Company Registration number: 126348

Auxey Holdco Limited

Annual report and financial statements

For the year ended 31 December 2021

Auxey Holdco Limited

Contents

Page

Auxey Holdco Limited

Officers and professional advisers

Directors

R Blair (the Chair and Founder)
D Leigh (Chief Executive Officer)
J Cheesewright (Chief Financial Officer)
M Rodger (Chief Growth Officer)
D Walker (Non-executive director)
F Cohen (Non-executive director) – Appointed 9 February 2022
R Timmins (Non-executive director) – Resigned 31 March 2022
S Jones (OMERS Private Equity representative) – Appointed 20 September 2021
E Haley (OMERS Private Equity representative)
J Mussellwhite (OMERS Private Equity representative)

Registered office

44 Esplanade
St Helier
Jersey
JE4 9WG

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
London
United Kingdom

Review of trading results for the year ended 31 December 2021

This Strategic report has been prepared for Auxey Holdco 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 £66.6m (2020: £38.1m). The group also delivered an operating profit before exceptional items and amortisation of customer relationships and brand of £53.1m (2020: £26.1m).

An overall loss for the year after taxation was recognised of £50.6m, largely driven by the interest charges on the group's shareholder debt and external bank borrowings (2020: loss of £67.7m).

The key financial metrics 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 £m	**% change**	**2020 £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)	53.1	103.4%	26.1	-32.3%
EBITDA (before exceptional items and amortisation of customer relationships and brands)	66.6	74.8%	38.1	-21.6%

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

	2021 £m	**2020 £m**
Operating profit / (loss)	31.1	(4.2)
Exceptional items	-	8.9
Amortisation of customer relationships and brand	22.0	21.3
	53.1	26.1
Depreciation of right of use and fixed assets	5.1	4.7
Amortisation of software and contract implementation costs	8.4	7.3
EBITDA (as defined above)	66.6	38.1

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 an accelerate new sales activity

Cash generation was steady with operating cashflow of £28.6m (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 £61.5m (2020: net liabilities £9.8m) 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 £1.8m (2020: net current liabilities position of £19.2m) as a result of the strong recovery of 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.

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.

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.

Strategic Report (continued)

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 $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

D Leigh
Director

29th April 2022

Directors' report (continued)

The directors of Auxey Holdco 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 is incorporated in Jersey and 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's (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 £50.6m (2020: £67.4m).

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 Tomorrows 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.

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 £58,539 (2020: £7,492). 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 is 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.

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.

Directors’ indemnity arrangements

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

Going concern

As at 31 December 2021, the Group had a gross cash balance of £71.8m 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 6 months ending 30 June 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 28% decline in NFI and a 68% decline in EBITDA for the 18 months through to June 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.

Subsequent events

There have been no significant events affecting the Company or the Group since 31 December 2021.

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.

Auditor

In accordance with Companies (Jersey) Law 1991, the directors resolved for the re-appointment of Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

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

D Leigh
Director

29th April 2022

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 are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 year.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group 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 Holdco Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Auxey Holdco 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;
- 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); and
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

- the consolidated statement of profit and loss and other comprehensive income;
- the consolidated and parent company statements 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 IFRSs as issued by the IASB.

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 as applied to listed entities, 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.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • *Impairment of goodwill; and* • *Revenue recognition: new contracts and cut-off of permanent placement revenue* Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £6.0 million which was determined on the basis of approximately 2% of annualised net fee income (gross profit). In addition, the company only materiality that we used was £2.9 million which was determined on the basis of 2% of net assets.
Scoping	Audit work to respond to the risks of material misstatement in all significant components of the group was performed directly by the group audit engagement team.
Significant changes in our approach	There have been no significant changes to our approach from the prior year.

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:

- holding meetings with management to discuss the directors’ assessment of going concern;
- assessing the key assumptions made by the directors to capture potential downside risks, including the associated macro-economic assumptions, with a particular focus on the headroom available and the group’s cash resources, under severe but plausible stress scenarios;
- assessing the group’s lending facilities, their availability and compliance with covenants; and
- evaluating the appropriateness of the financial statement disclosures in respect of going concern.

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.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill

Key audit matter description	At the reporting date, the Group has goodwill with a carrying value of £570.6m (2020 restated: £572.5m). In accordance with IAS 36 Impairment of assets, management is required to perform an annual test for impairment to goodwill. The determination as to whether goodwill is to be impaired is considered a key audit matter by virtue of the level of judgement involved and the material level of goodwill. We consider management assumptions around future growth in net fee income and new business wins within the cash flow forecasts to be the most significant judgements in the assessment of goodwill impairment. We also consider there to be judgements around the determination of an appropriate discount rate to apply within the value in use ("VIU") model. Further details are included in notes 3 and 11 to the financial statements.
How the scope of our audit responded to the key audit matter	We have performed the following procedures: • obtained an understanding of the relevant controls around management's goodwill impairment review; • assessed whether management's determination of CGUs is within our understanding of the group's business; • understood and challenged the key assumptions driving the growth in net fee income and new business wins within the cash flow forecasts through an assessment of historic management forecasting accuracy and corroborating a sample of new business wins included in forecasts to appropriate evidence to support that these are realistic, pipeline opportunities; • assessed the discount rate applied by management, with the support of our internal valuations specialists; • performed sensitivity analysis on management's forecast to assess their reasonableness; and • assessed whether the disclosures within the financial statements are appropriate and in line with the requirements of the relevant accounting standard.
Key observations	We concurred with management that no impairment charge is required against the carrying value of goodwill at the reporting date and consider the disclosures in relation to goodwill impairment to be appropriate.

Independent auditor’s report to the members of Auxey Holdco Limited (continued)

Revenue recognition: new contracts and cut-off of permanent placement revenue

Key audit matter description	The group provides talent acquisition and talent management services to a variety of customers. The group’s revenue comprises mainly (i) permanent placements and (ii) contingent workforce solutions (CWS). We continue to identify a key audit matter in relation to two areas of revenue recognition: new contracts and the cut-off of permanent placement revenue. In respect of revenue recognised from new contracts, the key judgement is around management’s interpretation of the accounting treatment required for any non-standard terms within customer contracts. Under the accounting standard, management are required to determine what constitutes a performance obligation and when it is considered to have been fulfilled. We consider this judgement to be more complex for any non-standard, contractual terms. Regarding permanent placement revenue cut-off, under the accounting standard, one of the criteria to recognise revenue is ‘when (or as) the entity satisfies the performance obligation’. For the group the key judgement for the recognition of revenue on permanent placements is therefore around the timing of satisfaction of the performance obligation and whether this occurs at the date of acceptance or at the start date. This is based on the contractual terms with each customer, depending on when the risks and rewards are transferred to the customer. Further details are included in notes 3 and 4 to the financial statements.
How the scope of our audit responded to the key audit matter	We have performed the following procedures: **New contracts** • obtained an understanding of the relevant controls around the recognition of revenue from new contracts; • assessed the terms of each new contract signed in 2021 as well as the variation agreements for significant contracts renegotiated in the year to assess whether any non-standard terms have been accounted for correctly (i.e. whether the performance obligation has been fulfilled); and • assessed whether the accounting treatment was in accordance with the accounting standard. **Cut-off of permanent placement revenue** We have tested a sample of permanent placement revenues recognised around the period end to assess whether the performance obligation had been met in 2021, and therefore whether it was correct to recognise the revenue, through comparison against the terms of the contract.
Key observations	Based on the work performed we concluded that the accounting for these aspects of revenue is appropriate.

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

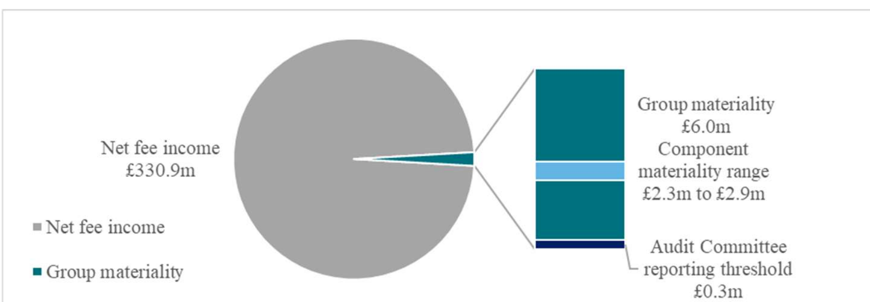
Our application of materiality

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Group financial statements	Parent company financial statements
Materiality	£6.0 million (2020: £4.5 million)	£2.9 million (2020: £3.0 million)
Basis for determining materiality	2% of annualised net fee income (2020: 2% of annualised net fee income)	2% of net assets (2020: 2% of net assets)
Rationale for the benchmark applied	Net fee income has been selected as the most appropriate benchmark as it is a key performance metric for the group and widely used as a basis for determining materiality for recruitment and outsourcing companies. The increase in materiality reflects the growth of net fee income compared to the prior year.	



Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2020: 70%) of group materiality	70% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	• the quality of the control environment and the fact that we were able to rely on controls as part of the audit in relation to contractor cost of sales; • our risk assessment, including our assessment of the company's overall control environment; and • our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements in prior periods.	

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

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.3 million (2020: £0.2 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

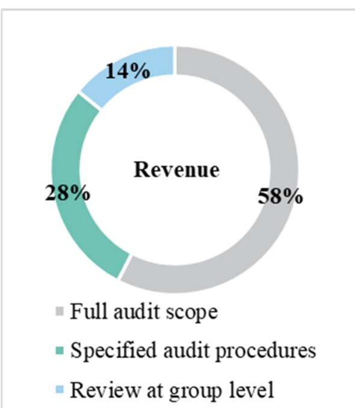
Identification and scoping of components

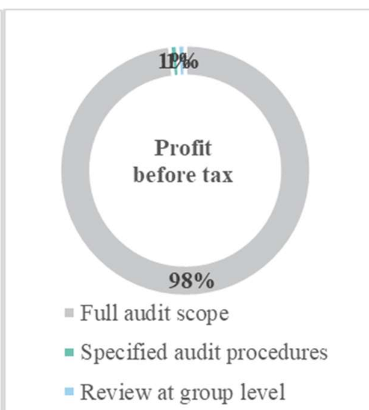
The group operates globally with components to the group situated in key geographies – Europe, the Americas, Asia Pacific, the Middle East and Africa. Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement in all significant components of the group was performed directly by the group audit engagement team.

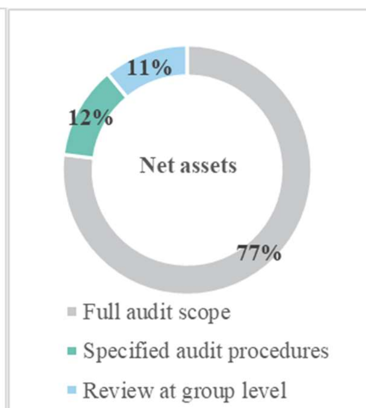
The group audit engagement team performed full scope audit procedures on the company and the key trading entities in the group. These were determined to be the group's components in the United Kingdom, United States, France and Hong Kong, and account for 85% of the group's net fee income (2020: 86%), 98% of profit before tax (2020: 99%) and 89% of net assets (2020: 89%). The group audit engagement team also performed full scope audit procedures on other UK intermediary holding entities.

At the parent company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or specified audit procedures.

Determined component materialities ranged from £2.3 million to £2.9 million.







Our consideration of the control environment

We have obtained an understanding of the relevant controls such as those relating to the financial reporting cycle, and those in relation to our key audit matters.

In addition we have tested and relied on controls in relation to the group's contractor payroll costs business cycle.

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.

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

Our opinion on the financial statements does not cover the other information and 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.

1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:

  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the impairment of goodwill and revenue recognition on new contracts and of permanent placements. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Jersey) Law, 1991 and tax legislation.

In addition, we considered provisions of other laws and regulations that 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 material penalty.

2. Audit response to risks identified

As a result of performing the above, we identified the impairment of goodwill and revenue recognition on new contracts and of permanent placements as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Report on other legal and regulatory requirement

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company, or proper 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of Companies (Jersey) Law, 1991. 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.

Matthew Ward

Matt Ward FCA
For and on behalf of Deloitte LLP
London, United Kingdom
29 April 2022

Auxey Holdco Limited

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

	Notes	2021 Before exceptional items and amortisation of intangible assets	2021 Exceptional items and amortisation of intangible assets	2021 Statutory result	2020 Before exceptional items and amortisation of intangible assets	2020 Exceptional items and amortisation of intangible assets	2020 Statutory result
		£'000	£'000	£'000	£'000	£'000	£'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	(277,811)	(22,021)	(299,832)	(203,662)	(30,243)	(233,905)
Operating profit / (loss)		53,157	(22,021)	31,136	26,075	(30,243)	(4,168)
Finance charges (net)	6			(65,385)			(60,127)
Loss before taxation	8			(34,249)			(64,295)
Tax on loss	9			(16,392)			(3,129)
Loss after taxation for the year				(50,641)			(67,424)
Items that may be reclassified subsequently to profit or loss:							
Other comprehensive loss: Exchange gain/(loss) on translation of foreign operations				535			(307)
Exchange loss on translation of goodwill				(1,934)			(2,899)
Total comprehensive loss				(52,040)			(70,630)

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.

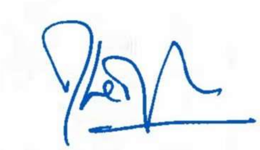
Auxey Holdco Limited

Consolidated statement of financial position
As at 31 December 2021

	Notes	2021 £'000	2020 £'000	2019 £'000
Non-current assets			(Restated*)	(Restated*)
Goodwill	11	570,587	572,521	557,237
Other intangible assets	11	272,856	292,373	302,955
Tangible assets	12	6,883	3,048	3,550
Right to use assets	13	7,346	6,463	8,208
Deferred tax	21	6,646	4,140	2,774
		864,318	878,545	874,725
Current assets				
Trade and other receivables	14	187,780	120,706	131,186
Cash and bank balances	15	71,785	57,355	42,767
		259,565	178,061	173,953
Current liabilities	16	(257,791)	(197,234)	(165,402)
Net current assets/(liabilities)		1,774	(19,173)	8,551
Total assets less current liabilities		866,092	859,372	883,275
Non-current liabilities	17	(862,541)	(814,338)	(827,511)
Provisions for liabilities	22	(65,095)	(54,882)	(439)
Net liabilities		(61,544)	(9,848)	55,326
Equity				
Share capital	24	1	1	1
Share premium	24	140,087	139,742	134,286
Foreign currency translation reserve		(7,964)	(6,565)	(3,359)
Retained earnings		(193,668)	(143,026)	(75,602)
Total shareholders' deficit		(61,544)	(9,848)	55,326

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

The financial statements of Auxey Holdco Limited, registered number 126348, were approved by the board of directors and authorised for issue on 29th April 2022.
Signed on behalf of the board of directors



D Leigh
Director

Auxey Holdco Limited

Company statement of financial position
As at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Investment	30	93,402	93,402
Receivable from subsidiary company	19	605,094	555,136
		698,497	648,538
Current assets			
Trade and other receivables	14	-	-
Current liabilities	16	(3,148)	(1,732)
Net current liabilities		(3,148)	(1,732)
Total assets less current liabilities		695,349	646,807
Non-current liabilities	17	(543,557)	(498,789)
Net assets		151,792	148,017
Equity			
Share capital	24	1	1
Share premium	24	140,087	139,742
Retained earnings		11,704	8,274
Total equity		151,792	148,017

The company reported a profit after tax for the year ended 31 December 2021 of £3,430,000 (2020: £2,813,000). The financial statements of Auxey Holdco Limited, registered number 126348, were approved by the board of directors and authorised for issue on 29th April 2022.

Signed on behalf of the board of directors

D Leigh
Director

Auxey Holdco Limited

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

	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
			(Restated*)	(Restated*)	(Restated*)
At 1 January 2020	1	134,286	-	(77,074)	57,213
Change in foreign currency translation adjustment	-	-	(1,887)	-	(1,887)
Reclassification of translation of foreign operations	-	-	(1,472)	1,472	-
At 1 January 2020 - As restated	1	134,286	(3,359)	(75,602)	55,326
Shares issued in the year	-	5,456	-	-	5,456
Change in foreign currency translation adjustment	-	-	(2,899)	-	(2,899)
Reclassification of translation of foreign operations	-	-	(307)	307	-
Total comprehensive loss for the year	-	-	-	(67,731)	(67,731)
At 31 December 2020	1	139,742	(6,565)	(143,026)	(9,848)
Shares issued in the year (note 24)	-	345	-	-	345
Total comprehensive loss for the year	-	-	(1,399)	(50,641)	(52,040)
At 31 December 2021	1	140,087	(7,964)	(193,668)	(61,544)

* 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	1	134,286	5,461	139,748
Shares issued in the year	-	5,456	-	5,456
Total comprehensive profit for the year	-	-	2,813	2,813
At 31 December 2020	1	139,742	8,274	148,017
Shares issued in the year (note 24)	-	345	-	345
Total comprehensive profit for the year	-	-	3,430	3,430
At 31 December 2021	1	140,087	11,704	151,792

Auxey Holdco 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		(14,891)	(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 Holdco Limited does not hold any cash, therefore the company has taken an exemption in preparing a company statement of changes in cash flow.

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

1. General information

Auxey Holdco Limited (the "Company") is a company incorporated in Jersey and is tax resident in the United Kingdom. The Company is a private company limited by shares. The address of the Company's registered office is 44 Esplanade, St Helier, Jersey, JE4 9WG.

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 IAS1 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 conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the IASB.

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 £71.8m 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 6 months ending 30 June 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 further 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 28% decline in NFI and a 68% decline in EBITDA for the 18 months through to June 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, take into account the Board's future expectations of 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 comply with 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.

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.

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.

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 fives step process when applying the revenue recognition policy:

- Identify the contracts with the customers;
- Identify the performance obligations in the contracts;
- Determine the transaction price;
- Allocation of the transaction price; and
- 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.

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.

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 current liabilities.

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.

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.

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.

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 £'000	Gross profit £'000	Loss before tax £'000	Net Liabilities £'000	Revenue £'000	Gross profit £'000	Loss before tax £'000	Net Liabilities £'000 (Restated*)
United Kingdom	201,514	168,436	(43,031)	(91,761)	147,162	128,278	(69,900)	(29,822)
Rest of Europe	44,515	33,737	1,227	8,182	32,389	27,629	1,850	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	12,647	59,685	48,841	2,773	8,634
	418,065	330,968	(34,249)	(61,544)	271,564	229,737	(64,295)	(5,062)

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 £'000	2020 £'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	418,065	271,564

Contract balances

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

	2021 Group £'000	2020 Group £'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.

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.

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	62,563	61,807
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
	64,183	64,977
Interest receivable and similar income		
Interest receivable	(9)	(18)
Exchange loss / (gain)	1,211	(4,832)
	1,202	(4,850)
Finance charges (net)	65,385	60,127

7. Directors emoluments and staff costs

	2021 £'000	2020 £'000
Directors' remuneration	2,768	991
Pension contributions	10	10
	2,778	1,001

The number of Directors who were members of money purchase pension schemes was one (2020: one). The accrued pension entitlement is £nil (2020: £nil).

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
	5,620	4,389

	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
	244,644	173,530

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	784	6,530

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

8. Loss before taxation (continued)

Analysis of auditors remuneration is:

	2021	2020
	£'000	£'000
Fees payable to company's auditors for audit of company's annual accounts	176	181
Audit of company's subsidiaries	159	222
Total audit fees	335	403
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	2020
	£'000	£'000
UK corporation tax - current year	4,338	-
Adjustments in relation to prior year	200	(203)
UK corporation tax	4,538	(203)
Overseas tax - current year	4,320	2,364
Adjustments in relation to prior year	4	-
Current tax charge	8,862	2,161
Deferred tax - current year	(5,223)	(5,327)
Adjustments in relation to prior year	(203)	577
Effect of changes in tax rate	12,956	5,718
Deferred tax	7,530	968
Tax on loss	16,392	3,129

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	(34,249)	(64,295)
Tax on loss at standard UK CT rate of 19% (2020: 19%)	(6,507)	(12,216)
Effects of:		
Adjustments in respect of prior years	-	757
Disallowed expenses	1,332	828
Effect of changes in tax rate	12,957	5,717
Effect of overseas tax rates	517	574
Other adjustments	33	52
Deferred tax not recognised	248	177
Interest not deductible	7,812	7,240
Total tax charge	16,392	3,129

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.

10. Profit attributable to Auxey Holdco Limited

The Company has elected not to disclose an individual Company profit and loss account. The profit after tax for the financial year within the financial statements of the parent company, Auxey Holdco Limited, was £3,430,000 (2020: £2,813,000).

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.

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	559,124	236,917	94,185	6,639	337,741
Foreign currency translation adjustment	(1,887)	-	-	-	-
At 1 January 2020 - as restated	557,237	236,917	94,185	6,639	337,741
Foreign currency translation adjustment	(2,899)				
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.

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

12. Tangible fixed assets

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

12. Tangible fixed assets (continued)

Group	Computer equipment £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'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

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	Company £'000
Trade debtors	106,862	-	65,991	-
Derivatives (note 18)	1,815	-	230	-
Other debtors	4,239	-	2,082	-
Corporation tax recoverable	2,595	-	1,028	-
Accrued income	54,322	-	32,789	-
Prepayments	7,566	-	5,579	-
Capitalised contract implementation costs	10,382	-	13,007	-
	187,780	-	120,706	-

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.

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.

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
	106,910	66,031
Less: expected credit losses	(49)	(40)
	106,862	65,991

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	1,732
Accruals	210,985	-	144,558	-
Deferred income	7,518	-	5,844	-
Lease liabilities (note 23)	2,573	-	3,374	-
	257,791	3,148	197,234	1,732

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.

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

17. Non-current liabilities

	2021		2020	
	Group	**Company**	**Group**	**Company**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans (note 20)	856,844	543,557	809,188	498,789
Lease liabilities (note 23)	5,697	-	5,150	-
	862,541	543,557	814,338	498,789

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	2020
	£'000	**£'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	1,815	230
Total derivative liabilities	(1,219)	(576)

19. Receivable from subsidiary company

	2021		2020	
	Group	**Company**	**Group**	**Company**
	£'000	**£'000**	**£'000**	**£'000**
Receivable from subsidiary company	-	605,094	-	555,136
	-	605,094	-	555,136

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

In addition, on 1 December 2020, Auxey Holdco 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 Holdco Limited as partial consideration for the acquisition of Rocket Topco Limited. No repayment date has been set between the intercompany parties.

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

20. Borrowings

	2021		2020	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Non-current liabilities				
Bank loans	319,250	-	318,049	-
Shareholder loans	543,557	543,557	498,789	498,789
Less capitalised arrangement fees	(5,963)	-	(7,650)	-
	856,844	543,557	809,188	498,789

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	Company
	£'000	£'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	543,557	543,557
Less unamortised capitalised arrangement fees	(5,963)	-
	856,844	543,557

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.

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.

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

22. Provision for liabilities

	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	2020
Analysed as:	**£'000**	**£'000**
Current	2,573	3,374
Non-current	5,697	5,150
	8,270	8,524

Maturity analysis	**2021**	**2020**
	£'000	**£'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.

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

24. Share capital

	2021	2020
	£	£
Authorised:		
131,294 A preferred ordinary shares of £0.001 each	131	131
581,257 B preferred ordinary shares of £0.001 each	581	581
70,762 C preferred ordinary shares of £0.001 each	71	71
220,000 D ordinary shares of £0.001 each	220	220
5,000 E ordinary shares of £0.1 each	500	500
	1,503	1,503
Allotted, called up and fully paid:		
130,045 A preferred ordinary shares of £0.001 each	130	130
581,257 B preferred ordinary shares of £0.001 each	581	581
70,495 C preferred ordinary shares of £0.001 each	70	70
206,696 D ordinary shares of £0.001 each	207	189
5,000 E ordinary shares of £0.1 each	500	500
	1,488	1,470
Share premium account		
Premium arising on issue of equity shares	140,087,000	139,742,000

On 1 December 2020, the Group acquired 100% of the share capital of Rocket Topco Limited. The consideration for this acquisition was partially settled by way of issuing of 6,397 C share at £0.001 each and 9,700 D shares at £0.001 each. As a result of the acquisition, share premium in the Group increased by £5.456m. During 2021, the Group paid deferred consideration to the shareholders of Rocket TopCo Limited and the deferred consideration included £345,000 cash and 400 C shares at £0.001 each.

Class A Preferred shares have voting rights and are entitled to participate in distributions in priority to all other shareholders

Class B Preferred shares have voting rights and are entitled to participate in distributions in priority to all other shareholders

Class C Preferred shares have no voting rights but are entitled to participate in distributions in priority to all other shareholders

Class D Ordinary shares have no voting rights but are entitled to participate in distributions

Class E Ordinary shares have voting rights and are entitled to participate in distributions

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

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	31,136	(4,168)
Adjustments for:		
Depreciation and amortisation	35,580	33,357
(Increase) / decrease in trade and other receivables	(68,016)	7,388
Increase in trade and other payables	61,713	18,582
Financing costs paid	(18,690)	(16,644)
Income tax paid	(9,292)	(1,264)
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	498,789	-	-	44,766	543,555
Lease liabilities	8,524	(3,190)	-	2,936	8,270
Total liabilities from financing activities	825,362	(3,190)	1,201	47,703	871,076

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

26. Financial instruments

Categories of financial instruments

	2021		2020	
	Financial assets £'000	**Financial liabilities £'000**	**Financial assets £'000**	**Financial liabilities £'000**
Group				
Financial assets / (liabilities) at fair value through profit or loss	1,815	(1,219)	230	(576)
Trade and other receivables excluding prepayments	165,577	-	101,890	-
Cash and bank balances	71,785	-	57,355	-
Borrowings	-	(856,844)	-	(816,839)
Trade and other payables	-	(251,151)	-	(193,740)
	239,177	(1,109,215)	159,475	(1,011,155)

	2021		2020	
	Financial assets £'000	**Financial liabilities £'000**	**Financial assets £'000**	**Financial liabilities £'000**
Company				
Trade and other receivables excluding prepayments	599,106	-	549,638	-
Borrowings	-	(543,557)	-	(498,789)
Trade and other payables	-	(2,994)	-	(1,568)
	599,106	(546,552)	549,638	(500,357)

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)	-	-

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.

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 is incorporated in Jersey and is a tax resident in the United Kingdom. The registered address of the Company is 44 Esplanade, St Helier, Jersey, JE4 9WG. The Company is under the control of Auxey Holdings (Lux) S.A.S. OMERS Administration Corporation indirectly owns 100% of the participating (economic) interest and 30% of the voting interest of Auxey Holdings (Lux) S.A.S., and OCP Trust, of which OMERS Administration Corporation is a beneficiary, indirectly owns the remaining 70% voting interest of Auxey Holdings (Lux) S.A.S. and is therefore considered to be the ultimate controlling party.

In 2021, the Company incurred a liability to OMERS Private Equity of £400,000 in connection with the management of the Group and paid £400,000. The group continues to defer £100,000 of the 2020 liability with the deferral continuing until such time as the parties agree.

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

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

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

The Company holds investments in the following subsidiary undertakings:

Subsidiary Undertaking	Country of registration	Activity	Proportion of ordinary shares
Auxey Finco Limited*	England and Wales	Holding	100%
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%
Amiqus 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%

* held directly by Auxey Holdco Limited.

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.

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

31. Subsequent events
There have been no significant events affecting the Company or the Group since 31 December 2021.

32. Prior year restatement

During the current financial year, management identified an error in respect of the historical acquisition accounting that took place in June 2018 when Auxey Holdco 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)	-	(3,359)	(3,359)
Profit and loss account	(144,805)	1,779	(143,026)	(77,074)	1,472	(75,602)
Total shareholders' deficit	(5,062)	(4,786)	(9,848)	57,213	(1,887)	55,326

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)	-	(3,359)	(3,359)
Profit and loss account	(144,805)	1,779	(143,026)	(77,074)	1,472	(75,602)
Total shareholders' deficit	(5,062)	(4,786)	(9,848)	57,213	(1,887)	55,326

Consolidated statement of changes in equity (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	(67,731)	(2,899)	(70,630)

Auxey Holdco 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	Erieview Tower, 1301 East 9th St, suite 1200, Cleveland, Ohio, 44114, USA
Alexander Mann CWS LLC	Erieview 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-Elysées, 75008, Paris, France
Alexander Mann Solutions Private Limited	B2, 402, Marathon Innova, Off Ganpatrao Kadam Marg, Opp Peninsula, Corporate Bank, Lower Parel, Mumbai, India
Amiqus 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.	Gutierre 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 DeRoxas 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

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

Karen HR Inc	1000, rue De La Gauchetière Ouest, bureau / suite 900, Montréal, QC, Canada H3B 5H4
Rocket TopCo Limited	18th Floor, Millbank Tower, 21-24 Millbank, London, England, SW1P 4QP
Rocket AcqCo Limited	18th Floor, Millbank Tower, 21-24 Millbank, London, England, SW1P 4QP
Unique Profile Limited	18th Floor, Millbank Tower, 21-24 Millbank, London, England, SW1P 4QP
The Up Group Limited	18th Floor, Millbank Tower, 21-24 Millbank, London, England, SW1P 4QP
The Up Group Inc.	18th Floor, Millbank Tower 21-24 Millbank, London, 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