

Company Registration number: 11347507

Auxey Finco Limited

Annual report and financial statements

For the year ended 31 December 2022

Auxey Finco Limited

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Auxey Finco Limited

Officers and professional advisers

Directors

D Leigh (Chief Executive Officer)

G Stuart (Chief Financial Officer) – Appointed on 20 May 2022

M Rodger (Chief Growth Officer)

G Bull (Global Managing Director Legal, Risk & Compliance) – Appointed on 5 May 2022

R Blair (the Chair and Founder) – Resigned on 5 May 2022

S Leach (Regional Managing Director) – Resigned on 5 May 2022

E Whittaker (Director of Financial Accounting & Operations) – Resigned on 5 May 2022

Registered office

7-11 Bishopsgate

London

EC2N 3AQ

United Kingdom

Bankers

HSBC Bank Limited

8 Canada Square

London

E14 5HP

United Kingdom

Lloyds Bank plc

25 Gresham Street

London

EC2V 7HN

United Kingdom

Solicitors

Weil, Gotshal and Manges (London) LLP

110 Fetter Lane

London EC4A 1AY

United Kingdom

Auditor

Deloitte LLP

Statutory Auditor

2 New Street Square

London

EC4A 3BZ

United Kingdom

Auxey Finco Limited

Strategic Report

Review of trading results for the year ended 31 December 2022

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

2022 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. The group made two strategic acquisitions during the year. Flexability HR Solutions Limited (“Flex”) was acquired in July 2022 and has been AMS’s partner in India for 12 years. Flex provides an array of capabilities in a market that is of great strategic importance to many of our clients. Hire Power Inc (“Hire Power”) was acquired in November 2022 and is a Canadian-based provider of Recruitment Process Outsourcing (“RPO”) and leader in the Talent Acquisition and Talent Advisory markets across all industries which provides AMS the opportunity to establish a digital and tech sourcing and hiring centre of excellence in Canada, supporting our Americas region and global operations.

AMS delivered a strong financial performance with earnings before interest, taxes, depreciation and amortisation (“EBITDA”) and before exceptional items and amortisation of customer relationships and brand of £92.5m (2021: £66.6m). The group reported an operating profit before exceptional items and amortisation of customer relationships and brand of £77.1m (2021: £53.1m).

The overall loss for the year after taxation was £34.7m, largely driven by interest charges on the group’s shareholder debt and external bank borrowings (2021: loss of £54.1m).

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.

	2022 £m	% change	2021 £m	% change
Billings	2,532.5	16.4%	2,175.9	38.6%
Revenue	664.6	59.0%	418.1	53.9%
NFI (Gross profit)	509.8	54.0%	331.0	44.1%
Operating profit (before exceptional items and amortisation of customer relationships and brands)	77.1	45.2%	53.1	103.4%
EBITDA (before exceptional items and amortisation of customer relationships and brands)	92.5	39.0%	66.6	74.8%

Billings represent invoiced amounts net of sales taxes; revenue represents net billings less subcontractor costs.

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

	2022 £m	2021 £m
Operating profit	50.1	31.1
Exceptional items (note 5)	4.6	0.0
Amortisation of customer relationships and brand (note 11)	<u>22.4</u>	<u>22.0</u>
	77.1	53.1
Depreciation of right of use and fixed assets (note 8)	6.0	5.1
Amortisation of software and contract implementation costs (note 8)	<u>9.4</u>	<u>8.4</u>
EBITDA (as defined above)	<u>92.5</u>	<u>66.6</u>

Auxey Finco Limited

Strategic Report (continued)

Market conditions were good in 2022 despite the challenges of the war in Ukraine, the high inflationary environment and the knock-on consequences of the cost of living crisis. Demand was strong with existing customers increasing their hiring volumes in 2022 as well as strong demand from new customers. This supported a 59.0% increase in revenue, 54.0% increase in gross profit and a 39.0% increase in EBITDA.

AMS continued to convert 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.

The creation of the Innovation function has enabled the Group to accelerate development of its service lines, including further technology enablement and the acceleration of a Tech Skilling proposition.

The acquisition of Flex and Hire Power during 2022 contributed to strong financial results in 2022 and good market recognition for the further digital expertise which this allows the Group to provide to its clients.

A second tranche of \$40m of USD term loan borrowing was drawn in July 2022 to fund the Flex acquisition, increasing the USD-denominated term loan principal to \$201.2m from that date onwards. The terms of the agreement are aligned with the rest of the senior loan facility.

Hire power was funded through a mixture of surplus cash and a small short-term drawdown on the revolving credit facility which was subsequently paid off in full by the year end.

Operating cash generation of £0.7m was lower than the prior year (2021: £32.4m). Whilst Group operating profit increased by 60.4%, operating cashflow was lower as a result of the acceleration of the UK payroll payment date which resulted in 13 UK payroll payments in 2022 rather than the usual 12, an increase in interest and tax payments and a working capital outflow resulting from a drop in the number of contractors required for the UK government track and trace programme as the UK moved to a “living with Covid” strategy.

As a result of the working capital outflow and the cash spend on acquisitions, the Group’s cash and cash equivalents reduced by £21.6m (2021 increased: £14.4m) in the year to close at £50.2m (2021: £71.8m).

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 2022 of £145.7m (2021: net liabilities of £119.9m) as a result of the accumulating 9% coupon on shareholder debt of £446.2m 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 2022 of £44.1m (2021: net current liabilities position of £1.4m) as a result of the strong trading performance.

As at December 2022, the Group had a mean gender pay gap of 8.8% (2021: 8.9%), which has reduced for the 2nd consecutive year and 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 risk of a global economic slowdown, credit risk, cash flow risk and liquidity risk, each discussed in further detail below.

Prolonged impact of a pandemic and global economic slow-down

The Group benefits from a wide portfolio of clients in diverse sectors. Our Public Sector business experienced a slow-down in demand in 2022 as a result of the UK government track and trace programme reducing significantly as the UK moved to a “living with Covid” strategy but this was more than offset by strong demand in defence and engineering, investment and retail banking and pharmaceutical sectors. The group mitigates its exposure to the risk of a prolonged economic slowdown through its increasingly diverse client portfolio coupled with a strategy of retaining a percentage of its staff on temporary or short-term contracts. The Group continues to remain close to our clients plans and requirements so that we can react quickly to any change in their demand.

Auxey Finco Limited

Strategic Report (continued)

War in Ukraine

The Group ceased working with Russian clients in February 2022. In respect of non-Russian clients that the Group has 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 elsewhere in the world 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 the year-end was funded by a GBP denominated senior loan of £200m and USD denominated senior loan of \$201.2m and it has entered into derivative contracts to hedge interest rate risk associated with the loans.

In July 2021, the Group entered into derivative contracts to hedge its interest rate risk for a period of 3 years with a SONIA cap at 1.5% for 60% of the £200.0m GBP loan and a USD LIBOR cap at 1.5% for 75% of the initial USD loan of \$161.2m.

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 to minimise the exposure to converting currencies into sterling. The Group also draws funding in foreign currencies to minimise the foreign exchange exposure of funding the working capital requirements of its overseas subsidiaries. In view of the proportion of the cost base denominated in Polish zloty and Philippine pesos, the Group enters into forward contracts which guarantee that the Group can purchase Polish zloty and Philippine pesos at a pre-determined rate each month to provide some certainty over 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 receivables. 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 receivables and is in regular communication with the Group's clients. 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 clients, 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 contract, but this exposure is monitored closely.

Liquidity risk

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

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group has a senior term and multicurrency facilities agreement with a syndicate of banks 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 \$201.2m 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.

Auxey Finco Limited

Strategic Report (continued)

Brexit risk

As anticipated, the Group has not been unduly impacted by Brexit primarily due to the continued geographical diversification of our business. In 2022, about 55 % of NFI (2021: 49%) 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.

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

DocuSigned by:

7193FDC341B84F8...
G Stuart
Director
30th June 2023

Auxey Finco Limited

Directors' report

The directors of Auxey Finco Limited present their annual report on the affairs of the Company and its subsidiaries, alongside the financial statements and auditor's report for the year ended 31 December 2022.

Activities

The principal activity of the Company is that of an investment holding company. The principal activity of the Group, trading 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 32 to the financial statements.

Ownership

The Company's parent undertaking is Auxey Holdco Limited, a company incorporated in Jersey and which is tax resident in the United Kingdom and is under the control of Auxey Holdings (Lux) S.A.S. OMERS Administration Corporation indirectly owns 100% of the participating (economic) interest and 30% of the voting interest of Auxey Holdings (Lux) S.A.S., and OCP Trust, of which OMERS Administration Corporation is a beneficiary, indirectly owns the remaining 70% voting interest of Auxey Holdings (Lux) S.A.S.

The Directors believe that OMERS' Private Equity'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, 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") solutions with over 8,600 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
- Advisory and Tech skilling

Auxey Finco Limited

Directors' report (continued)

Business review

The loss after taxation for the year ended 31 December 2022 was £34.7m (2021: £54.1m).

The Group experienced significant growth in 2022 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 £54.4m (2021: £44.7m) that accrues on shareholder loans and amortisation of intangible assets of £22.4m (2021: £22.0m) 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. Neither of these costs has any cash impact in the year.

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 acquiring 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 12 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.

AMS is committed to operating its business in a sustainable manner and is dedicated to mitigating any potential risks to its financial performance.

Auxey Finco Limited

Directors' report (continued)

Financial risk management objectives and policies

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

AMS is committed to operating its business in a sustainable manner and is dedicated to mitigating any potential risks to its financial performance.

Environmental, Social, and Governance (ESG) considerations are an integral part of our business strategy, and we have identified the following areas as being material to our operations:

Environmental

AMS acknowledges the impact of climate change on its business and is committed to reducing its carbon footprint. In 2022, AMS produced the following UK Carbon Emissions:

Reporting Year	2022 tCO ₂ e	2021 tCO ₂ e	Comments
Scope 1	1281.341505	2066.821	AMS does not own any office space or company vehicles. With this in mind, AMS reports on homeworking as part of its Scope 1 emissions. In 2021, the headcount of homeworkers was taken as of 31 December 2021. An average headcount across 2022 was used as part of the calculation for 2022, allowing for more accurate reporting. This resulted in a reduction in headcount from 2021 to 2022, which in turn meant a reduction in Scope 1 carbon emissions.
Scope 2	Gross: 50.018 Net: 5.651	Gross: 72.852 Net: 39.405	AMS relocated to a new smaller Bracknell office in 2022, the new office provided green energy. Energy supplied in our Belfast office for 2022 also came from a green energy supplier. This resulted in a reduction of energy from 2021 to 2022. At the current time, the energy provider selected by the landlord for the London office is not a green energy provider.
Scope 3 (Employee Commuting Business Travel)	725.6494	89.99178	AMS had an increase in Scope 3 emissions from 2021 to 2022 due to business travel and commuting resuming after the pandemic.
Total Emissions	Gross: 2057.009 Net: 2012.642	Gross: 2229.63778 Net: 2196.21778	

Auxey Finco Limited

Directors' report (continued)

AMS's UK carbon emissions in Scope 1 have decreased due to the amount of identified homeworkers in 2022. During previous reporting, AMS used the headcount total at the end of 2021. For the current emission reporting data AMS has taken the average number of employees at AMS across 2022 to provide a more accurate reflection on its emissions. AMS's gross Scope 2 emissions increased due to more AMS office utilisation by employees, resulting in a higher energy usage. The net Scope 2 emissions have decreased. This is because AMS moved office location in Bracknell and the new office provided green energy. AMS's Scope 3 emissions have also increased due to higher business travel levels and employees commuting post Covid-19 restrictions lifting. It is worth noting that employees that commuted and booked rail travel or made a road expense to a Bracknell, London or Belfast office will be included in both employee commuting and business travel. This is because at present, AMS uses an average data method for commuting.

In 2022, AMS achieved 'Management' Level status in the Carbon Disclosure Project, Climate Change response which increased from its 'Disclosure' level status in 2021. AMS also supported events such as World Clean-up Day and improved engagement communication on environmental performance with internal personnel and external stakeholders.

AMS partnered with Plant for the Planet, planting 7,000 trees in locations in which it operates including Philippines, India, Ireland, Canada, Spain, Australia and USA.

In 2023, AMS plan to produce AMS's first Sustainability Report and achieve UK Carbon Neutral status. AMS will be supporting environmental events such as World Earth Hour, World Environmental Day and World Clean-up Day.

Social

We understand the importance of social responsibility and are committed to promoting diversity and inclusion within our organisation as well as alongside ensuring social mobility and high standards for health and wellbeing.

Social Mobility

AMS has Executive Committee sponsorship together with the on-going support of the Senior Leadership Team, CEO and Chair in respect of Social Mobility. Quarterly updates are sent to the business together with regular social media posts, client roundtables, PR activity and case studies. In 2022, an internal AMS Social Mobility Survey was completed to understand the socio-economic profile of our UK&I based employees and in addition, AMS entered into the Social Mobility Employer Index at number 43 in the top 75 employers in the Social Mobility Foundation Employer Index. AMS also achieved 80% growth in its Social Mobility Employee Resource Group (ERG), allowing AMS employees who share a common identity to meet and support one another in building their community and sense of belonging. Looking forward to 2023, AMS intends to further analyse the socio-economic profile of the workforce against external benchmarks to help further shape the social mobility agenda and to roll this programme out globally.

Diversity and Inclusion

During 2022, AMS established a new DEI (Diversity, Equity and Inclusion) Centre of Excellence (COE) within its global Innovation function. The purpose of the COE is to lead on the internal DEI strategy for AMS and to support the business in ensuring that it is delivering DEI-centric RPO and CWS solutions. Over the year AMS added 3 new roles to the COE to support both internal and external strategies. AMS also increased its discretionary budget to support the efforts of its ERGs. All ERGs achieved at least 13% membership growth globally in 2022. AMS delivered its most engaged DEI and Citizenship week in September, where 7,500 colleagues joined a live session compared to 2,500 colleagues in 2021. AMS officially attended LGBTQ+ Pride events including Gdansk, Krakow, Warsaw, London, Manila and Cleveland marches. In 2022, AMS embedded a DEI Learning programme for its colleagues, including Bias and Conscious Inclusion which 75% of the population completed. Other courses include managing microaggressions, allyship, "Passport to Hire" training required by all AMS Hiring Managers, and programmes for supporting underrepresented talent in our business such as Step Ahead and Sponsorship.

Auxey Finco Limited

Directors' report (continued)

AMS published their inaugural DEI Annual Report in April 2022 and reported its second Gender & Ethnicity Pay Gap report in the UK. AMS received Level 2 Disability Confident Employer Status and maintained its "Gold" Status under the Defense Employer Recognition Scheme (ERS) for its work in actively promoting the value of military talent across the talent supply chain. Finally, AMS is also signatory the Social Mobility Pledge, the Menopause Workplace Pledge, CBI Change the Race Ratio, Time to Talk Pledge and the Armed Forces Covenant in UK&I. AMS's DEI efforts were recognised through external awards during 2022, including winning the Disability Confident Category at the Recruitment Industry Disability Initiative (RIDI) Awards, being recognised as 'Highly Commended' in the British Diversity Awards and European Diversity Awards, and finalists at the Recruiter Awards, Business in the Community Awards, UK Social Mobility Awards and National Diversity Awards.

Health & Safety

During 2022, AMS continued to ensure Health and Safety compliance across all operating locations, and this included doubling the number of certified Mental Health First Aiders in the business. AMS continues to promote good mental health and wellbeing through a range of supported events, webinars and providing 3 additional days of annual leave to employees in 2022.

In 2023, AMS intends to make its workforce more closely representative of the communities in which it operates and will look to deliver this in part through cultivating inclusive leaders through coaching, training and dedicated programmes. As part of its commitment to the CBI Change the Race Ratio campaign, AMS has set a target that 16% of the global leadership team is ethnically diverse. AMS will also be enhancing its network of Health & Safety advisors and champions across the key geographical area in which it operates. This will create opportunities for AMS employees to engage in sustainability events and volunteering.

Governance

AMS prioritise strong corporate governance and transparency through the application of its Corporate Governance Policy. In 2022, we continued to strengthen our Code of Conduct for both suppliers and AMS personnel alongside ensuring our mandatory compliance training programme is completed by AMS staff by introducing enhanced reporting on completion of training. AMS reviewed its Risk Management process to assess alignment to the ISO 31000 standard. AMS report a summary of Risk & Compliance metrics, together with identified enterprise risks to its shareholders, OMERS, every 2 months. AMS also attend a quarterly ESG Roundtable hosted by OMERS.

In 2023 AMS plan to continue to monitor governance across AMS via the Global Risk & Compliance Function to ensure continued strong governance practices, including benchmarking with external best practice.

We believe that ESG principles are fundamental to our long-term success, and we are committed to the continual integration of ESG into our business strategy.

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.

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

Auxey Finco Limited

Directors' report (continued)

Gender mix across the Group as at 31 December 2022 was:

	Female	Male	Other	Undisclosed
Senior Management (bands 6-8)	147	100	-	1
All Workers	6,488	2,456	10	26

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

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.

Charitable and political contributions

During the financial year the Group made charitable donations of £132,000 (2021: £59,000). The Group and the Company made no political donations in the year (2021: £nil).

Directors and their interests

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

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 to ensure they understand what constitutes modern day slavery and are equipped with the tools to identify it.

Directors' indemnity arrangements

The Group had directors' and officers' liability insurance in respect of itself and its directors at the end of 2022.

Auxey Finco Limited

Directors' report (continued)

Going concern

As at 31 December 2022, the Group had a cash and cash equivalents (cash net of bank overdrafts) balance of £50.2m and undrawn Confidential Invoice Discounting and Revolving Credit Facilities of £75m. The Group also has a £200m term loan facility and a \$201.2m term loan facility, which are subject to financial and other covenants. A significant element of the indebtedness is the £446.2m 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 2023 and the 18 month period to 30 June 2024 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 2024 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. The Directors therefore believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Statement of Compliance with Section 172 of the Companies Act 2006

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

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

The Auxey Holdco Limited Board is where the group-wide activities and operations are managed. Reports are regularly made to the Auxey Holdco Board by the Executive Committee as to the strategy, performance and key decisions taken which provides the Board with assurance that proper consideration is given to stakeholder interests in decision-making.

Shareholders

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

Lenders

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

Auxey Finco Limited

Workforce

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

Customers

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

Suppliers

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

Engaging with stakeholders

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

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

Subsequent events

There have been no significant events affecting the Company or the Group since 31 December 2022.

Disclosure of information to auditor

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

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

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


Auxey Finco Limited

Directors' report (continued)

Auditor

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

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

DocuSigned by:

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G Stuart
Director

30th June 2023

Auxey Finco Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Auxey Finco Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit and loss and other comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of changes in cash flow; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions relating to going concern

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

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

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

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

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.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Matt Ward FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

30th June 2023

Auxey Finco Limited

Consolidated statement of profit and loss and other comprehensive income For the year ended December 2022

		2022			2021		
	Notes	Before exceptional items and amortisation of intangible assets	Exceptional items and amortisation of intangible assets	Statutory result	Before exceptional items and amortisation of intangible assets	Amortisation of intangible assets	Statutory result
		£'000	£'000	£'000	£'000	£'000	£'000
Revenue	4	664,556	-	664,556	418,065	-	418,065
Cost of sales		<u>(154,771)</u>	-	<u>(154,771)</u>	<u>(87,097)</u>	-	<u>(87,097)</u>
Gross profit		509,785	-	509,785	330,968	-	330,968
Administrative expenses	5	<u>(432,663)</u>	<u>(27,009)</u>	<u>(459,672)</u>	<u>(277,711)</u>	<u>(22,021)</u>	<u>(299,732)</u>
Operating profit		77,122	(27,009)	50,113	53,257	(22,021)	31,236
Finance charges (net)	6			<u>(82,568)</u>			<u>(70,576)</u>
Loss before taxation	8			(32,455)			(39,340)
Tax (charge)	9			(2,221)			(14,731)
Loss after taxation for the year				<u>(34,676)</u>			<u>(54,071)</u>
Items that may be reclassified subsequently to profit or loss:							
Other comprehensive loss:							
Remeasurement of net defined benefit liabilities							
				63			-
Exchange gain on translation of foreign operations				2,469			535
Exchange gain on translation of goodwill				6,416			(1,934)
Total comprehensive loss				<u>(25,728)</u>			<u>(55,470)</u>

All of the results presented above derive from continuing operations.

Auxey Finco Limited

Consolidated statement of financial position As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Goodwill	11	609,118	570,587
Other intangible assets	11	260,534	272,856
Tangible assets	12	7,264	6,883
Right to use assets	13	4,486	7,346
Deferred tax	21	11,575	6,646
Capitalised contract implementation costs		4,556	6,348
		<u>897,533</u>	<u>870,666</u>
Current assets			
Trade and other receivables	14	281,733	184,581
Cash at bank and in hand	15	61,962	71,785
		<u>343,695</u>	<u>256,366</u>
Current liabilities	16	<u>(299,633)</u>	<u>(257,791)</u>
Net current assets/(liabilities)		<u>44,062</u>	<u>(1,425)</u>
Total assets less current liabilities		941,595	869,241
Non-current liabilities	17	(1,025,098)	(924,078)
Provisions for liabilities	22	<u>(62,159)</u>	<u>(65,095)</u>
Net liabilities		<u><u>(145,661)</u></u>	<u><u>(119,933)</u></u>
Equity			
Share capital	25	93,402	93,402
Foreign currency translation reserve		921	(7,964)
Retained earnings		<u>(239,984)</u>	<u>(205,371)</u>
Total Shareholders' deficit		<u><u>(145,661)</u></u>	<u><u>(119,933)</u></u>

The financial statements of Auxey Finco Limited, registered number 11347507, were approved by the board of directors and authorised for issue on 30th June 2023.

Signed on behalf of the board of directors

DocuSigned by:

 G Stuart
 Director

Auxey Finco Limited

Company statement of financial position As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Investment	32	93,402	93,402
Receivables from subsidiary company	19	659,505	605,094
		752,907	698,496
Non-current liabilities	17	(659,505)	(605,094)
Net assets		93,402	93,402
Equity			
Share capital	25	93,402	93,402
Retained earnings		-	-
Total equity		93,402	93,402

The company reported a result after tax for the year ended 31 December 2022 of £nil (2021: £nil).
The financial statements of Auxey Finco Limited, registered number 11347507, were approved by the board of directors and authorised for issue on 30th June 2023.

Signed on behalf of the board of directors

DocuSigned by:

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 G Stuart
 Director

Auxey Finco Limited

Consolidated statement of changes in equity For the year ended 31 December 2022

	Share capital	Foreign currency translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
At 1 January 2021	93,402	(6,565)	(151,300)	(64,463)
Profit for the year	-	-	(54,071)	(54,071)
Comprehensive income for the year	-	(1,399)	-	(1,399)
At 31 December 2021	93,402	(7,964)	(205,371)	(119,933)
Profit for the year	-	-	(34,676)	(34,676)
Comprehensive income for the year	-	8,885	63	8,948
At 31 December 2022	93,402	921	(239,984)	(145,661)

Company statement of changes in equity For the year ended 31 December 2022

	Share capital	Share premium	Retained earnings	Total
	£'000	£'000	£'000	£'000
At 1 January 2021	-	93,402	-	93,402
Total comprehensive result for the year	-	-	-	-
At 31 December 2021	-	93,402	-	93,402
Total comprehensive result for the year	-	-	-	-
At 31 December 2022	-	93,402	-	93,402

Auxey Finco Limited

Consolidated statement of changes in cash flow For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Net cash flow from operating activities	26	733	32,431
Purchase of intangible fixed assets- software	11	(9,735)	(5,697)
Purchase of tangible fixed assets	12	(3,676)	(6,726)
Disposal of tangible fixed assets	12	4	-
Cash acquired on acquisition of subsidiary	30	1,818	-
Acquisition of subsidiary	30	(41,437)	(2,469)
Net cash flow used in investing activities		(53,026)	(14,892)
Proceeds from borrowings from banks		33,263	-
Lease liability repayment		(2,677)	(3,190)
Net cash flow from/(used in) financing activities		30,586	(3,190)
Exchange gain on cash and bank balances		153	81
Net (decrease)/increase in cash and bank balances		(21,554)	14,430
Cash and cash equivalents at the beginning of the financial year		71,785	57,355
Cash and cash equivalents at the end of the financial year	26	50,231	71,785

Cash and cash equivalents at the end of the financial year in the consolidated statement of changes in cash flow are inclusive of bank overdrafts of £11,731,000 (2021: £nil). Further details are provided in note 26.

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

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

1. General information

Auxey Finco Limited (the “Company”) is a company incorporated in United Kingdom. The Company is a private company limited by shares. The address of the Company’s registered office is 7-11 Bishopsgate, London, EC2N 3AQ, United Kingdom.

The principal activity of the Company is that of an investment holding company. The principal activity of the Group, trading 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 IAS 1 and IFRS Practice Statements 2 Disclosure of Accounting Policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred tax related to Assets and Liabilities arising from a Single Transaction
- IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 Non-current Liabilities with Covenants

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) Other mandatory disclosures

Standards and amendments that the Group has applied from 1 January 2022

Standards and amendments to standards applicable to the Group that became effective during the year are listed below. These have no material impact on the reported performance or financial statements of the Group.

- 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

(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 2022 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.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

3. Accounting policies (continued)

Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Accounting Standards in accordance with the Companies Act 2006. IFRS includes the standards and interpretations approved by the International Accounting Standards Board ("IASB") including International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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.

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 2022, the Group had a cash and cash equivalents (cash net of bank overdrafts) balance of £50.2m and undrawn Confidential Invoice Discounting and Revolving Credit Facilities of £75m. The Group also has a £200m term loan facility and a \$201.2m term loan facility, which require compliance with covenants. A significant element of the indebtedness is the £446.2m 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 2023 and the 18 month period to 30 June 2024 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, the war in Ukraine or the possibility of a global recession. The major variables being the impact of any 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 2024 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.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

3. Accounting policies (continued)

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.

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.

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.

Other intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is based on the useful lives of the assets concerned and recognised on a straight-line basis.

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.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

3. Accounting policies (continued)

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.

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 receivables at an amount equal to lifetime expected credit loss ("ECL"). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the receivables and an analysis of the receivables' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the receivables 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 receivables 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.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

3. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturities of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position.

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

Other financial liabilities

The category other financial liabilities primarily include the 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.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

3. Accounting policies (continued)

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

Revenue recognition

The Group follows IFRS 15 “Revenue from Contracts with Customers”, in determining appropriate revenue recognition policies. In principle, therefore, the Group follows the five step process when applying the revenue recognition policy:

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

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

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

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.

Payment of the transaction price is due immediately at the point in which the candidate is placed.

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.

At the end of each month, the Group recognises the transaction price for the actual amount of the monthly hires placed successfully with the customer, by allocating the monthly fees to the distinct performance obligations provided to the customer during the year.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

3. Accounting policies (continued)

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” in non-current assets falling due after 12 months and current assets 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.

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 2022 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.

Impairment of fixed assets and intangible assets

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

Borrowings costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

3. Accounting policies (continued)

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.

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and presented in Statement of Other comprehensive income.

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.

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.

Provisions

Provisions are recognised when;

- The group has a legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

3. Accounting policies (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases

The Group as a lessee

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

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

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

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

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

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

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

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

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

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 contract 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 benefit plans

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.

On 1st November 2022, as a result of 27 employees transferring into the Group upon the award of a new client contract, the Group assumed an obligation under both a defined benefit and a defined contribution retirement plan.

Defined contribution plan

In accordance with the new client contract, the group has an obligation to make fixed contributions to a defined contribution plan. The Group has no legal and constructive obligation to pay any further contributions in addition to the fixed contribution.

Defined benefit plan

In accordance with the new client contract, the Group has an obligation to make contributions to a defined benefit plan. The pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

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.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

3. Accounting policies (continued)

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 £609.1m (2021: £570.6m) with no impairment loss recognised in 2022. Details of assumptions made are given in note 11.

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.

	2022				2021			
	Revenue	Gross profit	Loss before tax	Net liabilities	Revenue	Gross profit	Loss before tax	Net liabilities
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	269,240	230,849	(64,578)	(210,117)	201,514	168,436	(48,122)	(150,148)
Rest of Europe	67,331	52,923	5,547	13,097	44,515	33,737	1,227	8,182
Asia Pacific	73,280	47,143	6,980	19,338	47,742	34,006	2,422	9,388
America	254,705	178,870	19,596	32,021	124,294	94,789	5,133	12,645
	<u>664,556</u>	<u>509,785</u>	<u>(32,455)</u>	<u>(145,661)</u>	<u>418,065</u>	<u>330,968</u>	<u>(39,340)</u>	<u>(119,933)</u>

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

	2022	2021
	Group	Group
	£'000	£'000
External revenue by timing of revenue		
Services transferred at a point in time	288,606	230,510
Services transferred over time	375,950	187,555
Total revenue	<u>664,556</u>	<u>418,065</u>

Contract balances

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

	2022	2021
	Group	Group
	£'000	£'000
Trade receivables	155,581	106,862
Contract costs capitalised	9,385	10,382
Amortisation of contract costs during the year	(4,750)	(4,821)
Contract assets (accrued income)	69,062	54,322
Contract liabilities (deferred income)	<u>(10,494)</u>	<u>(7,518)</u>

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

4. Revenue (continued)

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 invoiced. 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

Exceptional items are defined as exceptional by virtue of their size or infrequency or relating to one-off events which, in the opinion of the Directors, are material, generally not expected to recur and unusual in nature or of such significance that they require separate disclosure on the face of the consolidated income statement in accordance with IAS 1, 'Presentation of Financial Statements'. An assessment is made of events occurring during the year on both a quantitative and qualitative basis to determine which events require separate disclosure because they do not relate to the Group's underlying performance.

The Group incurred £4.6m costs and expenses during the course of 2022 that are disclosed as "exceptional items" in the statutory accounts (2021: £nil).

	2022	2021
	£'000	£'000
Redundancy and restructuring costs	1,304	-
Onerous contracts	1,417	-
Professional fees in relation to acquisitions	1,909	-
	<u>4,630</u>	<u>-</u>
Amortisation of intangible assets	22,379	22,021
	<u>27,009</u>	<u>22,021</u>

Exceptional items and amortisation of intangibles are reported within administrative expenses

Redundancy and restructuring costs

The 2022 redundancy costs were due to restructuring.

Onerous contracts

The onerous contract costs related to onerous lease provisions where the unavoidable costs exceeded the economic benefits of three of the Group's leases.

Professional fees in relation to acquisitions

Professional fees represent legal and consultancy costs incurred in acquiring Flex in July 2022 and Hire Power in November 2022. Further details on the acquisition of subsidiaries is provided in note 30.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

6. Finance charges (net)

	2022 £'000	2021 £'000
Interest payable and similar charges		
Bank loans and overdrafts	77,568	67,753
Interest on overdue tax	-	41
Invoice discounting charges	870	478
Amortisation of arrangement fees and interest rate cap	2,247	2,104
Interest on lease liabilities	448	382
Exchange loss	11,415	1,211
	<u>92,548</u>	<u>71,969</u>
Interest receivable and similar income		
Interest receivable	(14)	(8)
Fair value interest rate cap	(9,966)	(1,385)
	<u>(9,980)</u>	<u>(1,393)</u>
Finance charges (net)	<u><u>82,568</u></u>	<u><u>70,576</u></u>

7. Directors emoluments and staff costs

	2022 £'000	2021 £'000
Directors' remuneration	2,694	2,715
Pension contributions	42	30
	<u><u>2,736</u></u>	<u><u>2,745</u></u>

The number of Directors who were members of money purchase pension schemes was one (2021: £nil). The accrued pension entitlement is £nil (2021: £nil).

	2022 £'000	2021 £'000
Highest paid director	1,105	1,718
	<u><u>1,105</u></u>	<u><u>1,718</u></u>

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Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

7. Directors emoluments and staff costs (continued)

Staff costs

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

	2022	2021
	No.	No.
Sales	7,581	4,815
Administration	1,023	805
	<u>8,604</u>	<u>5,620</u>

	2022	2021
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	355,247	216,087
Social security costs	37,407	22,762
Other pension costs	9,299	5,795
	<u>401,953</u>	<u>173,530</u>

The Company had no employees during the financial year (2021: none).

8. Loss before taxation

	2022	2021
	£'000	£'000
Loss before taxation is stated after:		
Depreciation of fixed assets	3,596	2,177
Depreciation of right of use assets	2,512	2,905
Amortisation of software	4,657	3,650
Amortisation of capitalised contract implementation costs	4,750	4,821
Amortisation of customers relationships and brand	22,188	22,024
Net foreign exchange loss	10,277	2,135
Government grants (note 31)	<u>(239)</u>	<u>(784)</u>

Analysis of auditors remuneration is:

	2022	2021
	£'000	£'000
Fees payable to company's auditors for audit of company's annual accounts	10	10
Audit of company's subsidiaries	<u>203</u>	<u>212</u>
Total audit fees	<u>213</u>	<u>222</u>
Other non-audit services	65	10
Total non-audit services	<u>65</u>	<u>10</u>

The non-audit related services provided to the Group relate to advisory service of £50,000 and £10,000 for IT audit services in relation to the accounting systems migration (2021: £nil).

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

9. Tax on loss

	2022 £'000	2021 £'000
UK corporation tax - current year	1,409	2,677
Adjustments in relation to prior year	(110)	200
UK corporation tax	1,299	2,878
Overseas tax - current year	10,106	4,320
Adjustments in relation to prior year	(67)	3
Current tax charge	11,338	7,200
Deferred tax - current year	(7,505)	(5,223)
Adjustments in relation to prior year	(970)	(204)
Effect of changes in tax rate	(642)	12,958
Deferred tax	(9,117)	7,531
Tax on loss	<u>2,221</u>	<u>14,731</u>

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:

	2022 £'000	2021 £'000
Loss before taxation	(32,455)	(39,340)
Tax on loss at standard UK CT rate of 19% (2021 - 19%)	(6,166)	(7,474)
Effects of:		
Adjustments in respect of prior years	(1,147)	-
Disallowed expenses	483	638
Effect of changes in tax rate	(642)	12,955
Effect of overseas tax rates	2,579	517
Other adjustments	4	35
Deferred tax not recognised	(313)	248
Interest not deductible	7,423	7,812
Current tax charge	<u>2,221</u>	<u>14,731</u>

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 and 31 December 2022 have been measured at 19% where the timing differences are expected to reverse prior to 1 April 2023 and at 25% where the timing differences are expected to reverse on or after 1 April 2023.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

10. Result attributable to Auxey Finco Limited

The result for the financial year within the financial statements of the parent company, Auxey Finco Limited, was £nil (2021: nil). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company.

11. Intangible Assets

Group	Goodwill	Customer Relationships	Brand	Software	Other Intangibles in Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2022	570,587	243,638	96,981	14,189	354,808
Additions for the year	32,116	3,971	769	9,735	14,475
Disposal	-	-	-	-	-
Foreign currency translation	6,415	-	-	91	91
At 31 December 2022	609,118	247,609	97,750	24,015	369,374
Accumulated amortisation					
At 1 January 2022	-	42,534	33,706	5,712	81,952
Charge for the year	-	12,426	9,762	4,657	26,845
Disposal	-	-	-	-	-
Foreign currency translation	-	-	-	43	43
At 31 December 2022	-	54,960	43,468	10,412	108,840
Net book value					
At 31 December 2022	609,118	192,649	54,282	13,603	260,534

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

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

11. Intangible Assets (continued)

Group					
	Goodwill	Customer	Brand	Software	Other
	£'000	Relationships	£'000	£'000	Intangibles
		£'000			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

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

12. Tangible fixed assets

Group	Computer equipment £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2022	12,979	2,953	10	15,942
Additions	2,988	688	-	3,676
Disposal	(4)	-	-	(4)
Foreign currency translation adjustment	564	60	-	624
At 31 December 2022	16,527	3,701	10	20,238
Accumulated depreciation				
At 1 January 2022	6,695	2,354	10	9,059
Charge for the year	3,255	341	-	3,596
Disposal	(4)	-	-	(4)
Foreign currency translation adjustment	294	29	-	323
At 31 December 2022	10,240	2,724	10	12,974
Net book value				
At 31 December 2022	6,287	977	-	7,264
At 31 December 2021	6,285	599	-	6,883

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

12. Tangible fixed assets (continued)

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	12,979	2,953	10	15,942
Accumulated depreciation				
At 1 January 2021	5,883	4,110	13	10,006
Reclassification	(50)	-	-	(50)
Charge for the year	1,873	304	1	2,178
Disposal	(850)	(2,008)	(3)	(2,861)
Foreign currency translation adjustment	(161)	(52)	(1)	(214)
At 31 December 2021	6,695	2,354	10	9,059
Net book value				
At 31 December 2021	6,285	599	-	6,883

13. Right of use assets

	2022 Leasehold buildings £'000	2021 Leasehold buildings £'000
Cost		
At 1 January	15,202	11,411
Foreign currency movement	-	(207)
Additions	1,015	3,998
Impairment charge (onerous contract)	(1,358)	-
At 31 December	14,859	15,202
Accumulated depreciation		
At 1 January	7,856	4,948
Foreign currency movement	5	3
Charge for the year	2,512	2,905
At 31 December	10,373	7,856
Net book value		
At 31 December	4,486	7,346

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

13. Right of use assets (continued)

The Group leases buildings and the average lease term is 5 years (2021: 5 years).

During the year, the Group entered into one lease, one lease terminated, and three leases expired. This resulted in additions to right-of-use assets of £1.0m in 2022.

The 2022 impairment charges related to onerous lease provisions where the unavoidable costs exceeded the economic benefits of one of the Group's leases.

14. Trade and other receivables

	2022		2021	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade receivables	155,581	-	106,862	-
Derivatives (note 18)	13,179	-	1,815	-
Other receivables	16,284	-	4,394	-
Corporation tax recoverable	3,282	-	2,595	-
Accrued income	69,062	-	54,322	-
Prepayments	15,060	-	7,566	-
Capitalised contract implementation costs	4,829	-	4,034	-
Intercompany receivables	4,456	-	2,993	-
	<u>281,733</u>	<u>-</u>	<u>184,581</u>	<u>-</u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss ("ECL"). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the receivables' current financial position, adjusted for factors that are specific to the receivables, general economic conditions of the industry in which the receivables 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 2022, the Group continued to have one potential credit loss of £48,500 (2021: £48,500), for which full provision was made in 2021. 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 receivables.

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

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

14. Trade and other receivables (continued)

Trade receivables can be analysed as follows:

Trade receivables can be analysed as follows:

	2022 £'000	2021 £'000
Amount receivable not past due	141,593	105,615
Amount past due but not impaired	14,037	1,295
	155,630	106,910
Less: expected credit losses	(49)	(49)
	155,581	106,862

Ageing of past due but not impaired receivable:

	2022 Group £'000	2021 Group £'000
Less than 30 days	9,382	1,747
31 to 60 days	2,187	77
61 to 90 days	945	99
91 to 120 days	724	16
Above 120 days	750	(644)
	13,988	1,295

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

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Derivatives (note 18)	1,114	-	1,219	-
Trade creditors	11,591	-	11,562	-
Bank overdrafts	11,731	-	-	-
Corporation tax	3,577	-	2,420	-
Other taxes and social security	29,994	-	16,858	-
Other creditors	5,059	-	4,656	-
Accruals	223,607	-	210,985	-
Deferred income	10,494	-	7,518	-
Lease liabilities (note 23)	2,466	-	2,573	-
	299,633	-	257,791	-

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

17. Non-current liabilities

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans (note 20)	361,421	-	313,287	-
Amounts owed to group undertakings (note 20)	659,505	659,505	605,094	605,094
Lease liabilities (note 23)	4,140	-	5,697	-
Retirement benefit obligations (note 24)	32	-	-	-
	<u>1,025,098</u>	<u>659,505</u>	<u>924,078</u>	<u>605,094</u>

18. Derivative financial instruments

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

	2022 £'000	2021 £'000
Financial assets carried at fair value through profit or loss (FVTPL):		
Forward contracts		
Derivative assets	1,958	561
Derivative liabilities	<u>(1,114)</u>	<u>(1,219)</u>
Interest rate cap		
Derivative assets	<u>11,221</u>	<u>1,253</u>
Total derivative assets	<u>13,179</u>	<u>1,815</u>
Total derivative liabilities	<u>(1,114)</u>	<u>(1,219)</u>

19. Receivable from subsidiary company

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Receivable from subsidiary company	<u>-</u>	<u>659,505</u>	<u>-</u>	<u>605,094</u>
	<u>-</u>	<u>659,505</u>	<u>-</u>	<u>605,094</u>

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

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

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

20. Borrowings

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Non-current liabilities				
Bank loans	366,381	-	319,250	-
Shareholder loan	659,505	659,505	605,094	605,094
Less capitalised arrangement fees	(4,960)	-	(5,963)	-
	<u>1,020,926</u>	<u>659,505</u>	<u>918,381</u>	<u>605,094</u>

The Group has a senior term and multicurrency facilities agreement with a syndicate of banks for £200m and US\$201.2m (2021: £200m and US\$161.15m.) As at 31 December 2022, the senior term and multicurrency facilities are fully utilised (2021: fully utilised).

A second tranche of \$40m of USD term loan borrowing was taken out in July 2022 to fund the Flex acquisition, therefore increasing the USD-denominated term loan principal to \$201.2m from that date onwards. Terms are aligned with the rest of the senior loan facility.

The Group has Confidential Invoice Discounting facilities of £36m and US\$5m. As at 31 December 2022 the group has utilised £11.7m and US\$nil of these facilities respectively (2021: nil). These facilities have end dates ranging between 31 December 2024 and 30 June 2025.

The Group has a Revolving Credit Facility of £40m with £9.6m ringfenced for ancillary facilities (guarantees and foreign exchange line) and £30.4m available to draw. As at 31 December 2022, the Group has no borrowings under the Revolving Credit Facility (2021: nil).

The above facilities require compliance with covenants and the Directors monitor compliance on an ongoing basis.

The Group also has a shareholder loan of £446.2m together with £ 213.3m of accrued interest. This shareholder loan accrues interest at 9% and is repayable on 15 June 2028 or an exit event, whichever is earlier.

An analysis of the maturity of the borrowings is as follows:

	2022	
	Group £'000	Company £'000
Not later than one year	-	-
Later than one year but not later than two years	-	-
Later than two years but not later than five years	366,381	-
Later than five years	659,505	659,505
Less unamortised capitalised arrangement fees	(4,960)	-
	<u>1,020,926</u>	<u>659,505</u>

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

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

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

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

21. Deferred tax

Deferred tax asset

	2022 £'000	2021 £'000
At 1 January	6,646	4,140
On acquisition	16	-
Credited to profit and loss account	4,913	2,506
At 31 December	11,575	6,646
	2022 £'000	2021 £'000
The amounts of deferred taxation provided at 25% (2021 - 25%) are:		
- Depreciation in excess of capital allowances	303	360
- Other temporary differences	11,272	6,286
- Tax losses available	-	-
	11,575	6,646

Deferred tax liability

	2022 £'000	2021 £'000
At 1 January	(64,463)	(54,427)
On acquisition	(1,214)	-
Charged to profit and loss account	4,204	(10,036)
At 31 December	(61,473)	(64,463)
	2022 £'000	2021 £'000
The amounts of deferred taxation provided at 25% (2021 - 25%) are:		
- Fixed assets	(39)	(50)
-Temporary differences arising on acquired goodwill	(61,434)	(64,413)
	(61,473)	(64,463)

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 and 31 December 2022 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.

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Notes to the financial statements For the year ended 31 December 2022

22. Provision for liabilities

	Deferred tax liabilities (note 21)	Dilapidation	Total provisions
Group	£'000	£'000	£'000
At 1 January 2021	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
On acquisition	1,214	-	1,214
Charged to profit and loss account	(4,204)	54	(4,150)
At 31 December 2022	61,473	686	62,159

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 2022 there was an increase of £54,000 provision due to additional dilapidation, provisions made for the Up Group, which is partially offset by utilisation of properties in respect of properties in China, Singapore, and Philippines.

23. Lease liabilities

Analysed as:	2022 £'000	2021 £'000
Current	2,466	2,573
Non-current	4,140	5,697
	6,606	8,270

Maturity analysis	2022 £'000	2021 £'000
Year 1	2,466	2,573
Year 2	1,612	2,405
Year 3	707	1,493
Year 4	747	530
Year 5	498	553
Onwards	576	716
	6,606	8,270

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

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

24. Retirement benefit plans

	2022	2021
	£'000	£'000
Change in the present value of the defined benefit obligation		
Opening defined benefit obligation	-	-
Defined benefit obligation increased from business combination/transfer	(113)	-
Actuarial gain arising from changes in financial assumptions	64	-
Experience loss on plan liabilities	(1)	-
Closing defined benefit obligation	<u>(50)</u>	<u>-</u>
	2022	2021
	£'000	£'000
Change in fair value Plan assets		
Opening fair value plan assets	-	-
Increase in assets arising from business combination/transfer	<u>18</u>	<u>-</u>
Closing fair value of plan assets	<u>18</u>	<u>-</u>
	2022	2021
	£'000	£'000
Analysis of the movement in the surplus/(deficit) during the year		
Pension surplus/(deficit) at 1 January	-	-
Defined benefit obligation increased from business combination/transfer	(113)	-
Increase in assets arising from business combination/transfer	18	-
Re-measurement gain	<u>63</u>	<u>-</u>
Pension deficit at 31 December	<u>(32)</u>	<u>-</u>

On 1st November 2022, as a result of 27 employees transferring into the Group upon the award of a new client contract, the Group assumed an obligation under both a defined benefit and a defined contribution retirement plan. The Group received £407,000 on 2nd February 2023 from the a client on the in transfer of employee contracts to the Group.

The client pension transferred £18,000 to plan assets and £113,000 to the defined benefit obligation.

During 2022 the group has no current service cost, past services cost or interest expense or income arising from the defined benefit plan.

The Group had a net defined benefit obligation of £33,000 and a remeasurement gain of £63,000 recognised in the Statement of other comprehensive income.

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

25. Share capital

	2022 £'000	2021 £'000
Authorised:		
9,340,241,104 ordinary shares of £0.01 each	93,402	93,402
Allotted, called up and fully paid:		
9,340,241,104 ordinary shares of £0.01 each	93,402	93,402

There is no share premium on issue of equity shares.

26. Notes to cash flow statement

a. Reconciliation of net cash flow used in operating activities

	2022 £'000	2021 £'000
Operating profit for the year	50,113	31,236
Adjustments for:		
Depreciation and amortisation	37,804	35,580
Increase in trade and other receivables	(73,962)	(69,432)
Increase in trade and other payables	29,715	61,712
Financing costs paid	(29,799)	(19,035)
Income tax paid	(13,138)	(7,630)
Net cash flow from operating activities	733	32,431

b. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash and bank balances	61,962	71,785
Bank overdrafts (see note 16)	(11,731)	-
	50,231	71,785

c. Changes in liabilities arising from financing activities

	At 31 December 2021 £'000	Financing cash flow £'000	Exchange movements £'000	Interest accruals £'000	At 31 December 2022 £'000
Borrowings from banks	319,250	33,263	13,868	-	366,381
Borrowings from owners	605,094	-	-	54,411	659,505
Lease liabilities	8,270	(2,677)	-	1,013	6,606
Total liabilities from financing activities	932,614	30,586	13,868	55,424	1,032,492

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

27. Financial instruments

Categories of financial instruments

	2022		2021	
	Financial assets £'000	Financial liabilities £'000	Financial assets £'000	Financial liabilities £'000
Group				
Financial assets at fair value through profit or loss	13,179	(1,114)	1,815	(1,219)
Trade and other receivables excluding prepayments	244,210	-	168,172	-
Cash and cash equivalents	50,231	-	71,785	-
Borrowings	-	(1,020,926)	-	(918,380)
Trade and other payables	-	(285,008)	-	(254,631)
	<u>307,620</u>	<u>(1,307,048)</u>	<u>241,772</u>	<u>(1,174,230)</u>

	2022		2021	
	Financial assets £'000	Financial liabilities £'000	Financial assets £'000	Financial liabilities £'000
Company				
Trade and other receivables excluding prepayments	659,505	-	605,094	-
Borrowings	-	(659,505)	-	(605,094)
	<u>659,505</u>	<u>(659,505)</u>	<u>605,094</u>	<u>(605,094)</u>

Fair value estimation

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

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial asset at fair value through profit or loss	-	13,179	-	-
Financial liabilities at fair value through profit or loss	-	(1,114)	-	-

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

27. 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 foreign exchange currency risk, interest rate risk, counterparty 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 £200.0m and USD denominated senior loan of \$201.2m and it has entered into derivative contracts to hedge a proportion of the interest rate risk associated with the loans.

The Group has entered into derivative contracts to hedge its interest rate risk for a period of 3 years from July 2021, so as to cap SONIA at 1.5% for 60% of the GBP loan and USD LIBOR at 1.5% for the 60% the USD loan.

Foreign exchange risk management

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

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

27. 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 \$5.0m USA Confidential Invoice Discounting facility, a £40.0m revolving credit facility, a £200.0m term loan facility and a US \$201.2m 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.

28. Ultimate controlling party and related party transactions

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

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

One of the affiliated entities of OMERS, namely OCM Credit Portfolio Finance II LP ("OCM"), is a member of the lender syndicate responsible for providing the initial amount of £200.0m and US\$161.2m (2021: £200.0m and US\$161.2m) in senior term loan facilities. OCM's commitment as a lender in the term loan amounted to £25.0m and US\$19.5m. The term loan is scheduled to mature in June 2025. In the year 2022, interest payments made to OCM for the term loan facilities totalled £1.9m (2021: £1.3m) and US\$1.6m (2021: US\$1.1m).

In 2022, the Company incurred a liability to Auxey Holdings (Lux) S.A.S of £400,000 (2021: £400,000) in connection with the management of the Group and paid £400,000. The group continues to defer £200,000 of the 2020 liability with the deferral continuing until such time as the parties agree.

29. Pension arrangements

The pension cost charge for the current year of £9,299,000 (2021: £5,784,000) represents the amounts payable to defined contribution personal pension schemes.

30. Acquisition of subsidiaries

During the year, the Group acquired two subsidiaries in India and Canada.

On 15 July 2022, the Group acquired 100% of the issued capital of Flexability HR Solutions Private Limited in India by obtaining control of the company. The principal activity of the Flex is executive recruitment solutions. The acquired company contributed revenue of £4.8m and a profit after tax of £1.5m to the Group's overall profit for the year between the date of acquisition and the reporting date.

On 1st November 2022, the Group acquired 100% of the issued capital of Hire Power in Canada by obtaining control of the group. The principal activity of the Hire Power is executive recruitment solutions. The acquired company contributed revenue of £1.4m and a loss after tax of £0.2m to the Group's overall loss for the year between the date of acquisition and the reporting date.

If the acquisition had been completed on the first day of the financial year, the revenue and loss contributed for the full year would have been £676.0m and £28.5m respectively. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below;

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

30. Acquisition of subsidiaries (continued)

Acquisition of Flexibility HR Solutions Limited

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets	-	2,285	2,285
Fixed assets	14	-	14
Debtors	7,097	-	7,097
Prepayments	3	-	3
Cash	873	-	873
Creditors	(192)	-	(192)
Accruals and other creditors	(2,823)	-	(2,823)
Deferred tax	-	(576)	(576)
Non-current liabilities	(132)	-	(132)
Net assets acquired	4,840	1,709	6,549
Goodwill arising on acquisition			29,235
			35,784
Satisfied by:			
Cash consideration			35,254
Exchange loss on payment			(140)
Deferred consideration:			
Cash consideration			670
Total Consideration and cost			35,784

Acquisition of Hire Power

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets	-	2,455	2,455
Fixed assets	9	-	9
Debtors	1,189	-	1,189
Prepayments	4	-	4
Cash	945	-	945
Creditors	(146)	-	(146)
Accruals and other creditors	(248)	-	(248)
Deferred tax	-	(638)	(638)
Net assets acquired	1,753	1,817	3,570
Goodwill arising on acquisition			2,880
			6,450
Satisfied by:			
Cash consideration			6,183
Exchange gain on payment			10
Deferred consideration:			
Cash consideration			257
Total Consideration and cost			6,450

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

31. Government grants

In 2021 and 2022, 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 £239,000 and this has been presented within revenue (2021: £784,000).

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

32. Fixed asset investments – Company

	2022 Company £'000	2021 Company £'000
Subsidiary undertakings		
Cost and net book value		
At 31 December 2022	<u>93,402</u>	<u>93,402</u>

The Company holds investments in the following subsidiary undertakings:

Subsidiary Undertaking	Country of registration	Activity	Proportion of ordinary shares
Auxey Midco Limited	England and Wales	Holding	100%
Auxey Bidco Limited	England and Wales	Holding	100%
Alexander Mann Group Limited	England and Wales	Holding	100%
Alexander Mann Associates Limited	England and Wales	Holding	100%
Alexander Mann Solutions Limited	England and Wales	Trading	100%
Alexander Mann BPO Limited	England and Wales	Trading	100%
Alexander Mann Solutions GmbH	Germany	Trading	100%
Alexander Mann Solutions APS	Denmark	Trading	100%
Alexander Mann Solutions AB	Sweden	Trading	100%
Alexander Mann Solutions GmbH	Switzerland	Trading	100%
Alexander Mann Solutions S.R.L.	Italy	Trading	100%
Alexander Mann Solutions Poland Sp. Z.o.o.	Poland	Trading	100%
Alexander Mann Solutions BVBA	Belgium	Trading	100%
Alexander Mann Solutions BV	Holland	Trading	100%
AMS Recruitment Process Outsourcing S.L.	Spain	Trading	100%
Alexander Mann Solutions Corporation	U.S.A	Trading	100%
Alexander Mann CWS LLC	U.S.A	Trading	100%
Alexander Mann BPO Solutions (Singapore) PTE Limited	Singapore	Trading	100%
Alexander Mann Solutions S.A.R.L.	France	Trading	100%
Alexander Mann Solutions Private Limited	India	Trading	100%
Amicus Limited	England and Wales	Trading	100%
Alexander Mann Solutions K.K.	Japan	Trading	100%
AMG Asia Pacific Pty Ltd	Australia	Trading	100%
Alexander Mann Solutions (HK) Limited	Hong Kong	Trading	100%
Alexander Mann Solutions s.r.o.	Czech Republic	Trading	100%
Alexander Mann Solutions (KFT)	Hungary	Trading	100%
Alexander Mann Solutions (Shanghai) Enterprise Management Consulting Ltd	China	Trading	100%
Alexander Mann Solutions Inc	Canada	Trading	100%

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

The Company holds investments in the following subsidiary undertakings (continued):

Subsidiary Undertaking	Country of registration	Activity	Proportion of ordinary shares
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%
Flexability HR Solutions Private Limited	India	Trading	100%
HirePower INC	Canada	Trading	100%

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

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

33. Subsequent events

There have been no significant events affecting the Company or the Group since 31 December 2022.

34. Statement of guarantee

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

Company	Company registration number
Auxey Midco Limited	11347494
Auxey Bidco Limited	11347510
The Up Group Limited	06376612
Rocket TopCo Limited	10002571
Rocket AcqCo Limited	10003106
Unique Profile Limited	6376729

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Notes to the financial statements For the year ended 31 December 2022

Appendix – subsidiary undertakings

Subsidiary Undertaking	Registered Address
Auxey Midco Limited	7-11 Bishopsgate, London, EC2N 3AQ
Auxey Bidco Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Group Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Associates Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Solutions Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann BPO Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Solutions GmbH	Eichhornstraße 3, Potsdamer Platz, WeWork Atrium Tower, 10785 Berlin
Alexander Mann Solutions APS	Frederiksborggade 15, 1360 Copenhagen, Denmark
Alexander Mann Solutions AB	Hälle Lider 2 B, 1 tr, 459 32 Ljungskile, Sweden
Alexander Mann Solutions GmbH	Hardturmstrasse 120, CH-8005 Zürich Switzerland
Alexander Mann Solutions S.R.L.	Via Senato, 20, 20121 Milano, Italy
Alexander Mann Solutions Poland Sp. Z.o.o.	Ul. Puszkarska 7f, 30-644, Krakow, Poland
Alexander Mann Solutions BVBA	Rond Point Schuman 6, Box 5, 1040 Brussels, Belgium
Alexander Mann Solutions BV	Joop Geesinkweg 901-999, 1114 AB Amsterdam- Duivendrecht, The Netherlands
AMS Recruitment Process Outsourcing S.L.	Av. Josep Tarradellas, 123, 9ª planta, 08029, Barcelona
Alexander Mann Solutions Corporation	Erievue Tower, 1301 East 9th St, suite 1200, Cleveland, Ohio, 44114, USA
Alexander Mann CWS LLC	Erievue Tower, 1301 East 9th St, Suite 1200, Cleveland, Ohio, 44114, USA
Alexander Mann BPO Solutions (Singapore) PTE Limited	2 Shenton Way, SGX Centre 1, #16-03, Singapore, 068804
Alexander Mann Solutions S.A.R.L.	12/14 Rond-Point des Champs-Élysées, 75008, Paris, France
Alexander Mann Solutions Private Limited	B2, 402, Marathon Innova, Off Ganpatrao Kadam Marg, Opp Peninsula, Corporate Bank, Lower Parel, Mumbai, India
Amicus Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Solutions K.K.	3-18-6 Toyo, Koto-ku, Tokyo, 135-0016, Japan
AMG Asia Pacific Pty Ltd	Level 27, 101 Collins St, Melbourne, Vic 3000
Alexander Mann Solutions (HK) Limited	FLAT/RM 1108, 11/F TWO CHINACHEM CENTRAL 26 DES VOEUX ROAD CENTRAL HK
Alexander Mann Solutions s.r.o.	U Garáží 1611/1, 170 00 Prague 7, Czech Republic
Alexander Mann Solutions (KFT)	Kálmán Imre utca 1, Budapest, 1054 Hungary
Alexander Mann Solutions (Shanghai) Enterprise Management Consulting Ltd	Unit 701, ZRT Tower, No. 20, Lane 1228 Jiangchang Road, Jingan District, Shanghai, 200072, China
Alexander Mann Solutions Inc	1000, rue De La Gauchetière Ouest, Bureau 900, Montréal, QC, Canada H3B 5H4
Alexander Mann Outsourcing Solutions Limited	Trinity House, Charleston Road, Ranelagh, Dublin 6 DO6, Ireland, C8X4
Alexander Mann BPO (HK) Limited	Level 15 and 19, West Exchange Tower, 322 Des Voeux Road Central, Sheung Wan, Hong Kong
AMS Processo De Recrutamento E Terceirização Ltda	R JESUINO ARRUDA 797, ANDAR 10, ITAIM BIBI, CEP 04.532-082, SAO PAULO, UF: SP
Alexander Mann Solutions S. De R.L. De C.V.	Gutierrez Zamora #128 Int. 1, Colonia Las Aguilas, Delegacion Alvaro Obregon, Ciudad de Mexico, CP 01710, Mexico
Alexander Mann Solutions AS	Vassboten 1, Building 2, Cadastral unit no 67, Sandnes, Norway
Alexander Mann Solutions BPO Inc.	32/F Philam Life Tower Building, 8767 Paseo 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
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

Auxey Finco Limited

Notes to the financial statements For the year ended 31 December 2022

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
Flexability HR Solutions Private Limited	1. 50, 6th Floor, Awfis Space Solutions Chowringhee Road Elgin Kolkata 700071,India
HirePower INC	14 Lauderdale Drive, Toronto ON M2L 2A9
AMS Solutions Services d.o.o.	Zagreb (Grad Zagreb) Radnička cesta 80, Croatia
AMS Solutions d.o.o. Beograd	Bulevar Zorana ĐINĐIĆA 64A, Belgrade-New Belgrade, New Belgrade, 11070 New Belgrade, Serbia

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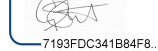
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Alexander Mann Solutions Limited

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