Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	917 774 374
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	KAR NORWAY HOLDCO AS
Forretningsadresse:	Drammensveien 151
	0277 OSLO

Regnskapsår

Årsregnskapets periode:	01.07.2020 - 30.06.2021

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Gro Langeseter Alvsåker
Dato for fastsettelse av årsregnskapet:	17.12.2021

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 26.01.2023

Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad		448 792	95 985
Sum kostnader		**448 792**	**95 985**
Driftsresultat		**-448 792**	**-95 985**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap		2 978 216	58 469 675
Renteinntekt fra foretak i samme konsern		215 096 434	225 745 426
Annen renteinntekt		434	3 198
Annen finansinntekt			13 440
Sum finansinntekter		**218 075 084**	**284 231 738**
Nedskrivning av finansielle eiendeler			204 173
Rentekostnad til foretak i samme konsern		122 426 258	130 183 609
Annen rentekostnad		103 678 180	121 781 551
Annen finanskostnad		-4 564 646	36 084 093
Sum finanskostnader		**221 539 792**	**288 253 426**
Netto finans		**-3 464 708**	**-4 021 688**
Ordinært resultat før skattekostnad		**-3 913 500**	**-4 117 673**
Skattekostnad på ordinært resultat	9	-860 971	-12 248 029
Ordinært resultat etter skattekostnad		**-3 052 529**	**8 130 356**
Årsresultat	2	**-3 052 529**	**8 130 356**
Årsresultat etter minoritetsinteresser		**-3 052 529**	**8 130 356**
Totalresultat		**-3 052 529**	**8 130 356**
Overføringer og disponeringer			
Konsernbidrag		2 323 009	45 606 347
Udekket tap		-3 052 529	
Avsatt til annen egenkapital			8 130 356

Resultatregnskap

Beløp i: NOK	Note	2021	2020
Sum overføringer og disponeringer		**-729 520**	**53 736 703**

Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	9	9 237 912	8 376 941
Sum immaterielle eiendeler		**9 237 912**	**8 376 941**
Finansielle anleggsmidler			
Investering i datterselskap	5	2 227 379 387	2 227 379 430
Investering i annet foretak i samme konsern		8 997 069	8 997 069
Lån til foretak i samme konsern	4	2 630 381 339	2 753 946 076
Sum finansielle anleggsmidler		**4 866 757 795**	**4 990 322 575**
Sum anleggsmidler		**4 875 995 707**	**4 998 699 516**
Omløpsmidler			
Varer			
Fordringer			
Andre kortsiktige fordringer			9 224
Konsernfordringer	4	594 651 897	558 405 400
Sum fordringer		**594 651 897**	**558 414 624**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.		4 158	7 311
Sum bankinnskudd, kontanter og lignende		**4 158**	**7 311**
Sum omløpsmidler		**594 656 056**	**558 421 935**
SUM EIENDELER		**5 470 651 762**	**5 557 121 451**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	3	10 000 000	10 000 000

Balanse

Beløp i: NOK	Note	2021	2020
Overkurs		1 584 830 402	1 584 830 402
Sum innskutt egenkapital		**1 594 830 402**	**1 594 830 402**
Opptjent egenkapital			
Annen egenkapital/Udekket tap		-31 379 471	-28 326 942
Sum opptjent egenkapital		**-31 379 471**	**-28 326 942**
Sum egenkapital	2	**1 563 450 931**	**1 566 503 460**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	9		
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	6, 8	1 972 914 910	1 957 218 383
Gjeld til konsernselskap	4, 8	1 458 698 627	1 461 542 079
Sum annen langsiktig gjeld		**3 431 613 537**	**3 418 760 461**
Sum langsiktig gjeld		**3 431 613 537**	**3 418 760 461**
Kortsiktig gjeld			
Sertifikatlån	4	146 499 169	279 721 525
Leverandørgjeld			46 128
Betalbar skatt	9		
Kortsiktig konserngjeld	4	316 377 972	278 073 108
Annen kortsiktig gjeld		12 710 153	14 016 769
Sum kortsiktig gjeld		**475 587 294**	**571 857 529**
Sum gjeld		**3 907 200 831**	**3 990 617 991**
SUM EGENKAPITAL OG GJELD		**5 470 651 762**	**5 557 121 451**

AZETS

ÅRSREGNSKAP 2021
Avvikende regnskapsår 01.07.2020- 30.06.2021
Kar Norway Holdco AS

Org.nr. 917 774 374

Innhold:

Årsregnskapet er utarbeidet av Azets Insight AS

AZETS

Kar Norway Holdco AS

org nr. 917 774 374

ÅRSBERETNING regnskapsåret 01.07.2020 - 30.06.2021

Virksomhetens art
Kar Norway Holdco AS er et holdingselskap i Azets-konsernet og virksomheten omfatter eierskap til konsernets datterselskaper i Norge og Storbritannia, samt utøvelse av konsernovergripende aktiviteter. Selskapet er lokalisert i Oslo kommune.

Fortsatt drift
I samsvar med regnskapslovens § 3-3a bekreftes det at forutsetningen om fortsatt drift er til stede og at denne forutsetningen er lagt til grunn ved utarbeidelsen av regnskapet.

Fremtidig utvikling
Etableringen av Azets-konsernet baserer seg på et positivt syn på bransjen og markedet. Styret ser gode muligheter i de kommende årene.

Redegjørelse for årsregnskapet
Covid-19 har ikke hatt direkte effekt på Kar Norway Holdco AS, men har berørt selskaper i konsernet i større eller mindre grad. Påvirkningen er totalt sett ikke av betydning for konsernet som helhet. Styret kjenner ikke til noen andre forhold av viktighet for å bedømme selskapets stilling og resultat som ikke fremgår av regnskapet og balansen med noter. Det er heller ikke etter regnskapsårets utgang inntrådt forhold som etter styrets syn har betydning ved bedømmelse av regnskapet.

Finansiell risiko
Selskapet har en god finansiering og tilgang på tilstrekkelige likviditeter. Konsernet har en positiv kontantstrøm og god inntjening. Dette medfører at selskapet under nåværende situasjon har liten risiko både markedsmessig og finansielt.

Arbeidsmiljø, likestilling og diskriminering
Selskapet har ingen ansatte, men har en kjønnsnøytral personalpolitikk som fundament.
Selskapets styre består av 2 menn.

Forsikring for styrets medlemmer
Det er tegnet forsikring som dekker styrets ansvar overfor foretaket og tredjepersoner

Miljørapportering
Selskapet driver ikke virksomhet som forurenser det ytre miljøet og miljøpolitikken er en integrert del av konsernets kvalitatssystem som skal sikre en sunn virksomhet for både ansatte, samfunnet og miljøet.

Årsresultat og disponeringer
I regnskapsåret hadde selskapet et resultat etter skattekostnad på kr -3 052 529 som foreslås overført til annen egenkapital.

_______________, Oslo, 15.12.2021
Styret i Kar Norway Holdco AS

Chris Horne styreleder	Geir Haukedal Styremedlem

Resultatregnskap
Kar Norway Holdco AS

Driftsinntekter og driftskostnader	**Note**	**01.07.2020-30.06.2021**	**01.07.2019-30.06.2020**
Annen driftskostnad		448 792	95 985
Sum driftskostnader		**448 792**	**95 985**
Driftsresultat		**-448 792**	**-95 985**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap		2 978 216	58 469 675
Renteinntekt fra foretak i samme konsern		215 096 434	225 745 426
Annen renteinntekt		434	3 198
Annen finansinntekt		0	13 440
Nedskrivning av finansielle eiendeler		0	204 173
Rentekostnad til foretak i samme konsern		122 426 258	130 183 609
Annen rentekostnad		103 678 180	121 781 551
Annen finanskostnad		-4 564 646	36 084 093
Resultat av finansposter		**-3 464 708**	**-4 021 688**
Ordinært resultat før skattekostnad		**-3 913 500**	**-4 117 673**
Skattekostnad på ordinært resultat	9	-860 971	-12 248 029
Årsresultat	**2**	**-3 052 529**	**8 130 356**
Overføringer			
Avsatt til annen egenkapital		0	8 130 356
Overført til udekket tap		3 052 529	0
Sum overføringer		**-3 052 529**	**8 130 356**
Mottatt konsernbidrag netto etter skatteeffekt		2 323 009	45 606 347

Balanse
Kar Norway Holdco AS

Eiendeler	Note	30.06.2021	30.06.2020
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	9	9 237 912	8 376 941
Sum immaterielle eiendeler		**9 237 912**	**8 376 941**
Finansielle anleggsmidler			
Investeringer i datterselskap	5	2 227 379 387	2 227 379 430
Investeringer i annet foretak i samme konsern		8 997 069	8 997 069
Lån til foretak i samme konsern	4	2 630 381 339	2 753 946 076
Sum finansielle anleggsmidler		**4 866 757 795**	**4 990 322 575**
Sum anleggsmidler		**4 875 995 707**	**4 998 699 516**
Omløpsmidler			
Fordringer			
Andre kortsiktige fordringer		0	9 224
Konsernfordringer	4	594 651 897	558 405 400
Sum fordringer		**594 651 897**	**558 414 624**
Bankinnskudd, kontanter o.l.		4 158	7 311
Sum likvider		**4 158**	**7 311**
Sum omløpsmidler		**594 656 056**	**558 421 935**
Sum eiendeler		**5 470 651 762**	**5 557 121 451**

Balanse
Kar Norway Holdco AS

Egenkapital og gjeld	Note	30.06.2021	30.06.2020
Egenkapital			
Innskutt egenkapital			
Aksjekapital	3	10 000 000	10 000 000
Overkurs		1 584 830 402	1 584 830 402
Sum innskutt egenkapital		**1 594 830 402**	**1 594 830 402**
Opptjent egenkapital			
Annen egenkapital/Udekket tap		-31 379 471	-28 326 942
Sum opptjent egenkapital		**-31 379 471**	**-28 326 942**
Sum egenkapital	**2**	**1 563 450 931**	**1 566 503 460**
Gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	6, 8	1 972 914 910	1 957 218 383
Gjeld til konsernselskap	4, 8	1 458 698 627	1 461 542 079
Sum annen langsiktig gjeld		**3 431 613 537**	**3 418 760 461**
Kortsiktig gjeld			
Konsernkontoordningen	4	146 499 169	279 721 525
Leverandørgjeld		0	46 128
Konserngjeld	4	316 377 972	278 073 108
Annen kortsiktig gjeld		12 710 153	14 016 769
Sum kortsiktig gjeld		**475 587 294**	**571 857 529**
Sum gjeld		**3 907 200 831**	**3 990 617 991**
Sum egenkapital og gjeld		**5 470 651 762**	**5 557 121 451**

_______________, Oslo, 15.12.2021
Styret i Kar Norway Holdco AS

Chris Horne
styreleder

Geir Haukedal
Styremedlem

Indirekte kontantstrøm
Kar Norway Holdco AS

	Note	01.07.20-30.06.2021	01.07.19-30.06.2020
Kontantstrømmer fra operasjonelle aktiviteter			
Resultat før skattekostnad		-3 913 500	-4 117 673
- Finansinntekter		-218 075 084	-284 218 298
+ Finanskostnader		221 539 792	288 049 253
Resultat fra ordinær drift		**-448 792**	**-286 718**
Endring i leverandørgjeld		-46 128	46 128
Endring i andre tidsavgrensningsposter		-57 259 866	-96 831 102
Netto kontantstrøm fra operasjonelle aktiviteter		**-57 305 993**	**-96 784 974**
Kontantstrømmer fra investeringsaktiviteter			
+ Innbetalinger fra langsiktige utlån		149 399 588	66 849 958
Netto kontantstrøm fra investeringsaktiviteter		**149 399 588**	**66 849 958**
Kontantstrømmer fra finansieringsaktiviteter			
Innbetalinger ved opptak av ny langsiktig gjeld		52 148 178	0
Innbetalinger av konsernbidrag		58 469 676	0
Utbetalinger ved nedbetaling av IC-lån		-66 102 833	-152 825 955
Netto kontantstrøm fra finansieringsaktiviteter		**44 515 021**	**-152 825 955**
+/- Effekt av valutakursendringer		-2 940 620	45 074 600
Netto endring i kontanter og kontantekvivalenter		**133 219 204**	**-137 973 089**
Beh. av kont. og kontantekvivalenter ved per. begynnelse		-279 714 214	-141 741 125
Beh. av kont. og kontantekvivalenter ved per. slutt		**-146 495 011**	**-279 714 214**
Spesifikasjon av kontanter og kontantekvivalenter:			
Bankinnskudd		4 158	7 311
Konsernkontoordningen		-146 499 169	-279 721 525
Sum kontanter og kontantekvivalenter		**-146 495 011**	**-279 714 214**

Kar Norway Holdco AS

NOTER PR. 30.06.2021

Note 1 - Regnskapsprinsipper og virkning av prinsippendringer

Årsregnskapet er satt opp i samsvar med regnskapslovens bestemmelser og god regnskapsskikk.

Avvikende regnskapsår
Selskapet gikk fra og med 2017 over til å benytte avvikende regnskapsår.
Regnskapsåret 2021 omfatter perioden 01.07.20 - 30.06.21.

Konsolidering
Konsernregnskap fås utlevert hos Azets Topco Limited sin forretningsadresse i
22 Grenville Street, St Helier, Jersey.

Valuta
Transaksjoner i utenlandsk valuta omregnes til kursen på transaksjonstidspunktet. Pengeposter i utenlandsk valuta omregnes til norske kroner ved å benytte balansedagens kurs. Valutakursendringer resultatføres løpende i regnskapsperioden under andre finansposter.

Klassifisering
Eiendeler bestemt til varig eie eller bruk, samt fordringer med forfall mer enn ett år etter balansedagen er medtatt som anleggsmidler. Øvrige eiendeler er klassifisert som omløpsmidler. Gjeld som forfaller senere enn et år etter regnskapsperiodens utløp er oppført som langsiktig gjeld.

Varige driftsmidler og immaterielle eiendeler
Varige driftsmidler og immaterielle eiendeler er vurdert til historisk kost etter fradrag for bedriftsøkonomiske avskrivninger som er beregnet på grunnlag av kostpris og antatt økonomisk levetid. I de tilfeller der den virkelige verdien er lavere enn kostprisen, og dette ikke er forbigående, er det foretatt nedskrivning. Gevinst/tap ved salg er klassifisert som annen driftsinntekt / annen driftskostnad.

Fordringer
Fordringer er oppført i balansen med fordringens pålydende etter fradrag for konstaterte og forventede tap. Avsetning til tap gjøres på grunnlag av av individuelle vurderinger av de enkelte fordringene.

Investeringer i finansielle anleggsmidler
Investeringer i finansielle anleggsmidler er medtatt i regnskapet etter kostpris. I de tilfeller der den virkelige verdien er lavere enn kostprisen, og dette ikke er forbigående, er det foretatt nedskrivning.

Kontanter og bankinnskudd
Bundne bankinnskudd er inkluderte i bankinnskudd under omløpsmidler i balansen.

Driftsinntekter og kostnader
Inntektsføring skjer etter opptjeningsprinsippet. Kostnader medtas etter sammenstillingsprinsippet, dvs at kostnader medtas i samme periode som tilhørende inntekter inntektsføres.

Betingede forpliktelser
Betingede forpliktelser avsettes etter beste estimat dersom det er sannsynlighetsovervekt for at forpliktelsen vil komme til oppgjør.

Skatt
Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 22 % på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt skattemessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reversere i samme periode er utlignet. Netto utsatt skattefordel balanseføres i den grad det er sannsynlig at denne kan bli nyttegjort.

Konsernbidrag

Kar Norway Holdco AS

NOTER PR. 30.06.2021

Konsernbidrag avgitt og mottatt fra datterselskap regnskapsføres netto etter skatt som økning eller reduksjon av investeringen, eller inntektsføres som avkastning på finansinvestering.

Kontantstrøm
Kontantstrømoppstillingen er utarbeidet etter den indirekte metoden. Likviditetsbeholdning defineres som kontanter, bankinnskudd.

Note 2 - Egenkapital

	Aksje kapital	Overkurs	Annen innskutt egenkapital	Annen egenkapital / udekket tap	SUM
Pr. 30.06.2020	10 000 000	1 584 830 402	0	-28 326 942	1 566 503 460
Årets resultat				-3 052 529	-3 052 529
Kapital 30.06.2021	**10 000 000**	**1 584 830 402**	**0**	**-31 379 471**	**1 563 450 931**

Note 3 - Antall aksjer, aksjeeiere m.v

Aksjekapitalen i selskapet er på kr 10 000 000 fordelt på 1 000 aksjer à pålydende 10 000,00. Det er kun en aksjeklasse og alle aksjer har lik stemmerett. Azets Opco Ltd eier alle aksjene.

Note 4 - Konsern, tilknyttede selskaper m.v.

Kar Norway Holdco AS mottok KB fra Azets Norway Holdign AS pålydende NOK 2 978 216.

Mellomværende med konsernselskap er som følger:

Fordringer	30.06.2021	30.06.2020
Kundefordringer	0	0
Andre kortsiktige fordringer *	594 651 897	558 405 400
Langsiktige fordringer**	2 630 381 339	2 753 946 076
Mellomværende konsern	**3 225 033 236**	**3 312 351 476**

Gjeld	30.06.2021	30.06.2020
Leverandørgjeld	0	0
Annen kortsiktig gjeld***	316 377 972	278 073 108
Annen langsiktig gjeld ****	1 458 698 627	1 461 542 079
Konsernkontoordningen*****	146 499 169	279 721 525
Mellomværende konsern	**1 921 575 768**	**2 019 336 712**

*Andre kortsiktige fordringer på konsernselskap inneholder påløpte renter på kr 153 283 116 fra Azets Br Bidco Ltd, kr 344 237 533 fra Azets BA Bidco Ltd og kr 84 287 073 fra Azets UK Holdco Ltd.

**Langsiktige fordringer gjelder lån til Azets AS på kr 1 072 367 353, Azets Br Bidco Ltd kr 299 633 074, Azets BA Bidco Ltd på kr 984 601 689, Azets UK Holdco Ltd på kr 273 779 222 og Azets BR Bidco Ltd på kr 299 633 074

*** Annen kortsiktig gjeld inneholder påløpte renterpå kr 250 765 714 til Azets UK Holdco Ltd og kr 65 612 258 til

NOTER TIL ÅRSREGNSKAP 2021

Kar Norway Holdco AS

NOTER PR. 30.06.2021

Azets Group Opco Ltd.

**** Annen langsiktig gjeld inneholder lån fra Azets UK Holdco Ltd på kr 92 505 369 og lån fra Azets Group Opco Ltd på kr 1 366 193 258

***** Azets-konsernet har etablert et konsernkontosystem hvor Azets Treasury AS iht avtalen er innehaver, mens øvrige konsernselskaper er underkontohavere eller deltakere. Banken kan avregne trekk og innestående mot hverandre slik at nettoposisjonen representerer mellomværende mellom Danske Bank og Azets Treasury AS. Kar Norway Holdco AS sitt opptrekk i konsernkontosystemet er å betrakte som et mellomværende med Azets Treasury AS.

Oversikt over transaksjoner med konsernselskaper i regnskapsåret:

Type transaksjoner	**30.06.2021**	**30.06.2020**
Ytt nye lån	0	0
Opptak nye lån	0	0
Renteinntekter på lån*	215 096 434	225 745 426
Rentekostnader på lån**	117 406 287	123 765 744
Renter på konsernkontoordningen	5 019 971	6 417 865

* Renteinntekter på lån gjelder lån til Azets AS på kr 69 286 349, til Azets UK Holdco Ltd på kr 32 352 543, til Azets BA Bidco Ltd på kr 77 751 239 og til Azets BR Bidco Ltd på kr 35 706 248

*Rentekostnader på lån gjelder lån fra Azets Opco Ltd på kr 106 402 229 og fra Azets UK Holdco Ltd på kr 11 004 058

Note 5 Investeringer i datterselskap, tilknyttede selskap og investering i aksjer og andeler

Selskapet eier ved utgangen av året 100% av aksjene i datterselskapet Azets AS, og disse er bokført til kr 2 221 554 355 pr 30.06.2021. Årsresultatet for Azets AS i regnskapsåret 01.07.2020 til 30.06.2021 viste et årsresultat på kr 1 049 390, og bokført egenkapital pr 30.06.2021 var kr 2 347 950 839.

I tillegg eier selskapet aksjeposter i Azets Group IP Limited og Azets UK Holdco Limited.
Disse har pr 30.06.2020 en bokført verdi på totalt kr 8 917. Via Azets UK Holdco Limited eier
Kar Norway Holdco AS Blick Rothenberg-konsernet og Baldwins-konsernet.

Kar Norway Holdco AS

NOTER PR. 30.06.2021

Note 6 - Pantstillelser og garantier mv.

Det er etablert pant i selskapets aksjer, aksjeinvesteringer, kundefordringer og alle innskudd i konsernets flerkontosystem hos Danske Bank, som sikkerhet for konsernets låneforpliktelser.

Note 7 - Godtgjørelse til ansatte og andre

Selskapet har ikke hatt ansatte i året, og har derfor heller ingen plikt til å ha pensjonsordning. Det er ikke utbetalt godtgjørelse til styret i regnskapsåret.

Godtgjørelse til revisor for regnskapsåret 2021 utgjør kr 92 727 (eksl. mva) og kr 350 548 for andre attestasjonstjenester..

Note 8 - Langsiktig gjeld

Selskapets eksterne langsiktige lån forfaller i sin helhet til betaling den 30.11.2023. Lånet er rentebærende basert på til enhver tid gjeldende NIBOR med margin.

Selskapets interne langsiktige lån forfaller til betaling etter nærmere avtale. Lånet er er rentebærende basert på til enhver tid gjeldende LIBOR med margin.

Deler av konsernets kontantstrøm er relatert til renterisiko. Kar Norway Holdco AS har i tidligere perioder vært sikret gjennom en rentebytteavtale, hvor Kar Norway Holdco AS har mottatt flytende rente og betalt fast rente. Bakgrunnen for sikringen var å oppveie endringer i forventede kontantstrømmer på grunn av rentesvingninger over gjeldsperioden. Effektiviteten av sikringsforholdet har blitt periodisk vurdert i avtalens levetid ved å sammenligne de gjeldende vilkårene for swap og gjelden for å sikre at de sammenfaller. I løpet av regnskapsåret 2019 ble det gjort en vurdering av rentebytteavtalen, med det utfallet at avtalen har blitt avsluttet.

Oversikt over selskapets eksterne lån:

	30.06.2021	**30.06.2020**
2220 Langsiktig gjeld DNB	913 150 000	913 150 000
2221 Financing fee	-9 457 625	-13 371 125
2223 Langsiktig gjeld DNB	67 911 559	67 911 559
2224 Langsiktig gjeld DNB*	174 230 339	175 081 460
2225 Langsiktig gjeld DNB*	781 654 045	785 472 451
2230 Langsiktig gjeld DNB	45 426 592	28 974 038
2261 SEB Swap agreement	0	0
Sum eksterne lån	1 972 914 910	1 957 218 383

*Gjelden er i GBP

NOTER TIL ÅRSREGNSKAP 2021

Kar Norway Holdco AS

NOTER PR. 30.06.2021

Note 9 - Skatt

Årets skattekostnad	**01.07.20-30.06.21**	**01.07.19-30.06.20**
Resultatført skatt på ordinært resultat:		
Betalbar skatt	0	0
Endring i utsatt skatt	-860 971	-12 179 559
For mye avsatt betalbar skatt i fjorårets regnskap		-68 470
Skattekostnad ordinært resultat	**-860 971**	**-12 248 029**
Skattepliktig inntekt:		
Ordinært resultat før skatt	-3 913 500	- 4 117 673
Permanente forskjeller	0	204 173
Endring i midlertidige forskjeller	3 913 500	3 913 500
Skattepliktig inntekt	**0**	**0**
Betalbar skatt i balansen:		
Betalbar skatt på årets resultat	-655 208	0
Betalbar skatt på mottatt konsernbidrag	655 208	0
Betalbar skatt på fjorårets resultat		68 470
For mye avsatt betalbar skatt i fjorårets regnskap		-68 470
Sum betalbar skatt i balansen	**0**	**0**

Beregning av effektiv skattesats:		
Resultat før skatt	**-3 913 500**	**-4 117 673**
Beregnet skatt av resultat før skatt	-860 970	- 905 888
Skatteeffekt av permanente forskjeller	0	44 918
Skatteeffekt av balanseført utsatt skattefordel underskudd til fremføring	0	-11 318 589
Avsatt for lite skatt tidl. år	0	-68 470
Sum	**-860 970**	**-12 248 028**
Effektiv skattesats	%	%

Skatteeffekten av midlertidige forskjeller og underskudd til fremføring som har gitt opphav til utsatt skatt og utsatte skattefordeler, spesifisert på typer av midlertidige forskjeller:

	30.06.2021	**30.06.2020**	**Endring**
Andre forskjeller	9 457 625	13 371 125	3 913 500
Sum	**9 457 625**	**13 371 125**	**3 913 500**
Underskudd til fremføring	-51 448 133	-51 448 133	0
Avskåret fradrag for rentekostnader, til fremføring		-54 759 359	-54 759 359
Forskjeller som ikke inngår i beregning av utsatt skatt/utsatt skattefordel		54 759 359	54 759 359
Grunnlag for beregning av utsatt skatt	**-41 990 508**	**-38 077 008**	**3 913 500**
Utsatt skatt / skattefordel(-) (22%)	**-9 237 912**	**-8 376 942**	**-860 970**

Skattefordel for underskudd til fremføring har ikke vært balanseført i selskapet tidligere år, og tas først med for regnskapsåret 2020, da det er vurdert at konsernet som helhet evner å gå med overskudd slik at fremførbart underskudd er forventet å kunne utnyttes i de nærmeste årene via avgitte og mottatte konsernbidrag.

Kar Norway Holdco AS mottok konsernbidrag fra Azets Norway Holding AS pålydende NOK 2 978 216

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Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6A, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

UAVHENGIG REVISORS BERETNING

Til generalforsamlingen i Kar Norway Holdco AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert årsregnskapet for Kar Norway Holdco AS som består av balanse per 30. juni 2021, resultatregnskap og indirekte kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 30. juni 2021, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i avsnittet *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med de relevante etiske kravene i Norge knyttet til revisjon slik det kreves i lov og forskrift. Vi har også overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Øvrig informasjon omfatter informasjon i selskapets årsrapport bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Styret og daglig leder (ledelsen) er ansvarlig for den øvrige informasjonen. Vår uttalelse om revisjonen av årsregnskapet dekker ikke den øvrige informasjonen, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese den øvrige informasjonen med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom den øvrige informasjonen og årsregnskapet eller kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon. Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon, er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe annet realistisk alternativ.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan skyldes misligheter eller feil og er å anse som vesentlig

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dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i årsregnskapet, enten det skyldes misligheter eller feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll;
- opparbeider vi oss en forståelse av den interne kontrollen som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll;
- vurderer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige;
- konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape betydelig tvil om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det foreligger vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet. Hvis slike tilleggsopplysninger ikke er tilstrekkelige, må vi modifisere vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapets evne til fortsatt drift ikke lenger er til stede;
- vurderer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen, tidspunktet for vårt revisjonsarbeid og eventuelle vesentlige funn i vår revisjon, herunder vesentlige svakheter i den interne kontrollen som vi avdekker gjennom vårt arbeid.

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til disponering av resultatet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendige i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo, 23. desember 2021
ERNST & YOUNG AS

Revisjonsberetningen er signert elektronisk

Magnus H. Birkeland
statsautorisert revisor

PENNEO

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

MAGNUS HEGERTUN BIRKELAND
Statsautorisert revisor
På vegne av: EY
Serienummer: 9578-5990-4-2796687
IP: 51.175.xxx.xxx
2021-12-23 19:12:52 UTC

bank ID

Penneo Dokumentnøkkel: YOC8Z-LED00-0FUS7-NYUKE-IAC6S-O3N4I

Skatteetaten

Vår dato	Din/Deres dato	Saksbehandler
02.07.2021		Robin Ingebrigtsen
800 80 000	Din/Deres referanse	Telefon
Skatteetaten.no	Gro L Alvsåker	99778267
Org.nr	Vår referanse	Postadresse
974761076	2021/6061547	Postboks 9200 Grønland 0134 OSLO

KAR NORWAY HOLDCO AS
Postboks 342 Sentrum
0101 OSLO

Fritak for konsernregnskapsplikt for Kar Norway Holdco AS, org. nr. 917 774 374

Vi viser til deres brev av 23. juni 2021 hvor dere søker om fritak fra plikten til å utarbeide konsernregnskap for Kar Norway Holdco AS.

Kar Norway Holdco AS er morselskap i et underkonsern hvor Azets Topco Limited er det ultimate morselskapet og er hjemmehørende i England. Konsernregnskap utarbeides av Azets Topco Limited på engelsk språk etter IFRS, hvor Kar Norway Holdco AS med datterselskaper er omfattet.

Skattekontoret finner med hjemmel i regnskapsloven av 17. juni 1998 nr. 56 § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for Kar Norway Holdco AS. Det forutsettes at Azets Topco Limited utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskaper. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med IFRS og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av 7. september 2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten norsk, kan være på svensk, dansk eller engelsk.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Magrit Kilen Stoebner
underdirektør
Innsats, storbedrift
Skatteetaten

Robin Ingebrigtsen

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.

Azets Opco Limited

Annual report and financial statements

For the year ended 30 June 2021

UK registered number FC033952

Contents

Strategic report

The Director's present their Strategic Report, Directors' Report and the audited consolidated financial statements for the year ended 30 June 2021.

Corporate activity

On 7 September 2020, the Company changed its name from CogitalGroup Opco Limited to Azets Opco Limited, and on the same day, the UK Regional businesses were rebranded as Azets.

During the year ended 30 June 2021, the Group continued to acquire new businesses in geographies and markets that aligned with the Group's strategic plan. The Group made one acquisition in the United Kingdom and 3 in the Nordic region during the year.

Business strategy

Azets provides our clients with the support they need to help manage and grow their businesses. We provide proactive and relevant advisory services to our clients that helps them at every stage of their life cycle. This is on top of our outsourcing services and compliance services. We service a number of client segments from large companies to the smallest of businesses with the majority of our clients being in the SME sector. We aim to be the primary business relationship our clients have to deliver all they need to thrive at this time.

The SME sector has significant scope for growth. Businesses are re-invigorated with post-covid growth ambitions, larger audit firms are exiting this sector and the demand for digital accounting services is necessitating client change. Azets is well positioned to capitalise on all of these dynamics in all our geographies.

Azets provides a smarter, personal client service. We get to know our clients both on a human level and by using data insights that enable us to increase our focus on advisory services aligned to client needs. We are increasing our service portfolio rapidly to deliver to our clients the business services they want and need. This is a key part in remaining the primary business relationship to our clients. We do this both by developing and extending our core services and through a network of strategic partnerships to provide a range of complimentary business services for our clients. This strategy rapidly strengthens Azets' position as a provider of business critical services, increasing our share of spend and delivering greater benefits for clients.

Our propositions will use market leading technology. The Azets client portal will provide clients access to their data and all services from anywhere on any device including talking to advisors – the right advice when they need it. Aligned to our wide range of client propositions this will give Azets a unique position in the market.

As a result of growth during the year ended 30 June 2021 and up to the date of signing this report, Azets now employs more than 6,500 people from 160 offices in the UK, Norway, Sweden, Denmark, Finland and our four highly effective processing centres in Romania and Estonia and in software development centres in Lithuania and Romania. This variety and geographical spread make our business very robust.

Business review

The principal activities of the Group are the provision of critical accountancy services, business support, BPO and advisory services to our chosen clients segments and sectors

On 22 March 2020, the World Health Organisation declared the outbreak of COVID-19 to be an international pandemic. As the Nordics and the UK entered the first national lockdowns the Group diverted to home working with minimal disruption, focused on supporting clients and took immediate and decisive action to manage its cash position.

The Group continued to trade well through both the first and the subsequent lockdowns that carried on into FY21 and maintained a strong cash balance. During the year, the Group made use of the UK Governments Job Retention Scheme to protect the business and our people from the potential effects of the pandemic. Azets continued to demonstrate our resilience and in January 2021 repaid all monies received under the scheme.

Strategic report (*continued*)

Business Review (continued)

Revenue for the year of £504.3 million was in line last year (2020: £502.4 million) despite the difficult trading conditions associated with the pandemic. This reflects acquisitions in the year and a full-years impact of acquisitions in the prior year as well as organic growth in the Azets Europe and Blick Rothenberg platforms.

The main measure of the Group's profit performance is operating profit from continuing operations before depreciation, interest, taxation, intangible asset amortisation and exceptional items ("EBITDAE") and this measure is defined and reconciled to statutory measures in the 'Unaudited information' section on page 64. The Group adopted IFRS 16 'Leases' last year, but in order to maintain consistency with the internal reporting, EBITDAE is also stated before the impact of IFRS 16. EBITDAE for the year at £63.7 million was 4% higher than last year (2020: £61.1 million). During the year, the Group made a voluntary repayment of amounts received under the UK Governments job retention scheme during the year, excluding this charge the EBITDAE margin is 13.4%.

Unadjusted EBITDAE margin of 12.6 % was 40 bps ahead of last year as the benefits of the transformation program have started to be realised and there has been a continued focus on controlling costs (2020: 12.2%).

Pre-tax exceptional items of £25.7 million (2020: £56.5 million) include impairment charges related to, lease assets of £5.3 million and other exceptional costs of £20.4 million. Exceptional costs principally relate to costs associated with the ongoing transformation programme, professional and post-acquisition integration and restructuring costs.

After accounting for IFRS 16 and before impairment and exceptional items, the Group generated an operating profit of £26.1 million (2020: £ 22.3 million). There were exceptional items of £20.4 million (2020: £17.4 million) and impairment charges of £5.4 million (2020: £39.1 million) resulting in an operating profit for the year of £0.4 million (2020: loss of £34.2 million). There was a net interest charge of £63.5 million (2020: £69.6 million) and a tax credit of £1.1 million (2020: £4.2 million) resulting in a loss after tax for the year of £62.0 million (2020: £99.6 million).

During the year, the Group continued to develop scale and diversification through a number of acquisitions for a total consideration of £14.2 million. These acquisitions were completed with cash and deferred and contingent consideration. Further details are contained in note 24.

The consolidated balance sheet on 2020 12 shows the Group's financial position at the year end. Net current assets (excluding lease liabilities and borrowings) of £93.5 million (2020: £112.9 million) reflect the partial unwind during the year of payments deferred as part of Government support during the early part of the pandemic mitigated by strong cash and working capital management during the year. The net liabilities of £264.3 million (2020: £198.5 million) are a consequence of the financing structure of the Group.

The Group's financial position is considered satisfactory in terms of working capital and cash, and the directors believe the Group to be well positioned for future growth.

Future developments

The rebranding of the group to Azets in September 2020 marked the transition from Phase I to Phase II of our strategy. Phase I was all about building scale to the business in the UK and several Nordic countries, primarily by completing more than 60 acquisitions. In Phase II, we are building Azets into a more aligned business and driving shareholder value with a new leadership team; a Transformation Program to optimise operational practices across the group; and by restarting our acquisitions engine with a focus on high quality accountancy businesses and complimentary business services providers across existing and new geographies.

Phase II of the Azets transformation in the UK is nearing completion and well underway in the Nordics. This has replaced or standardised almost all core systems and processes, creating a solid, scalable foundation for future growth. It marks the end of formal transformation within the UK, with the Nordics close behind.

Strategic report *(continued)*

Future developments *(continued)*

Focus now shifts to a programme of continuous improvement - smaller, less disruptive, business led activities delivering operational efficiencies and creating additional capacity for growth. These include demand and resource planning tools, expansion of nearshoring to our Romania operation, process optimisation and automation technologies. Continuous improvement will become part of the Azets culture. At all times our people come first, and we continue to invest in them.

We will leverage this investment in staff and the development tools we have introduced to create internal expertise and attract the best talent in the market through more effective recruitment. Azets people will have opportunity to diversify their careers across the organisation in a way that is unavailable in other businesses.

Our ambition is to deliver a personalised client service using both traditional client service techniques but also leveraging best in breed technologies, enhancing our client propositions, and increasing our use of data analytics. Our data is a huge asset, providing client insight unrivalled in our sector. Investment in data analytics continues and will generate significant growth opportunities for both existing and new name clients.

We will be launching a range of sector focussed digital propositions capitalising on the demand for real time advice aimed at making our clients' businesses better. The combination of digital propositions, data driven client insight and the ongoing re-development of the Azets CoZone portal will differentiate us in our markets. Our future client propositions will be a combination of face to face and digital with a roadmap of client portal and app development underway.

Azets will continue to target acquisitions of quality, complimentary businesses with an increased focus on smooth, successful integrations into the transformed Azets landscape.

Risk management review

The Group's risk management process seeks to enable the early identification, evaluation and effective management of the key risks facing the business at operational level and to operate internal controls which adequately mitigate these risks. The Risk & Compliance team, headed by the Group Risk and Compliance Director, assess the risk management activities across the business to ensure good practice in all areas. Compliance with the process is monitored six monthly and these assessments are formally reviewed at least annually. Reports on internal financial control issues raised by management and the external auditor are reported to the Group Board, at least annually.

Principal risks and uncertainties

The principal risk affecting the Group relates to any downturn in economic conditions within the markets in which it operates. This is mitigated to some extent by the long-term, recurring nature of much of the Group's income and the number of end markets in which it operates. Not all factors are within the direct control of the Group, or its directors and the list is not exhaustive. There may be other risks and uncertainties that are currently unknown, and the list may change as something that seems immaterial now could assume greater importance in the future, and vice versa.

Other risks and uncertainties include:

- Credit and liquidity risk are managed by maintaining a balance between the continuity of funding and flexibility through the use of drawdowns under the credit facility at floating rates of interest (see note 14 on page 41 for more details). The Group's credit risk is primarily attributable to its trade receivables. The Group has no significant concentration of credit risk, with exposure spread over many customers and market segments.
- Liquidity/cash flow risk - the Group is financed through a combination of bank and debt instruments that carry variable and fixed rates of interest (see note 14 on page 41 for more details). The appropriateness of these bank and debt instruments and the risks related to variable rate debt are periodically reviewed by management and the Board. These facilities are secured against the assets of the Group including those of the Company. This financing provides the necessary headroom to support the expansion plans of the business. These facilities are the subject of financial covenants which management monitors on a regular basis to ensure that there are no actual or anticipated breaches. There were no covenant breaches during the reporting year.

Strategic report *(continued)*

Risk management review *(continued)*

- Foreign exchange risk – There is limited foreign exchange risk as the majority of the Group's trading income is denominated in the local currency of the business operations which provides a natural hedge against the currency of its cost base
- Cyber security – the Group relies heavily on the use of data – both that relating to clients and that of employees. The risk of a cyber-attack is considered as a key risks and comprehensive cyber security training is in place across the group, as well as appropriate policies. Staff awareness is good, and a small number of phishing attacks have been spotted and dealt with appropriately.
- Recruitment of staff – As we grow, we continue to have a number of vacancies. The Group is considering near-shoring opportunities within the group, making use of the European operations working out of Romania and Estonia. In addition, a select number of outsourcing parties are contracted and available to complete specific tasks on behalf of the Group.

Covid-19

The business has largely seen a return to normal operating practises in the last quarter of the year, with a continued move to return to working from offices where appropriate. Cases of Covid-19 continue to be monitored with few significant impacts on staff.

A move to more flexible working for staff has meant that fewer staff are expected to work from office locations. The long-term impact still remains to be seen; however, there has not been a significant impact on business or on our client base during the year.

The Group continues to monitor government guidance in relation to Covid-19 and will act swiftly to close offices, should further lockdowns be required.

Going concern

The financial statements have been prepared on a going concern basis.

In making their assessment of going concern, the Directors have considered the Group's cashflows, liquidity and likely business activities over the period to March 2023.

As set out in the basis of preparation, the results of the base case scenario considered by the Directors in their assessment of going concern supports that the Group can continue to comply with the financial covenants and pay its labilities as they fall due for the period of management's assessment up to March 2023.

The Directors have also considered a downside scenario which assumes a 10 per cent reduction in pro forma EBITDA as compared to the year ended 30 June 2021. Should this scenario arise, the Group would continue to be able to pay its liabilities. In addition, as at this level of profitability a number of non-contractual payments would not be due there would be no breach in the financial covenants.

As such, the Directors continue to adopt the going concern basis for the preparation of these financial statements.

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

GM Hurst
Director

28 October 2021

Directors' report

The directors present their annual report and the audited financial statements for the year end 30 June 2021. The financial statements are presented in Sterling rounded to the nearest thousand.

Principal activities
During the year, the principal activity of Azets Opco Limited and subsidiaries ("the Group") was the provision of critical business support, BPO and advisory services to the entrepreneurial and private company business markets together with their owners and managers.

Directors
The directors who held office during the year were:

GM Hurst (appointed 24 March 2021)
IE Jarvis (resigned 1 August 2021)
D Marriott
S Sharp (appointed 1 August 2020)

Mr CN Horne was appointed as a director of the Company on 13 September 2021.

Results and dividends
The Group's result for the year is reflected in the consolidated income statement on page 10. The loss on ordinary activities after taxation amounted to £62.0 million.

The directors do not recommend the payment of a dividend (2020: nil).

Going concern
The directors set out in the Strategic report:
- the reasoning for the adoption of the going concern basis in preparing the annual report and financial statements for the company; and
- the financial risk management objectives and policies of the company.

Accordingly, the financial statements have been prepared on the going concern basis.

Auditor
The company's auditor is Ernst and Young LLP. They have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Group Board meeting.

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

GM Hurst
Director

22 Grenville Street
St Helier, Jersey
JE4 8PX

28 October 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Consolidated financial statements in accordance with the accounting standards they elect which have been determined as International Financial Reporting Standards as adopted by the European Union (the applicable financial reporting framework) and the Companies (Jersey) Law 1991 ("the Law").

The Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial period. 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions with reasonable accuracy at any time the financial position of the company 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 company 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 Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Azets Opco Limited

Opinion

We have audited the financial statements of Azets Opco Limited and its subsidiaries (the "group") for the year ended 30 June 2021 which comprise Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Statement of Changes in Equity, the basis of preparation and critical estimates and judgements, and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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 in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of 17 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

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

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

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

We have nothing to report in this regard.

Independent auditor's report to the members of Azets Opco Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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 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 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the group and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the direct laws and regulations relating to tax legislation in the respective jurisdictions, the Companies (Jersey) Law 1991, The International Stock Exchange Listing Rules, ICAEW accountancy practice regulations, the Money Laundering and Terrorist financing (Amendment)(EU Exit) Regulations 2020 and International Financial Reporting Standards as adopted by the European Union.

Independent auditor's report to the members of Azets Opco Limited (continued)

- We understood how the group is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters to understand how the group maintains and communicates its policies and procedures in these areas. We made enquiries to understand the responsibilities of those charged with governance and how these drive a culture of honesty and ethical behaviour. We also made enquires with the group's external legal counsel where appropriate. We also perform procedures over the financial statements to assess the group's compliance with International Financial Reporting Standards as adopted by the European Union.

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by considering areas of significant judgement and estimation, complex transactions, performance targets, economic or external pressures and the impact these factors have on a likelihood of material misstatement. Where the risk was considered to be higher, we performed additional audit procedures to address each identified risk.

- We identified a risk that management might override controls in certain key processes in order to achieve a desired financial reporting outcome. We determined that the most susceptible area to any such override was revenue recognition due to the identified revenue growth targets.

- We performed a target test of transactions and specific engagements including validation through to engagement agreements and other supporting documentation. We made direct enquiry of engagement partners in order to assess the appropriateness of their evaluation of revenue to recognise. We identified and tested manual adjustments made by management to the reported balances and tested evidence to support the reasonableness of recovery rates calculated by management.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of documentation, direct enquiry of management and those charged with governance. Further we completed testing of specific journals identified based upon risk criteria and assessment of any correspondence received from the relevant authorities through to the date of this audit opinion.

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

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.

Mark Morritt
for and on behalf of Ernst & Young LLP
Leeds
28 October 2021

Azets Opco Limited
Consolidated income statement

For the year ended 30 June 2021

	Note	Year ended 30 June 2021 Pre-exceptional items £'000	Year ended 30 June 2021 Exceptional items (note 4) £'000	Year ended 30 June 2021 Total £'000	Year ended 30 June 2020 Pre-exceptional items £'000	Year ended 30 June 2020 Exceptional items (note 4) £'000	Year ended 30 June 2020 Total £'000
Revenue-	1,2	**504,303**	**-**	**504,303**	502,417	-	502,417
Employee costs	5	**(370,586)**	**(14,558)**	**(385,144)**	(357,712)	(8,286)	(365,998)
Other operating costs	3	**(51,907)**	**(5,836)**	**(57,743)**	(64,580)	(9,075)	(73,655)
Impairment loss on trade receivables	12	**(1,317)**	**-**	**(1,317)**	(3,579)	-	(3,579)
Depreciation of property, plant & equipment	9	**(5,063)**	**-**	**(5,063)**	(5,266)	-	(5,266)
Depreciation of right of use assets	20	**(15,497)**	**-**	**(15,497)**	(15,256)	-	(15,256)
Amortisation	8	**(34,284)**	**-**	**(34,284)**	(33,653)	-	(33,653)
Impairment charges	4	**-**	**(5,314)**	**(5,314)**	-	(39,113)	(39,113)
Share of profit/(loss) after tax from associates	10	**434**	**-**	**434**	(96)	-	(96)
Operating profit/(loss)		**26,083**	**(25,708)**	**375**	22,275	(56,474)	(34,199)
Finance income	6	**3,137**	**-**	**3,137**	6,201	-	6,201
Finance costs	6	**(66,638)**	**-**	**(66,638)**	(75,793)	-	(75,793)
Loss before taxation		**(37,418)**	**(25,708)**	**(63,126)**	(47,317)	(56,474)	(103,791)
Taxation credit	7	**(2,883)**	**4,028**	**1,145**	1,034	3,137	4,171
Loss for the year		**(40,301)**	**(21,680)**	**(61,981)**	(46,283)	(53,337)	(99,620)
Attributable to							
Equity shareholders		**(40,301)**	**(21,680)**	**(61,981)**	(46,283)	(53,337)	(99,620)
Non-controlling interests		**-**	**-**	**-**	-	-	-
Loss for the year		**(40,301)**	**(21,680)**	**(61,981)**	(46,283)	(53,337)	(99,620)

There is no material difference between the Group's results as reported and on a historical cost basis.

Azets Opco Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2021

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Loss for the year recognised in the income statement	**(61,981)**	(99,620)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Effect of movements in foreign exchange	**(4,805)**	(3,118)
Other comprehensive loss for the year	**(4,805)**	(3,118)
Total comprehensive loss for the year	**(66,786)**	(102,738)
Attributable to		
Equity shareholders	**(66,786)**	(102,738)
Non-controlling interests	**-**	-
Total comprehensive loss for the year	**(66,786)**	(102,738)

Azets Opco Limited - Registered number FC033952
Consolidated balance sheet

As at 30 June 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	8	**618,789**	647,653
Property, plant & equipment	9	**14,147**	15,868
Right of use assets	20	**50,349**	63,871
Investment in associates	10	**6,024**	5,589
Lease receivables		**487**	-
Deferred tax assets	11	**14,300**	5,204
Total non-current assets		**704,096**	738,185
Current assets			
Trade and other receivables	12	**150,589**	160,073
Cash and cash equivalents	13	**70,759**	121,265
Total current assets		**221,348**	281,338
Total assets		**925,444**	1,019,523
Current liabilities			
Trade and other payables	15	**(118,916)**	(154,343)
Lease liabilities	20	**(16,913)**	(17,634)
Provisions	16	**(8,677)**	(10,739)
Borrowings	14	**(473,345)**	(443,299)
Income tax		**(289)**	(3,405)
Total current liabilities		**(618,140)**	(629,420)
Non-current liabilities			
Borrowings	14	**(472,703)**	(478,648)
Lease liabilities	20	**(43,403)**	(49,745)
Other non-current liabilities	15	**(3,418)**	(10,431)
Provisions	16	**(8,444)**	(7,513)
Deferred tax liabilities	11	**(43,652)**	(42,292)
Total non-current liabilities		**(571,620)**	(588,629)
Total liabilities		**(1,189,760)**	(1,218,049)
Net liabilities		**(264,316)**	(198,526)
Equity			
Issued capital	17	**2**	2
Share premium		**13,598**	13,598
Translation reserve		**(9,886)**	(5,081)
Retained earnings		**(268,030)**	(207,078)
Total equity attributable to equity shareholders		**(264,316)**	(198,559)
Non-controlling interests		**-**	33
Total equity		**(264,316)**	(198,526)

Consolidated balance sheet *(continued)*

These financial statements were approved by the board of directors on 28 October 2021 and were signed on its behalf by:

CN Horne
Group Chief Executive Officer

Azets Opco Limited
Consolidated cash flow statement

For the year ended 30 June 2021

	Notes	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Cash flow from operating activities			
Loss before taxation		**(63,126)**	(103,791)
Finance income	6	**(969)**	(6,201)
Finance expense	6	**63,114**	68,407
Share of profit/(loss) after tax of associates	10	**(434)**	96
Amortisation	8	**34,284**	33,653
Impairments	4	**5,314**	39,113
Depreciation of property, plant & equipment	9	**5,063**	5,266
Depreciation of right of use assets	20	**15,497**	15,256
Net foreign exchange differences	6	**1,356**	7,386
Equity share-based payments	17	**1,096**	-
Loss on disposal of property, plant and equipment		**36**	-
Exceptional items (non-cash)		**19**	653
		61,250	59,838
Decrease in receivables		**13,053**	10,727
(Decrease)/increase in payables		**(26,997)**	41,459
Cash generated from operations		**47,306**	112,024
Income taxes paid		**(11,307)**	(9,402)
Net cash from operating activities		**35,999**	102,622
Cash flows from investing activities			
Purchase of property, plant and equipment	9	**(3,350)**	(7,272)
Purchase of intangibles	8	**(1,994)**	(2,049)
Purchase of subsidiaries (net of cash acquired)	24	**(7,881)**	(29,293)
Disposal of property, plant and equipment		**12**	221
Acquisition of non-controlling interest		**(100)**	-
Payment of deferred consideration and contingent consideration		**(23,230)**	(29,102)
Interest received		**933**	6,201
Net cash from investing activities		**(35,610)**	(61,294)
Cash flows from financing activities			
Interest paid		**(25,717)**	(25,188)
Increase in short-term loans	18	**-**	20,953
(Decrease)/increase in long-term loans (including financing fees)	18	**(2,677)**	45,017
Funding of intercompany loan	18	**(2,722)**	(6,104)
Payment of lease liabilities (including interest)	20	**(18,397)**	(16,111)
Net cash from financing activities		**(49,513)**	18,567
Net (decrease)/increase in cash and cash equivalents		**(49,124)**	59,895
Cash and cash equivalents at the beginning of the year		**121,265**	66,037
Effect of movements in foreign exchange	18	**(1,382)**	(4,667)
Cash and cash equivalents at the end of the year	13	**70,759**	121,265

Azets Opco Limited
Statement of changes in equity

For the year ended 30 June 2021

	Issued capital £'000	Share premium £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Equity attributable to owners of parent £'000	Non-controlling interests £'000	Total equity £'000
Balance as at 1 July 2019	2	13,598	(1,963)	(107,458)	(95,821)	33	(95,788)
Loss for the year ended 30 June 2020	-	-	-	(99,620)	(99,620)	-	(99,620)
Other comprehensive loss							
Currency translation differences	-	-	(3,118)	-	(3,118)	-	(3,118)
Total other comprehensive loss for the year ended 30 June 2020	-	-	(3,118)	(99,620)	(102,738)	-	(102,738)
Balance as at 30 June 2020	2	13,598	(5,081)	(207,078)	(198,559)	33	(198,526)
Loss for the year ended 30 June 2021	-	-	-	**(61,981)**	**(61,981)**	-	**(61,981)**
Other comprehensive loss							
Currency translation differences	-	-	**(4,805)**	-	**(4,805)**	-	**(4,805)**
Total other comprehensive loss for the year ended 30 June 2021	-	-	**(4,805)**	**(61,981)**	**(66,786)**	-	**(66,786)**
Equity share-based payment	-	-	-	**1,096**	**1,096**	-	**1,096**
Acquisition of non-controlling interest	-	-	-	**(67)**	**(67)**	**(33)**	**(100)**
Balance as at 30 June 2021	**2**	**13,598**	**(9,886)**	**(268,030)**	**(264,316)**	-	**(264,316)**

Basis of preparation and critical accounting estimates and judgements

Accounting policies applicable across the financial statements are shown below. Accounting policies that are specific to a component of the financial statements have been incorporated into the relevant note.

General information

The financial statements of Azets Opco Limited and subsidiaries (the "Group") for the year ended 30 June 2021 were authorised for issue by the board of Directors on 28 October 2021.

The parent of the consolidated Group, Azets Opco Limited, is incorporated and domiciled in Jersey. The registered office is 22 Grenville Street, St Helier, Jersey, JE4 8PX.

The principal activities of the Group are the provision of critical business support, BPO and advisory services to the entrepreneurial and private company business markets together with their owners and managers.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with the Companies (Jersey) Law 1991. The accounting policies as set out below have, unless otherwise stated, been consistently applied to all years presented in these financial statements.

These consolidated financial statements provide comparative information in respect of the previous year.

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments and contingent consideration that have been measured at fair value.

The consolidated financial statements are presented in Sterling, which is the Company's functional currency, rounded to the nearest thousand pounds (£'000), except where otherwise indicated.

Basis of consolidation

The consolidated financial statements include the results of the Company and all its subsidiaries from the date that control commences to the date that control ceases. The consolidated financial statements also include the Group's share of the after-tax results, other comprehensive income and net assets of its associates on an equity-accounted basis from the point at which significant influence respectively commences, to the date that it ceases.

The Group controls an entity when it has the power, directly or indirectly, to direct the activities of an entity so as to significantly affect the returns of that entity, to which it is exposed, or has rights to variable returns from its involvement with the investee.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Basis of preparation and critical accounting estimates and judgements*(continued)*

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate. In making their assessment of going concern, the directors have considered the Group's cashflows, liquidity and likely business activities over the period to March 2023.

The Group has net liabilities of £264.3 million, recorded a loss after taxation of £62.0 million and a cash outflow of £49.1 million. Funding is provided to the Group through external and intercompany borrowings.

On 22 March 2020, the World Health Organisation declared the outbreak of COVID-19 to be an international pandemic. As the Nordics and the UK entered the first national lockdowns the Group diverted to home working with minimal disruption, focused on supporting clients and took immediate and decisive action to manage its cash position. The business has largely seen a return to normal operating practises in the last quarter of the year, with a continued move to return to working from offices where appropriate. Cases of Covid-19 continue to be monitored with few significant impacts on staff.

The Group continued to trade well through both the first lockdown, and the subsequent lockdowns that carried on into FY21, and has maintained a strong cash balance during the period.

In making their assessment of going concern, the Directors have reviewed both the liquidity of the company and its ability to comply with the financial covenants in both a base case and a downside scenario. At the time of this review in October 2021, there was cash of £47 million which is available for operations.

Liquidity
The Directors assessment of going concern shows that the Group will have adequate resources to continue to meet its liabilities for the period under review.

Intercompany debt
As at 30 June 2021, there were internal borrowings of £452 million which are repayable on demand. Should these become repayable, there is a risk that the Group may not be able to repay these borrowings or meet its other liabilities as they fall due. Subsequent to the balance sheet date, the counterparties agreed to vary the terms of these borrowings such that they will not become repayable before March 2023. The forecasts used by the Directors in their assessment of going concern assume no repayments of principal or interest in respect of the intercompany borrowings.

External debt
As at 30 June 2021, there were external borrowings of £494 million. Whilst the majority of the facilities mature on 30 November 2023, the NOK 250 million Revolving Credit Facility and NOK 800 million were due to mature on 30 November 2022. On 11 October 2021, the Group agreed a variation to its Senior Facilities Agreement whereby the termination date for the NOK 800 million acquisition facility was extended by 12 months to November 2023. The cash flow forecasts used in the assessment of going concern assume the Revolving Credit Facility will be repaid on maturity.

The Group is subject to financial covenants related to this external debt which are assessed quarterly during the year and include:

- Leverage ratio (Total net debt to Consolidated pro-forma EBITDA); and
- Interest cover ratio (Consolidated pro-forma EBITDA to consolidated net finance charges, excluding interest relating subordinated debt).

Under the terms of the banking agreement, the financial covenants become progressively more stringent over the term of the loan.

Going concern review
In making their assessment of going concern, the Directors have reviewed both the liquidity of the company and its ability to comply with the financial covenants in both a base case and a downside scenario.

The base case scenario applied by the Directors in their assessment of going concern shows that the Group will have adequate resources to continue in operational existence for the period under review and will meet its financial covenants during that period.

Basis of preparation and critical accounting estimates and judgements*(continued)*

Going concern (continued)

The Directors have also considered what they believe to be a reasonably possible downside scenario being a 10% reduction in pro-forma EBITDA compared to pro forma EBTIDA generated in the year ended 30 June 2021. This scenario shows that the Group would continue to meet its financial covenants for measurement periods up to 30 September 2022.

For the measurement period ended 31 December 2022, should the pro forma EBITDA still be at 90% of the FY21 level, then a number of non-contractual payments would not be due and there would be no breach in the covenant.

For these reasons, the Directors continue to believe that it is appropriate to continue to adopt a going concern basis for the preparation of the financial statements.

Foreign currency

The Group's consolidated financial statements are presented in Sterling, which is the functional currency of the parent. Each group company determines its own functional currency and items are included in the accounts of that company using that functional currency.

At the individual company level, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate prevailing at the balance sheet date and any resulting foreign exchange differences are recorded in the income statement. Non-monetary assets and liabilities are maintained at historical cost and are translated using the exchange rate at the date of the transaction.

On consolidation, the results of group companies with a functional currency other than Sterling are translated at a monthly average exchange rate. The net assets are translated at the rate prevailing on the balance sheet date.

Exchange differences arising from the retranslation of opening net assets of group companies, together with differences arising from the restatement of the net results of group companies from average rates to rates at the balance sheet date, are recognised in other comprehensive income and are shown as within foreign currency translation reserve in equity.

New or amended accounting standards

There are no IFRS, IAS amendments or IFRIC interpretations effective for the first time this financial year that have had a material impact on the Group.

Future accounting standards

There are no IFRS, IAS amendments or IFRIC interpretations which are not yet effective that would be expected to have a material impact on the Group.

Basis of preparation and critical accounting estimates and judgements
(continued)

Critical accounting estimates and judgements

In applying the Group's accounting policies, which have been incorporated into the relevant note that are specific to a component of the financial statements, management are required to make judgements, estimates and assumptions about the carrying value 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 future periods if the revision affects future periods.

Information about these judgements and estimates is included in relevant note that are specific to a component of the financial statements, the most significant being:

Revenue recognition

Other than for assignments undertaken on a contingent fee basis, revenue on client assignments is recognised over time. This requires management to determine the measurement method that best depicts the Group's performance in transferring services to its clients. Management has concluded that the input method of measuring progress is appropriate based on the internal time and external costs incurred to date as a percentage of total expected internal time and external costs.

This requires an estimate to be made of the stage of completion of those assignments. Management estimates the remaining internal time and external costs to be incurred in completing the assignments and the client's willingness and ability to pay for the services provided. A different assessment of the outturn on an assignment may result in a different value being determined for revenue and a different carrying value being determined for unbilled revenue for client work. Unbilled revenue as at 30 June 2021 was £28.2 million (2020: £33.7 million), given that the timing of billing has not yet been agreed with the clients, there remains a risk that elements of this balance are not billable and so will not be recovered in cash.

Impairment of goodwill

As at 30 June 2021, the carrying value of goodwill was £420.3 million. Goodwill is tested for impairment annually, or more often if indicators of impairment exist. There are two key areas of estimation in relation to goodwill impairment.

The first is the appropriateness of the cash-generating units ("CGUs") for the purpose of impairment testing. In the year ended 30 June 2021, management determined the CGUs as the three separate operating segments. A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In identifying whether cash inflows from an asset (or a group of assets) are largely independent of the cash inflows from other assets (or groups of assets), management considers various factors including how management monitors the entity's operations (such as by product or service lines businesses geographical areas).

The other key area of estimation relates to the assumptions applied in calculating value in use of the CGUs being tested for impairment. The key assumptions applied in the calculation relate to the future performance expectations of the business – primarily, the Group's 5-year forecasts and long-term growth rates - are disclosed in note 8. Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of value in use and fair value less costs to sell). Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.

Critical accounting estimates and judgements *(continued)*

Valuation of acquired intangible assets in a business combination

As at 30 June 2021, the carrying value of acquired intangible assets was £196.8 million. The Group's intangible assets are initially measured at fair value in accordance with IFRS 3, *Business Combinations*. Management has determined the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the intangible assets, the Group uses market-observable data to the extent it is available. For material carrying values, management have engaged external providers for valuation analysis, and these are based on the prevailing market, economic and other conditions at the date of the business combination. Valuation methodologies adopted in determining the fair value of intangibles include:

- Income method in determining the fair value of customer relationship and contracts;
- Relief from Royalty method in determining the fair value of patents and trade names; and
- Cost approach in determining the fair value of software.

Information on the carrying values of intangibles assets are disclosed in note 8.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of property. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to note 20 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Equity related balances - estimating the share price

Several estimates within the financial statements require a value to be places on either the current or future value of the equities in Azets Topco Limited. As these equities are not publicly traded, this requites the use of a valuation technique and estimates to be made of the expectation of future performance of the business – primarily the Group's 5-year forecast, and the value multiple that would be applied in the event of a sale of the Group.

Notes to the financial statements

Note 1. Divisional results

Accounting policy

Revenue
Revenue represents the value of sales made to customers after deduction of discounts and sales taxes. Revenue does not include sales between Group companies. Revenue is measured based on the consideration specified in a contract with a customer, which are less than a year in duration. The Group recognises revenue when it transfers control of its good and services to the customer. For the majority of services revenue is recognised over time, but for services performed on a contingent fee basis, revenue is typically recognised when the appropriate milestone as set out in the contracts is achieved.

Divisional reporting
The Group is not required to identify its operating segments or present financial information related to their performance during the year as the parent company does not have any debt or equity instruments traded in a public market. However, in order to allow for a fair presentation of the Group's results, the directors have elected to present financial information related to the performance of each of its three divisions.

In preparing this information, the directors have identified the chief operating decision maker and the divisional information below is presented on a consistent basis with the information presented to the chief operating decision maker for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The chief operating decision maker is the Group's Board.

The Board assesses the performance of the divisions based on EBITDAE prior to the adoption of IFRS 16. EBITDAE is a non-gaap measure of measure of operating profit or loss including share of profit after tax from associates, but excluding exceptional items, depreciation and amortisation and the impact of IFRS16. EBITDAE is reconciled to the Group's loss before tax on page 64.

Divisional results include items directly attributable to a division as well as those that can be allocated on a reasonable basis.

For the year ended 30 June 2021, the Group had three divisions, as described below. These divisions are derived from the management and internal reporting structure, which combine businesses with common characteristics, primarily with respect to the type of services offered by each business and the geographical location of where the services are carried out.

Azets Europe (formerly Nordics)
Provision of accounting and payroll outsourcing services across the Nordic region (Norway, Sweden, Denmark and Finland).

Azets UK (formerly UK Regions)
Provision of accounting, tax, business advisory, payroll and other outsourcing services across the UK.

Blick Rothenberg
Provision of accounting, tax, business advisory, payroll and other outsourcing services in London.

Notes to the financial statements *(continued)*

Note 1. Divisional results *(continued)*

The accounting policies of the divisions are the same as the Group's accounting policies described in the relevant note to the financial statements. Divisional profit/(loss) represent the profit after tax earned by each division without allocation of central administration costs and excluding the impact of IFRS 16. This is the measure reported to the chief operation decision maker, the Group's Board, for assessment of divisional performance.

For the year ended 30 June 2021

	Azets Europe £'000	Azets UK £'000	Blick Rothenberg £'000	Head Office/ elims £'000	Total Pre-IFRS 16 £'000	Impact of IFRS 16 £'000	Total per income statement £'000
Revenue from external customers	**237,093**	**189,240**	**81,826**	**(3,856)**	**504,303**	**-**	**504,303**
Operating profit before associates, exceptional items, depreciation and amortisation	**40,788**	**12,299**	**20,863**	**(10,705)**	**63,245**	**17,248**	**80,493**
Profit after tax from associates	**-**	**334**	**100**	**-**	**434**	**-**	**434**
EBITDAE	**40,788**	**12,633**	**20,963**	**(10,705)**	**63,679**	**17,248**	**80,927**
Amortisation of intangibles	**(12,569)**	**(15,679)**	**(5,885)**	**(151)**	**(34,284)**	**-**	**(34,284)**
Depreciation	**(1,462)**	**(3,062)**	**(1,184)**	**(46)**	**(5,754)**	**691**	**(5,063)**
Depreciation of right of use asset	**-**	**-**	**-**	**-**	**-**	**(15,497)**	**(15,497)**
Operating profit/(loss) before exceptional costs	**26,757**	**(6,108)**	**13,894**	**(10,902)**	**23,641**	**2,442**	**26,083**
Exceptional items	**(5,579)**	**(7,999)**	**(1,216)**	**(9,969)**	**(24,763)**	**4,369**	**(20,394)**
Impairment	**-**	**-**	**-**	**-**	**-**	**(5,314)**	**(5,314)**
Profit/(loss) before interest and taxation	**21,178**	**(14,107)**	**12,678**	**(20,871)**	**(1,122)**	**1,497**	**375**
Finance income	**3,149**	**81**	**1**	**(130)**	**3,101**	**36**	**3,137**
Finance costs	**(14,870)**	**(11,668)**	**(2,127)**	**(34,960)**	**(63,625)**	**(3,013)**	**(66,638)**
Taxation	**(3,445)**	**(501)**	**(3,173)**	**7,590**	**471**	**674**	**1,145**
Profit/(loss) for the year	**6,012**	**(26,195)**	**7,379**	**(48,371)**	**(61,175)**	**(806)**	**(61,981)**

Notes to the financial statements *(continued)*

Note 1. Divisional results *(continued)*

For the year ended 30 June 2020	Azets Europe £'000	Azets UK £'000	Blick Rothenberg £'000	Head Office/ elims £'000	Total Pre-IFRS 16 £'000	Impact of IFRS 16 £'000	Total per income statement £'000
Revenue from external customers	233,116	192,139	77,613	(451)	502,417	-	502,417
Operating profit before associates, exceptional items, depreciation and amortisation	37,355	11,397	18,876	(6,427)	61,201	15,345	76,546
(Loss)/profit after tax from associates	-	(196)	100	-	(96)	-	(96)
EBITDAE	37,355	11,201	18,976	(6,427)	61,105	15,345	76,450
Amortisation of intangibles	(12,087)	(1,673)	(19,850)	(43)	(33,653)	-	(33,653)
Depreciation	(1,498)	(3,063)	(1,294)	(90)	(5,945)	679	(5,266)
Depreciation of right of use asset	-	-	-	-	-	(15,256)	(15,256)
Operating profit/(loss) before exceptional costs	23,770	6,465	(2,168)	(6,560)	21,507	768	22,275
Exceptional items	(1,035)	(8,519)	(374)	(8,657)	(18,585)	1,224	(17,361)
Impairment	-	(36,894)	-	-	(36,894)	(2,219)	(39,113)
Profit/(loss) before interest and taxation	22,735	(38,948)	(2,542)	(15,217)	(33,972)	(227)	(34,199)
Finance income	6,083	74	-	44	6,201	-	6,201
Finance costs	(16,866)	(10,635)	(1,989)	(42,855)	(72,345)	(3,448)	(75,793)
Taxation	(2,556)	2,284	415	3,314	3,457	714	4,171
Profit/(loss) for the year	9,396	(47,225)	(4,116)	(54,714)	(96,659)	(2,961)	(99,620)

Notes to the financial statements *(continued)*

Note 2. Revenue

In the following table, revenue is disaggregated by primary geographical market and major service line. The service lines reported have changed during the year to align with those reported internally.

For the year ended 30 June 2021

	Azets Europe £'000	**Azets UK £'000**	**Blick Rothenberg £'000**	**Head Office / elims £'000**	**Total £'000**
Primary geographical market:					
UK	**-**	**189,240**	**81,826**	**(3,856)**	**267,210**
Europe	**237,093**	**-**	**-**	**-**	**237,093**
Revenue	**237,093**	**189,240**	**81,826**	**(3,856)**	**504,303**
Major service line:					
Advisory and tax	**25,386**	**62,238**	**34,730**	**(1,540)**	**120,814**
Audit, accounting and bookkeeping	**99,595**	**108,347**	**43,142**	**(453)**	**250,631**
Payroll and HR	**76,214**	**11,241**	**3,954**	**(706)**	**90,703**
IT	**35,898**	**-**	**-**	**(1,157)**	**34,741**
Corporate finance	**-**	**7,414**	**-**	**-**	**7,414**
Revenue	**237,093**	**189,240**	**81,826**	**(3,856)**	**504,303**

For the year ended 30 June 2020

	Azets Europe £'000	Azets UK £'000	Blick Rothenberg £'000	Head Office / elims £'000	Total £'000
Primary geographical market:					
UK	-	192,139	77,613	(451)	269,301
Europe	233,116	-	-	-	233,116
Revenue	233,116	192,139	77,613	(451)	502,417
Major service line:					
Advisory and tax	24,726	61,830	31,702	(53)	118,205
Audit, accounting and bookkeeping	95,002	109,086	42,436	(398)	246,126
Payroll and HR	76,205	10,795	3,475	-	90,475
IT	37,183	3,728	-	-	40,911
Corporate finance	-	6,700	-	-	6,700
Revenue	233,116	192,139	77,613	(451)	502,417

Notes to the financial statements *(continued)*

Note 2. Revenue (continued)

The Group's revenue is largely derived from the provision of services over time, however there was revenue recognised of £0.3m (2020: £0.1m) in Blick Rothenberg and £4.1m (2020: £9.0m) in Azets UK that related to engagements carried out on a contingent fee basis and where the revenue was recognised on completion.

Contract assets and liabilities

The following table provides a summary of contract asset and liabilities arising from the Group's contracts with customers:

	2021 £'000	2020 £'000
Trade receivables	79,923	82,435
Unbilled receivables and work-in-progress	28,213	33,712
Deferred income	(3,579)	(3,037)

The contract asset balances include amounts the Group has invoiced to customers (trade receivables) as well as amounts where the Group has the right to receive consideration for work completed which has not been billed at the reporting date (unbilled receivables and work-in-progress). Unbilled receivables and work-in-progress are transferred to trade receivables when the rights become unconditional which usually occurs when the customer is invoiced.

Trade receivables and unbilled receivables and work-in-progress are included within the 'Trade and other receivables' heading in the consolidated balance sheet.

During the year, the Group has continued to focus on credit control and work-in-progress management and has strong cash conversion despite the ongoing Covid 19 pandemic. This has resulted in year end balances for billed and unbilled revenue which are below the prior year and a reduction in receivable days from 64 to 62 days.

Deferred income primarily relates to advance consideration received from customers, for which revenue is recognised over time. The deferred income of £3.0 million as at 30 June 2020 was recognised as revenue in its entirety during the year. Deferred income is included in the 'Trade and other payables' heading in the consolidated balance sheet.

The information required by IFRS 15 paragraph 120 is not disclosed as the contracts with customers are expected to be less than one year in duration.

Notes to the financial statements *(continued)*

Note 3. Operating costs

Operating costs (pre-exceptional items) include:	**2021 £'000**	**2020 £'000**
IT costs	**18,053**	21,451
Legal & professional costs	**9,571**	7,553
Other operating and administration costs	**8,547**	10,817
Other property costs	**14,887**	20,640
Motor and travel	**849**	4,119
	51,907	64,580

Other property costs include rental payments for properties that fall outside of the scope of IFRS 16 along with utilities, rates, service charges and other property costs.

Note 4. Exceptional items

Accounting policy

Exceptional items are items of income and expenditure which are non-recurring and unrelated to the ongoing operating performance of the business. They require separate disclosure by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying performance and to provide consistency with internal management reporting.
Exceptional items include, but are not limited to:

- Acquisition related costs;
- Restructuring costs which are outside of normal business operations;
- Gains and losses on the disposal, or closure, of businesses;
- Gains and losses on the disposal of property, plant and equipment;
- Impairment charges.

Acquisition-related costs may include financing costs; legal and professional fees (including external advisory, legal, valuation and other professional fees); post-acquisition integration costs; internal costs that can be directly attributed to the acquisition (including payments to selling shareholders that are accounted for as remuneration) and changes in the fair value of contingent consideration.

	2021 £'000	2020 £'000
Exceptional income		
Movement in the fair value of contingent consideration	**(392)**	(732)
Total exceptional income	**(392)**	(732)
Exceptional costs		
Transformation costs	**19,094**	7,098
Acquisition costs	**56**	1,323
Restructuring and integration costs	**1,031**	3,855
Other costs	**194**	4,348
Movement in the fair value of contingent consideration	**411**	1,469
Impairment costs	**5,314**	39,113
Total exceptional costs	**26,100**	57,206
Net exceptional costs	**25,708**	56,474

Notes to the financial statements *(continued)*

Note 4. Exceptional items *(continued)*

Transformation costs - £19.1 million (2020: £7.1 million)
As discussed in the Strategic Report, the group-wide transformation initiated last year has continued during the year. Initiatives include, new systems and the increased use of technology, more targeted marketing, property rationalisation and a move to smarter working. Costs of £19.1 million were incurred in the year ended 30 June 2021 (2020: £7.1 million), including severance and other exit costs of £4.6 million; property costs of £2.0 million relating to the costs of exiting properties and associated with holding vacant properties; systems implementation costs of £2.2 million; employee costs of permanent and temporary employees dedicated to the projects of £9.5 million and other costs of £0.8 million. Internal labour costs of £2.5 million (2020: £0.9m) have been charged to exceptional items.

Acquisition costs - £0.1 million (2020: £1.3 million)
Acquisition costs include legal, professional and other transactions costs related to acquisition and potential acquisitions, along with certain costs related to investment in staff in new business areas. The Group completed the acquisition of 1 UK and 3 Nordic based businesses during the year, with 8 UK and 3 Nordic based acquisitions in the prior year.

Restructuring and integration costs - £1.0 million (2020:£3.9 million)
Restructuring and integration costs includes post acquisition integration costs such as dual management costs, rebranding and cessation of pre-acquisition contractual obligations and post-acquisition restructuring such as redundancy, IT and property costs.

Other costs - £0.2 million (2020:£4.3 million)
Other costs for the year ended 30 June 2020 included legal and professional costs of £0.5m related to a restructuring in the Azets UK business and a further £2.4m incurred related to the corporate project that took place the year ended 30 June 2019 and concluded during the year ended 30 June 2020.

In addition, as part of the Group's response to the Covid-19 pandemic, a number of employees were placed on furlough during the year ended 30 June 2020 and a majority of the remaining employees worked a four-day week for a period of three months. During this time, employees continued to accrue leave at their usual rate and £0.9 million of the increase in the holiday pay accrual related to leave accrued when employees were not working and not generating revenue and was presented within exceptional costs in that year.

As discussed in note 16, the Group may receive claims in the ordinary course of business that are covered by Professional Indemnity insurance. To the extent that such claims, or elements of the claims are not covered by insurance, the Directors consider that they are not in the ordinary course of business and therefore warrant separate presentation in order to show a clear and consistent presentation of the Group's underlying trading performance. £0.5m was presented within other exceptional costs in the year ended 30 June 2020 in respect of such claims.

Impairment charges - £5.3 million (2020: £39.1 million)

- *Goodwill allocated to the Azets UK CGU – £nil (2020: £35.1. million).* Following the annual impairment review there was an impairment of £35.1 million charged against the goodwill allocated to the Azets UK CGU in the year ended 30 June 2020.
- *Brands used by the Azets UK CGU - £nil (2020: £1.8 million).* The Phase I strategy of the Group involved a series of targeted acquisitions several which in the UK Regional business, including Baldwins, Wilkins Kennedy, Campbell Dallas and Scott Moncrieff, continued to trade under their existing branding. As part of the Phase II strategy, all of the UK Regional businesses were rebranded as Azets on 7 September 2020. As a consequence of this an impairment charge of £1.8 million was recorded in the year ended 30 June 2020 to write down the brands to a value of £0.1 million which equates to two months of amortisation which was charged in July and August 2020 to match with the period that the brand names were in use.
- *Right of use assets - £5.3 million (2020: £2.2 million).* As discussed in the strategic report, the Phase II strategy includes a move to smarter working. This enables the Group's employees, with the support of technology and systems, to work effectively and efficiently both in offices and remotely. Over the last two year, there has been a review of the property portfolio to ensure that the Group has the right number of offices in the right locations to best support its business and clients. Following this review, c30 properties have been vacated. Once an office has closed, and is not expected to reopen, the associated right of use asset is fully impaired, with a charge of £5.3 million in the year ended 30 June 2021 (2020: £2.2 million).

Notes to the financial statements *(continued)*

Note 5. Employees

Accounting policy

Employee costs consists of salary and wages paid to employees, social security costs and contributions payable by the Group in respect of defined contribution pension schemes.

Average number of employees

	2021 Number	2020 Number
United Kingdom	**3,665**	3,630
Nordics	**2,948**	2,974
Average number of employees	**6,613**	6,604

Employee costs	**2021 £'000**	2020 £'000
Wages and salaries	**328,714**	319,671
Social security contributions	**40,466**	37,199
Contributions to defined contribution pension schemes	**15,964**	9,128
Total employee benefits expense	**385,144**	365,998

During the year, the Group received income of £0.5 million (2020: £3.5 million) from the UK Job Retention Scheme and similar arrangements in the Nordics. All amounts received were repaid during the year.

Notes to the financial statements *(continued)*

Note 6. Finance income and costs

Accounting policy

Finance income and costs are recognised using the effective interest method. Finance costs are recognised in the income statement simultaneously with the recognition of an increase in a liability or the reduction in an asset. Foreign currency movements on intercompany balances are recognised in the profit and loss account within finance income and costs.

	2021 £'000	2020 £'000
Finance income		
Interest income	**969**	1,981
Foreign exchange gains on financing activities	**2,168**	4,220
Total finance income	**3,137**	6,201
Finance costs		
Interest expense on bank loans	**(27,424)**	(27,737)
Interest expense on borrowings with related parties	**(32,665)**	(33,147)
Interest expense on lease liabilities	**(3,025)**	(3,457)
Foreign exchange losses on financing activities	**(3,524)**	(11,452)
Total finance costs	**(66,638)**	(75,793)

Notes to the financial statements *(continued)*

Note 7. Taxation

Accounting policy

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly taken to equity.

Current tax is the tax expected to be payable on taxable income for the year, using tax rates enacted or substantively enacted during the year, together with any adjustment to tax payable in respect of previous years.

	2021 £'000	2020 £'000
Current tax expense		
UK - Corporate tax	**1,274**	438
Overseas - Corporate tax	**3,745**	3,654
Adjustment in respect of previous periods	**2,687**	(1,958)
	7,706	2,134
Deferred tax expense		
Origination & reversal of temporary differences	**(6,945)**	(9,063)
Effect of changes in tax rates	**933**	3,207
Adjustment in respect of previous periods	**(2,839)**	(449)
	(8,851)	(6,305)
Total income tax expense in income statement	**(1,145)**	(4,171)

Reconciliation of effective tax rate

	2021 £'000	2020 £'000
Loss before taxation	**(63,126)**	(103,791)
Nominal tax charge at UK corporation tax rate of 19% (2020: 19%)	**(11,994)**	(19,720)
Expenses not deductible for tax purposes	**5,281**	8,033
Income not taxable for tax purposes	**(542)**	
Effect of overseas tax rates	**66**	254
Tax rate differences	**933**	3,207
Derecognition of deferred tax on losses	**(178)**	85
Adjustment in respect of previous periods	**(152)**	(2,407)
Effect of Group relief	**5,441**	6,377
	(1,145)	(4,171)

The Company's central management and control is undertaken in the UK, consequently the company is considered to be a UK tax resident. As a result of this, the tax disclosures have been prepared on the basis of UK corporation tax rules and rates.

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Notes to the financial statements *(continued)*

Note 7. Taxation *(continued)*

From 17 March 2020, the substantively enacted UK corporation tax rate was 19% as announced by the Government in the Spring Budget 2020. However, in the Finance Bill 2021, the UK Government announced an increase in the UK corporation tax rate to 25% with effect from 1 April 2023. This increased tax rate was substantively enacted on 24 May 2021. Closing deferred tax balances have been calculated using at the rates that are expected to apply in the periods when the underlying temporary differences reverse, being 25% on items unwinding after 1 April 2023, and 19% on items unwinding before this date

Deferred taxation balances are analysed in note 11.

Note 8. Intangible assets

This note provides details of the non-physical assets used by the Group to generate revenues and profits. These assets include items such as goodwill, which represents the excess of the amount paid to acquire a business over the fair value of the identifiable net assets of that business at the acquisition date, and other intangible assets such as brands, customer relationships and computer software, which have predominantly been acquired as part of business combinations. These assets are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

This section also explains the accounting policies applied and the specific judgements and estimates made by the management in arriving at the carrying value of these assets.

Notes to the financial statements *(continued)*

Note 8. Intangible assets *(continued)*

Accounting policy

Intangible assets acquired separately are initially measured at cost. Operating intangible assets are acquired in the ordinary course of business and typically include computer software. Non-operating intangible assets acquired in a business combination such as brands, patents and customer relationships with cost deemed to be their fair value at the date of acquisition. Following initial recognition, they are carried at cost less any accumulated amortisation and accumulated impairment losses.

Goodwill is not amortised. Other intangible assets are amortised over their estimated useful economic lives. Estimated useful economic lives and amortisation rates are as follows:

Brand	-	5 years straight-line
Patents	-	5 years straight-line
Customer relationships	-	10 years straight-line
Computer software	-	3 - 5 years straight-line

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Cash generating unit

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In identifying whether cash inflows from an asset (or a group of assets) are largely independent of the cash inflows from other assets (or groups of assets), management considers various factors including how management monitors the entity's operations (such as by product or service lines businesses geographical areas).

Impairment

The carrying amounts of the Group's intangible assets, right of use assets and property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangibles without a finite life, the recoverable amount is estimated at least annually.

An impairment charge is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount.

Impairment charges recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to that CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In assessing value in use, estimated future cash flows are discounted to present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Notes to the financial statements *(continued)*

Note 8. Intangible assets *(continued)*

	Goodwill	Patents and brand names	Customer relationships	Computer software	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2019	452,336	22,880	257,893	5,763	738,872
Acquired through business combinations	19,035	195	33,563	94	52,887
Additions	-	-	430	1,619	2,049
Exchange and other movements	(13,543)	(861)	(2,796)	(421)	(17,621)
At 30 June 2020	457,828	22,214	289,090	7,055	776,187
Acquired through business combinations	**5,396**	**-**	**7,980**	**-**	**13,376**
Additions	-	-	**105**	**1,889**	**1,994**
Disposals and retirements	-	**(3,632)**	**-**	**-**	**(3,632)**
Exchange and other movements	**(7,868)**	797	**(2,933)**	**(266)**	**(10,270)**
At 30 June 2021	**455,356**	**19,379**	**294,242**	**8,678**	**777,655**
Amortisation and impairment					
At 1 July 2019	-	10,007	46,747	3,971	60,725
Amortisation charge for the year	-	3,913	28,071	1,669	33,653
Impairment	35,063	1,831	-	-	36,894
Exchange and other movements	-	(638)	(1,759)	(341)	(2,738)
At 30 June 2020	35,063	15,113	73,059	5,299	128,534
Amortisation charge for the year	-	**3,288**	**29,150**	**1,846**	34,284
Disposals and retirements	-	**(3,632)**	**-**	**-**	**(3,632)**
Exchange and other movements	-	**(1,199)**	**1,052**	**(173)**	**(320)**
At 30 June 2021	**35,063**	**13,570**	**103,261**	**6,972**	**158,866**
Net book value					
At 30 June 2020	422,765	7,101	216,031	1,756	647,653
At 30 June 2021	**420,293**	**5,809**	**190,981**	**1,706**	**618,789**

Notes to the financial statements (continued)

Note 8. Intangible assets *(continued)*

Goodwill

As at 30 June 2021, the consolidated balance sheet included goodwill of £420.3 million (2020: £422.8 million). The Group is required to test its goodwill and intangible assets for impairment at least annually, or more frequently if indicators of impairment exist. The review of goodwill for indicators of impairment by management is performed at the operating segment level, being the lowest level of cash generating unit ('CGU') monitored for goodwill purposes. The table below shows the goodwill by CGU, post recognition of any impairment losses.

CGU	2021	2020	Pre-tax discount rate 2021	Pre-tax discount rate 2020
	£'000	£'000	**%**	%
Azets Nordics	**334,212**	338,949	**11.0**	12.0
Azets UK	**60,303**	58,116	**15.5**	17.1
Blick Rothenberg	**25,778**	25,700	**13.2**	13.9
Total	**420,293**	422,765		

The recoverable amount of all CGUs has been based on value in use calculations. These calculations use cash flow projections included in the most recent budget for 2022 and the 5-year plan, which has been approved by the Board and reflects management's expectations of revenue growth and operating costs and margin for the core business in place at 30 June 2021, based on all information available to it. Where long-term growth rates for periods are not covered by the annual budget, management has used assumption relating to the services, industries and countries in which the relevant CGU operates.

For some recently acquired businesses, management expects to achieve growth over the next five years in excess of the long-term growth rates for the applicable country or region. In these circumstances, budgeted cash flows are extended, using specific growth assumptions and considering the specific business risks.

For the purpose of impairment testing, central costs were allocated to the CGUs on a proportion of revenue.

The growth rates to perpetuity beyond the initial budgeted cash flows, applied in the value in use calculations for goodwill allocated to each of the CGUs or groups of CGUs that are significant to the total carrying amount of goodwill were; 2.7% (2020: 2.7%) for the UK CGUs based on the spot and the forecast yields for 30-year UK government bonds. In the Nordics CGU, a blend of appropriate risk-free rates was used between the range of 2.7% and 3.4% (2020: 2.7% and 3.4%) in each of the geographical regions.

The value-in-use has been compared to the carrying value for each CGU and no impairment is required nor has been charged in respect of the Azets Nordics, Azets UK or Blick Rothenberg CGUs.

Notes to the financial statements *(continued)*

Note 8. Intangible assets *(continued)*

Sensitivity to changes in key assumptions

A sensitivity analysis has been performed in respect of the CGUs in order to review the impact of changes in key assumptions.

The value-in-use calculations referred to above showed headroom of £16.8 million in the Azets UK CGU. However, the sensitivity analysis performed indicates that applying a 1% increase in the discount rate would eliminate the headroom and would result in an impairment of £0.7 million; applying a 10% reduction in volume would result in an impairment of £5.9 million and applying zero terminal growth would result in an impairment of £12.5 million. Consideration was also given to a 1% decrease in margin, this did not identify any impairment in the Azets UK GCU.

Applying a 1% increase in the discount rate, a 1% increase in margin, a 10% reduction in volume and zero terminal growth, in each case holding the other assumptions constant would not result in an impairment in the Azets Europe or Blick Rothenberg CGUs.

Intangible assets

During the year, the Azets UK business acquired customer lists from one business (2020: three businesses) at a cost of £0.1 million (2020: £0.4 million).

During the year ended 30 June 2020, the decision was taken to rebrand the UK Regional business with the rebrand being effective from 7 September 2020. A number of the brands that had been recognised as part of the accounting for the original acquisitions ceased to be used on that date and a charge of £1.8 million was recognised in exceptional items in the year ended 30 June 2020 to reflect the revised useful economic life of the acquired brands.

Note 9. Property, plant and equipment

Accounting policy

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment charges. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment sufficient to reduce them to estimated residual value. Estimated useful lives are generally deemed to be no longer than:

Leasehold improvements	10 years and/or over the period for lease straight line
Fixtures and fittings	3 – 8 years straight line
Motor vehicles and equipment	3 – 5 years straight line

Notes to the financial statements *(continued)*

Note 9. Property, plant and equipment *(continued)*

	Motor vehicles & equipment	Leasehold improvements	Fixtures and fittings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2019	16,192	4,675	2,369	23,236
Acquired through business combinations	155	-	105	260
Transfer for IFRS16 adjustment	(721)	-	-	(721)
Additions	5,605	465	1,202	7,272
Disposals	(419)	(321)	(564)	(1,304)
Reclassification	130	321	(451)	-
Exchange and other movements	(339)	-	-	(339)
At 30 June 2020	**20,603**	**5,140**	**2,661**	**28,404**
Acquired through business combinations	10	55	-	65
Additions	2,612	5	733	3,350
Disposals	(1,794)	(118)	(1,636)	(3,548)
Exchange and other movements	(100)	-	-	(100)
At 30 June 2021	**21,331**	**5,082**	**1,758**	**28,171**
Accumulated depreciation				
At 1 July 2019	6,018	919	569	7,506
Depreciation charge for the year	3,945	702	619	5,266
Transfer for IFRS16 adjustment	(197)	-	-	(197)
Disposals	(29)	(2)	(39)	(70)
Exchange and other movements	31	-	-	31
At 30 June 2020	**9,768**	**1,619**	**1,149**	**12,536**
Depreciation charge for the year	3,799	547	717	5,063
Disposals	(1,746)	(118)	(1,636)	(3,500)
Exchange and other movements	(75)	-	-	(75)
At 30 June 2021	**11,746**	**2,048**	**230**	**14,024**
Net book value				
At 30 June 2020	10,835	3,521	1,512	15,868
At 30 June 2021	**9,585**	**3,034**	**1,528**	**14,147**

Notes to the financial statements *(continued)*

Note 10. Investments in associates

Accounting policy
The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments are initially measured at cost. Subsequently, the carrying amounts are adjusted to recognise changes in the Group's share of net assets of the associates since the acquisition dates. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. The income statement reflects the Group's share of the associate's profit or loss after tax and any non-controlling interests in the subsidiaries of the associate.

The aggregate of the Group's share of profit or loss of associates is shown on the face of the income statement within operating profit. The financial statements of the associates are prepared for the same reporting period as the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments. At each reporting date, the Group determines whether there is objective evidence that the investments are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in the income statement.

This note presents information about the Group's investment in its associates, which are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Group determines whether it has significant influence based on the voting and any other rights it holds as a result of its investment and also any contractual arrangements in place. Normally, if the Group holds over 20% of the voting rights of an entity without having control or joint control of that entity, the investment will be treated as an associate unless it can be clearly demonstrated that this is not the case.

The Group has 100% economic interest in its associates but does not have a controlling interest because it holds more than 20% but less than 50% of the voting rights. The remaining voting rights in both associates are held by a single individual. As a result of its economic interest, the Group equity accounts 100% of revenue, expenditure and net assets of those associates.

The Group's associates provide audit services to customers of the Group. Due to the nature of the relationship with the associates, the Group is considered to be acting as principal and the revenue from audit services is included within consolidated group revenue. Details of associates are listed in note 22.

Summarised financial information that represents the Group's share of the assets, liabilities and profit of associates is as follows:

	2021 £'000	**2020 £'000**
Non-current assets	**5,597**	5,597
Current assets	**16,697**	16,459
Current liabilities	**(16,270)**	(16,467)
Non-current liabilities	**-**	-
Net assets	**6,024**	5,589
Group's carrying amount of the investment	**6,024**	5,589

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Revenue	**54,055**	47,052
Profit/(loss)	**434**	(96)
Total other comprehensive profit/(loss)	**434**	(96)

Notes to the financial statements *(continued)*

Note 11. Deferred tax assets and liabilities

Accounting policy
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled, based on tax rates (tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred taxes are recognised in equity to the extent that they relate to equity transactions.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

	2021 £'000	2020 £'000
Deferred tax asset	**(14,300)**	(5,204)
Deferred tax liability	**43,652**	42,292
Net deferred tax liability	**29,352**	37,088

	2021 £'000	2020 £'000
Balance at start of year	**37,088**	37,766
Adjustment in respect of prior year	**(2,839)**	(449)
On acquisition and disposal of subsidiaries	**1,529**	5,913
Current year – income statement	**(6,012)**	(5,856)
Foreign exchange movements	**(414)**	(286)
At 30 June	**29,352**	37,088

The deferred taxation balance is attributed to the following:	2021 £'000	2020 £'000
Fixed asset temporary differences	**(183)**	194
Intangible assets arising on consolidation	**43,476**	42,097
Losses	**(1,104)**	(218)
Interest restricted under Corporate Interest Restriction rules	**(8,993)**	(2,508)
Leases	**(1,387)**	(714)
Other temporary differences	**(2,457)**	(1,763)
Provision at end of year	**29,352**	37,088

Notes to the financial statements *(continued)*

Note 12. Trade and other receivables

Accounting policy

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss. Allowances are made against trade receivables based on the Group's estimate of expected losses using the simplified method set out in IFRS 9 whereby lifetime expected credit loss is estimated using a provision matrix and is accounted for on initial recognition of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The collective loss allowance is determined based on historical data of payment statistics for similar financial assets adjusted for expected future losses.

Work-in-progress

Work-in-progress ("WIP") is work performed, and not yet billed. The carrying values includes outlays incurred on behalf of clients and an appropriate portion of directly attributable costs and overheads on incomplete assignments. Revenue not billed to clients is included in amounts recoverable on contracts, within trade and other receivables. Payments on account in excess of the relevant amount of revenue are included in excess payments received on account within trade and other payables.

Revenue is generally recognised as contract activity progresses and in determining the amount of revenue to be recognised on incomplete contracts, it is necessary to estimate their stage of completion, the remaining time and cost to be incurred and the amount that will be paid for the services provided. These estimates are made on a contract by contract basis and a different assessment of any these factors would result in a change to the amount of revenue recognised. Revenue related to contingent fee arrangements is typically recognised when the appropriate milestones as set out in the contracts are met.

	2021	2020
	£'000	£'000
Amounts expected to be recovered within one year		
Trade receivables	**85,486**	88,434
Provision for expected credit loss	**(5,563)**	(5,999)
Net trade receivables	**79,923**	82,435
Unbilled receivables and work-in-progress	**28,213**	33,712
Receivables due from associates	**9,468**	8,472
Receivables due from related parties	**12,000**	12,000
Prepayments	**6,267**	6,116
Income tax	**3,900**	3,900
Other receivables	**10,525**	13,438
Lease receivable	**293**	-
Trade and other receivables	**150,589**	160,073

Notes to the financial statements *(continued)*

Note 12. Trade and other receivables *(continued)*

Ageing of receivables (net of allowance for expected credit loss)	**2021 £'000**	2020 £'000
Not past due	**59,213**	51,602
0 - 3 months	**10,934**	17,016
Greater than 3 months	**9,776**	13,817
Total receivables (net of allowance for expected credit loss)	**79,923**	82,435

The movement on the Group's provision allowance for doubtful debts is as follows:

	2021 £'000	2020 £'000
At 1 July	**5,999**	4,567
Acquired through business combinations	**169**	206
Created	**1,317**	3,579
Utilised	**(1,354)**	(1,557)
Reversed/released	**(536)**	(726)
Effect of movement in foreign exchange	**(32)**	(70)
At 30 June	**5,563**	5,999

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Total trade receivables (net of allowances) held by the Group at 30 June 2021 amounted to £79.9 million (2020: £82.4 million).

The average credit period taken on sales of services is 62 days (2020: 64 days).

Allowances for expected credit losses are made against trade and other receivables based on the Group's estimate of expected losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The collective loss allowance is determined based on historical data of payment statistics for similar financial assets adjusted for expected future losses.

Trade receivables disclosed include amounts which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. Refer to note 19 for details on the Group's credit risk management.

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. The other classes within trade and other receivables do not contain impaired assets.

Note 13. Cash	**2021 £'000**	2020 £'000
Cash at bank and in hand	**70,759**	121,265

Cash at bank and in hand generally earns interest at rates based on the daily bank deposit rate. The carrying amount of cash and cash equivalents approximates fair value. There are no restrictions against the use of cash balances.

Notes to the financial statements *(continued)*

Note 14. Borrowings

Accounting policy
Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liabilities in the balance sheet. Interest expense in this context includes initial transaction costs and any interest payable while the liability is outstanding.

	2021	2020
	£'000	£'000
Current loans		
Revolving Credit Facility	**21,056**	20,953
Other loans with intermediate parent entities	**452,289**	422,346
Total current loans	**473,345**	443,299
Non-current loans		
Bank loans	**472,703**	478,648
Total non-current loans	**472,703**	478,648
Secured loans		
- GBP floating rate	**285,266**	288,369
- NOK floating rate	**105,940**	103,279
- EUR floating rate	**50,010**	53,065
- DKK floating rate	**29,946**	31,704
- SEK floating rate	**22,597**	23,184
Total Secured loans	**493,759**	499,601

Current loans – other loans with intermediate parent entities

The Group enters into financing arrangements with intermediate parent entities via inter-company loans, which are deemed as subordinated debt under the Senior Facilities Agreement. These loans made on normal trading terms and are repayable on demand.

Non-current loans – bank loans

The Group has a number of committed facilities with a syndicate of commercial banks. These borrowings are secured by fixed and floating charges over the assets of a number of the Group's subsidiaries.

On 25 November 2016, the Group secured the following banking facilities:

- DKK 183.7 million term loan;
- EUR 47.5 million term loan;
- NOK 913.2 million term loan;
- SEK 167.2 million term loan;
- £82 million term loan;
- NOK 800 million acquisition facility; and
- NOK 250 million revolving credit facility.

Notes to the financial statements *(continued)*

Note 14. Borrowings *(continued)*

The term loans mature on 30 November 2023 and the acquisition and revolving credit facility mature on 30 November 2022. On 11 October 2021, the Group agreed a variation to its Senior Facilities Agreement whereby the termination date for the original acquisition facility was extended by 12 months to November 2023 to bring this facility in line with termination dates for the other Group facilities.

Interest is payable on the term loan and acquisition facility based on LIBOR plus a margin of 4.5% and LIBOR plus a margin of 4.5% on the revolving credit facility.

On 22 November 2017, the Group secured additional acquisition financing from its existing banking arrangements, extending the committed facilities by a further NOK 1.4 billion. On 20 June 2019, the Group further extended the acquisition financing from its existing banking arrangements, by NOK 500 million. These additional facilities mature on 30 November 2023. They are secured by fixed and floating charges over a number of the Group's subsidiaries, and bear interest rate at a 4.50% margin above LIBOR.

On 8 January 2021, the Group secured additional financing of NOK 315 million from its existing banking arrangements to support the planned acquisition programme. This additional facility matures on 30 November 2023. It is secured by fixed and floating charges over a number of the Group's subsidiaries and bears interest rate at a 4.50% margin above LIBOR.

On 11 October 2021, at the same time as extending the term of the acquisition facility as noted above, the necessary changes were made to the Finance Documents to reflect the discontinuation of LIBOR and the respective rate switch provision as the basis of the interest on the borrowings to reference SONIA.

As at 30 June 2021, there were unamortised capitalised finance costs of £6.6 million (2020: £4.3 million). These loan arrangement costs are being written off over the period of the debt.

As at 30 June 2021, the Group had committed banking facilities of £526.9 million of which £21.1 million was the Revolving Credit Facility and £505.8 million term loans and acquisition facilities. The undrawn and available facilities at 30 June 2021 was £26.5 million.

The Revolving Credit Facility is available for general corporate purposes. The acquisition facility is available to fund future acquisitions and deferred consideration payments in respect of previous acquisitions.

The Group is subject to quarterly financial covenant tests, and these include leverage ratio and interest cover ratio. All covenants attached to borrowings were complied with in the current and prior year and the Group expects to pass all covenant hurdles in the future.

Notes to the financial statements *(continued)*

Note 15. Trade and other payables

Current trade and other payables	**2021**	2020
	£'000	£'000
Trade payables	**17,599**	18,343
Accrued interest	**5,436**	5,486
Other taxes and social security payables	**34,039**	55,471
Employee benefit payables	**33,095**	36,707
Deferred income	**3,579**	3,037
Amounts due to associates	**2,048**	3,787
Other payables and accruals	**13,328**	10,310
Deferred consideration	**9,792**	21,202
Total trade and other payables	**118,916**	154,343

Non-current trade and other payables	**2021**	2020
	£'000	£'000
Non-current liabilities		
Other payables	**548**	556
Deferred consideration	**2,870**	9,875
Total other non-current liabilities	**3,418**	10,431

Other payables primarily relate to professional fees.

Due to the short-term nature of the financial liabilities included in this note they are held at undiscounted cost and are repayable on demand. The Directors consider that the carrying amount of trade payables approximates to their fair value.

Non-current other payables relate to certain amounts due to former owners of acquired businesses.

Note 16. Provisions

This note provides details of the provisions recognised by the Group, where a liability exists of uncertain timing or amount. The main estimates in this area relate to contingent consideration, dilapidation charges and claims.

This section also explains the accounting policies applied and the specific judgements and estimates made by the Directors in arriving at the value of these liabilities.

Accounting policy

Provisions are recognised when a present obligation (legal or constructive) as a result of past events exists, and it is probable that a settlement of that obligation will be paid, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle that obligation, at the balance sheet date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Notes to the financial statements *(continued)*

Note 16. Provisions *(continued)*

	Contingent consideration £'000	Dilapidation £'000	Claims £'000	Others £'000	Total £'000
At 1 July 2019	1,814	6,793	-	1,033	9,640
Acquisition of subsidiary	1,967	347	-	-	2,314
Change in estimate of fair value	(497)	-	-	-	(497)
Created	-	-	7,560	-	7,560
Utilised	(793)	-	-	-	(793)
Exchange and other movements	28	-	-	-	28
At 30 June 2020	2,519	7,140	7,560	1,033	18,252
Acquisition of subsidiary	**1,685**	**192**	-	-	**1,877**
Change in estimate of fair value	**(392)**	-	-	-	**(392)**
Created	-	**76**	**1,524**	-	**1,600**
Utilised	**(1,704)**	**(290)**	**(334)**	-	**(2,328)**
Released	-	-	**(1,327)**	-	**(1,327)**
Transfer to current payables	-	-	**(500)**	-	**(500)**
Exchange and other movements	**(61)**	-	-	-	**(61)**
At 30 June 2021	**2,047**	**7,118**	**6,923**	**1,033**	**17,121**
2021					
Current	**362**	**359**	**6,923**	**1,033**	**8,677**
Non-current	**1,685**	**6,759**	-	-	**8,444**
	2,047	**7,118**	**6,923**	**1,033**	**17,121**
2020					
Current	2,053	93	7,560	1,033	10,739
Non-current	466	7,047	-	-	7,513
	2,519	7,140	7,560	1,033	18,252

Contingent consideration
Certain acquisitions include payments of contingent consideration to the previous owners of the businesses linked to post-acquisition financial performance. Provision is made based on the expected future payments based on expectations of post-acquisition performance. The payments will be made over the period to February 2023 based on the acquisition agreements.

During the year £0.4 million of the provision was released representing the change in estimate of contingent consideration payable. This predominantly related to the acquisition of Azets Document Solutions Limited in a prior year.

Refer to note 24 for more details on contingent consideration with respect to uncertainties about the amount or timing and the major assumptions made concerning future events.

Dilapidations
Relates to the dilapidation provision on various operating property leases acquired as part of the acquisition of the Azets UK businesses and also from acquisitions within Blick Rothenberg. The expected timing of the majority of the resulting outflow of economic benefit is not expected within the next 5 years and dependent on the timing of lease agreement termination.

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Notes to the financial statements *(continued)*

Note 16. Provisions *(continued)*

Claims
From time to time, the Group will provide business advisory services on a number of matters which exposes the Group to risks of future investigation and potential claims. Provisions have been recognised for certain known or reasonably likely legal claims or actions against the Group, these are expected to settle within the next 12 months. The Directors do not expect known and reasonably likely legal claims or actions for which a provision has not been established to have a material impact on the Group's financial position, results of operations or cash flows.

In nearly all cases, the known claims are covered by the Group's professional indemnity insurance. Once the insurer has accepted liability and panel solicitors have been appointed, an insurance receivable is recognised and reported within other receivables on the balance sheet. In the rare cases where a legal claim or action is made which is not covered by the groups PI insurance, then an appropriate provision will be made in the event that the directors believe that it is probable that a settlement of that obligation will be paid, and a reliable estimate can be made of the amount of the obligation.

Others
These provisions relate to PAYE and National Insurance payments on amounts paid to senior management employees. This stems from legacy payment arrangements in our UK regional platform that were phased out at the start of FY19, the Group has provided for any likely liability which is expected to settle in the next 12 months.

Note 17. Share Capital

The movement in issued share capital during the year was as follows:

	Number	£
As at 1 July 2019 and 30 June 2020	150,101	1,501
Issued during the year ended 30 June 2021	-	-
As at 30 June 2021	**150,101**	**1,501**

Share based payment

During the year, a number of shares in Azets Topco Limited were awarded to selected senior employees under the Management Investment Plan ("the plan") at a cost of £2.95. Under the terms of this plan, and subject to specific provisions for leavers, the Group does not have any obligation to repurchase the awards for cash or other assets. The intention is that the employees will sell their shares to a third-party purchaser on a future sale of the Group, as such, the employees will have to remain in employment until a future exit event in order to realise any gain on their shares.

The number of shares awarded under the plan was as follows:	Number
Awarded during the year	189,489
Lapsed	(28,422)
Outstanding at 30 June 2021	**161,067**

The fair value of services received in return for shares awarded is measured by reference to the fair value of those shares. The Monte Carlo pricing model was used to value the awards, the inputs (on a weighted average basis where appropriate) into the model were as follows:

	2021
Issue price	£2.95
Expected share price volatility	29%
Expected term	2.5 years

Notes to the financial statements *(continued)*

Note 18. Analysis of net debt

	As at 30 June 2020 £'000	Cash flow £'000	Non-cash items £'000	Exchange adjustments £'000	As at 30 June 2021 £'000
Bank loans	(499,601)	2,677	(1,757)	4,922	**(493,759)**
Loans from Group companies	(422,346)	2,722	(32,665)	-	**(452,289)**
	(921,947)	5,399	(34,422)	4,922	**(946,048)**
Cash at bank	121,265	(49,124)	-	(1,382)	**70,759**
Net debt excluding leases liabilities	(800,682)	(43,725)	(34,422)	3,540	**(875,289)**
Lease liabilities	(67,379)	18,397	(12,471)	1,137	**(60,316)**
Net debt including leases liabilities	(868,061)	(25,328)	(46,893)	4,677	**(935,605)**

Cash and cash equivalents comprise cash and bank balances. The carrying amount of these assets is equal to their fair values. Cash at bank at the end of the year as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance position as shown above. The Group did not maintain any overdrafts during either FY20 or FY21.

Non-cash transactions

Non-cash items relate to interest that accrues on various unsecured loans from intermediate parents of the Group during the year, amortisation of capitalised finance fees and interest accretion, addition and disposal of lease liabilities.

Note 19. Financial instruments

This note shows details of the fair value and carrying value of long-term borrowings, trade and other payables, lease liabilities, trade and other receivables and cash at bank. These items are all classified as "financial instruments" under accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In order to assist users of these financial statements in assessing any risks relating to financial instruments, this note also shows the ageing of these items and analyses their sensitivity to changes in key inputs, such as interest rates and foreign exchange rates. An explanation of the Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risk is set out in the financial risk management section at the end of this note.

Accounting policy

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired, or when the Group has transferred those rights and either has also transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but no longer has control of the asset.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Carrying amounts and fair values of financial assets and liabilities

Most of the Group's financial instruments are carried at fair value in the Consolidated Balance Sheet. For certain other financial instruments, specifically trade and other receivables and payables, the carrying amounts approximate to fair value due to the immediate or short-term nature of these financial instruments. The fair value of the interest-bearing loans is considered to be approximate to the carrying value.

Notes to the financial statements *(continued)*

Note 19. Financial Instruments *(continued)*

	2021 £'000	2020 £'000
Financial Assets		
Cash and bank balances	**70,759**	121,265
Trade and other receivables	**150,589**	160,073
Total Financial assets	**221,348**	281,338
Financial liabilities		
Current		
Trade and other payables	**118,916**	154,343
Contingent consideration	**362**	2,053
Lease liabilities	**16,913**	17,634
Revolving credit facility	**21,056**	20,953
Other loans with intermediate parents	**452,289**	422,346
Non-current		
Trade and other payables	**3,418**	10,431
Contingent consideration	**1,685**	466
Lease liabilities	**43,403**	49,745
Bank loans	**472,703**	478,648
Total financial liabilities	**1,130,745**	1,156,619

The maturity profile of the undiscounted contractual amounts of the Group's bank loans and non-current financial liabilities was as follows:

2021	Due within 1 year £'000	Due between 1 and 5 years £'000	Due after 5 years £'000	Contracted amount £'000	Carrying amount £'000
Bank loans	**43,742**	**510,891**	-	**554,633**	**493,759**
Trade and other payables	-	**3,418**	-	**3,418**	**3,418**
Lease liabilities	-	**39,519**	**12,581**	**52,100**	**43,403**
Contingent consideration	-	**1,685**	-	**1,685**	**1,685**
Total non-current financial liabilities	**43,742**	**555,513**	**12,581**	**611,836**	**542,265**

2020	Due within 1 year £'000	Due between 1 and 5 years £'000	Due after 5 years £'000	Contracted amount £'000	Carrying amount £'000
Bank loans	44,122	534,348	-	578,470	499,601
Trade and other payables	-	10,431	-	10,431	10,431
Lease liabilities	-	45,526	14,588	60,114	49,745
Contingent consideration	-	466	-	466	466
Total non-current financial liabilities	44,122	590,771	14,588	649,481	560,243

Notes to the financial statements *(continued)*

Note 19. Financial instruments *(continued)*

Borrowing facilities
The Group's borrowing facilities and other loans are disclosed in note 14.

b) Fair value hierarchy

Accounting policy

The group determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability. In estimating the fair value of an asset or a liability, the Group considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group classifies these financial instruments using a fair value hierarchy that reflects the relative significance of both objective evidence and subjective judgements on the inputs used in making the fair value measurements.

Trade and other receivables excluding prepayments and accrued income are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The carrying amount of cash and trade and other payables excluding tax and social security approximates fair value.

The fair value of secured loans approximates to their carrying amounts as they reflect the floating rates, and these are level 1. The fair value of unsecured loans disclosed in note 14 approximates to their carrying amounts.

The Group's other financial instruments are all level 3.

Notes to the financial statements *(continued)*

Note 19. Financial instruments *(continued)*

c) Financial risk identification and management

The Group is exposed to the following financial risks from its use of financial instruments:

- Market risk;
- Credit risk; and
- Liquidity risk.

Market Risk

Market risk is the risk of movements in the fair value of future cash flows of a financial instrument or forecast transaction as underlying market prices change. The Group is exposed to changes in interest rates and foreign exchange rates.

(i) Interest rate risk

Interest rate risk arises on floating rate borrowings, as changes in floating interest rates affect the fair value of these financial instruments and cash flows on interest receivable or payable.

The Group exposure to interest rate risk relates primarily to obligations on debt facilities, which are based on a fixed margin and LIBOR. As a condition of the Senior Facilities Agreement, a minimum of 50% of the aggregate principal of the term loans was initially required to be hedged for a minimum of 2 years. Exposure to interest rates after the two-year period is being kept under review by the Board.

At 30 June 2021, 48% (2020: 46%) of the Group's total borrowings are at fixed rates. The Group does not have significant sensitivities to the impact of interest rates on floating rate borrowings. The sensitivity to a reasonable possible change (+/– 0.5%) in the LIBOR rates would equate to a £2.5 million (2020: £2.5 million) post tax profit or loss exposure in relation to the unhedged interest rate exposures over the next 12 months.

(ii) Foreign exchange risk

The Group is exposed to changes in foreign exchange rates as it presents its financial statements in pounds Sterling but the operations in the Nordic region have a functional currency other than Sterling. Changes in foreign currency exchange rates impact the translation into sterling of both the income statement and net assets of these foreign operations.

Where appropriate, the Group finances its operations by borrowing locally in the functional currency of its operations. This reduces net asset values reported in functional currencies other than Sterling, thereby reducing the economic exposure to fluctuations in foreign currency exchange rates on translation.

The Group does not actively hedge the translation impact of foreign exchange rate movements on the income statement (other than via the partial economic hedge arising from the servicing costs on non-sterling borrowings).

At the balance sheet date, the sensitivity to a reasonable possible change (+/– 10%) in the NOK exchange rates would equate to a £0.8 million (2020: £0.9 million) post tax profit or loss exposure in relation to the NOK for the unhedged forecast foreign currency exposures over the next 12 months.

Credit risk

Credit risk is the risk that counterparties to financial instruments do not perform according to the terms of the contract or instrument. The Group's businesses are exposed to counterparty credit risk when dealing with customers and arises principally from the Group's receivables from customers. The Group has low operational credit risk due to the transactions being principally of a high volume and low value. There is no significant concentration of credit risk since the risk is spread over a large number of unrelated counterparties and customers.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The collective loss allowance is determined based on historical data of payment statistics for similar financial assets adjusted for expected future losses.

Notes to the financial statements *(continued)*

Note 19. Financial instruments *(continued)*

The immediate credit exposure of financial instruments is represented by those financial instruments that have a net positive fair value by counterparty at 30 June 2021. The Group considers its maximum exposure to credit risk to be:

	2021	2020
	£'000	£'000
Cash and cash equivalents	**70,759**	121,265
Trade and other receivables	**150,589**	160,073
	221,348	281,338

Group cash balances are held with strong investment-grade banks or financial institutions.

The credit risk on liquid funds is considered to be low, as the Group Board assesses and approves all significant investments with approved counterparties to minimise the risk of loss.

In addition, the Group is exposed to the credit risk in relation to financial guarantees given to external suppliers by the Group. The Group's maximum exposure in this respect is the maximum amount the Group will have to pay if guarantees are called on (see note 21 for details of guarantees).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations associated with its financial liabilities as they fall due. The Group evaluates and continuously monitors the amount of liquid funds needed for business operations and ensures that the Group has sufficient headroom in its committed facilities to meet unforeseen or abnormal requirements. The Group also has access to committed facilities to assist with short-term funding requirements.

Available headroom is monitored via the use of cash flow forecasts prepared by each business, which are reviewed at least quarterly, or more often, as required. Actual results are compared to budget and forecast each period and variances are investigated and explained, with particular focus on working capital.

Details of the Group's borrowing facilities are given note 14.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group is presented in the balance sheet. The statement of changes in equity provides details on the equity structure and note 14 provides details of borrowings and available facilities. Short and medium-term funding requirements are provided by a variety of committed loan facilities with a single syndicate of lenders and a range of maturities. Longer term funding is sourced from the same facilities.

The Group is not subject to any externally imposed capital requirements.

The Group does not have any target gearing ratios and operationally, management focuses on debt optimisation to meet financial covenants. Since 30 September 2017, the Group has been subject to quarterly financial covenant tests which include leverage ratio and interest cover ratio.

Notes to the financial statements *(continued)*

Note 20. Leases

Accounting policy

The Group assesses at contract inception whether a contract is, or contains, a lease. A lease is a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold improvements	10 years
Fixtures and fittings	3 – 8 years
Motor vehicles and equipment	3 – 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. See note 4 for further details.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are presented separately on the face of the balance sheet.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Notes to the financial statements *(continued)*

Note 20. Leases *(continued)*

Group as a lessee

The Group has lease contracts for various items of property, vehicles and equipment used in its operations. Leases of property generally have lease terms between 5 and 15 years, while motor vehicles and equipment generally have lease terms between 3 and 6 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below.

The Group also has certain leases of property with lease terms of 12 months or less and leases of equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Buildings £'000	Motor vehicles & equipment £'000	Total £'000
As at 1 July 2019	66,992	2,278	69,270
Acquired through business acquisition	903	-	903
Additions	10,620	1,660	12,280
Depreciation expense	(14,463)	(793)	(15,256)
Impairment charge	(2,218)	-	(2,218)
Disposals	-	(283)	(283)
Effects of movements in foreign exchange	(830)	5	(825)
As at 30 June 2020	**61,004**	**2,867**	**63,871**
Acquired through business acquisition	2,664	-	2,664
Additions	10,109	148	10,257
Depreciation expense	(14,675)	(822)	(15,497)
Impairment charge	(5,314)	-	(5,314)
Disposals	(3,334)	(141)	(3,475)
Transfer to lease receivables	(1,024)	-	(1,024)
Effects of movements in foreign exchange	(1,127)	(6)	(1,133)
As at 30 June 2021	**48,303**	**2,046**	**50,349**

Set out below are the carrying amounts of lease liabilities (included under borrowings) and the movements during the year:

	2021 £'000	2020 £'000
As at 1 July	**67,379**	67,853
Acquired through business acquisition	**2,664**	865
Additions	**10,257**	12,280
Accretion of interest	**3,025**	3,457
Payments	**(18,397)**	(16,111)
Disposals	**(3,475)**	(153)
Effects of movements in foreign exchange	**(1,137)**	(812)
As at 30 June	**60,316**	67,379
Current liability (note 19)	**16,913**	17,634
Non-current liability (note 19)	**43,403**	49,745

Notes to the financial statements *(continued)*

Note 20. Leases *(Continued)*

The maturity analysis of lease liabilities is disclosed in note 19.

The following amounts are recognised in profit or loss:

	2021 £'000	2020 £'000
Depreciation expense of right-of-use assets	**15,497**	15,256
Interest expense on lease liabilities	**3,025**	3,457
Impairment charge of right-of-use assets	**5,314**	2,218
Loss on disposal	**-**	130
Expense relating to short-term leases (included in other operating costs)	**2,506**	5,495
Expense relating to leases of low-value assets (included in other operating costs)	**273**	164
Total amount recognised in profit or loss	**26,615**	26,720

The Group had total cash outflows for leases (excluding short-term leases and leases of low value) of £18.4 million for the year ended 30 June 2021 (2020: £16.1 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of £10.3 million for the year ended 30 June 2021 (2020: £12.3 million). The future cash outflows relating to leases that have not yet commenced are disclosed in note 21.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see section "Critical accounting estimates and judgements" on page 20).

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	2021		
	Within five years	**More than five years**	**Total**
	£'000	**£'000**	**£'000**
Extension options expected not to be exercised	**11,300**	**-**	**11,300**
Lease payments after termination options expected to be exercised	**5,419**	**158**	**5,577**
	16,719	**158**	**16,877**

	2020		
	Within five years	More than five years	Total
	£'000	£'000	£'000
Extension options expected not to be exercised	12,762	-	12,762
Lease payments after termination options expected to be exercised	3,175	512	3,687
	15,937	512	16,449

Notes to the financial statements *(continued)*

Note 21. Commitments and contingent liabilities

a) Guarantees and related matters

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until it becomes probable that the company will be required to make a payment under the guarantee. As at 30 June 2021, the company provided guarantees of £2.6 million (2020: £7.7 million) in respect of liabilities of third parties in the ordinary course of business. These related to guarantees on building leases and for deferred consideration payments.

b) Commitments

The Group has a lease contract that has not yet commenced as at 30 June 2021 (2020: one). The future lease payments for this non-cancellable lease contract are £0.1 million within one year (2020: £0.01 million), £0.1 million within five years (2020: £0.02 million) and £nil thereafter (2020: £nil).

c) Other matters

From time to time, the Group will provide business advisory services on a number of matters which exposes the Group to risks of future investigation and potential claims.

We have recognised provisions for certain known or reasonably likely legal claims or actions against the Group where it is probable that a settlement of that obligation will be paid, and a reliable estimate can be made of the amount of the obligation. None of the actual or potential legal claims or actions which are known and for which a provision has not been established are currently expected to have a material adverse impact of the Group's financial position, results of operations or cash flows.

Each of the platforms acquired by the Group on formation had previously traded for many years prior and as such, there are potential residual risks from this period. At the date of financial statements and up to the date of signing of these financial statements, no material regulatory investigations had been established but they remain a potential regulatory risk to the Group. The risk management framework established by the Group seeks to mitigate the likelihood of any such incidents occurring post formation of the Group.

Note 22. Group entities

The largest Group in which the results of the Company are consolidated is that headed by Azets Topco Limited, which is incorporated in Jersey.

A number of limited partnerships, which are managed by Hg Pooled Management Limited (held through a nominee company), held a significant interest in the ordinary shares of the ultimate parent company as at 30 June 2021. The Directors believe there is no ultimate controlling party as none of the limited partners in the limited partnerships managed by Hg Pool Management Limited or any other investor in the company's ultimate parent company has an ownership of more than 20% of the issued share capital of the ultimate parent company.

Notes to the financial statements *(continued)*

Note 22. Group entities *(continued)*

Subsidiary undertakings

A list of the Group's subsidiaries as at 30 June 2021 is given below. The entire share capital of subsidiaries is held within the Group except where the Group's ownership percentages are shown. All subsidiaries are consolidated in the Group's financial statements.

Subsidiary undertakings	% effective holding if not 100%
Jersey	
Azets BA Bidco Limited	
Azets BA Holdco Limited	
Azets BR Bidco Limited	
Azets UK Holdco Limited	
Kar Romania Bidco Limited	
United Kingdom	
Cogidocs Holdings Limited	
Azets Document Solutions Limited (formerly CogiDocs Limited)	
BKR International Limited	
Blick Rothenberg Limited	
FXBR Limited (formerly Blick Rothenberg FX Limited)*	
Blick Rothenberg Global Business Services Limited	
BRGBS Limited (formerly Blick Rothenberg Global Business Solutions Limited)*	
BR VAT Reclaim Limited*	
H.F. Nominees Limited*	
H.F. Secretarial Services Limited*	
Kirkman Nominees Limited*	
NBB Associates Limited	
TaxFax Limited	
Drakewest Limited (formerly Westleton Drake Limited)*	
Azets Advantage Limited	
Azets (Alnwick) Limited	
Azets (Ashby) Limited	
Azets (Bicester) Limited	
Azets (Bridgnorth) Limited	
Azets (Cannock) Limited	
Azets (Cardiff) Limited	
Azets (Cheltenham) Limited	
Azets Corporate Finance Limited	
Azets Corporate Services Limited	
Azets (Coventry) Limited	
Azets (Crook) Limited	
Azets (Derby) Limited	
Azets (Dursley) Limited	
Azets (Evesham) Limited	
Azets Financial Management Limited	
Azets (Gloucester) Limited	
Azets (Guisborough) Limited	
Azets (Hetton-le-Hole) Limited	
Azets (Hexham) Limited	
Azets Holdings Limited	
Azets (Jesmond) Limited	
Azets (Leamington) Limited	

Notes to the financial statements *(continued)*

Note 22. Group entities *(continued)*

Subsidiary undertakings	**% effective holding if not 100%**
United Kingdom	
Azets (MCC) Limited	
Baldwins Management Services LLP (in liquidation)	
Azets (North East) Limited	
Azets (North West) Limited	
Azets (Nottingham) Limited	
Azets (Nuneaton) Limited	
Azets (Oswestry) Limited	
Azets (PAYEStaff) Limited	
Azets (Portobello) Limited	
Azets Restructuring & Insolvency Limited	
Azets (Seaton Burn) Limited	
Azets (Shrewsbury) Limited	
Azets (Stourbridge) Limited	
Azets (Tamworth) Limited	
Azets Technology Solutions Limited	
Azets (Telford) Limited	
Azets (TP) Limited	
Azets (Walsall) Limited	
Azets (Welshpool) Limited	
Azets (West Country) Limited	
Azets (Witney) Limited	
Azets (Wolverhampton) Limited	
Azets (Worcester) Limited	
Azets (Yarm) Limited	
Azets (BDM) Limited	
Azets (Wynyard) Limited	
Azets (B&A) Limited	
Azets (CD) Limited	
Azets Debt Solutions Limited	
Azets (CDSW) Limited	
Azets (CHBS) Limited	
Azets (CHG) Limited	
Azets (CJ) Limited	
Azets (CJT&A) Limited	
Azets (FE) Limited	
Azets (Holywell) Limited	
Azets (TAG) Limited	
Azets Property Holding Company Limited	
Azets (M) Limited	
Azets (Barnstaple) Limited	
Azets (Peterborough) Limited	
Azets Payroll and HR Limited	
Azets (RC) Limited	
Azets (RL) Limited	
Azets (TR) Limited	
Titanium Trustees Limited	
Azets Capital Allowances Limited	
Azets Financial Planning Limited	
Azets Probate Services Limited	10%
Roffe Swayne Limited	

Notes to the financial statements *(continued)*

Note 22. Group entities *(continued)*

Subsidiary undertakings	% effective holding if not 100%
Norway	
Azets AS	
Azets Norway Holding AS	
Azets People AS	
Azets People Management AS	
Azets Insight AS	
Azets Document Solutions AS	
Azets Insight VAT AS	
Azets Treasury AS	
Kar Norway Holdco AS	
Legeregnskap AS	
Tannlegeregnskap AS	
Fysioregnskap AS	
Denmark	
Azets Denmark Holdco ApS	
Azets Denmark Holding ApS	
Azets Insight A/S	
Azets Labs A/S	
Azets Employee Public A/S	
Azets ATB ApS	
Azets Insight II A/S	
Azets Wise Management ApS	
Estonia	
Azets Estonia Holding OÜ	
Azets Insights OÜ	
Finland	
Azets Finland Holdings Oy	
Azets Insight OY	
Azets Document Solutions OY	
Isännöitsijätoimisto Jarmo Rantamäki OY	
Sweden	
Azets Sweden Holding AB	
Azets Insight AB	
Azets Document Solutions AB	
IDUR Information AB	
Switzerland	
Westleton Drake GmbH	
Romania	
Azets Document Solutions RO SRL	
Azets Insight SRL	
USA	
Blick Rothenberg Inc	

* liquidator appointed on 29 July 2021.

Notes to the financial statements *(continued)*

Note 22. Group entities *(continued)*

Associates

A list of the Group's associates as at 30 June 2021 is given below. All associates are included in the Group's financial statements using the equity method of accounting.

Name	Country	% effective holding if not 100%
Blick Rothenberg Holdco Limited	United Kingdom	49.0%
Azets Audit Services Limited	United Kingdom	49.0%

The principal activity of these associates is the provision of audit services.

Note 23. Related parties

The Group has a related party relationship with its associates, key management personnel and Hg Pool Management Limited. Key management personnel include the directors of the Company and the directors of its parent and subsidiary undertakings.

Related party transactions entered into by the Company in the course ordinary trading have been contracted on an arm's length basis unless otherwise noted in the table below. Material transactions and year end balances with related parties were as follows:

	Sub note	**2021 £'000**	2020 £'000
Charges from Hg Pooled Management Limited in respect of services provided for the Group	1	**334**	208
Charges to associates in respect of services provided by the Group on normal trading terms	2	**54,055**	47,040
Rental payments	3	**836**	775,
Amounts due to associates	4	**2,048**	3,787
Amounts due from associates	4	**9,468**	8,472
Amounts due to Group companies	5	**452,289**	422,346
Amounts due from Group companies	6	**607**	572
Amounts due from related parties	7	**12,000**	12,000

1. During the year ended 30 June 2021, Hg Pooled Management Limited recharged the Group for recurring management fees and director's fees.
2. During the year ended 30 June 2021, the Group recharged employee and other direct costs related to services provided to its associates during the year.
3. During the year ended 30 June 2021, the Group made rental payments of £0.8m in respect of properties occupied by group companies in which management and shareholders had an ownership interest. There was £0.1 million outstanding in respect of these arrangements at 30 June 2021.
4. As at 30 June 2021, the Group owes £2.0 million (2020: £3.8 million) to Blick Rothenberg Holdco Limited and is owed £9.5 million (2020: £8.5 million) by Azets Audit Services Limited.
5. As at 30 June 2021, the Group owes £452.3 million (2020: £422.3 million) to its immediate parent entity, Azets Group Limited.
6. As at 30 June 2021, the Group was owed £0.6 million (2020: £0.6 million) by its intermediate parent entities.
7. As at 30 June 2021, the Group was owed £12.0 million (2020: £12.0 million) by one of the former directors. This loan is interest free and has no fixed repayment date.

Notes to the financial statements *(continued)*

Note 24. Acquisitions

Accounting policy

Business combinations
On the acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities acquired, reflecting conditions at the date of acquisition. Provisional fair values are finalised within 12 months of the acquisition date. This may involve judgement to determine these values.

Goodwill
Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets and liabilities acquired (including separately identified intangible assets), net of non-controlling interests. Non-controlling interests are measured at the proportionate share of the net identifiable assets acquired.

Contingent considerations
Contingent consideration which represents future anticipated payments to vendors (earnout agreements) are initially recorded at fair value which is the present value of the expected cash outflows of the obligations and are classified as a liability. The obligations are dependent on the future financial performance of the interests acquired (typically over a one to three-year period following the year of acquisition) and assume the operating companies improve profits in line with directors' estimates. Management derives their estimates from internal business plans together with financial due diligence performed in connection with the acquisition.

Subsequent changes in contingent consideration other than those changes relating to the finalisation of provisional fair values is recognised in the income statement.

2021
During the year, the Group acquired one business in the UK and three businesses in the Nordics. Total consideration was £14.2 million, comprising £9.2 million in cash, deferred consideration of £3.3 million and contingent consideration of £1.7 million. 100% of all of these businesses were acquired and they were joined onto the existing businesses in Azets Nordics and Azets UK.

The acquisitions contributed aggregate revenues of £3.7 million and a profit before tax of £1.1 million for the period between the dates of acquisition and 30 June 2021. Aggregate contributions to revenue and adjusted profit before tax, had the acquisitions occurred at the beginning of the period and for pro-forma full year, are not disclosed as appropriate financial information, prepared under IFRS, is not available.

During the year, the Group also acquired the minority interest in Azets Ashby Limited for a total consideration of £0.1 million, settled in cash.

2020

On 30 September 2019, the Group acquired Rees Pollock Limited with a further 7 smaller businesses in the UK and 3 businesses in the Nordics acquired during the year as part of its targeted acquisition strategy. Total consideration was £54.4 million, comprising £30.4 million in cash, deferred consideration of £14.7 million, contingent consideration of £2.0 million, and shares in Azets Topco Limited worth £7.3 million. 100% of all of these businesses were acquired and they were joined onto the existing businesses in Azets Nordics, Azets UK and Blick Rothenberg.

The acquisitions contributed aggregate revenues of £21.9 million and a profit before tax of £6.8 million for the period between the dates of acquisition and 30 June 2020. Aggregate contributions to revenue and adjusted profit before tax, had the acquisitions occurred at the beginning of the period and for pro-forma full year, are not disclosed as appropriate financial information, prepared under IFRS, is not available.

Notes to the financial statements *(continued)*

Note 24. Acquisitions *(continued)*

2021

The provisional fair value of net assets acquired, and cash consideration paid in respect of the acquisition of businesses for the year ended 30 June 2021 are as follows:

	Azets UK £'000	Azets Nordics £'000	Total £'000
Identifiable assets and liabilities			
Intangible assets	5,301	2,679	7,980
Property, plant and equipment	55	10	65
Right of use assets	1,889	775	2,664
Inventory	363	39	402
Trade receivables	1,426	132	1,558
Other debtors and prepayments	445	590	1,035
Cash and cash equivalents	264	1,119	1,383
Trade payables	(100)	(83)	(183)
Other payables	(913)	(495)	(1,408)
Lease liabilities	(1,889)	(775)	(2,664)
Provisions	(192)	-	(192)
Deferred tax liabilities	(1,007)	(522)	(1,529)
Current tax payable	(24)	(250)	(274)
Net identifiable assets and liabilities	5,618	3,219	8,837
Goodwill	2,127	3,269	5,396
Total consideration	7,745	6,488	14,233
Satisfied by			
Cash consideration	4,461	4,803	9,264
Deferred consideration	3,284	-	3,284
Contingent consideration	-	1,685	1,685
	7,745	6,488	14,233
Net cash			
Cash consideration	4,461	4,803	9,264
Cash and cash equivalents acquired	(264)	(1,119)	(1,383)
	4,197	3,684	7,881

Notes to the financial statements *(continued)*

Note 24. Acquisitions *(continued)*

2020

The fair value of net assets acquired, and cash consideration paid in respect of the acquisition of businesses for the year ended 30 June 2020 are as follows:

	Rees Pollock £'000	Azets UK £'000	Azets Nordics £'000	Total £'000
Identifiable assets and liabilities				
Intangible assets	20,131	9,498	4,223	33,852
Property, plant and equipment	-	105	155	260
Right of use assets	334	569	-	903
Inventory	2,097	3,594	-	5,691
Trade receivables	1,947	617	573	3,137
Other debtors and prepayments	200	31	97	328
Cash and cash equivalents	-	430	636	1,066
Trade payables	(35)	(116)	(127)	(278)
Other payables	(797)	(366)	(1,029)	(2,192)
Lease liabilities	(285)	(554)	(26)	(865)
Other non-current liabilities	-	-	(15)	(15)
Provisions	-	(347)	-	(347)
Deferred tax liabilities	(3,422)	(1,615)	(876)	(5,913)
Current tax payable	-	(192)	(108)	(300)
Net identifiable assets and liabilities	20,170	11,654	3,503	35,327
Goodwill	10,430	4,583	4,022	19,035
Total consideration	30,600	16,237	7,525	54,362
Satisfied by				
Cash consideration	15,850	8,201	6,308	30,359
Deferred consideration	8,000	6,708	-	14,708
Contingent consideration	750	-	1,217	1,967
Share consideration	6,000	1,328	-	7,328
	30,600	16,237	7,525	54,362
Net cash				
Cash consideration	15,850	8,201	6,308	30,359
Cash and cash equivalents acquired	-	(430)	(636)	(1,066)
	15,850	7,771	5,672	29,293

Notes to the financial statements *(continued)*

Note 24. Acquisitions *(continued)*

Contingent consideration

Contingent consideration relates to additional payments that will be made if certain targets are met by the acquired businesses in the one-year period following the acquisition. The valuation of contingent consideration is based on management's best estimates of the future financial performance of the investee.

In FY21, the contingent consideration related to acquisitions in Azets Nordics.

The fair value of the liability relates to earn out provisions which are based on achievement of targeted revenue and EBITDA margin. The range of possible liability payments on these acquisitions was nil and £1.7 million on acquisition. The carrying amount at 30 June 2021 was £2.0 million.

In FY20, the contingent consideration related to acquisitions in Azets Nordics and Rees Pollock.

Within Azets Nordics, the fair value of the liability relates to earn out provisions which are based on revenue growth. The range of possible liability payments on these acquisitions was nil and £2.2 million on acquisition and the carrying amount at 30 June 2020 was £1.8 million.

Within Rees Pollock, the fair value of the liability relates to contingent payment based on working capital target thresholds. The range of possible liability payments on these acquisitions was a clawback of £0.8 million and a payment of £0.8 million. The carrying amount at 30 June 2020 was a liability of £0.8 million.

In determining the estimates of the contingent consideration, management have assessed internal business plans together with financial due diligence performed in connection with the acquisitions. At the date of signing the financial statements, management expects to pay the full amount recognised in these financial statements. Subsequent adjustments to the fair value, other than for the amounts paid out, are recorded in the consolidated income statement within exceptional items.

The contingent consideration on balance sheet is not discounted on the grounds of materiality.

Deferred consideration

Deferred consideration will be settled over 1 to 2 years.

£23.2 million (2020: £29.1 million) of deferred and contingent was paid during the year related to acquisitions in prior years.

Goodwill

Goodwill arose in the acquisitions disclosed above because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of revenue growth, future market development and from the value of the assembled workforce of the target acquisitions. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Acquisition related costs

The total acquisition related costs for the year ended 30 June 2021 were £0.1 million (2020: £1.3 million) this relates to the legal and professional costs associated with acquisitions. These costs were recognised in profit and loss and were presented within exceptional items.

Notes to the financial statements *(continued)*

Note 24. Acquisitions *(continued)*

	2021	2020
	£'000	£'000
Azets Nordics	**-**	270
Azets UK	**56**	474
Blick Rothenberg	**-**	188
Head office	**-**	391
Total acquisition related costs	**56**	1,323

Note 25. Post balance sheet events

On 1 August 2021, Mr IE Jarvis resigned as a director of the Company.

On 11 October 2021, the Group agreed a variation to its Senior Facilities Agreement whereby the termination date for the original acquisition facility was extended by 12 months to November 2023 to bring this facility in line with termination dates for the other Group facilities. At the same time, the necessary changes were made to the Finance Documents to reflect the discontinuation of LIBOR and the respective rate switch provision as the basis of the interest on the borrowings to reference SONIA. This change is not expected to have a material impact on the interest charges in future periods.

Unaudited information

Non-statutory measures - EBITDAE

Earnings before interest, taxation, depreciation, amortisation and impairment and exceptional items (commonly referred to as "EBITDAE") is the measure the Group assesses its operational performance. This measure is presented to the Chief Operating Decision maker, the Group Board, as part the Monthly Board meetings. In order to allow a meaningful comparison to the prior year, EBITDAE is also stated before the impact of IFRS 16.

A reconciliation of the Group's statutory loss to EBITDAE is as follows:

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Loss for the year	**(61,981)**	(99,620)
Add back:		
Finance income	**(3,137)**	(6,201)
Finance costs (including exceptional items)	**66,638**	75,793
Taxation	**(1,145)**	(4,171)
Depreciation of property, plant & equipment	**5,063**	5,266
Depreciation of right of use asset	**15,497**	15,256
Amortisation	**34,284**	33,653
Impairments	**5,314**	39,113
EBITDA	**60,533**	59,089
Exceptional items included within EBITDA	**20,394**	17,361
EBITDAE on IFRS 16 basis	**80,927**	76,450
Impact of IFRS 16	**(17,248)**	(15,345)
EBITDAE	**63,679**	61,105