

Company Registration number: 126348

Auxey Holdco Limited

Annual report and financial statements

For the year ended 31 December 2019

Auxey Holdco Limited

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Auxey Holdco Limited

Officers and professional advisers

Directors

R Blair
R Timmins
M Rodger
E Haley
C Miller-Jones
J Mussellwhite
D Walker Appointed 14 February 2019
David Leigh Appointed 19 March 2020

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Lloyds Bank plc
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Solicitors

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Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Auxey Holdco Limited

Strategic report

Review of trading results for the year ended 31 December 2019

This Strategic report has been prepared for Auxey Holdco Limited (“the Company”) and its subsidiaries (together “the Group”).

COVID-19

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

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

Review of trading results for the year ended 31 December 2019

In 2019, the Group generated EBITDA of £48.6m (2018: £44.7m) and an operating profit before exceptional items and amortisation of customer relationships and brand of £38.5m (2018: £38.5m).

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.

	2019 £m	% change	2018 £m	% change
Billing	1,829.4	29.6%	1,411.8	27.3%
Turnover	290.8	8.1%	269.0	11.0%
NFI (Gross profit)	247.2	9.0%	226.8	10.1%
Operating profit (before exceptional items and amortisation of customer relationships and brands)	38.5	0.0%	38.5	8.2%
EBITDA (before exceptional items and amortisation of customer relationships and brands)	48.6	8.8%	44.7	10.2%

A reconciliation between statutory operating profit and EBITDA (as defined above) is presented in the table below. The comparative figures used are based on annualised trading results for the Group, as the 2018 consolidated financial statements for the Company were for an 8 month period due to the acquisition.

	2019 £m	2018 £m
Operating profit	15.5	17.1
Exceptional items and amortisation of customer relationships and brand)	23.0	21.4
	38.5	38.5
Depreciation of right of use and fixed assets	4.7	2.7
Amortisation of software and contract implementation costs	5.4	2.5
EBITDA (as defined above)	48.6	44.7

2019 was a year of consolidation for the Group as, due to the challenging macro-economic climate, growth rates slowed slightly. A number of clients undertook cost management actions including hiring freezes, cancellation of strategic projects and a reduction in contractor use, however turnover still rose by 8.1% and NFI by 9.0% and this reflects the on-going success of the AMS Group’s strategy of sector diversification with a continuing increase in the share of NFI attributed to the Pharmaceuticals and Life Sciences sector and the Public sector.

Auxey Holdco Limited

Strategic report (continued)

The Group generated EBITDA (as defined above) of £48.6m in 2019 which is an increase of 8.8% on 2018. The increase is largely due to the adoption of IFRS16 which is applicable from 2019 and resulted in a reduction in rent cost of £3.0m. Excluding the impact of IFRS 16, EBITDA on a like-for-like basis increased by 2% which better reflects the more challenging trading environment coupled with the investment in both the central team and the new volume hiring “hourly” service line. EBITDA as a % of NFI was steady at 19.7% (2018: 19.7%). The EBITDA margin after removing the IFRS16 impact was 18.4% and is slightly lower than 2018. This is due to the investment in new Contingent Workforce Solutions (CWS) clients in year that are loss making initially coupled with the fact that the procurement process was typically longer in 2019 and hence whilst this was a strong year for new client wins, these were secured towards the end of the year across EMEA, America and Asia.

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

Review of trading results for the year ended 31 December 2019 (continued)

Cash generation was strong in 2019 with net cashflow from operating activities of £21m (2018 cash outflow of £1.9m) and an increase in cash balances of £11.8m. The strong cash generation was driven by strong working capital management and the benefit of new CWS contracts.

The Group is primarily funded through external debt provided by third party banks and funds managed by OMERS Private Equity. The Group has a net asset position at 31 December 2019 of £57.2m.

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

Principal risks and uncertainties

The Group’s activities expose it to a number of financial and operational risks including prolonged impact of a Pandemic, credit risk, cash flow risk and liquidity risk.

Prolonged impact of a pandemic

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

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

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

Auxey Holdco Limited

Strategic report (continued)

Cash flow and interest rate risk

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

The derivatives cap the LIBOR rate at 1.5% for the GBP loan and 3.5% for the USD loan.

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

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

Credit risk

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

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

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group maintains a well-established credit control function that monitors the Group's trade debtors and is in regular communication with the Group's customers. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, who tend to be global, blue chip corporations with high credit ratings. Exposure to counterparties is reviewed on a regular basis to avoid any excessive reliance on a single counterparty.

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

Brexit risk

The group is well positioned to deal with Brexit risks. Due to the continued geographical diversification approaching 50% of the NFI is now 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 decide to move activities from the UK to another European destination AMS would continue to supply them in that location. There is a potential risk from Brexit impacting economic growth. Although this would have a negative impact on the group the business is well positioned to deal with recession due to the nature of the contracts with clients and the flexibility of the cost base globally.

Auxey Holdco Limited

Strategic report (continued)

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

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

Key performance indicators

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

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

A handwritten signature in blue ink, appearing to be 'D Leigh', with a horizontal line extending from the end of the signature.

D Leigh
Director

28 July 2020

Auxey Holdco Limited

Directors' report

The directors of Auxey Holdco Limited ("the Company") present their annual report on the affairs of the Company and its subsidiaries (together "the Group"), alongside the financial statements and auditor's report for the year ended 31 December 2019.

Activities

The principal activity of the Company is that of an investment holding company. The principal activity of the Group is the provision of talent acquisition and talent management services usually under long-term contracts.

The subsidiaries principally affecting the results or net assets of the Group in the year are listed in note 30 to the accounts.

Ownership

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

The Directors believe that OMERS' knowledge and network together with their sector expertise will help accelerate the Group's growth.

Business review

The loss after taxation for the year ended 31 December 2019 was £42.5m. Further detail is provided in the Strategic Report.

In 2019, the Group acquired 100% of the issued capital of Karen HR Inc, obtaining control of the company. The principal activity of the company is the provision of cognitive recruitment solutions. Please refer to note 28 for more detail.

Future developments

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

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

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

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

Financial risk management objectives and policies

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

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.

Auxey Holdco Limited

Directors' report (continued)

Disabled employees

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

Charitable and political contributions

During the financial year the Group made charitable donations of £367 (2018: £3,326). The Group and the Company made no political donations in the period.

Directors and their interests

The directors who have served during and since the year end are listed on page 1. There have been no other changes during or since the year end.

M Rodger is a member of a money purchase pension scheme.

Directors' indemnity arrangements

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

Going concern

As at 31 December 2019, the Group had a cash balance of £42.8m and undrawn Confidential Invoice Discounting and Revolving Credit Facilities of £75m. The Group also has a £200 million term loan facility and a \$161.2 million term loan facility, which require compliance with covenants. A significant element of the indebtedness is shareholder loan notes, which are free from financial covenants. The shareholder loan notes are repayable on 15 June 2028 or on an exit event, whichever is earlier. The Board has reviewed the Group's forecasts for the financial years ending 31 December 2020 and 31 December 2021 and, alongside their 'base case' forecasts, have considered the potential impact of severe downside scenarios which could result from the economic disruption caused by the global Covid-19 pandemic. The major variables being the depth and duration of the pandemic and its impact on potential reductions in client demand.

The Group has considered several variables that may have an impact on future trading due to the global pandemic 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, benefits of government sponsored payroll and tax deferral support schemes, wide ranging voluntary and temporary salary reduction measures, and a reduction in discretionary spend.

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

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

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

Auxey Holdco Limited

Directors' report (continued)

adequate resources to continue in operational existence for the foreseeable future. Thus the Directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Subsequent events

Subsequent to the balance sheet date, the World Health Organisation declared a pandemic on 11 March. Refer note 31. There are no other material subsequent events to report.

Disclosure of information to auditor

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

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

Auditor

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

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

A handwritten signature in blue ink, appearing to be 'D Leigh', written over a horizontal line.

D Leigh
Director

28 July 2020

Auxey Holdco Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

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

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

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Auxey Holdco Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

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

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

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • <i>Impairment of goodwill</i> • <i>Going concern; and</i> • <i>Revenue recognition: new contracts and cut-off of permanent placement revenue</i> <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> ⓘ Newly identified ⬆ Increased level of risk ⬅ Similar level of risk ⬇ Decreased level of risk
Materiality	<p>The materiality that we used for the group financial statements was £4.8 million which was determined on the basis of approximately 2% of annualised net fee income (gross profit). In addition, the company only materiality that we used was £2.7 million which was determined on the basis of 2% of net assets.</p>
Scoping	<p>Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.</p>
Significant changes in our approach	<p>We have identified two new key audit matters since the prior year. Impairment of goodwill replaces the key audit matter of acquisition accounting which was identified for the prior year financial statements and going concern has been identified as a new key audit matter this year given the impact of the global COVID-19 pandemic. Both of these key audit matters are discussed in detail below.</p>

Conclusions relating to going concern

<p>We are required by ISAs (UK) to report in respect of the following matters where:</p> <ul style="list-style-type: none"> • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue. 	<p>We have nothing to report in respect of these matters.</p>
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Independent auditor's report to the members of Auxey Holdco Limited (continued)

Key audit matters

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

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

We have identified two new key audit matters since the prior year. Impairment of goodwill replaces the key audit matter of acquisition accounting which was identified for the prior year financial statements and going concern has been identified as a new key audit matter this year given the impact of the global COVID-19 pandemic.

Impairment of goodwill

Key audit matter description	<p>At the reporting date, the Group has goodwill with a carrying value of £559.1m (2018: £558.5m). In accordance with IFRS, management is required to perform an annual test for impairment to goodwill.</p> <p>The determination as to whether goodwill is to be impaired is considered a significant risk by virtue of the level of judgement involved and the material level of goodwill.</p> <p>Some of the key judgements required to be made by management include:</p> <ul style="list-style-type: none"> the accuracy and reasonableness of forecast cash flows used to determine the value in use ("VIU") of the CGU; and the discount rate applied in the VIU calculation. <p>Further details are included within notes 11 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> obtained an understanding of the relevant controls around management's goodwill impairment review; assessed whether the determination of a single CGU is appropriate based upon our understanding of the business; understood and challenged the key assumptions driving the growth in net fee income and new business wins within the cash flow forecasts; assessed the discount rate applied by management, with the support of our internal valuations specialists; performed sensitivity analysis on management's forecast to assess their reasonableness; assessed the disclosures within the financial statements are appropriate and in line with the requirements of the relevant accounting standard.
Key observations	<p>We concurred with management that no impairment charge is required against the carrying value of goodwill at the reporting date and consider the disclosures in relation to goodwill impairment to be appropriate.</p> <p>In accordance with IFRS, the forecasts used for the goodwill impairment test were based upon conditions at the balance sheet date. Notably, the global COVID-19 pandemic took effect after this date. The impact, if any, on the impairment of goodwill would be a non-adjusting post balance sheet event.</p>

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

Going concern

Key audit matter description

The ongoing uncertainty surrounding the impact of the global COVID-19 pandemic has increased the complexity associated with the Directors' assessment of the Group's and parent company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the Financial Statements. The Board has reviewed the Group's forecasts for the financial years ending 31 December 2020 and 31 December 2021 and have considered the impact of severe but plausible downside scenario for the Covid-19 pandemic with the major variables being the depth and duration of the pandemic and its impact on potential reductions in client demand.

In addition, there is an increased risk associated with the adequacy of disclosures over the going concern assessment and events after the reporting date, particularly given that the majority of economic deterioration as a result of the pandemic has occurred subsequent to the balance sheet date.

In making their assessment, the Directors consider that the going concern basis of accounting is appropriate and that there is no material uncertainty related to going concern. The Directors have disclosed their explanations and conclusions on the going concern basis and the key matters considered, including judgements in relation to the Group's ability to continue providing services in the event of continuing disruption as a result of COVID-19.

Management's assessment of the impact of COVID-19 on the parent company's and Group's ability to continue as a going concern is detailed within the basis of preparation note to the financial statements on page 26 and also within the Directors' Report on page 7. Furthermore, detail of the impact of events after the reporting date is presented in note 31.

How the scope of our audit responded to the key audit matter


We have performed the following procedures:

- held meetings with senior management to discuss the Directors' assessment of going concern and to challenge matters arising from the review of management's going concern paper;
- performed procedures to assess the mechanical accuracy and integrity of the management-prepared going concern model;
- reviewed and challenged the key assumptions made by the Directors to capture potential downside risks, including the associated assumptions relating to reduced client demand impacting NFI, with a particular focus on compliance with the banking covenants over all test dates during the going concern period, the headroom available and the Group's cash resources, under severe but plausible stress scenarios;
- reviewing the sensitivity analysis of the forecasts to a number of variable factors including the possible impact of any continuing disruption as a result of COVID-19, particularly those impacting revenue, profit margin and cash, to identify whether reasonably plausible adverse scenarios could have an impact on liquidity
- application of additional downside sensitivities including consideration of reverse-stress testing; and
- evaluated the adequacy of the Group's disclosures in respect of going concern.

In order to assess whether the post balance sheet event disclosures in note 31 were appropriate we have evaluated management's assessment of the impact of the significant business developments that occurred after the year end, including the impact of the global COVID-19 pandemic.

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

Going concern  (continued)

Key observations	We concurred with management's going concern conclusions and consider the disclosures in relation to going concern and events after the reporting date to be appropriate.
Revenue recognition: new contracts and cut-off of permanent placement revenue 	
Key audit matter description	<p>The Alexander Mann Solutions group provides talent acquisition and talent management services to a variety of clients. The group's revenue comprises mainly (i) permanent placements and (ii) contingent workforce solutions (CWS).</p> <p>We have identified two key audit matters in relation to revenue recognition: new contracts and the cut-off of permanent placement revenue.</p> <p>In respect of revenue recognised from new contracts, the key judgement is around interpretation of the terms of customer contracts which stipulate what constitutes a performance obligation and when it is considered to have been fulfilled.</p> <p>Regarding permanent placement revenue cut-off, under IFRS 15 "<i>Revenue from contracts with customers</i>", one of the criteria to recognise revenue is 'when (or as) the entity satisfies the performance obligation'. For the group the key judgement for the recognition of revenue on permanent placements is therefore around the timing of satisfaction of the performance obligation and whether this occurs at the date of acceptance or at the start date. This is dependent upon the contractual terms with each customer, depending on when the risks and rewards are transferred to the customer.</p> <p>Further details are included within notes 3 and 4 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>We have performed the following procedures:</p> <p><i>New contracts</i></p> <ul style="list-style-type: none"> obtained an understanding of the relevant controls around the recognition of revenue from new contracts; reviewed the terms of each significant new contract signed in 2019 as well as the variation agreements for significant contracts renegotiated in the year; and assessed whether the accounting treatment was in accordance with the accounting standard. <p><i>Cut-off of permanent placement revenue</i></p> <p>We have performed audit procedures on a sample of permanent placement revenues recognised around the period end to assess whether the performance obligation had been met and therefore whether it was correct to recognise the revenue.</p>
Key observations	Based on the work performed we concluded that the accounting for these elements of revenue is appropriate.

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

Our application of materiality

Materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£4.8 million (2018: £8 million)	£2.7 million (2018: £2.7 million)
Basis for determining materiality	2% of annualised net fee income (2018: 4% of annualised net fee income)	2% of net assets (2018: 2% of net assets)
Rationale for the benchmark applied	Net fee income has been selected as the most appropriate benchmark as it is a key performance metric for the group and widely used as a basis for determining materiality for recruitment / outsourcing companies.	Net assets is considered to be the most appropriate benchmark for an investment holding company.

Annualised net fee income £247.2m

■ Annualised net fee income
■ Group materiality

Group materiality £4.8m
Component materiality range £3.36m to £1.92m
Audit Committee reporting threshold £0.24m

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2019 audit (2018: 90%). In determining performance materiality, we considered the following factors:

- the quality of the control environment and the fact that we were able to rely on controls as part of the audit in relation to contractor cost of sales,
- our risk assessment, including our assessment of the company's overall control environment,
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements in prior periods

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £240,000 (2019: £400,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Through full or specified audit procedures, we have covered 85% of the group's net fee income.

In order to do this, the UK audit team has performed full audit procedures on the Company and the key trading entities in the group. The UK audit team has also performed specified procedures on the US and French components and other UK intermediary holding entities. In addition, a Deloitte Poland audit team has performed a component audit of a subsidiary in Poland to a component materiality set by the group audit team.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records


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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Peter Saunders (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

28 July 2020

Auxey Holdco Limited

Consolidated statement of profit and loss and other comprehensive income For the year ended December 2019

	Notes	2019			8 months ended 31 December 2018		
		Before exceptional items and amortisation of intangible assets £'000	Exceptional items and amortisation of customer relationships and brand £'000	Statutory result £'000	Before exceptional items and amortisation of intangible assets £'000	Exceptional items and amortisation of customer relationships and brand £'000	Statutory result £'000
Turnover	4	290,759	-	290,759	152,963	-	152,963
Cost of sales		(43,576)	-	(43,576)	(23,833)	-	(23,833)
Gross profit		247,183	-	247,183	129,130	-	129,130
Administrative expenses	5	(208,706)	(23,007)	(231,713)	(103,491)	(21,354)	(124,845)
Operating profit		38,477	(23,007)	15,470	25,639	(21,354)	4,285
Finance charges (net)	6			(60,097)			(34,563)
Loss before taxation	8			(44,627)			(30,278)
Tax credit / (charge)	9			2,159			(1,124)
Loss after taxation for the year / period				(42,468)			(31,402)
Items that may be reclassified subsequently to profit or loss :							
Other comprehensive loss:							
Exchange loss on translation of foreign operations				(1,168)			(304)
Total comprehensive loss				(43,636)			(31,706)

All of the results presented above derive from continuing operations.

Given the Company was incorporated on 3 May 2018, the 2018 results are for a trading period of eight months.

Auxey Holdco Limited

Consolidated statement of financial position As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Goodwill	11	559,124	558,489
Other intangible assets	11	302,955	321,953
Tangible assets	12	3,550	3,352
Right to use assets	13	8,208	-
Deferred tax	21	2,774	1,535
		<u>876,611</u>	<u>885,329</u>
Current assets			
Debtors: amount falling due within one year	14	131,186	142,998
Cash at bank and in hand	15	42,767	30,987
		<u>173,953</u>	<u>173,985</u>
Creditors: amounts falling due within one year	16	<u>(165,402)</u>	<u>(167,120)</u>
Net current assets		<u>8,551</u>	<u>6,865</u>
Total assets less current liabilities		<u>885,162</u>	<u>892,194</u>
Creditors: amounts falling due after more than one year	17	<u>(827,511)</u>	<u>(789,231)</u>
Provisions for liabilities	22	<u>(439)</u>	<u>(487)</u>
Net assets		<u><u>57,213</u></u>	<u><u>102,476</u></u>
Capital and reserves			
Share capital	24	1	1
Share premium	24	134,286	134,181
Profit and loss account		<u>(77,074)</u>	<u>(31,706)</u>
Total shareholders' funds		<u><u>57,213</u></u>	<u><u>102,476</u></u>

The financial statements of Auxey Holdco Limited, registered number 126348, were approved by the board of directors and authorised for issue on 28 July 2020.

Signed on behalf of the board of directors



D Leigh
Director

Auxey Holdco Limited

Company statement of financial position As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Investment	30	93,402	93,402
Debtors falling due more than one year	19	503,934	462,267
		<u>597,336</u>	<u>555,669</u>
Current assets			
Debtors: amounts falling due within one year	14	37	-
Creditors: amounts falling due within one year	16	<u>(312)</u>	<u>(377)</u>
Net current liabilities		<u>(275)</u>	<u>(378)</u>
Total assets less current liabilities		597,061	555,292
Creditors: amounts falling due after more than one year	17	<u>(457,313)</u>	<u>(419,500)</u>
Net assets		<u><u>139,747</u></u>	<u><u>135,792</u></u>
Capital and reserves			
Share capital	24	1	1
Share premium	24	134,285	134,181
Profit and loss account		<u>5,462</u>	<u>1,610</u>
Total shareholders' funds		<u><u>139,747</u></u>	<u><u>135,792</u></u>

The company reported a profit for the year ended 31 December 2019 of £3,851,000 (2018: £1,610,000).

The financial statements of Auxey Holdco Limited, registered number 126348, were approved by the board of directors and authorised for issue on 28 July 2020.

Signed on behalf of the board of directors



D Leigh
Director

Auxey Holdco Limited

Consolidated statement of changes in equity For the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 3 May 2018	-	-	-	-
Shares issued in the period	1	134,181	-	134,182
Total comprehensive loss for the period	-	-	(31,706)	(31,706)
At 31 December 2018	1	134,181	(31,706)	102,476
Opening reserve adjustment for IFRS 16 (Note 2)	-	-	(1,732)	(1,732)
Shares issued in the year	-	105	-	105
Total comprehensive loss for the year	-	-	(43,636)	(43,636)
At 31 December 2019	1	134,286	(77,074)	57,213

Company statement of changes in equity For the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 3 May 2018	-	-	-	-
Share issued in the period	1	134,181	-	134,182
Total comprehensive income for the period	-	-	1,610	1,610
At 31 December 2018	1	134,181	1,610	135,792
Total comprehensive income for the year	-	105	3,851	3,956
At 31 December 2019	1	134,181	5,461	139,747

Auxey Holdco Limited

Consolidated statement of changes in cash flow For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Net cash flow used in operating activities	25	20,900	(1,875)
Purchase of intangible fixed assets	11	(3,521)	-
Purchase of tangible fixed assets	12	(2,729)	(2,313)
Cash acquired on acquisition of subsidiary		-	21,838
Acquisition of subsidiary	28	(575)	(629,288)
Net cash flow used in investing activities		(6,825)	(609,763)
Proceeds on issue of shares		-	134,180
Repayment of borrowings		-	(204,592)
Proceeds from borrowings from banks		-	325,000
Proceeds from borrowings from owners		-	400,000
Finance costs		-	(11,963)
Lease liability repayment		(2,295)	-
Net cash flow from financing activities		(2,295)	642,625
Net increase in cash and cash equivalent		11,780	30,987
Cash and cash equivalents in the beginning of the financial year		30,987	-
Cash and cash equivalents in the end of the financial year		42,767	30,987

Cash and cash equivalents comprise cash and bank balances.

Auxey Holdco Limited does not hold any cash, therefore no company statement of cash flow has been produced.

Auxey Holdco Limited

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

1. General information

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

The principal activity of the Company is that of an investment holding company. The principal activity of the Group is the provision of talent acquisition and talent management services usually under long-term contracts.

The company was incorporated on 3 May 2018 and hence the financial statements for 2018 are for an eight month and are not therefore comparable to 2019 statements.

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 EU:

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

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

(i) New and amended standards adopted by the Group

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

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

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

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

- requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

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

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

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

2. Adoption of new and revised standards (continued)

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

(b) Impact on Lessee Accounting

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

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

- (a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- (b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- (c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

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

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

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

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

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

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

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

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

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

	£'000
Operating lease commitments at 31 December 2018	12,487
Effect of discounting the above amounts	(1,625)
Finance lease liabilities recognised under IAS 17 at 31 December 2018	<u>10,862</u>

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

2. Adoption of new and revised standards (continued)

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

The Group has recognised £9.1m of right-of-use assets and £10.8m of lease liabilities upon transition to IFRS 16. The difference of £1.7m is recognized in retained earnings.

(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 2019 reporting years and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out above.

3. Accounting policies

Compliance with International Financial Reporting Standards

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

Basis of preparation

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

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. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. 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.

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

3. Accounting policies (continued)

Going concern

As at 31 December 2019, the Group had a cash balance of £42.8m and undrawn Confidential Invoice Discounting and Revolving Credit Facilities of £75m. The Group also has a £200 million term loan facility and a \$161.2 million term loan facility, which require compliance with covenants. An element of the indebtedness is shareholder loan notes, which are free from financial covenants. The shareholder loan notes are repayable on 15 June 2028 or on an exit event, whichever is earlier. The Board has reviewed the Group's forecasts for the financial years ending 31 December 2020 and 31 December 2021 and, alongside their 'base case' forecasts, have considered the potential impact of severe downside scenarios which could result from the economic disruption caused by the global Covid-19 pandemic. The major variables being the depth and duration of the pandemic and its impact on potential reductions in client demand.

The Group has considered several variables that may have an impact on future trading due to the global pandemic 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, benefits of government sponsored payroll and tax deferral support schemes, wide ranging voluntary and temporary salary reduction measures, and a reduction in discretionary spend.

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

The directors believe that the Group is adequately placed to manage its business risks successfully. On the basis of the Group's forecasts and after making due enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the Directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. 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.

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, if the discounted cash flow is less than the carrying amount of the goodwill, the impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the Group pro-rata on the basis of the carrying amount of each asset. 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.

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

3. Accounting policies (continued)

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 lived intangible assets.

Research and development costs initial recognition

Research costs are expensed to profit and loss account as they 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 uses 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 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 profit or loss.

Financial assets and liabilities

Financial assets

Financial assets are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument and are measured at fair value on initial recognition. Transaction costs are included in the fair value on initial recognition except for financial assets designated at fair value through profit or loss where transaction costs are expensed in 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; loans and receivables; held-to maturity investments and available-for-sale financial assets.

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

Financial assets at fair value through profit and loss

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

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

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

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

3. Accounting policies (continued)

Financial assets and liabilities (continued)

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

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

Financial liabilities

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

Financial liabilities are derecognised when extinguished, that is, when the obligation is discharged, cancelled or expired.

Financial liabilities at fair value through profit or loss

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

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

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 Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

3. Accounting policies (continued)

Fair value measurement (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 main areas of judgement in revenue recognition relate to cut-off as revenue is recognised for permanent placements when the element of the service to the client has been completed in accordance with the contractual agreements and temporary placement income over the duration of the placement.

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 commencing work for the customer.

Performance Obligations Satisfied Over Time

Talent Acquisition Management Service performance obligations are satisfied over time as the customer typically enjoys and consumes the benefits of our service over the contract term as we perform and transfer control of our management activities. The group utilises an output method using time as a measure of progress to recognise revenue as our management activities are performed evenly throughout the year.

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

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

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

3. Accounting policies (continued)

Revenue recognition (continued)

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

Contract costs

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

Tangible fixed assets

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

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

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

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 2019 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

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 Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

3. Accounting policies (continued)

Invoice discounting

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 period 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 period in which they are received.

Foreign currency translation

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

Finance charges

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

Exceptional items

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

Leases

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

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.

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

3. Accounting policies (continued)

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 periods 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.

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 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

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

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

3. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Company's accounting policies

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

Revenue recognition

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

Determining whether the Company's goodwill has been impaired requires estimations of the 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 the CGU and suitable discount rates in order to calculate present values. The carrying amount of goodwill at the balance sheet date was £559.1m (2018: £558.5m) with no impairment loss recognised in 2019. Details of assumptions made are given in note 11.

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

4. Turnover

Segment information and disaggregation of turnover

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

	2019				8 months ended 31 December 2018			
	Turnover	Gross	Loss	Net assets	Turnover	Gross	Loss	Net assets
	£'000	profit	before	£'000	£'000	profit	before	£'000
		£'000	tax	£'000		£'000	tax	£'000
			£'000				£'000	
United Kingdom	165,527	145,437	(54,518)	(101,567)	85,257	72,943	(35,650)	(50,936)
Rest of Europe	34,721	31,130	4,886	143,746	21,997	19,786	2,771	141,479
Asia Pacific	25,488	18,885	2,385	7,442	11,298	8,681	1,162	5,686
America	65,023	51,731	2,621	7,591	34,411	27,720	1,439	6,247
	<u>290,759</u>	<u>247,183</u>	<u>(44,627)</u>	<u>57,213</u>	<u>152,963</u>	<u>129,130</u>	<u>(30,278)</u>	<u>102,476</u>

Contract balances

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

	2019	2018
	Group	Group
	£'000	£'000
Trade debtors	62,010	69,161
Contract costs capitalised	13,353	12,065
Amortisation of contract cost during the year	(4,141)	(1,435)
Contract assets (Accrued Income)	47,719	51,917
Contract liabilities (Deferred Income)	<u>(4,465)</u>	<u>(4,348)</u>

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

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

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

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

	8 months ended 31 December	
	2019	2018
	£'000	£'000
Redundancy and restructuring costs	1,140	352
Onerous contract	531	-
Professional fees in relation to the acquisition	72	9,377
	<u>1,743</u>	<u>9,729</u>
Amortisation of intangible assets	21,264	11,625
	<u>23,007</u>	<u>21,354</u>

Professional fees in relation to the acquisition

Professional fees represent legal and consultancy cost resulting from the acquisition of a subsidiary during the year.

Redundancy and restructuring costs

These costs relate to redundancy and restructuring costs as part of a business transformation programme.

Onerous contract

The onerous contract cost relates to the cost of terminating a contract with a supplier with whom the Group had a significant minimum spend commitment

6. Finance charges (net)

	8 months ended 31 December	
	2019	2018
	£'000	£'000
Interest payable and similar charges		
Bank loans and overdrafts	61,237	31,315
Interest on overdue tax	6	10
Invoice discounting charges	761	455
Amortisation of arrangement fees and interest rate cap	1,959	1,531
Interest on lease liabilities	729	-
Exchange (gains)/losses	(4,532)	1,272
	<u>60,160</u>	<u>34,583</u>
Interest receivable and similar income	(63)	(20)
Finance charges (net)	<u>60,097</u>	<u>34,563</u>

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

7. Directors emoluments and staff costs

	8 months ended 31 December	
	2019	2018
	£'000	£'000
Directors' emoluments	668	3,417
Directors' remuneration	10	7
Pension contributions		
	<u>678</u>	<u>3,424</u>

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

	8 months ended 31 December	
	2019	2018
	£'000	£'000
Highest paid director		
Directors' remuneration*	355	2,402
	<u>355</u>	<u>2,402</u>

In 2018, directors' remuneration included a £1.9m bonus awarded in respect of a refinancing.

Staff costs

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

	8 months ended 31 December	
	2019	2018
	No.	No.
Sales	4,141	3,854
Administration	590	215
	<u>4,731</u>	<u>4,069</u>

The Company had no employees during the financial year (2018: none).

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

7. Directors emoluments and staff costs (continued)

	2019 2019 £'000	8 months ended 31 December 2018 £'000
Their aggregate remuneration comprised:		
Wages and salaries	152,294	76,826
Social security costs	15,262	8,166
Other pension costs	4,363	1,821
	<u>171,919</u>	<u>86,813</u>

8. Loss before taxation

	2019 £'000	8 months ended 31 December 2018 £'000
Loss before taxation is stated after:		
Depreciation of fixed assets	2,549	2,066
Depreciation of right of use assets	2,204	-
Amortisation of software	1,255	642
Amortisation of capitalised contract implementation costs	4,141	1,435
Amortisation of customer relationships and brand	21,264	11,625
Net foreign exchange (gain) / loss	(4,532)	1,272

Analysis of auditors' remuneration is:

	2019 £'000	8 months ended 31 December 2018 £'000
Fees payable to company's auditors for audit of company's annual accounts	150	150
Audit of company's subsidiaries	207	206
Total audit fees	<u>357</u>	<u>356</u>
Corporate finance and advisory services in relation to acquisition of subsidiary	-	932
Other non-audit services	10	13
Total non-audit services	<u>10</u>	<u>945</u>

The non-audit services provided to the Group in 2019 relate to audit-related procedures carried out in respect of covenant compliance.

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

9. Tax on loss

	2019 £'000	2018 £'000
UK Corporation tax – Group	2,228	686
Foreign tax	1,750	1,874
	<u>3,978</u>	<u>2,560</u>
Adjustments relating to prior year:	(862)	(53)
Current tax charge	3,116	2,507
Deferred tax (note 21)	(5,275)	(1,383)
Tax (credit)/charge on loss	<u>(2,159)</u>	<u>1,124</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:

	2019 £'000	2018 £'000
Loss before taxation	(44,627)	(30,278)
Tax on loss at standard UK corporation tax rate of 19% (2018: 19%)	(8,479)	(5,753)
Effects of:		
Disallowed expenses	54	1,808
Interest not deductible	6,843	4,206
Effect of changes in tax rate	285	917
Adjustments in respect of prior periods	(862)	(54)
Tax (credit)/charge on loss	<u>(2,159)</u>	<u>1,124</u>

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

10. Profit attributable to Auxey Holdco Limited

The Company has elected not to disclose an individual Company profit and loss account. The profit for the financial year within the financial statements of the parent company, Auxey Holdco Limited, was £3,851,000 (2018: £1,610,000).

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

11. Intangible assets

Group	Goodwill £'000	Customer relationships £'000	Brand £'000	Software £'000	Other Intangible in Total £'000
Cost					
At 1 January 2019	558,489	236,917	94,185	3,118	334,220
Additions for the year	635	-	-	3,521	3,521
At 31 December 2019	559,124	236,917	94,185	6,639	337,741
Accumulated amortisation					
At 1 January 2019	-	6,476	5,150	642	12,268
Charge for the year	-	11,846	9,418	1,255	22,518
At 31 December 2019	-	18,322	14,568	1,897	34,786
Net book value					
At 31 December 2019	559,124	218,595	79,618	4,742	302,955
At 31 December 2018	558,489	230,441	89,036	2,476	321,953

Group	Goodwill £'000	Customer relationships £'000	Brand £'000	Software £'000	Other Intangible in Total £'000
Cost					
At 3 May 2018	-	-	-	-	-
On acquisition	558,489	236,917	94,185	3,118	334,220
At 31 December 2018	558,489	236,917	94,185	3,118	334,220
Accumulated amortisation					
At 3 May 2018	-	-	-	-	-
Charge for the year	-	6,476	5,149	642	12,268
At 31 December 2018	-	6,476	5,149	642	12,268
Net book value					
At 31 December 2018	558,489	230,441	89,036	2,476	321,953

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

11. Intangible assets (continued)

Impairment tests for goodwill

The Directors have considered the requirements to assess the goodwill carrying value for impairment. The key assumptions include the assessment of the business as a single cash generating unit ('CGU'), the discount rate and the cash flows used to determine the value-in-use. The Group has performed its goodwill impairment test based on the 2020 and 2021 base cases used for the Going Concern review, and thereafter for FY22 to FY25 using the five year projections prepared by the Executive Committee with a one year delay factored in to conservatively reflect the impact of the global pandemic. The terminal growth rate applied to the impairment model is 2%. The Group's WACC (Weighted Average Cost of Capital) has been determined as 8.9% and is based on the outsourcing / recruitment industry average leverage ratio. The impact of the COVID-19 pandemic is a non-adjusting subsequent event. However, given that the impairment assessment took account of these effects and did not suggest an impairment of goodwill is required at 31 December 2019, the Directors did not consider it necessary to disclose sensitivities as at 31 December 2019 due to no critical assumptions and estimates contained in the goodwill impairment could result in the carrying amount to exceed its recoverable amount..

12. Tangible fixed assets

Group	Computer equipment £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2019	13,870	3,988	19	17,877
Additions	2,259	470	-	2,729
Disposals	(8,934)	-	(6)	(8,940)
At 31 December 2019	7,195	4,458	13	11,666
Accumulated depreciation				
At 1 January 2019	11,063	3,443	19	14,525
Charge for the period	2,154	395	-	2,549
Disposals	(8,947)	-	(6)	(8,958)
At 31 December 2019	4,270	3,838	13	8,116
Net book value				
At 31 December 2019	2,925	625	-	3,550
At 31 December 2018	2,807	545	-	3,352

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

12. Tangible fixed assets (continued)

Group	Computer equipment £'000	Fixtures and fittings £'000	Plant and machinery £'000	Total £'000
Cost				
At 3 May 2018	-	-	-	-
On acquisition	19	14,737	3,925	18,681
Additions for the period	-	2,251	63	2,314
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	19	16,988	3,988	20,995
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 3 May 2018	-	-	-	-
Acquisition of subsidiary	19	9,931	3,152	13,102
Charge for the period	-	1,774	291	2,065
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	19	11,705	3,443	15,167
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2018	-	5,283	545	5,828
	<hr/>	<hr/>	<hr/>	<hr/>

13. Right of use assets

Group	Buildings £'000
Cost	
Adoption of IFRS 16 at 1 January 2019	9,109
Additions	1,303
	<hr/>
At 31 December 2019	10,412
	<hr/>
Accumulated depreciation	
Adoption of IFRS 16 at 1 January 2019	-
	<hr/>
Charge for the year	2,204
	<hr/>
At 31 December 2019	2,204
	<hr/>
Net book value	
At 31 December 2019	8,208
	<hr/>

The Group leases buildings and the average lease term is 5 years (2018: 5 years).

Three leases expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of £1.3 million in 2019.

The adoption of IFRS 16 has resulted in an adjustment of £1.7 million to opening reserves which represents the cumulative effect of initial application of the new accounting standard, being the net of £8.2 million above and lease liabilities £9.9 million.

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

14. Debtors: amounts falling due within one year

	2019 Group £'000	Company £'000	2018 Group £'000	Company £'000
Trade debtors	62,010	-	69,161	-
Amounts owed by subsidiary undertakings	-	-	-	-
Derivative (note 18)	241	-	381	-
Other debtors	1,191	37	3,123	-
Corporation tax recoverable	1,151	-	469	-
Accrued income	47,719	-	51,917	-
Prepayments	5,521	-	5,882	-
Capitalised contract implementation costs	13,353	-	12,065	-
	<u>131,186</u>	<u>37</u>	<u>142,998</u>	<u>-</u>

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

The 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.

The Group has not written off or identified any trade debtors that indicate a credit loss. The Group has not suffered any credit loss in the past three years and based on this experience, no provision for lifetime expected credit loss (ECL) is considered necessary for all aging buckets for trade debtors.

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

Trade debtors can be analysed as follows:

	2019 £'000	2018 £'000
Amount receivable not past due	55,450	58,772
Amount past due but not impaired	6,560	10,389
	<u>62,010</u>	<u>69,161</u>
Less : allowance for expected credit losses	-	-
	<u>62,010</u>	<u>69,161</u>

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

15. Cash and cash equivalents

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. Creditors: amounts falling due with one year

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Derivative (note 18)	740	-	202	-
Amounts owed to group undertakings	-	-	-	-
Trade creditors	2,858	-	3,896	-
Corporation tax	524	-	849	-
Other taxes and social security	16,197	-	20,066	-
Other creditors	633	312	2,756	377
Accruals	137,206	-	135,003	-
Deferred income	4,465	-	4,348	-
Lease liabilities (note 23)	2,779	-	-	-
	<u>165,402</u>	<u>312</u>	<u>167,120</u>	<u>377</u>

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

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

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans (note 20)	770,169	457,313	734,920	419,500
Deferred tax liabilities (note 21)	50,271	-	54,311	-
Lease liabilities (note 23)	7,070	-	-	-
	<u>827,511</u>	<u>457,313</u>	<u>789,231</u>	<u>419,500</u>

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

18. Derivative financial instruments

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

	2019 £'000	2018 £'000
Financial assets carried at fair value through profit or loss (FVTPL):		
Forward contracts		
Derivative assets	241	241
Derivative liabilities	(394)	(202)
Interest rate cap		
Derivative assets	-	140
Derivative liabilities	(346)	--
Total derivative assets	241	381
Total derivative liabilities	(740)	(202)

19. Debtors falling due over one year

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Non-current assets				
Amounts due from group undertakings	-	503,934	-	462,267
	-	503,934	-	462,267

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

20. Borrowings

	2019		2018	
	Group £'000	Company £'000	Group £'000	Company £'000
Non-current liabilities				
Amounts due to group undertakings	322,204	-	326,504	-
Shareholder loans	457,313	457,313	419,500	419,500
Less capitalised arrangement fees	(9,348)	-	(11,084)	-
	770,169	457,313	734,920	419,500

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

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

20. Borrowings (continued)

The above facilities require compliance with covenants and the Directors monitor compliance on an ongoing basis. The Group also has a shareholder loan for £400m which bears interest at 9%.

At 31 December 2019, £200 million of the Group's bank loan was denominated in GBP, \$161.2 million of the Group's bank loans was denominated in USD. The shareholder loan was denominated in GBP. An analysis of the maturity of the borrowings is as follows:

	Group £'000	Company £'000
Not later than one year	-	-
Later than one year but not later than two years	-	-
Later than two years but not later than five years	-	-
Later than five years	779,517	457,313
Less unamortised capitalised arrangement fees	(9,348)	-
	<u>770,169</u>	<u>457,313</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 % 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 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 of the Group's assets.

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

21. Deferred tax asset / liability

Deferred tax asset

	2019 £'000	2018 £'000
At beginning of period	1,535	-
On acquisition	-	2,128
Credited / (charged) to profit and loss account	1,239	(593)
At 31 December 2019	<u>2,774</u>	<u>1,535</u>

	2019 £'000	2018 £'000
The amounts of deferred taxation provided at 17% are:		
- Depreciation in excess of capital allowances	392	442
- Other temporary differences	2,382	1,093
	<u>2,774</u>	<u>1,535</u>

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

21. Deferred tax asset / liability (continued)

Deferred tax liability

	2019 £'000	2018 £'000
At beginning of period	(54,311)	-
On acquisition	-	(56,287)
Credited to profit and loss account	4,040	1,976
At 31 December 2019	<u>(50,271)</u>	<u>(54,311)</u>
	2019 £'000	2018 £'000
The amounts of deferred taxation provided at 17% are:		
- Other temporary differences	<u>(50,271)</u>	<u>(54,311)</u>
	<u>(50,271)</u>	<u>(54,311)</u>

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.

Following the 2019 Budget Statement, the main rate of UK corporation tax will remain at 19% for the financial year beginning 1 April 2020. The deferred tax balances have been measured at the substantively enacted rate of 17%. If the 19% tax rate had been used, the deferred tax asset and liability would have been £0.3 million and £5.9 million higher, respectively.

22. Provision for liabilities

Group	Dilapidation £'000	Other provisions £'000	Total provisions £'000
At 3 May 2018	-	-	-
Acquisition of subsidiary	434	53	487
At 31 December 2018	434	53	487
Charged to profit and loss account	-	(53)	(53)
Exchange loss	5	-	5
At 31 December 2019	<u>439</u>	<u>-</u>	<u>439</u>

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 £392,000 has been provided in respect of capital refurbishment. They are all expected to be paid by 2024.

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

23. Lease liabilities

Analysed as:	2019 £'000
Current	2,779
Non-current	7,070
	<u>9,849</u>
	<u>9,849</u>
Maturity analysis	2019 £'000
Year 1	2,779
Year 2	2,923
Year 3	1,814
Year 4	1,614
Year 5	710
Onwards	10
	<u>9,849</u>
	<u>9,849</u>

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.

24. Share capital

	2019 £	2018 £
Authorised:		
130,045 A preferred ordinary shares of £0.001 each	130	130
581,257 B preferred ordinary shares of £0.001 each	581	581
63,698 C preferred ordinary shares of £0.001 each	64	64
220,000 D ordinary shares of £0.001 each	220	220
5,000 E ordinary shares of £0.1 each	500	500
	<u>1,495</u>	<u>1,495</u>
	<u>1,495</u>	<u>1,495</u>
	2019 £	2018 £
Allotted, called up and fully paid:		
130,045 A preferred ordinary shares of £0.001 each	130	130
581,257 B preferred ordinary shares of £0.001 each	581	581
63,698 C preferred ordinary shares of £0.001 each	64	64
179,121 D ordinary shares of £0.001 each	179	74
5,000 E ordinary shares of £0.1 each	500	500
	<u>1,454</u>	<u>1,349</u>
	<u>1,454</u>	<u>1,349</u>
Share premium account		
Premium arising on issue of equity shares	<u>134,286</u>	<u>134,181</u>
	<u>134,286</u>	<u>134,181</u>

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

24. Share capital (continued)

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

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

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

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

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

The Company issued 105,371 D shares at £1 per share to shareholders during 2019. This resulted in an increase in share premium of £105,000.

25. Notes to cash flow statement

a. Reconciliation of net cash flow used in operating activities

	2019 £'000	2018 £'000
Operating profit for the year	15,470	4,285
Adjustments for:		
Depreciation and amortisation	31,413	15,126
(Increase) in trade and other receivables	4,616	(6,517)
Increase in trade and other payables	(894)	90
Financing costs	(25,469)	(12,257)
Income tax paid	(4,236)	(2,601)
Net cash flow from operating activities	20,900	(1,875)

b. Changes in liabilities arising from financing activities

	At 31 December 2018 £'000	Financing cash flow £'000	Non-cash changes Exchange movements £'000	Interest accruals £'000	At 31 December 2019 £'000
Borrowings from banks	326,504	-	(4,300)	-	322,204
Borrowings from owners	419,500	-	-	37,813	457,313
Finance cost	(11,084)	25,469	-	(23,733)	(9,348)
Total liabilities from financing activities	734,920	25,469	(4,300)	14,080	770,169

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

26. Financial instruments

Categories of financial instruments

	2019 Financial assets £'000	Financial liabilities £'000	2018 Financial assets £'000	Financial liabilities £'000
Group				
Financial assets at fair value through profit or loss	241	(740)	381	(202)
Trade and other receivables excluding prepayments	112,112	-	124,670	-
Cash and cash equivalents	42,767	-	30,987	-
Borrowings	-	(770,169)	-	(734,920)
Trade and other payables	-	(163,062)	-	(167,405)
	<u>155,120</u>	<u>(933,970)</u>	<u>156,038</u>	<u>(902,527)</u>
	2019 Financial assets £'m	Financial Liabilities £'m	2018 Financial assets £'m	Financial Liabilities £'m
Company				
Trade and other receivables excluding prepayments	503,934	-	462,267	-
Borrowings	-	(457,313)	-	(419,500)
Trade and other payables	-	(312)	-	(378)
	<u>503,934</u>	<u>(457,625)</u>	<u>462,267</u>	<u>(419,878)</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	-	241	-	-
Financial Liabilities at fair value through profit or loss	-	(740)	-	-

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

26. Financial instruments (continued)

Financial risk management objectives

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

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

Interest rate risk management

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

The derivatives cap the LIBOR rate at 1.5% for the GBP loan and 3.5% for the USD loan.

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

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

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

Credit risk management

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

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

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

26. Financial instruments (continued)

Liquidity risk management

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

27. Ultimate controlling party and related party transactions

Auxey Holdco Limited is incorporated in Jersey and is a tax resident in the United Kingdom. The registered address of 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 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.

During the year, Auxey Holdco Limited paid OMERS Private Equity a £400,000 fee in connection with the management of the group.

28. Acquisition of a subsidiary

In 2019, the Group acquired 100% of the issued capital of Karen HR Inc, obtaining control of the company. The principal activity of the company is the provision of cognitive recruitment solutions.

The acquired subsidiary contributed revenue of £nil and loss of £0.3m 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 for the full year would have been the same as that stated above.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Debtors	14	-	14
Cash	21	-	21
Creditors	(6)	-	(6)
Accruals	-	(29)	(29)
Net assets acquired	29	(29)	-
Goodwill arising on acquisition			635
Satisfied by:			
Cash consideration and cost			635

29. Pension arrangements

The pension cost charge for the current period of £4,362,000 (2018: £1,821,000) represents the amounts payable to defined contribution personal pension schemes.

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

30. Fixed asset investments - Company

Subsidiary undertakings

Cost and net book value

At 31 December 2018 and 31 December 2019

Company
£'000

93,402

The Company holds investments in the following subsidiary undertakings:

Subsidiary undertaking	Country of registration	Activity	Proportion of ordinary shares %
*Auxey Finco Limited	England and Wales	Holding	100%
Auxey Midco Limited	England and Wales	Holding	100%
Auxey Bidco Limited	England and Wales	Holding	100%
Alexander Mann Group Limited	England and Wales	Holding	100%
Alexander Mann Associates Limited	England and Wales	Holding	100%
Alexander Mann Solutions Limited	England and Wales	Trading	100%
Alexander Mann BPO Limited	England and Wales	Trading	100%
Alexander Mann Solutions GmbH	Germany	Trading	100%
Alexander Mann Solutions ApS	Denmark	Trading	100%
Alexander Mann Solutions AB	Sweden	Trading	100%
Alexander Mann Solutions GmbH	Switzerland	Trading	100%
Alexander Mann Solutions S.P.A.	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 BPO Solutions (Singapore)	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%
Alexander Mann Group Asia Pacific Pty	Australia	Trading	100%
Alexander Mann Solutions (HK) Limited	Hong Kong	Trading	100%
Alexander Mann Solutions s.r.o.	Czech Republic	Trading	100%
Alexander Mann KFT	Hungary	Trading	100%
Alexander Mann Solutions (Shanghai)	China	Trading	100%
Alexander Mann Solutions Inc	Canada	Trading	100%
Alexander Mann Outsourcing Solutions Limited	Ireland	Trading	100%
Capital Resource Consulting Hong Kong	Hong Kong	Trading	100%
AMS Processo De Recrutamento E	Brazil	Trading	100%
Alexander Mann Solutions S. De R.L. De C.V.	Mexico	Trading	100%
Alexander Mann Solutions AS	Norway	Trading	100%
Shearwater s.r.o	Czech Republic	Dormant	100%
Alexander Mann Solutions BPO Inc.	Philippines	Trading	100%
Alexander Mann Solutions (Pty) Ltd	South Africa	Trading	100%
**AMS Public Sector Resourcing Ltd	England and Wales	Trading	100%
Karen HR Inc	Canada	Trading	100%

* held directly by Auxey Holdco Limited.

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

30. Fixed asset investments – Company (continued)

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

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

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

31. Subsequent events

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

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

32. Appendix to the subsidiary note

Subsidiary Undertaking

Registered Address

Auxey Finco Limited

7-11 Bishopsgate, London, EC2N 3AQ

Auxey Midco Limited

7-11 Bishopsgate, London, EC2N 3AQ

Auxey Bidco Limited

7-11 Bishopsgate, London, EC2N 3AQ

Alexander Mann Group Limited

7-11 Bishopsgate, London, EC2N 3AQ

Alexander Mann Associates Limited

7-11 Bishopsgate, London, EC2N 3AQ

Alexander Mann Solutions Limited

7-11 Bishopsgate, London, EC2N 3AQ

Alexander Mann BPO Limited

7-11 Bishopsgate, London, EC2N 3AQ

Alexander Mann Solutions GmbH

Eichhornstraße 3, Potsdamer Platz, WeWork Atrium Tower, 10785 Berlin

Alexander Mann Solutions ApS

Frederiksborggade 15, 1360 Copenhagen, Denmark

Alexander Mann Solutions AB

Hälle Lider 2 B, 1 tr, 459 32 Ljungskile, Sweden

Alexander Mann Solutions GmbH

Hardturmstrasse 120, CH-8005 Zürich Switzerland

Alexander Mann Solutions S.P.A.

Via Senato, 20, 20121 Milano, Italy

Alexander Mann Solutions Poland Sp. Z.o.o.

Ul. Puskarska 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 BPO Solutions (Singapore) PTE Limited

2 Shenton Way, SGX Centre 1, #16-03 Singapore

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

Auxey Holdco Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

32. Appendix to the subsidiary note (continued)

Subsidiary Undertaking

Registered Address

Amiquis Limited

7-11 Bishopsgate, London, EC2N 3AQ

Alexander Mann Solutions K.K.

3-18-6 Toyo, Koto-ku, Tokyo, Japan

Alexander Mann Group Asia Pacific Pty Limited

Level 27, 101 Collins St, Melbourne, Vic 3000

Alexander Mann Solutions (HK) Limited

Level 15 & 19, West Exchange Tower, 322 Des Voeux Road Central, Sheung Wan, Hong Kong

Alexander Mann Solutions s.r.o.

U Garáží 1611/1, 170 00 Prague 7, Czech Republic

Alexander Mann KFT

Kálmán Imre utca 1, Budapest, 1054 Hungary

Alexander Mann Solutions (Shanghai)

Unit 701, ZRT Tower, No. 20, Lane 1228 Jiangchang Road, Jingan District, Shanghai, 200072, China

Enterprise Management Consulting Ltd

1000, rue De La Gauchetière Ouest, Bureau 900, Montréal, QC, Canada H3B 5H4

Alexander Mann Solutions Inc

Trinity House, Charleston Road, Ranelagh, Dublin 6 Ireland

Alexander Mann Outsourcing Solutions Limited

Level 15 & 19, West Exchange Tower, 322 Des Voeux Road Central, Sheung Wan, Hong Kong

Capital Resource Consulting Hong Kong Limited

Thurn-und-Taxis-Platz 6

Capital Resource Consulting GmbH

D-60313 Frankfurt am Main, Germany

AMS Processo De Recrutamento E Terceirização Ltda

Avenida Engenheiro Luis Carlos Berrini, nº 1461, 12º andar, bairro Cidade Monções, cidade de São Paulo, estado de São Paulo, Brazil

Alexander Mann Solutions S. De R.L. De C.V.

Gutierre Zamora #128 Int. 1, Colonia Las Aguilas, Delegacion Alvaro Obregon, Ciudad de Mexico, CP 01710, Mexico

Alexander Mann Solutions AS

Vassboten 1, Building 2, Cadastral unit no 67, Sandnes, Norway

Alexander Mann Solutions BPO Inc.

32/F Philam Life Tower Building, 8767 Paseo DeRoxas Avenues

Makati City

Philippines

Alexander Mann Solutions (Pty) Ltd

West Tower Office 2nd floor, Nelson Mandela Square Maude Street, Sandown Johannesburg 2196 Sandown, Gauteng 2146

Public Sector Resourcing Limited

7-11 Bishopsgate, London, EC2N 3AQ

Shearwater s.r.o

U Garáží 1611/1, 170 00 Prague 7, Czech Republic

Karen HR Inc

1000, rue De La Gauchetière Ouest, bureau / suite 900, Montréal, QC, Canada H3B 5H4