Assets and Liabilities arising from a Single Transaction
- IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses

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 Group

The Group has not adopted any new standards during 2021.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting years and have not been early adopted by the Group. The Group'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 Accounting Standards in accordance with the Companies Act 2006. 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").

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

3. Accounting policies (continued)

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 acquired. The principal accounting policies adopted are set out below which have been applied consistently with the prior period, with the exception of the prior year adjustment as disclosed in note 32.

Basis of consolidation

The financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The Company has taken the exemption for the presentation of a Company only statement of profit and loss and other comprehensive income provided under s408 of the Companies Act.

Going concern

As at 31 December 2021, the Group had a gross cash balance of £71.7m and undrawn Confidential Invoice Discounting and Revolving Credit Facilities of £75m. The Group also has a £200m term loan facility and a \$161.2m term loan facility, which require compliance with covenants. A significant element of the indebtedness is the £400m 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 Board has reviewed the Group's forecasts for the financial year ending 31 December 2022 and the 12 months ending 31 December 2023 and, alongside their 'base case' forecasts, have considered the potential impact of downside scenarios which could possibly still result from further economic disruption caused by the global Covid-19 pandemic or the war in Ukraine. The major variables being the impact of either of these on client volumes.

The Group has considered several variables that may have an impact on future trading due to the risks identified above and the possibility of a global recession. The Group has 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 and a reduction in discretionary spend.

Forecast stress testing scenarios have demonstrated that the Group could mitigate and withstand a further material and prolonged decrease in NFI and EBITDA without breaching the covenants attached to the banking facilities. The Directors have also modelled that the Group could also withstand the highly remote scenario of a 21% decline in NFI and a 50% decline in EBITDA for the 24 months through to December 2023 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, and 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.

The Directors believe that the Group is adequately placed to manage its business risks successfully. On the basis of the Group's forecasts and after making due enquiries, the Directors have a reasonable expectation that the Group 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 Group in exchange for control of the acquiree.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

3. Accounting policies (continued)

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.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Goodwill

Goodwill arising on consolidation represents the excess of purchase consideration less the fair value of the identifiable tangible and intangible assets and liabilities acquired. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Refer to note 32 for detail of the prior year adjustment relating to the translation of goodwill.

Other intangible assets

Other intangible assets include customer base, brand and amounts spent by the Group acquiring licences and the costs of purchasing and developing computer software. Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset. Estimates relating to the future cash flows and discount rates used may have a material effect on the reported amounts of finite lives of intangible assets.

Research and development costs initial recognition

Research costs are expensed to the profit and loss account as they are incurred. Development costs are capitalised only after technical and commercial feasibility of the asset for sale or use have been established. This means that the entity intends and is able to complete the intangible asset and either to use it or sell it and be able to demonstrate how the asset will generate future economic benefits.

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is carried out on a systematic basis as detailed below:

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

Financial assets and liabilities

Financial assets

Financial assets are recognised on the balance sheet when the Group 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 the profit or loss.

Financial assets are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all risks and rewards.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

3. Accounting policies (continued)

Transfers of financial assets with retention of all or substantially all risks and rewards include, for example, repurchase transactions and securities lending transactions. The Group classifies its financial assets in the following categories: financial instruments at fair value through profit or loss, financial instruments held at amortised cost.

Amortised cost and effective interest rate

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Group 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 Group 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. There has been no change in the estimation techniques or significant assumptions made during this reporting year.

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. 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.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

3. Accounting policies (continued)

Other financial liabilities

The category other financial liabilities primarily include the Group'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 OTC derivatives, adjustments are made based on the net exposure towards each counterpart.

Revenue recognition

The Group follows IFRS 15 "Revenue from Contracts with Customers", in determining appropriate revenue recognition policies. In principle, therefore, the Group follows the five 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
- Recognise revenue when or as a performance obligation is satisfied.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer. Revenue is shown net of value-added tax, sales tax, returns, rebates and discounts.

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

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

3. Accounting policies (continued)

Performance Obligations Satisfied at a Point in Time

Talent Acquisition performance obligations are satisfied at a point in time. The Group typically transfers control over the service to the customer upon the candidate accepting a job offer from the customer or the candidate commencing 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. The Group utilises an output method using time as a measure of progress to recognise revenue as our management activities are performed evenly throughout the year.

Payment Terms for Performance Obligations Satisfied at a Point in Time and Over Time

At contract inception, the promised consideration is dependent on the number of hires that are successfully placed with the customer for Talent Acquisition performance obligations as well as dependent on the number of consultants working at the customer site for Talent Acquisition Management performance obligations. Whether or not a candidate is hired is susceptible to factors outside of the Group's influence. The number of consultants for Talent Acquisition Management Services has a large number and broad range of possible consideration amounts through the life of the contract as the Group is not aware of how many consultants the customer will require at the various times of the contract. The Group has experience with similar types of contract but that experience is of little predictive value in determining the future placement of candidates or the number of employees for management fee arrangements.

At the end of each month, the Group includes the transaction price of the actual amount of the monthly hires placed successfully with the customer and the number of consultants utilised by the customer given that the estimation uncertainty is resolved. At the end of each month, the Group allocates the monthly fees to the distinct performance obligations provided during the year. This is because the fees relate specifically to the Group's efforts to transfer the services for that month, which are distinct from the services provided in other months, and the resulting allocation is consistent with the objective of the standard.

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 of implementation projects 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 falling 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.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

3. Accounting policies (continued)

Intangible assets

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Useful lives are periodically reviewed to ensure that they remain appropriate. Management's estimates of useful life have a material impact on the amount of amortisation recorded in the year, but there is not considered to be a significant risk of material adjustment to the carrying values of intangible assets in the year to 31 December 2021 if these estimates were revised.

For computer software, the estimated useful life is based on management's view, considering historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. The useful life will not exceed the duration of a licence. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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

Amounts advanced through invoice discounting facilities are held on the balance sheet as part of cash and cash equivalents, with a corresponding amount recognised in creditors due within one year.

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

Investments

Investments in subsidiaries are carried at cost less impairment. The carrying value of these investments is reviewed annually by the Directors to determine whether there has been any impairment to their values.

Dividends

Dividends payable

Dividends are recorded in the financial statements in the year in which they are approved by the Company's shareholders.

Dividends receivable

Dividends receivable from subsidiary undertakings are recorded in profit or loss in the year in which they are received.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Finance charges

Finance charges include interest payable on financial liabilities which are recognised in the Statement of Profit and Loss using the effective interest method.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

3. Accounting policies (continued)

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Government grants are presented as part of revenue.

Exceptional items

Exceptional items represent items of income or expenditure which individually, or in aggregate, are of exceptional size or incidence, and in the Directors' judgement should be presented separately in order to give a clearer understanding of the Group's trading performance.

Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the years presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

3. Accounting policies (continued)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Retirement and termination benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

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 Directors do not believe any critical accounting judgements have been made in the preparation of the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty 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, are discussed below.

Impairment of goodwill

Determining whether the Company's goodwill has been impaired requires estimations of each cash generating unit's (CGU) values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from each CGU and suitable discount rates in order to calculate present values – both of which require significant judgement. The carrying amount of goodwill at the balance sheet date was £570.6m (Restated 2020: £572.5m) with no impairment loss recognised in 2021. Details of assumptions made are given in note 11.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

4. Revenue

Disaggregation of revenue

The Group operates in only one class of business, that of talent acquisition and talent management services and all its revenue, profit before tax and net assets/liabilities are generated from this class of business. Geographical analysis of business by revenue, profit before tax and net liabilities is set out below.

	2021				2020			
	Revenue	Gross	Loss	Net	Revenue	Gross	Loss	Net
	£'000	profit	before	Liabilities	£'000	profit	before	Liabilities
		£'000	tax	£'000		£'000	tax	£'000
								(Restated*)
United Kingdom	201,514	168,436	(48,122)	(150,148)	147,189	128,305	(74,390)	(84,437)
Rest of Europe	44,515	33,737	1,227	8,182	32,362	27,602	2,073	8,097
Asia Pacific	47,742	34,006	2,422	9,388	32,328	24,989	982	8,029
America	124,294	94,789	5,133	12,645	59,685	48,841	2,773	8,634
	<u>418,065</u>	<u>330,968</u>	<u>(39,340)</u>	<u>(119,933)</u>	<u>271,564</u>	<u>229,737</u>	<u>(68,562)</u>	<u>(59,677)</u>

The Group derives its revenue from contracts with customers for the transfer of services over time and at a point in time in line with the Group accounting policy. The disaggregation of the timing of revenue is presented below.

* The comparative information has been restated as a result of the prior year goodwill revaluation adjustment as discussed in note 32.

	2021	2020
	£'000	£'000
External revenue by timing of revenue		
Services transferred at a point in time	230,510	147,594
Services transferred over time	187,555	123,970
Total revenue	<u>418,065</u>	<u>271,564</u>

Contract balances

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

	2021	2020
	Group	Group
	£'000	£'000
Trade debtors	106,862	65,991
Contract costs capitalised	10,382	13,007
Amortisation of contract costs during the year	(4,821)	(4,715)
Contract assets (accrued income)	54,322	32,789
Contract liabilities (deferred income)	(7,518)	(5,844)

The contract assets primarily relate to the Group's rights to consideration for work performed but not billed at the reporting date on contracts with its customers. The contract assets are transferred to receivables when the rights become unconditional. Contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised on satisfaction of performance obligations.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

5. Exceptional items and amortisation of intangibles reported within administrative expenses

The Group did not incur any costs and expenses during the course of 2021 that are disclosed as “exceptional items” in the statutory accounts (2020: £8.9m).

During the course of 2020, the Group 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.

	2021 £'000	2020 £'000
Redundancy and restructuring costs	-	3,525
Onerous contracts	-	841
Professional fees in relation to acquisitions	-	541
SGG Transformation Programme	-	4,009
	-	8,916
Amortisation of intangible assets	22,021	21,327
	22,021	30,243

Redundancy and restructuring costs

The 2020 redundancy and restructuring costs were due to the Covid-19 global pandemic.

Onerous contracts

The 2020 onerous contract costs related to onerous lease provisions where the unavoidable costs exceeded the economic benefits of two of the Group’s leases.

Professional fees in relation to acquisitions above

Professional fees represented legal and consultancy costs incurred in acquiring the Up Group in December 2020.

SGG Transformation Programme

These were professional fees in relation to the Simplification, Globalisation and Growth programme (SGG Transformation Programme), a major restructuring project undertaken in 2020. In addition, the Group treated as exceptional, the costs of employing staff who spent a significant proportion of their time on the SGG transformation programme in 2020.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

6. Finance charges (net)

	2021 £'000	2020 £'000
Interest payable and similar charges		
Bank loans and overdrafts	67,753	66,077
Interest on overdue tax	41	63
Invoice discounting charges	478	529
Amortisation of arrangement fees and interest rate cap	719	1,873
Interest on lease liabilities	382	705
	<u>69,373</u>	<u>69,247</u>
Interest receivable and similar income		
Interest receivable	(8)	(18)
Exchange loss / (gain)	1,211	(4,832)
	<u>1,203</u>	<u>(4,850)</u>
Finance charges (net)	<u><u>70,576</u></u>	<u><u>64,397</u></u>

7. Directors emoluments and staff costs

	2021 £'000	2020 £'000
Directors' remuneration	2,715	1,197
Pension contributions	30	31
	<u>2,745</u>	<u>1,228</u>

	2021 £'000	2020 £'000
Highest paid director	1,718	500
	<u>1,718</u>	<u>500</u>

The number of Directors who were members of money purchase pension schemes was three (2020: three).

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

7. Directors emoluments and staff costs (continued)

Staff costs

The average number of employees in the Group (including executive directors) was:

	2021 No.	2020 No.
Sales	4,815	3,843
Administration	805	547
	<u>5,620</u>	<u>4,389</u>

	2021 £'000	2020 £'000
Their aggregate remuneration comprised:		
Wages and salaries	216,087	153,873
Social security costs	22,762	14,968
Other pension costs	5,795	4,688
	<u>244,644</u>	<u>173,530</u>

The Company had no employees during the financial year (2020: none).

8. Loss before taxation

	2021 £'000	2020 £'000
Loss before taxation is stated after:		
Depreciation of fixed assets	2,177	1,985
Depreciation of right of use assets	2,905	2,763
Amortisation of software	3,650	2,567
Amortisation of capitalised contract implementation costs	4,821	4,715
Amortisation of customers relationships and brand	22,024	21,327
Net foreign exchange loss / (gain)	2,135	(3,253)
Government grants (note 29)	(784)	(6,530)

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

8. Loss before taxation (continued)

Analysis of auditors remuneration is:

	2021 £'000	2020 £'000
Fees payable to company's auditors for audit of company's annual accounts	10	10
Audit of company's subsidiaries	149	212
Total audit fees	159	222
Other non-audit services	10	10
Total non-audit services	10	10

The audit-related services provided to the Group relate to audit-related procedures carried out in respect of covenant compliance.

9. Tax on loss

	2021 £'000	2020 £'000
UK corporation tax - current year	2,677	(1,454)
Adjustments in relation to prior year	200	(203)
UK corporation tax	2,878	(1,657)
Overseas tax - current year	4,320	2,364
Adjustments in relation to prior year	3	-
Current tax charge	7,200	707
Deferred tax - current year	(5,223)	(5,327)
Adjustments in relation to prior year	(204)	577
Effect of changes in tax rate	12,958	5,718
Deferred tax	7,531	968
Tax on loss	14,731	1,675

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

9. Tax on loss (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before taxation are as follows:

	2021 £'000	2020 £'000
Loss before taxation	(39,340)	(68,563)
Tax on loss at standard UK corporation tax rate of 19% (2020: 19%)	(7,474)	(13,027)
Effects of:		
Adjustments in respect of prior years	-	757
Disallowed expenses	638	184
Effect of changes in tax rate	12,955	5,718
Effect of overseas tax rates	517	574
Other adjustments	35	52
Deferred tax not recognised	248	177
Interest not deductible	7,812	7,240
Total tax charge	14,731	1,675

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023 and this rate was substantively enacted in the Finance Bill (No.2) on 24 May 2021. As a result deferred tax balances as at 31 December 2021 have been measured at 19% where the timing differences are expected to reverse prior to 1 April 2023 and at 25% where the timing differences are expected to reverse on or after 1 April 2023.

In September 2022, the UK Government announced that the planned main rate of UK corporation tax increase from 1 April 2023 to 25% would be cancelled.

10. Result attributable to Auxey Finco Limited

The result for the financial year within the financial statements of the parent company, Auxey Finco Limited, was £nil (2020: nil). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

11. Intangible Assets

Group	Goodwill £'000 (Restated*)	Customer Relationships £'000	Brand £'000	Software £'000	Other Intangibles in Total £'000
Cost					
At 1 January 2021	577,307	243,638	96,981	10,434	351,053
Foreign currency translation adjustment	(4,786)	-	-	-	-
At 1 January 2021 - as restated	572,521	243,638	96,981	10,434	351,053
Foreign currency translation adjustment	(1,934)	-	-	-	-
Additions for the year	-	-	-	5,697	5,697
Reclassification (note 12)	-	-	-	585	585
Disposal	-	-	-	(2,541)	(2,541)
Foreign currency translation	-	-	-	14	14
At 31 December 2021	570,587	243,638	96,981	14,189	354,808
Accumulated amortisation					
At 1 January 2021	-	30,208	24,008	4,464	58,680
Charge for the year	-	12,326	9,698	3,650	25,674
Reclassification (note 12)	-	-	-	50	50
Disposal	-	-	-	(2,458)	(2,458)
Foreign currency translation	-	-	-	6	6
At 31 December 2021	-	42,534	33,706	5,712	81,952
Net book value					
At 31 December 2021	570,587	201,104	63,275	8,477	272,856

* The comparative information has been restated as a result of the prior year goodwill revaluation adjustment as discussed in note 32.

Customer relationships, brand and software are amortised over their estimated useful lives, which are on average 20, 10 and 4 years respectively.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

11. Intangible Assets (continued)

Group	Goodwill £'000 (Restated*)	Customer Relationships £'000	Brand £'000	Software £'000	Other Intangibles in Total £'000
Cost					
At 1 January 2020	558,679	236,917	94,185	6,639	337,741
Foreign currency translation adjustment	(1,887)	-	-	-	-
At 1 January 2020 - as restated	556,792	236,917	94,185	6,639	337,741
Foreign currency translation adjustment	(2,899)				
Reclassification	445	-	-	-	-
Additions for the year	18,183	-	-	3,795	3,795
Acquisition of subsidiary	-	6,721	2,796	-	9,517
At 31 December 2020 - as restated	572,521	243,638	96,981	10,434	351,053
Accumulated amortisation					
At 1 January 2020	-	18,322	14,567	1,897	34,786
Charge for the year	-	11,846	9,418	2,567	23,831
Acquisition of subsidiary	-	40	23	-	63
At 31 December 2020	-	30,208	24,008	4,464	58,680
Net book value					
At 31 December 2020	572,521	213,430	72,973	5,970	292,373

* The comparative information has been restated as a result of the prior year goodwill revaluation adjustment as discussed in note 32.

Impairment tests for goodwill

The Directors have considered the requirements to assess the goodwill carrying value for impairment. The key assumptions include the assessment that, following the acquisition of the Up Group, the business is now comprised of two cash generating units ("CGUs"), the discount rate and the cash flows used to determine the value-in-use. The Directors consider the Up Group to represent a separate CGU as it is a standalone business with its own independent cash flows. The Group has performed its goodwill impairment test based on the 2022 budget, and thereafter for FY23 to FY26 using the five-year projections prepared by the Executive Committee. The terminal growth rate applied to the impairment model is 2.25%. The Group's WACC (Weighted Average Cost of Capital) has been determined as 10.3% and is based on the outsourcing / recruitment industry average leverage ratio.

The group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each CGU to which goodwill is allocated. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the related CGUs.

The Directors have also considered a break case scenario at which point the carrying amount might exceed the recoverable amount. Based on the break case scenario, and before considering all mitigating cost actions which management might implement in such a scenario, the directors consider that, compared to the base case forecast, a 39% reduction in EBITDA performance over the plan period would be necessary to reduce the headroom to nil but that this represents an overly pessimistic downside scenario.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

12. Property, plant and equipment

Group	Computer equipment £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2021	8,348	4,692	14	13,054
Reclassification	(585)	-	-	(585)
Additions	6,275	451	-	6,726
Disposal	(871)	(2,130)	(3)	(3,004)
Foreign currency translation adjustment	(188)	(60)	(1)	(249)
At 31 December 2021	12,978	2,953	10	15,941
Accumulated depreciation				
At 1 January 2021	5,883	4,110	13	10,006
Reclassification	(50)	-	-	(50)
Charge for the year	1,873	304	1	2,177
Disposal	(850)	(2,008)	(3)	(2,861)
Foreign currency translation adjustment	(161)	(52)	(1)	(214)
At 31 December 2021	6,695	2,354	10	9,058
Net book value				
At 31 December 2021	6,284	599	-	6,883
At 31 December 2020	2,465	582	1	3,048

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

12. Tangible fixed assets (continued)

Group	Computer equipment	Fixtures and fittings	Plant and machinery	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	7,195	4,458	13	11,666
Additions	1,169	268	-	1,437
Disposal	-	(15)	-	(15)
Acquisition of subsidiary	91	10	1	102
Foreign currency translation adjustment	(107)	(29)	-	(136)
At 31 December 2020	8,348	4,692	14	13,054
Accumulated depreciation				
At 1 January 2020	4,265	3,838	13	8,116
Charge for the year	1,663	300	-	1,963
Disposal	-	(8)	-	(8)
Acquisition of subsidiary	22	-	-	22
Foreign currency translation adjustment	(67)	(20)	-	(87)
At 31 December 2020	5,883	4,110	13	10,006
Net book value				
At 31 December 2020	2,465	582	1	3,048

13. Right of use assets

	2021 Leasehold buildings £'000	2020 Leasehold buildings £'000
Cost		
At 1 January	11,411	10,412
Foreign currency movement	(207)	(63)
Additions	3,998	1,571
Impairment charge (onerous contract)	-	(509)
At 31 December	15,202	11,411
Accumulated depreciation		
At 1 January	4,948	2,204
Foreign currency movement	3	(19)
Charge for the year	2,905	2,763
At 31 December	7,856	4,948
Net book value		
At 31 December	7,346	6,463

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

13. Right of use assets (continued)

The Group leases buildings and the average lease term is 5 years (2020: 5 years).

Four new leases were entered and four leases were terminated during the current financial year. This resulted in additions to right-of-use assets of £4.0m in 2021.

The 2020 impairment charges related to onerous lease provisions where the unavoidable costs exceeded the economic benefits of two of the Group's leases.

14. Trade and other receivables

	2021 Group £'000	Company £'000	2020 Group £'000 (Restated*)	Company £'000
Trade receivables	106,862	-	65,991	-
Derivatives (note 18)	1,815	-	230	-
Other receivables	4,394	-	2,247	-
Corporation tax recoverable	2,595	-	1,028	-
Accrued income	54,322	-	32,789	-
Prepayments	7,566	-	5,579	-
Capitalised contract implementation costs	4,034	-	4,601	-
Intercompany receivables	2,993	-	1,568	-
	<u>184,581</u>	<u>-</u>	<u>114,033</u>	<u>-</u>

* The comparative information has been restated as a result of the prior year capitalised contract implementation costs adjustment as discussed in note 32.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss ("ECL"). The expected credit losses on trade receivables 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 Group policy is to write off a trade receivable 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.

In 2021, the Group has identified one potential credit loss totalling £48,500 that full provision was made for. In 2020 the Group identified two other potential credit losses totalling £40,000 that full provision was made for and subsequently written off. Prior to that, the Group had not suffered any credit loss in the previous two years and as such, given the small size of the credit losses, no further provision for lifetime 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 this reporting year.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

14. Trade and other receivables (continued)

Trade receivables can be analysed as follows:

	2021 £'000	2020 £'000
Amount receivable not past due	105,615	61,790
Amount past due but not impaired	1,295	4,241
	<u>106,910</u>	<u>66,031</u>
Less: expected credit losses	(49)	(40)
	<u>106,862</u>	<u>65,991</u>

15. Cash and bank balances

The Group's cash is held in bank deposits to enable the Group to meet the short-term liquidity requirements of the business. No cash is held in countries with restrictions on remittances.

16. Current liabilities

	2021		2020	
	Group £'000	Company £'000	Group £'000	Company £'000
Derivatives (note 18)	1,219	-	576	-
Trade payables	11,562	-	8,389	-
Corporation tax	2,420	-	1,283	-
Other taxes and social security	16,858	-	28,726	-
Other payables	4,656	3,148	4,484	98
Accruals	210,985	-	144,558	-
Deferred income	7,518	-	5,844	-
Lease liabilities (note 23)	2,573	-	3,374	-
	<u>257,791</u>	<u>3,148</u>	<u>197,234</u>	<u>98</u>

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

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

17. Non-current liabilities

	2021		2020	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans (note 20)	918,381	605,094	865,535	555,136
Lease liabilities (note 23)	5,697	-	5,150	-
	<u>924,078</u>	<u>605,094</u>	<u>870,685</u>	<u>555,136</u>

18. Derivative financial instruments

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

	2021 £'000	2020 £'000
Financial assets carried at fair value through profit or loss (FVTPL):		
Forward contracts		
Derivative assets	561	230
Derivative liabilities	(1,219)	(444)
Interest rate cap		
Derivative assets / (liabilities)	1,253	(132)
Total derivative assets	<u>1,815</u>	<u>230</u>
Total derivative liabilities	<u>(1,219)</u>	<u>(576)</u>

19. Receivable from subsidiary company

	2021		2020	
	Group £'000	Company £'000	Group £'000	Company £'000
Receivable from subsidiary company	-	605,094	-	555,136
	<u>-</u>	<u>605,094</u>	<u>-</u>	<u>555,136</u>

Auxey Finco Limited issued a £440,778,000 loan note, denominated in GBP, to Auxey Holdco Limited on 15 June 2018. The loan carries 9% interest. The loan is repayable to Auxey Finco Limited on the 15 June 2028 or such other date following 15 June 2028 as agreed in writing between Auxey Finco Limited and Auxey Finco Limited.

In addition, on 1 December 2020, Auxey Finco Limited issued a loan note for £5,455,696 to Alexander Mann Group Limited in return for issuing 6,397 C shares and 9,400 D shares in Auxey Finco Limited as partial consideration for the acquisition of Rocket Topco Limited. No repayment date has been set between the intercompany parties.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

20. Borrowings

	2021		2020	
	Group £'000	Company £'000	Group £'000	Company £'000
Non-current liabilities				
Bank loans	319,250	-	318,049	-
Shareholder loans	605,094	605,094	555,136	555,136
Less capitalised arrangement fees	(5,963)	-	(7,650)	-
	<u>918,381</u>	<u>605,094</u>	<u>865,535</u>	<u>555,136</u>

The Group has a senior term and multicurrency facilities agreement with a syndicate of banks incorporating a £36 million UK invoice discounting facility, a US\$5 million USA Confidential Invoice Discounting ("CID") facility, a £40 million revolving credit facility, a £200 million term loan facility and a US\$161.2 million term loan facility. These facilities have end dates ranging between 31 December 2024 and 30 June 2025.

The above facilities require compliance with covenants and the Directors monitor compliance on an ongoing basis. The Group also has a shareholder loan for £400m which bears interest at 9% and is repayable on 15 June 2028 or an exit event, whichever is earlier.

At 31 December 2021, £200 million of the Group's bank loan was denominated in GBP and US\$161.2 million of the Group's bank loans was denominated in USD. The shareholder loan was denominated in GBP. An analysis of the maturity of the borrowings is as follows:

	Group £'000	Company £'000
Not later than one year	-	-
Later than one year but not later than two years	-	-
Later than two years but not later than five years	319,250	-
Later than five years	605,094	605,094
Less unamortised capitalised arrangement fees	(5,963)	-
	<u>918,381</u>	<u>605,094</u>

Under the terms of the Credit Agreement dated 15 June 2018, the Group is required to prepay the loan in an amount equal to a percentage of Excess Cash Flow. The precise percentage of Excess Cash Flow is dependent on the leverage ratio achieved in the future periods, which is uncertain and therefore all loans are classified as later than two years but not later than five years.

Borrowings drawn under the Credit Agreement dated 15 June 2018 in respect of the term loan and the revolving facility are secured by way of a floating charge over all the Group's assets.

Borrowings drawn under the Receivables Finance Agreement (invoice discounting) are secured against the Group's eligible trade debtors.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

21. Deferred tax

Deferred tax asset

	2021 £'000	2020 £'000
At 1 January	4,140	2,774
Credited to profit and loss account	2,506	1,366
At 31 December	6,646	4,140
	2021 £'000	2020 £'000
The amounts of deferred taxation provided at 25% (2020 - 19%) are:		
- Depreciation in excess of capital allowances	360	419
- Other temporary differences	6,286	3,399
- Tax losses available	-	322
	6,646	4,140

Deferred tax liability

	2021 £'000	2020 £'000
At 1 January	(54,427)	(50,271)
On acquisition	-	(1,823)
Charged to profit and loss account	(10,036)	(2,333)
At 31 December	(64,463)	(54,427)
	2021 £'000	2020 £'000
The amounts of deferred taxation provided at 25% (2020 - 19%) are:		
- Fixed assets	(50)	(11)
- Temporary differences arising on acquired goodwill	(64,413)	(54,416)
	(64,463)	(54,427)

The deferred tax asset and liability have 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.

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from April 2023 and this rate was substantively enacted in the Finance Bill (No.2) on 24 May 2021. As a result deferred tax balances as at 31 December 2021 have been measured at 19% where the timing differences are expected to reverse prior to 1 April 2023 and at 25% where the timing differences are expected to reverse on or after 1 April 2023.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

22. Provisions

	Deferred tax liabilities (note 21)	Dilapidation	Total provisions
Group	£'000	£'000	£'000
At 1 January 2020	50,271	439	50,710
On acquisition	1,823	-	1,823
Charged to profit and loss account	2,333	16	2,349
At 31 December 2020	54,427	455	54,882
Charged to profit and loss account	10,036	177	10,213
At 31 December 2021	64,463	632	65,095

The Group has provided against the cost of rectification work required to restore leasehold premises to the same condition as at the inception of the leases. £42,000 has been provided in respect of redecoration and £413,000 has been provided in respect of capital refurbishment. These are all expected to be paid by 2024. During 2021 there was a provision increase of £177,000 due to additional dilapidation costs estimated for the London Bishopsgate and Belfast sites.

23. Lease liabilities

	2021 £'000	2020 £'000
Analysed as:		
Current	2,573	3,374
Non-current	5,697	5,150
	8,270	8,524
Maturity analysis	2021 £'000	2020 £'000
Year 1	2,573	3,374
Year 2	2,405	2,219
Year 3	1,493	1,904
Year 4	530	1,018
Year 5	553	9
Onwards	716	-
	8,270	8,524

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

24. Share capital

	2020 £'000	2019 £'000
Authorised:		
9,340,241,104 ordinary shares of £0.01 each	93,402	93,402
Allotted, called up and fully paid:		
9,340,241,104 ordinary shares of £0.01 each	93,402	93,402

There is no share premium on issue of equity shares.

25. Notes to cash flow statement

a. Reconciliation of net cash flow used in operating activities

	2021 £'000	2020 £'000
Operating profit / (loss) for the year	31,236	(4,165)
Adjustments for:		
Depreciation and amortisation	35,580	33,357
(Increase) / decrease in trade and other receivables	(69,432)	5,930
Increase in trade and other payables	61,712	18,583
Financing costs paid	(19,035)	(16,643)
Income tax paid	(7,630)	189
Net cash flow from operating activities	32,431	37,251

b. Changes in liabilities arising from financing activities

	At 31 December 2020 £'000	Financing cash flow £'000	Exchange movements £'000	Interest accruals £'000	At 31 December 2021 £'000
Borrowings from banks	318,049	-	1,201	-	319,250
Borrowings from owners	555,136	-	-	49,958	605,094
Lease liabilities	8,524	(3,190)	-	2,936	8,270
Total liabilities from financing activities	881,709	(3,190)	1,201	52,894	932,614

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

26. Financial instruments

Categories of financial instruments

	2021		2020	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	£'000	£'000	£'000	£'000
Group				
Financial assets / (liabilities) at fair value through profit or loss	1,815	(1,219)	230	(576)
Trade and other receivables excluding prepayments	168,172	-	102,055	-
Cash and bank balances	71,785	-	57,355	-
Borrowings	-	(918,380)	-	(865,535)
Trade and other payables	-	(254,631)	-	(193,740)
	<u>241,772</u>	<u>(1,174,230)</u>	<u>159,640</u>	<u>(1,059,851)</u>

	2021		2020	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	£'000	£'000	£'000	£'000
Company				
Trade and other receivables excluding prepayments	605,094	-	555,136	-
Borrowings	-	(605,094)	-	(555,136)
	<u>605,094</u>	<u>(605,094)</u>	<u>555,136</u>	<u>(555,136)</u>

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Group's financial assets and liabilities that are measured at fair value.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial asset at fair value through profit or loss	-	1,815	-	-
Financial liabilities at fair value through profit or loss	-	(1,219)	-	-

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

26. Financial instruments (continued)

Financial risk management objectives

The Group monitors and manages the financial risks relating to the operations of the Group by degree and magnitude of risks. These risks include currency risk, interest rate risk, credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments where applicable to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Interest rate risk management

The Group's balance sheet at year end was funded by a GBP denominated senior loan of £200m and USD denominated senior loan of \$161.2m and it has entered into derivative contracts to hedge a proportion of the interest rate risk associated with the loans.

In 2018, the Group entered into derivative contracts that capped the LIBOR rate at 1.5% for 60% of the GBP loan and 3.5% for 75% of the USD loan. These derivative contracts expired in July 2021 and the Group has entered into further derivative contracts to hedge its interest rate risk after this date for a period of a further 3 years so as to cap SONIA at 1.5% for 60% of the GBP loan and USD LIBOR at 1.5% for the 75% the USD loan.

The Group's trading activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group 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 Group 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 amount of the cost base denominated in Polish zloty and Philippine peso, the Group has entered into forward contracts which guarantee that the Group can purchase Polish zloty and Philippine Pesos at a pre-determined rate each month to provide certainty about the Polish zloty and Philippine peso exchange rate for an appropriate percentage of the Group's forecast Polish zloty and Philippine peso funding requirements.

The Group has also entered into forward contracts to hedge an appropriate percentage of the Group's profits denominated in Euros, Swiss Francs, and Hong Kong dollars.

Hedge accounting under IFRS 9 is not applied in respect of the Group's financial instruments.

Credit risk management

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

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

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. 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 Group maintains a well-established credit control function that monitors the Group's trade debtors and is in regular communication with the Group's customers. The Group 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.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

26. Financial instruments (continued)

Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through committed facilities. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group has a senior term and multicurrency facilities agreement with a syndicate of banks incorporating a £36.0m UK invoice discounting facility, a \$5m USA Confidential Invoice Discounting facility, a £40.0m revolving credit facility, a £200.0m term loan facility and a \$161.2m term loan facility. These facilities have end dates ranging between 31 December 2024 and 30 June 2025. The above facilities require compliance with covenants and the Directors monitor compliance on an ongoing basis.

27. Ultimate controlling party and related party transactions

The Company's immediate and ultimate parent undertaking is Auxey Holdco Limited, a company incorporated in Jersey and which is a tax resident in the United Kingdom. The registered address of the Auxey Holdco Limited is 44 Esplanade, St Helier, Jersey, JE4 9WG. Auxey Holdco Limited is under the control of Auxey Holdings (Lux) S.A.S. OMERS Administration Corporation who 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.

The parent undertaking of the largest and smallest group, which includes the Company and for which group accounts are prepared, is Auxey Holdings (Lux) S.A.S. The parent undertaking of the smallest such group is Auxey Holdco Limited.

28. Pension arrangements

The pension cost charge for the current year of £5,784,000 (2020: £4,640,000) represents the amounts payable to defined contribution personal pension schemes.

29. Government grants

In 2020 and 2021, as a result of the global pandemic, the Group utilised government support measures made available in various countries, including employee wage subsidy schemes. The total amount the Group received in respect of wage subsidy schemes around the world was £0.8m and have been presented within revenue (2020: £6.5m).

In addition, in 2020 the Group availed itself of tax deferral arrangements including the automatic deferral of UK VAT payments in which resulted in a benefit to working capital of £11.2m. No such tax deferral schemes were applied in 2021 and at December 2021, the amount of tax deferrals still to be paid totalled £2.1m.

There are no unfulfilled conditions or contingencies attached to these grants.

30. Fixed asset investments – Company

	2021 Company £'000	2020 Company £'000
Subsidiary undertakings		
Cost and net book value		
At 31 December 2021	93,402	93,402

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

30. Fixed asset investments – Company (continued)

The Company holds investments in the following subsidiary undertakings:

Subsidiary Undertaking	Country of registration	Activity	Proportion of ordinary shares
Auxey Midco Limited	England and Wales	Holding	100%
Auxey Bidco Limited	England and Wales	Holding	100%
Alexander Mann Group Limited	England and Wales	Holding	100%
Alexander Mann Associates Limited	England and Wales	Holding	100%
Alexander Mann Solutions Limited	England and Wales	Trading	100%
Alexander Mann BPO Limited	England and Wales	Trading	100%
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 Poland Sp. Z.o.o.	Poland	Trading	100%
Alexander Mann Solutions BVBA	Belgium	Trading	100%
Alexander Mann Solutions BV	Holland	Trading	100%
AMS Recruitment Process Outsourcing S.L.	Spain	Trading	100%
Alexander Mann Solutions Corporation	U.S.A	Trading	100%
Alexander Mann CWS LLC	U.S.A	Trading	100%
Alexander Mann BPO Solutions (Singapore) PTE Limited	Singapore	Trading	100%
Alexander Mann Solutions S.A.R.L.	France	Trading	100%
Alexander Mann Solutions Private Limited	India	Trading	100%
Amicus Limited	England and Wales	Trading	100%
Alexander Mann Solutions K.K.	Japan	Trading	100%
AMG Asia Pacific Pty Ltd	Australia	Trading	100%
Alexander Mann Solutions (HK) Limited	Hong Kong	Trading	100%
Alexander Mann Solutions s.r.o.	Czech Republic	Trading	100%
Alexander Mann Solutions (KFT)	Hungary	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%
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	100%
Alexander Mann Solutions (Pty) Ltd	South Africa	Trading	100%
Alexander Mann Solutions Limited Liability Company	Russia	Trading	100%
AMS Recruitment S.A.(Costa Rica)	Costa Rica	Trading	100%
Public Sector Resourcing Limited	England and Wales	Trading	100%
Karen HR Inc**	Canada	Dormant	100%
Rocket TopCo Limited	England and Wales	Holding	100%
Rocket AcqCo Limited	England and Wales	Holding	100%
Unique Profile Limited	England and Wales	Holding	100%
The Up Group Limited	England and Wales	Trading	100%
Scale Digital Ltd**	England and Wales	Dormant	100%
The Up Group Inc. **	USA	Dormant	100%

The principal activity of all trading subsidiaries is the provision of Talent Acquisition and Management Services, usually under long term contracts.

The registered addresses of the subsidiaries above are listed in the appendix to the subsidiary note.

**These dormant subsidiaries are exempt from the preparation of individual accounts.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

31. Subsequent events

On 15 July 2022, the Company acquired 100% of the issued capital of Flexability HR Solutions Private Limited. Flexability has been the company's longstanding Recruitment Process Outsourcing (RPO) partner in India. Initial consideration for the acquisition was £33.2m with a further £2.1m held in escrow. The Company funded the acquisition through the securing of a US\$40 million senior secured term loan.

32. Prior year restatement

Reclassification of capitalised contract implementation costs – The Group previously presented its capitalised contract implementation costs as current assets. However in accordance with IAS 1 Presentation of Financial Statements a portion of these capitalised costs should be presented as non-current assets, to represent amounts not expected to be amortised within the next twelve months after the reporting date.

The reclassification has resulted in the restatement of the balance as at 31 December 2020 and 31 December 2019 of £8.4m and £9.5m respectively, for amounts not expected to be amortised within the next twelve months after the reporting date, with no impact to gross or net assets previously disclosed. There has been no impact to opening reserves or prior profit/(loss) for the period.

Reclassification of goodwill – During the current financial year, management identified an error in respect of the historical acquisition accounting that took place in June 2018 when Auxey Finco Limited acquired the Alexander Mann Solutions group. The goodwill that arose on this acquisition of £558.5m was not translated into local currencies at the acquisition date and has not been revalued on an annual basis thereafter at year end exchange rates.

The Directors also identified an error in the classification of amounts recognised on the translation of foreign operations and have reclassified these from the profit and loss account into the foreign currency translation reserve.

The movements in the goodwill and foreign currency translation reserve for the years 31 December 2020 and 31 December 2021 have been reflected in the consolidated statement of financial position and the consolidated statement of changes in equity for the years in question, where required.

The following table presents each line of the financial statements affected by the prior year restatement as at 31 December 2021.

Consolidated statement of financial positions (extract)	At 31 December 2020 £'000	Increase/ (Decrease) £'000	As restated at 31 December 2020 £'000	At 31 December 2019 £'000	Increase/ (Decrease) £'000	As restated at 31 December 2019 £'000
Goodwill	577,307	(4,786)	572,521	559,124	(1,887)	557,237
Net liabilities	(5,062)	(4,786)	(9,848)	57,213	(1,887)	55,326
Foreign currency translation reserve	-	(6,565)	(6,565)	-	(3,804)	(3,804)
Profit and loss account	(153,079)	1,779	(151,300)	(82,980)	1,917	(81,063)
Total shareholders' (deficit)/surplus	(59,677)	(4,786)	(64,463)	10,422	(1,887)	8,535

Consolidated statement of changes in equity (extract)	At 31 December 2020 £'000	Increase/ (Decrease) £'000	As restated at 31 December 2020 £'000	At 31 December 2019 £'000	Increase/ (Decrease) £'000	As restated at 31 December 2019 £'000
Foreign currency translation reserve	-	(6,565)	(6,565)	-	(3,804)	(3,804)
Profit and loss account	(153,079)	1,779	(151,300)	(82,980)	1,917	(81,063)
Total shareholders' deficit/surplus	(59,677)	(4,786)	(64,463)	10,422	(1,887)	8,535

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

32. Prior year restatement (continued)

Consolidated statement of profit and loss and other comprehensive income (extract)	At 31 December 2020 £'000	Increase/ (Decrease) £'000	As restated at 31 December 2020 £'000
Exchange loss on translation of goodwill	-	(2,899)	(2,899)
Total comprehensive loss	(70,099)	(2,899)	(72,998)

33. Statement of guarantee

The Company has signed a statement of guarantee in respect of a number of subsidiary companies under section 479A of Companies Act 2006. As a result, the following subsidiaries are exempt from the requirements of the UK Companies Act 2006 in relation to the audit of individual accounts by virtue of section 479A of that Act:

Company	Company registration number
Auxey Midco Limited	11347494
Auxey Bidco Limited	11347510
Alexander Mann Associates Limited	1884422
Alexander Mann BPO Limited	6292822
Amicus Limited	3930954
Public Sector Resourcing Limited	10648278
The Up Group Limited	06376612
Rocket TopCo Limited	10002571
Rocket AcqCo Limited	10003106
Unique Profile Limited	06376729

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

Appendix – subsidiary undertakings

Subsidiary Undertaking	Registered Address
Auxey Finco Limited	7-11 Bishopsgate, London, EC2N 3AQ
Auxey Midco Limited	7-11 Bishopsgate, London, EC2N 3AQ
Auxey Bidco Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Group Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Associates Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Solutions Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann BPO Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Solutions GmbH	Eichhornstraße 3, Potsdamer Platz, WeWork Atrium Tower, 10785 Berlin
Alexander Mann Solutions APS	Frederiksborggade 15, 1360 Copenhagen, Denmark
Alexander Mann Solutions AB	Hälle Lider 2 B, 1 tr, 459 32 Ljungskile, 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 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 BV	Joop Geesinkweg 901-999, 1114 AB Amsterdam- Duivendrecht, The Netherlands
AMS Recruitment Process Outsourcing S.L.	Av. Josep Tarradellas, 123, 9ª planta, 08029, Barcelona
Alexander Mann Solutions Corporation	Erievue Tower, 1301 East 9th St. suite 1200, Cleveland, Ohio, 44114, USA
Alexander Mann CWS LLC	Erievue Tower, 1301 East 9th St. Suite 1200, Cleveland, Ohio, 44114, USA
Alexander Mann BPO Solutions (Singapore) PTE Limited	2 Shenton Way, SGX Centre 1, #16-03, Singapore, 068804
Alexander Mann Solutions S.A.R.L.	12/14 Rond-Point des Champs-Élysées, 75008, Paris, France
Alexander Mann Solutions Private Limited	B2, 402, Marathon Innova, Off Ganpatrao Kadam Marg, Opp Peninsula, Corporate Bank, Lower Parel, Mumbai, India
Amicus Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Solutions K.K.	3-18-6 Toyo, Koto-ku, Tokyo, 135-0016, Japan
AMG Asia Pacific Pty Ltd	Level 27, 101 Collins St, Melbourne, Vic 3000
Alexander Mann Solutions (HK) Limited	FLAT/RM 1108, 11/F TWO CHINACHEM CENTRAL 26 DES VOEUX ROAD CENTRAL HK
Alexander Mann Solutions s.r.o.	U Garáží 1611/1, 170 00 Prague 7, Czech Republic
Alexander Mann Solutions (KFT)	Kálmán Imre utca 1, Budapest, 1054 Hungary
Alexander Mann Solutions (Shanghai) Enterprise Management Consulting Ltd	Unit 701, ZRT Tower, No. 20, Lane 1228 Jiangchang Road, Jingan District, Shanghai, 200072, China
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 DO6, Ireland, C8X4
Alexander Mann BPO (HK) Limited	Level 15 and 19, West Exchange Tower, 322 Des Voeux Road Central, Sheung Wan, Hong Kong
AMS Processo De Recrutamento E Terceirização Ltda	R JESUINO ARRUDA 797, ANDAR 10, ITAIM BIBI, CEP 04.532-082, SAO PAULO, UF: SP
Alexander Mann Solutions S. De R.L. De C.V.	Gutierrez Zamora #128 Int. 1, Colonia Las Aguilas, Delegacion Alvaro Obregon, Ciudad de Mexico, CP 01710, Mexico
Alexander Mann Solutions AS	Vassboten 1, Building 2, Cadastral unit no 67, Sandnes, Norway
Alexander Mann Solutions BPO Inc.	32/F Philam Life Tower Building, 8767 Paseo De Roxas Avenues, Makati City, Philippines
Alexander Mann Solutions (Pty) Ltd	West Tower Office 2nd floor, Nelson Mandela Square Maude Street, Sandown Johannesburg 2196 Sandown, Gauteng 2146
Public Sector Resourcing Limited	7-11 Bishopsgate, London, EC2N 3AQ
Karen HR Inc	1000, rue De La Gauchetière Ouest, bureau : suite 900, Montréal, QC, Canada H3B 5H4
Rocket TopCo Limited	30th Floor, Millbank Tower 21-24 Millbank, London, England, SW1P 4QP

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2021

Rocket AcqCo Limited	30th Floor, Millbank Tower 21-24 Millbank, London, England, SW1P 4QP
Unique Profile Limited	30th Floor, Millbank Tower 21-24 Millbank, London, England, SW1P 4QP
The Up Group Limited	30th Floor, Millbank Tower 21-24 Millbank, London, England, SW1P 4QP
The Up Group Inc.	30th Floor, Millbank Tower 21-24 Millbank, London, England, SW1P 4QP
Scale Digital Ltd	30th Floor, Millbank Tower 21-24 Millbank, London, England, SW1P 4QP
Alexander Mann Solutions Limited Liability Company	Room 57, Floor 8, building 1, 16A Leningradskoe Shosse, Moscow, 125171, the Russian Federation
AMS Recruitment S.A.(Costa Rica)	Santa Ana, Forum 1, Building E, Second Floor, San Jose, 10903, Costa Rica