

Company Registration number: 126348

Auxey Holdco Limited

Annual report and financial statements

For the period from 3 May 2018 to 31 December 2018

Auxey Holdco Limited

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	5
Directors' responsibilities statement	7
Independent auditor's report	8
Consolidated statement of profit and loss	14
Consolidated statement of financial position	15
Company statement of financial position	16
Consolidated statement of changes in equity	17
Company statement of changes in equity	17
Consolidated statement of changes in cash flow	18
Notes to the financial statements	19

Auxey Holdco Limited

Officers and professional advisers

Directors

R Blair	Appointed 15 June 2018	
R Timmins	Appointed 15 June 2018	
M Rodger	Appointed 15 June 2018	
E Haley	Appointed 15 June 2018	
C Miller-Jones	Appointed 4 May 2018	
J Mussellwhite	Appointed 19 December 2018	
C Bowden	Appointed 3 May 2018	Resigned 4 May 2018
S Jones	Appointed 4 May 2018	Resigned 5 May 2018
K Lamerton	Appointed 3 May 2018	Resigned 4 May 2018
M Huray	Appointed 4 May 2018	Resigned 8 November 2018

Registered office

44 Esplanade
St Helier
Jersey
JE4 9WG

Bankers

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

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

Solicitors

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

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Auxey Holdco Limited

Strategic report

Review of trading results for the period ended 31 December 2018

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

Acquisition of the Alexander Mann Solutions Group

In June 2018, OMERS Administration Corporation and AMS management, together with the seller as a minority investor, completed the indirect acquisition of AMS Topco and its subsidiaries (the 'AMS Group') through a wholly owned subsidiary of Auxey Holdco Limited. The acquisition was completed for an enterprise value of £820m and was funded in part through a £325m senior loan syndicated through HSBC and Bank of America Merrill Lynch. Goodwill arising on this acquisition is £558.5m.

Given that the acquisition of the AMS Group took place on 15 June 2018 and these consolidated accounts are for a trading period of six and half months, this strategic review focuses on the AMS Group's historical trading growth and the future strategic direction that the new owners, OMERS (a manager of private equity assets on behalf of OMERS Administration Corporation) Private Equity and AMS Management, intend to set for the business.

Review of AMS Group trading results for the year ended 31 December 2018

(On an annualised basis including pre-acquisition trading results)

In 2018, the AMS Group generated earnings before exceptional items, interest, taxation, depreciation and amortisation (EBITDA) of £44.7m (2017: £40.6m) and an operating profit before exceptional items of £38.5m (2017: £35.6m).

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

The strong progression in AMS Group trading metrics, based on annualised numbers (including pre-acquisition trading) is detailed below.

	2018 £'000	YOY % change	2017 £'000	YOY % change	2016 £'000	YOY % change	2015 £'000
Billing	1,411,809	27.3%	1,108,821	20.4%	920,859	14.7%	802,626
Turnover	268,983	11.0%	242,314	19.7%	202,455	10.0%	183,971
NFI (Gross profit)	226,783	10.1%	205,970	20.4%	171,119	11.5%	153,415
Operating Profit (before exceptional items and goodwill)	38,491	8.2%	35,578	12.2%	31,696	31.5%	24,107
EBITDA (before exceptional items and goodwill)	44,697	10.2%	40,557	15.7%	35,058	29.5%	27,071

2018 was a year of strong growth for the AMS Group with turnover rising by 11.0% and NFI rising by 10.1%. The growth in both turnover and NFI reflects the on-going success of the AMS Group's strategy in an attractive market. Sector diversification has continued with a notable increase in the share of NFI attributed to the Pharmaceuticals and Life Sciences sector and entry into the Public sector.

The AMS Group generated EBITDA of £44.7m in 2018 which is an increase of 10.2% on 2017. EBITDA as a % of NFI stabilised at 19.7% (2017: 19.7%) reflecting the AMS group's focus on generating profitable top line growth.

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 2018 of £102.5m.

During 2018, the Group successfully completed a re-financing together with the acquisition, repaid its senior term loan of £196.4m and secured a new £325m senior loan. As part of this refinancing, the group increased its UK Confidential Invoice Discounting ("CID") facility to £36m, USA CID facility to USD\$5m and increased its Revolving Credit Facility to £40m.

As at April 2019, the Group has a median gender pay gap in hourly pay of 7.9%: this compares favourably to the national average (Office for National Statistics) of 17.9%.

Auxey Holdco Limited

Strategic report (continued)

Principal risks and uncertainties

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

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 increasing 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. This provides certainty about the Polish zloty exchange rate for approximately 50% of the Group's forecast Polish zloty funding requirements.

In early 2019, the Group also entered into forward contracts to hedge approximately 50% of the cost base denominated in Philippine pesos and 40% of the profits denominated in Euros. The slightly lower hedging ratio for Euro is to reflect there is more uncertainty over the Euro cash flows.

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 \$5m 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.

Auxey Holdco Limited

Strategic report (continued)

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. For example if a 'no deal Brexit' were to occur that triggered a recession in the UK that could well impact our clients hiring plans. Although this would have a negative impact on the group the business is well positioned to deal with recession due to the nature of the contracts with clients and the flexibility of the cost base globally.

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. 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



R Timmins
Director

8 May 2019

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 period ended 31 December 2018.

Activities

The Company was incorporated on 3 May 2018.

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 period are listed in note 13 to the accounts.

Ownership

In May 2018, OMERS Private Equity established the Company with the purpose of working together with AMS management to complete the acquisition of the AMS Group.

On 15 June 2018, Auxey Bidco Limited, a 100% owned subsidiary of the Company, acquired 100% of the share capital of AMS Topco Limited, the holding company of the AMS Group.

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 period from incorporation to 31 December 2018 was £31.4m. Trading was limited to the period from 15 June to the year end.

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.

Financial risk management objectives and policies

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

Employee consultation

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

Disabled employees

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.

Auxey Holdco Limited

Directors' report (continued)

Charitable and political contributions

During the period the Group made charitable donations of £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 period end are listed on page 1. There have been no other changes during or since the period end.

The Directors beneficial interest in the shares of the Company are disclosed below:

R Blair held 35,463 "C" preferred ordinary shares and 50,000 "D" ordinary shares in Auxey Holdco Limited.

R Timmins held 3,584 "C" preferred ordinary shares in Auxey Holdco Limited.

M Rodger held 4,034 "C" preferred ordinary shares, 6,500 "D" ordinary shares and 1,000 "E" ordinary shares in Auxey Holdco Limited.

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 2018.

Going concern

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements and they continue to adopt the going concern basis in preparing the financial statements.

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

Subsequent events

There are no material subsequent events.

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



R Timmins
Director

8 May 2019

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 period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 'company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements which comprise:

- the consolidated statement of profit and loss and other comprehensive income;
- the consolidated statement of financial position;
- the company statement of financial position;
- the consolidated statement of changes in equity;
- the company statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 27.

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

Summary of our audit approach

Key audit matters	The key audit matters that we have identified in the current year relate to: <ul style="list-style-type: none">• Acquisition accounting; and• Revenue recognition: new contracts and cut-off of permanent placement revenue
Materiality	The consolidated materiality that we used in the current year was £8 million which was determined on the basis of approximately 4% 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.
Scoping	This is our first year of appointment as auditor to the Company. Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement.

Conclusions relating to going concern

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

We have nothing to report in respect of these matters.

- 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 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.

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.

Acquisition Accounting

Key audit matter description

In June 2018, OMERS Administration Corporation completed the indirect, majority acquisition of the AMS Topco Limited and its subsidiaries ('AMS group').

In accordance with IFRS 3 (Revised 2008) "Business Combinations", management were required to determine the identifiable assets and liabilities of the Alexander Mann Solutions group at their acquisition date fair values, in particular placing a value on the non-goodwill intangible assets.

We have identified the accounting for the acquisition as a key audit matter due to the inherent complexity involved in this exercise.

We considered the following to be key judgements in the accounting for the acquisition:

1. Identification of intangible assets

Management were required to identify and determine the fair value of any intangible assets at the date of acquisition. They were also required to determine the useful life over which the intangible assets will be amortised. Management engaged external advisors to perform this work.

2. Identifying the acquisition date and determining the consideration paid

Management were required to identify the date at which control was transferred, which under the applicable accounting standard is the date on which the consideration was paid by the shareholders.

3. Treatment of transaction costs

Costs incurred in relation to the transaction, such as advisory and professional fees were required to be appropriately accounted for by management.

4. Determining the fair value of net assets acquired

The determination of the fair value of the net assets acquired is an exercise which involved the application of judgement by management.

	<p>5. Calculation of goodwill and subsequent impairment review</p> <p>Goodwill is calculated as the residual amount remaining once the purchase price has been allocated to net assets acquired and identified intangible assets. Goodwill is therefore product of a number of key judgements. In addition, management were required to assess goodwill for impairment. To make this assessment, management prepared a discount cash flow model to compare the value in use against the carrying amount of goodwill.</p> <p>Further details are included within notes 11 and 14 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>We have detailed our audit procedures to respond to each key judgement below:</p> <p>1. Identification of intangible assets</p> <p>We have reviewed the methodology adopted by management including the report produced by the external advisor. We have also engaged our valuation specialists to review the methodology and assumptions used by external advisor.</p> <p>2. Identifying the acquisition date and determining the consideration paid</p> <p>We have confirmed that the acquisition date has been correctly identified by management as the date upon which the consideration paid. We have also agreed the consideration by tracing payments made to the transfer instructions and funds flow summary. We also performed a recalculation of the additional contributions that were stipulated in the sale and purchase agreement.</p> <p>3. Treatment of transaction costs</p> <p>We have tested a sample of the transaction costs in detail by tracing to supporting documentation and ensuring the accounting has been performed in accordance with the relevant accounting standard.</p> <p>4. Determining the fair value of net assets acquired</p> <p>We have obtained the opening balance sheet from the client as at the transaction date and have ensured that it is complete and accurate.</p> <p>5. Calculation of goodwill and subsequent impairment review</p> <p>We engaged our internal valuations experts to assess the appropriateness of the discount rate used in the model. We have considered management's cash flow forecasts for reasonableness and also performed sensitivity analysis to evaluate the impact on headroom through sensitising the key inputs.</p>
Key observations	<p>Based on the work performed we concluded that the accounting for the acquisition is appropriate.</p>
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 identified two key audit matters in relation to revenue recognition: new contracts and cut-off of permanent placement review.</p> <p>For revenue recognised from new contracts, the key judgement is over the 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>For permanent placement revenue cut-off, under IFRS 15 "Revenue from contracts with customers", 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 over 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>

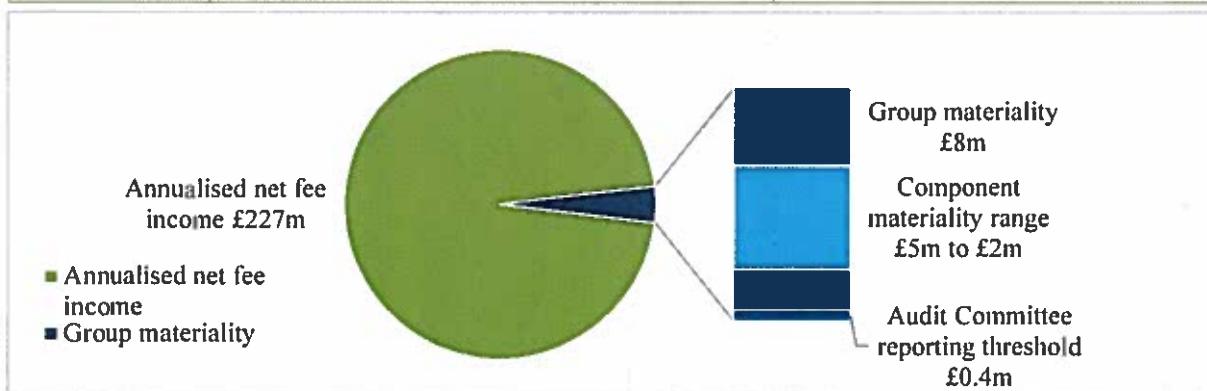
How the scope of our audit responded to the key audit matter	<p>We have performed the following procedures:</p> <p><i>New contracts</i></p> <ul style="list-style-type: none"> assessed the design and implementation of key controls; reviewed the terms of each significant new contract signed in 2018 as well as the variation agreements for significant contracts renegotiated in the year; and confirmed whether the accounting treatment was in accordance with the accounting standard. <p><i>Cut-off of permanent placement revenue</i></p> <p>We tested 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.

Our application of 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	Company financial statements
Materiality	£8 million	£2.7 million
Basis for determining materiality	Approximately 4% of annualised net fee income (gross profit)	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 companies. Net fees income is a consistent measure following the introduction of IFRS 15.	Net assets is considered to be the most appropriate benchmark for an investment holding company.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £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.

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. We also directed and supervised the work of a component audit team in Poland.

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.

We have nothing to report in respect of these matters.

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.

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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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 nothing to report in respect of these matters.

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the 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 ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
9 May, 2019

Auxey Holdco Limited

Consolidated statement of profit and loss and other comprehensive income For the period from incorporation on 3 May 2018 to 31 December 2018

			2018	
	Notes	Before exceptional items and amortisation of intangible assets £'000	Exceptional items and amortisation of intangible assets £'000	Statutory result £'000
Turnover	4	152,963	-	152,963
Cost of sales		(23,833)	-	(23,833)
Gross profit		129,130	-	129,130
Administrative expenses	5	(103,491)	(21,354)	(124,845)
Operating profit		25,639	(21,354)	4,285
Finance charges (net)	6			(34,563)
Loss before taxation	8			(30,278)
Tax charge	9			(1,124)
Loss after taxation for the period				(31,402)
Items that may be reclassified subsequently to profit or loss :				
Other comprehensive loss:				
Exchange loss on translation of foreign operations				(304)
Total comprehensive loss				(31,706)

All of the results presented above derive from continuing operations.

Auxey Holdco Limited

Consolidated statement of financial position As at 31 December 2018

	Notes	2018 £'000
Non-current assets		
Goodwill	11	558,489
Other intangible assets	11	319,477
Tangible assets	12	5,828
Deferred tax	20	1,535
		<hr/> 885,329
 Current assets		
Debtors: falling due within one year	15	142,998
Cash at bank and in hand		30,987
		<hr/> 173,985
 Creditors: falling due within one year	16	<hr/> (167,120)
 Net current assets		<hr/> 6,865
 Total assets less current liabilities		<hr/> 892,194
 Creditors: falling due after more than one year	17	(789,231)
 Provisions for liabilities	21	<hr/> (487)
 Net assets		<hr/> <hr/> 102,476
 Capital and reserves		
Share capital	22	1
Share premium	22	134,181
Profit and loss account		<hr/> (31,706)
 Total Shareholders' funds		<hr/> <hr/> 102,476

The financial statements of Auxey Holdco Limited, registered number 126348, were approved by the board of directors and authorised for issue on 8 May 2019.

Signed on behalf of the board of directors



R Timmins
Director

8 May 2019

Auxey Holdco Limited

Company statement of financial position As at 31 December 2018

	Notes	2018 £'000
Non-current assets		
Investments	13	93,402
Debtors: falling due after more than one year	15	462,267
		<u>555,669</u>
Creditors: falling due within one year		<u>(377)</u>
Net current liabilities	16	<u>(377)</u>
Total assets less current liabilities		555,292
Creditors: falling due after more than one year		<u>(419,500)</u>
Net assets	17	<u>135,792</u>
Capital and reserves		
Share capital		1
Share premium	22	134,181
Profit and loss account	22	1,610
Total shareholders' funds		<u>135,792</u>

The company reported a profit for the period ended 31 December 2018 of £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 8 May 2019.

Signed on behalf of the board of directors



R Timmins
Director

8 May 2019

Auxey Holdco Limited

Consolidated statement of changes in equity

For the period from incorporation on 3 May 2018 to 31 December 2018

	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

Company statement of changes in equity

For the period from incorporation on 3 May 2018 to 31 December 2018

	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	-	-	1,610	1,610
At 31 December 2018	1	134,181	1,610	135,792

Auxey Holdco Limited

Consolidated statement of changes in cash flow For the period ended 31 December 2018

	Notes	2018 £'000
Net cash flow used in operating activities	23	(1,875)
Purchase of tangible fixed assets	12	(2,313)
Acquisition of subsidiary	14	(629,288)
Cash acquired on acquisition of subsidiary	11	21,838
Net cash flow used in investing activities		(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)
Net cash flow from financing activities		642,625
Net increase in cash and cash equivalent		30,987
Cash and cash equivalents in the beginning of the financial period		-
Cash and cash equivalents in the end of the financial period		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 period ended 31 December 2018

1. General information

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

The principal activity of the Company is that of an investment holding company. The principal activity of the Group 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 these financial statements have been prepared for the period from 3 May 2018 to 31 December 2018.

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 16 Leases
- 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

With the exception of IFRS 16 Leases, the Directors of the Company (the "Directors") expect that the adoption of the standards listed above will not have a material impact. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

(i) New and amended standards adopted by the Group

The Group has adopted IFRS 9 during the year which has not had a material impact on the financial statements of the Group.

(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 2018 reporting periods 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 below.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and will be effective from 1 January 2019. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has reviewed all of the Group's leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases. Of the Group's non-cancellable operating lease commitments relating to short-term leases and low value leases, which will both be recognised on a straight-line basis as expense in profit or loss, are not material. For the remaining lease commitments the Group expects to recognise right of-use assets and liabilities of approximately £10.8m on 1 January 2019.

The Group expects that profit before tax will increase by approximately £0.1m for 2019 as a result of adopting the new rules. Operating Profit is expected to increase by approximately £0.9m, as the operating lease payments were included in Operating Profit, but the interest on the lease liability is excluded from this measure.

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

2. Adoption of new and revised standards (continued)

Operating cash flows will increase and financing cash flows decrease by approximately £0.8m as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures may be required from next year.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, having considered the Company forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty. Directors continue to monitor risk associated with Brexit (see Strategic report) and consider that the risks are sufficiently mitigated so as not to impact their assessment of the going concern status of the Group. Accordingly, they have adopted the going concern basis in preparing the financial statements. Further detail is contained in the Directors' Report.

The Board has reviewed the Group's forecasts for the financial year ending 31 December 2019 and its forecast for the six months ending 30 June 2020. These forecasts, which take into account the Board's future expectations of the Group's performance 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 considered factors likely to affect future development, performance and financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to business activities in coming to this conclusion.

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

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

3. Accounting policies (continued)

Business combinations

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

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

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.

Other intangible assets

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
- The amortisation charge is recognised in profit or loss
- The amortisation period is reviewed at least annually.

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

Financial assets and liabilities

Financial assets

Financial assets are recognised on the balance sheet when the 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.

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

3. Accounting policies (continued)

Financial assets and liabilities (continued)

Financial assets at fair value through profit and loss

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

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

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

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

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

Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

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.

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

3. Accounting policies (continued)

Fair value measurement (continued)

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

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

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

Revenue recognition

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

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

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

The 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 period.

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

3. Accounting policies (continued)

Revenue recognition (continued)

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.

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 period. 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.

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 For the period ended 31 December 2018

3. Accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

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.

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.

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

3. Accounting policies (continued)

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.

Business combination

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to (i) identification and valuation of other intangible assets acquired through the business combination and (ii) the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the income statement.

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 £558.5m with no impairment loss recognised in 2018. Details of assumptions made are given in note 11.

4. Turnover

a. 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.

			2018 Profit/(loss) before tax before taxation	Net assets
	Turnover £'000	Gross profit £'000	£'000	£'000
United Kingdom	85,257	72,943	(35,650)	(50,936)
Rest of Europe	21,997	19,786	2,771	141,479
Asia Pacific	11,298	8,681	1,162	5,686
America	34,411	27,720	1,439	6,247
	<u>152,963</u>	<u>129,130</u>	<u>(30,278)</u>	<u>102,476</u>

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

4. Turnover (continued)

b. Contract balances

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

	2018 Group £'000
Trade debtors	69,161
Contract costs capitalised	12,065
Amortisation of contract cost during the period	(1,435)
Contract assets (accrued income)	51,917
Contract liabilities (deferred income)	(4,348)

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.

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

During the course of 2018, 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.

	2018 Group £'000
Redundancy and restructuring costs	352
Professional fees in relation to the acquisition	9,377
Total exceptional items	9,729
Amortisation of intangible assets	11,625
	21,354

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 redundancies and restructuring as part of the rationalisation process.

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

6. Finance charges (net)

	2018 £'000
Interest payable and similar charges	31,315
Bank loans and overdrafts	455
Invoice discounting charges	1,531
Amortisation of arrangement fees and interest rate cap	10
Interest on overdue tax	1,272
Exchange loss	<u>34,583</u>
Interest receivable and similar income	(20)
Finance charges (net)	<u><u>34,563</u></u>

7. Directors emoluments and staff costs

	2018 £'000
Directors' emoluments	
Directors' remuneration	3,417
Pension contributions	7
	<u>3,424</u>

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

	2018 £'000
Highest paid director	
Directors' remuneration*	2,402
	<u>2,402</u>

*includes £1.9m towards bonus for refinancing of borrowings.

Staff costs

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

	2018 No.
Sales	3,686
Administration	222
	<u>3,908</u>
Their aggregate remuneration comprised:	£'000
Wages and salaries	76,826
Social security costs	8,166
Other pension costs	<u>1,821</u>

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

8. Loss before taxation

	2018 £'000
Loss before taxation is stated after charging:	
Depreciation	2,066
Amortisation of capitalised contract implementation costs	1,435
Rentals under operating leases	3,291
Net foreign exchange loss	1,272
Amortisation of intangible assets	11,625
	<hr/> <hr/>

Analysis of auditors' remuneration is as under:

	2018 £'000
Fees payable to company's auditors for audit of company's annual accounts	150
Audit of company's subsidiaries	206
	<hr/>
Total audit fees	356
Corporate finance and advisory services in relation to acquisition of subsidiary	932
Other non-audit services	13
	<hr/>
Total non-audit services	945
	<hr/> <hr/>

9. Tax on loss

	2018 £'000
UK Corporation tax – Group	686
Foreign tax	1,874
	<hr/>
	2,560
Adjustments relating to prior year:	
UK subsidiary companies	(54)
	<hr/>
Current tax charge	2,507
Deferred tax (note 20)	(1,383)
	<hr/>
Tax on loss	1,124
	<hr/> <hr/>

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

9. Tax on loss (continued)

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

	2018 £'000
Loss before taxation	(30,278)
Tax on loss at standard UK corporation tax rate of 19% (2017: 19.25%)	(5,753)
Effects of:	
Disallowed expenses	1,808
Amount not recognised	4,206
Effect of changes in tax rate	917
Adjustments in respect of prior periods relating to UK subsidiary companies	(54)
Total tax charge	1,124

Finance Act No.2 2015 included provisions to reduce the corporate tax to 19.00% with effect from 1 April 2017 and Finance Act 2016 introduced a further reduction in the main rate of corporation tax to 17.00% from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 31 December 2018.

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 period within the financial statements of the parent company, Auxey Holdco Limited, was £1,610,000.

11. Intangible Assets

	Goodwill £'000	Customer Relationships £'000	Brand £'000	Other intangible incometal £'000
Cost				
At 3 May 2018	-	-	-	-
On acquisition	558,489	236,917	94,185	331,102
As at 31 December 2018	558,489	236,917	94,185	331,102
Accumulated amortisation				
At 3 May 2018	-	-	-	-
Charge for the year	-	6,476	5,149	11,625
At 31 December 2018	-	6,476	5,149	11,625
Net book value				
At 31 December 2018	558,489	230,441	89,036	319,477

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

12. Tangible fixed assets

Group	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'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
At 31 December 2018	19	16,988	3,988	20,995
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
At 31 December 2018	19	11,705	3,443	15,167
Net book value				
At 31 December 2018	-	5,283	545	5,828

13. Fixed asset investments - Company

Subsidiary undertakings	Company £'000
Cost and net book value	
At 3 May 2018	-
Additions	93,402
At 31 December 2018	93,402

The Company holds investments in the following subsidiary undertakings:

Subsidiary undertaking	Country of registration	Activity	Proportion of ordinary shares held %
*Auxey Finco Limited	England and Wales	Holding	100%
Auxey Midco Limited	England and Wales	Holding	100%
Auxey Bidco Limited	England and Wales	Holding	100%
AMS Holdco Limited	England and Wales	Holding	100%
AMS Midco Limited	England and Wales	Holding	100%
AMS Bidco Limited	England and Wales	Holding	100%
Newincco 780 Limited	England and Wales	Holding	100%
Newincco 781 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 Employee Benefit Trust Limited	England and Wales	ESOP	100%
Alexander Mann Solutions Limited	England and Wales	Trading	100%

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

13. Fixed asset investments - Company (continued)

Subsidiary undertaking	Country of registration	Activity	Proportion of ordinary shares held %
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) PTE Limited	Singapore	Trading	100%
Alexander Mann Solutions S.A.R.L.	France	Trading	100%
Alexander Mann Solutions Private Limited	India	Trading	100%
Amicus Limited	England and Wales	Trading	100%
Alexander Mann Solutions K.K.	Japan	Trading	100%
Alexander Mann Group Asia Pacific Pty Limited	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) Enterprise Management Consulting Ltd	China	Trading	100%
Alexander Mann Solutions Inc	Canada	Trading	100%
Capital Resource Consulting Group Limited	England and Wales	Holding Company	100%
**Capital Resource Consulting Limited	England and Wales	Dormant	100%
**Interim Capital Limited	England and Wales	Dormant	100%
Alexander Mann Outsourcing Solutions Limited	Ireland	Trading	100%
Capital Resource Consulting Hong Kong Limited	Hong Kong	Trading	100%
AMS Processo De Recrutamento E Terceirização Ltda	Brazil	Trading	100%
Alexander Mann Solutions S. De R.L. De C.V.	Mexico	Trading	100%
Alexander Mann Solutions AS	Norway	Trading	100%
Alexander Mann Solutions BPO Inc.	Philippines	Trading	100%
Alexander Mann Solutions (Pty) Ltd	South Africa	Trading	100%
**AMS Public Sector Resourcing Ltd	England and Wales	Dormant	100%

* held directly by Auxey Holdco Limited.

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

**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.

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

14. Acquisition of subsidiary

On 15 June 2018, the Group acquired 100% of the issued share capital of AMS Topco Limited, obtaining control of the Alexander Mann Solutions group. The principal activity of the Alexander Mann Solutions group is the provision of Talent Acquisition and Talent Management Services usually under long-term contracts.

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
Intangible Assets	-	331,102	331,102
Fixed Assets	5,581	-	5,581
Debtors	131,874	(1,523)	130,351
Cash	21,838	-	21,838
Bank loans	(197,657)	1,262	(196,395)
Creditors	(139,798)	(1,230)	(141,028)
Accruals	(22,466)	-	(22,466)
Taxation	(1,069)	(56,628)	(57,697)
Provisions	(487)	-	(487)
Net (liabilities)/assets acquired	(202,184)	272,983	70,799
Goodwill arising on acquisition			558,489
			<u>629,288</u>
Satisfied by:			
Cash consideration and costs			<u>629,288</u>
Consideration			<u>629,288</u>

If the acquisition of AMS Topco Limited had been completed on 1 Jan 2018, Group gross profit for the year would have been £269.0m, Group operating profit (before exceptional items of £14.5m) for the year would have been £44.3m and Group loss before tax would have been £46.2m.

Impairment tests for goodwill

The Group tests goodwill annually for impairment or more frequently if there are any indications that the goodwill might be impaired. Factors considered important that could trigger an impairment review of goodwill and/or other intangible assets include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- significant negative industry or economic trends.

Goodwill was tested for impairment by comparing the recoverable amount based on value-in-use of the Group to the carrying value. The recoverable amount of the Group is determined as the higher of value-in-use and fair value less costs to sell.

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

14. Acquisition of subsidiary (continued)

Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value-in-use. The Group has performed its goodwill impairment test based on the 2019 budgeted EBITDA and 2020, 2021, 2022, 2023 and 2024 EBITDAs are based on the five year plan approved by the board. From 2024 onwards, growth in line with GDP growth has been conservatively factored in at 2.0% in perpetuity. In accordance with IFRS, the Group's WACC (Weighted Average Cost of Capital) is calculated based on the outsourcing / recruitment industry average leverage ratio and results in a WACC of 9.2% on a post-tax basis and also factors in a small companies risk premium of 1.5%. On this basis, no impairment of goodwill is required at 31 December 2018.

The Group has conducted a sensitivity analysis on the impairment test of the CGU (Cash Generating Unit) and the group of units carrying value. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of goodwill in the CGU is based would not cause the aggregate carry amount to exceed the aggregate recoverable amount of the cash generating unit.

15. Debtors: amounts falling due within one year

	2018 Group £'000	Company £'000
Trade debtors	69,161	-
Derivative (note 18)	381	-
Other debtors	3,123	-
Corporation tax recoverable	469	-
Accrued income	51,917	-
Prepayments	5,882	-
Capitalised contract implementation costs	12,065	-
Receivable from a subsidiary company	-	462,267
	<u>142,998</u>	<u>462,267</u>

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

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

The Group has not written off or identified any trade receivables that indicate a credit loss. The AMS group has not suffered any credit loss in the past three years and based on this experience, no provision for lifetime ECL is considered necessary.

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

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

15. Debtors: amounts falling due within one year (continued)

Trade receivables can be analysed as follows:

	Group £'000
Amount receivable not past due	58,772
Amount past due but not impaired	10,389
	<hr/> 69,161
Less : allowance for doubtful debts	-
	<hr/> <hr/> 69,161

Ageing of past due but not impaired receivable

	Group £'000
Less than 30 days	8,551
31 to 60 days	1,730
61 to 90 days	96
91 to 120 days	12
Above 120 days	-
	<hr/> 10,389

16. Creditors: amounts falling due with one year

	2018 Group £'000	Company £'000
Trade creditors	3,896	-
Derivative (note 18)	202	-
Corporation Tax	849	-
Other taxes and social security	20,066	-
Other creditors	2,756	377
Accruals	135,003	-
Deferred income	4,348	-
	<hr/> 167,120	<hr/> 377

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

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

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

	2018	
	Group £'000	Company £'000
Bank loans (note 19)	734,920	419,500
Deferred tax liabilities	54,311	-
	<u>789,231</u>	<u>419,500</u>

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.

	2018 £'000
Financial assets carried at fair value through profit or loss (FVTPL):	
Forward contracts	
Derivative assets	242
Derivative liabilities	(202)
Interest rate cap	
Derivative assets	139
Total derivative assets (note 15)	<u>381</u>
Total derivative liabilities (note 16)	<u>(202)</u>

19. Borrowings

	Group £'000	Company £'000
Non-current assets		
Amounts due from group undertakings	-	462,267
	<u>-</u>	<u>462,267</u>

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.

	Group £'000	Company £'000
Non-current liabilities		
Bank loans – secured	326,504	-
Shareholder loans	419,500	419,500
Less unamortised capitalised arrangement fees	(11,084)	-
	<u>734,920</u>	<u>419,500</u>

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

19. Borrowings (continued)

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 £200.0 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. 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.

At 31 December 2018, £200,000,000 of the Group's bank loan was denominated in GBP, \$161,150,000 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
Later than five years	746,004	419,500
Less unamortised capitalised arrangement fees	(11,084)	-
	<u>734,920</u>	<u>419,500</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.

20. Deferred tax asset / liability

Deferred tax asset

	2018 £'000
At 3 May 2018	-
On acquisition	2,128
Credited to profit and loss account	(593)
At 31 December 2018	<u>1,535</u>
The amounts of deferred taxation provided at 17% are:	
- Depreciation in excess of capital allowances	442
- Other temporary differences	1,093
	<u>1,535</u>

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

20. Deferred tax asset / liability (continued)

Deferred tax liability

	2018 £'000
At 3 May 2018	-
On acquisition	(56,287)
Credited to profit and loss account	1,976
At 31 December 2018	<u>(54,311)</u>
The amounts of deferred taxation provided at 17% are:	
- Deferred tax in relation to intangible assets	<u>(54,311)</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 2018 Budget Statement, the main rate of UK corporation tax will reduce by 1% to 17% for the financial year beginning 1 April 2020. It is expected that this fall in the main corporation tax rate will result in a reduction of the Company's deferred tax asset and also a reduction in the Company's future current tax charge.

21. 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	<u>434</u>	<u>53</u>	<u>487</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 For the period ended 31 December 2018

22. Share capital

	2018 £
Authorised:	
130,045 A preferred ordinary shares of £0.001 each	130
581,257 B preferred ordinary shares of £0.001 each	581
63,689 C preferred ordinary shares of £0.001 each	64
220,000 D ordinary shares of £0.001 each	220
5,000 E ordinary shares of £0.1 each	500
	<hr/> 1,495 <hr/>
Allotted, called up and fully paid:	
130,045 A preferred ordinary shares of £0.001 each	130
581,257 B preferred ordinary shares of £0.001 each	581
63,689 C preferred ordinary shares of £0.001 each	64
220,000 D ordinary shares of £0.001 each	220
5,000 E ordinary shares of £0.1 each	500
	<hr/> 1,495 <hr/>
Share premium account	
Premium arising on issue of equity shares	<hr/> 134,181 <hr/>

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

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

23. Notes to cash flow statement

a. Reconciliation of net cash flow used in operating activities

	2018 £
Operating profit for the period	4,285
Adjustments for:	
Depreciation and amortisation	15,126
Financing costs	(12,257)
Operating cashflow before working capital adjustment	7,154
(Increase) in trade and other receivables	(6,517)
Increase in trade and other payables	90
Cash generated by operations	727
Income taxes paid	(2,601)
Net cash used in operations	(1,875)

b. Changes in liabilities arising from financing activities

	3 May 2018 £'000	Acquisition of Subsidiary £'000	Financing cash flow £'000	Exchange movement £'000s	Interest accruals £'000	31 December 2018 £'000
Borrowings from banks	-	-	325,000	1,504	-	326,504
Borrowings from owners	-	204,592	400,000	-	19,500	-
Repayment of borrowings	-	-	(204,592)	-	-	419,500
Finance cost	-	-	(11,963)	-	879	(11,084)
Total liabilities from financing activities	-	204,592	508,445	1,504	20,379	734,920

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

24. Financial instruments

Categories of financial instruments

Group	Financial assets £'000	Financial Liabilities £'000
Financial asset /(liabilities) at fair value through profit or loss	381	(202)
Trade and other receivables excluding prepayments	124,670	-
Cash and cash equivalents	30,987	-
Borrowings	-	(734,920)
Trade and other payables	-	(167,405)
	<u>156,038</u>	<u>(902,527)</u>

Company	Financial assets £'000	Financial Liabilities £'000
Trade and other receivables excluding prepayments	462,267	-
Borrowings	-	(419,500)
Trade and other payables	-	(378)
	<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	381	-	-	381
Financial Liabilities at fair value through profit or loss	(202)	-	-	(202)

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

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 increasing 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. This provides certainty about the Polish zloty exchange rate for approximately 50% of the Group's forecast Polish zloty funding requirements.

In early 2019, the Group also entered into forward contracts to hedge approximately 50% of the cost base denominated in Philippine pesos and 40% of the profits denominated in Euros. The slightly lower hedging ratio for Euro is to reflect there is more uncertainty over the Euro cash flows.

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.

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 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.

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

25. 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.

During the period, Auxey Holdco Limited paid OMERS Private Equity a £243,780 fee in connection with the management of the group.

26. Operating lease commitment

Commitments under non-cancellable operating leases are as follows:

	Land and buildings 2018 £'000
Group	
- not later than one year	2,968
- later than one year and not later than five years	8,922
- later than five years	597
	<hr/>
	12,487
	<hr/>

Company

The Company had no operating lease commitments during the period.

27. Pension arrangements

The pension cost charge for the current period of £1,821,000 represents the amounts payable to defined contribution personal pension schemes.

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

Appendix to the subsidiary note

Subsidiary Undertaking

Auxey Finco Limited
Auxey Midco Limited
Auxey Bidco Limited
AMS Holdco Limited
AMS Midco Limited
AMS Bidco Limited
Newincco 780 Limited
Newincco 781 Limited
Alexander Mann Group Limited
Alexander Mann Associates Limited
Alexander Mann Employee Benefit Trust Limited
Alexander Mann Solutions Limited
Alexander Mann BPO Limited
Alexander Mann Solutions GmbH

Alexander Mann Solutions ApS
Alexander Mann Solutions AB
Alexander Mann Solutions GmbH
Alexander Mann Solutions S.P.A.
Alexander Mann Solutions Poland Sp. Z.o.o.
Alexander Mann Solutions BVBA
Alexander Mann Solutions BV

AMS Recruitment Process Outsourcing S.L.
Alexander Mann Solutions Corporation

Alexander Mann BPO Solutions (Singapore) PTE Limited

Alexander Mann Solutions S.A.R.L.

Alexander Mann Solutions Private Limited

Amiquis Limited
Alexander Mann Solutions K.K.
Alexander Mann Group Asia Pacific Pty Limited
Alexander Mann Solutions (HK) Limited

Alexander Mann Solutions s.r.o.

Registered Address

7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
7-11 Bishopsgate, London, EC2N 3AQ
Eschenheimer Anlage 1, 60316 Frankfurt am Main, Germany
Larsbjornsstraede 3, K1454, Copenhagen, Denmark
Stureplan 4c, 4th Floor, 114 35, Stockholm, Sweden
Hardturmstrasse 120, CH-8005 Zürich Switzerland
Via Senato, 20, 20121 Milano, Italy
Ul. Puskarska 7f, 30-644, Krakow, Poland
Rond Point Schuman 6, Box 5, 1040 Brussels, Belgium
Geesinkweg 901 - 999, 1096 AZ, Amsterdam, The Netherlands
Avida Diagonal, 640 6º, 08021 Barcelona, Spain
Erievue Tower, 1301 East 9th St, suite 1200, Cleveland, Ohio, 44114, USA
2 Shenton Way, SGX Centre 1, #16-03 Singapore
12/14 Rond-Point des Champs-Élysées, 75008, Paris, France
B2, 402, Marathon Innova, Off Ganpatrao Kadam Marg, Opp Peninsula, Corporate Bank, Lower Parel, Mumbai, India
7-11 Bishopsgate, London, EC2N 3AQ
3-18-6 Toyo, Koto-ku, Tokyo, Japan
101 Collins Street, Melbourne, Victoria 3004, Australia
7/F Nan Fung Tower, 88 Connaught Road, Central, Hong Kong
U Garáží 1611/1, 170 00 Prague 7, Czech Republic

Auxey Holdco Limited

Notes to the financial statements For the period ended 31 December 2018

Subsidiary Undertaking

Alexander Mann KFT

Alexander Mann Solutions (Shanghai)

Enterprise Management Consulting Ltd

Alexander Mann Solutions Inc

Capital Resource Consulting Group Limited

Capital Resource Consulting Limited

Interim Capital Limited

Alexander Mann Outsourcing Solutions Limited

Capital Resource Consulting Hong Kong Limited

Capital Resource Consulting GmbH

AMS Processo De Recrutamento E Terceirização Ltda

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

Alexander Mann Solutions AS

Alexander Mann Solutions BPO Inc.

Alexander Mann Solutions (Pty) Ltd

Public Sector Resourcing Limited

Shearwater s.r.o

Registered Address

Kálmán Imre utca 1, Budapest, 1054 Hungary

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

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

7-11 Bishopsgate, London, EC2N 3AQ

7-11 Bishopsgate, London, EC2N 3AQ

7-11 Bishopsgate, London, EC2N 3AQ

20 Molesworth Street, Dublin 2, Ireland

7/F Nan Fung Tower, 88 Connaught Road, Central, Hong Kong

Thurn-und-Taxis-Platz 6

D-60313 Frankfurt am Main, Germany

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

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

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

32/F Philam Life Tower Building, 8767 Paseo De Roxas Avenues, Makati City, Philippines

Executive City Corner of Cross St & Charmaine Ave President Ridge Randburg 2125, PO Box 1734, South Africa

7-11 Bishopsgate, London, EC2N 3AQ

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

