Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.07.2021 - 30.06.2022

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:	21.12.2022

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

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, 26.01.2024

Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad	2, 3	313 502	448 792
Sum kostnader		**313 502**	**448 792**
Driftsresultat		**-313 502**	**-448 792**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap		66 873 718	2 978 216
Renteinntekt fra foretak i samme konsern		208 828 394	215 096 434
Annen renteinntekt			434
Annen finansinntekt		3 817 418	
Sum finansinntekter		**279 519 530**	**218 075 084**
Nedskrivning av finansielle eiendeler		1 121 473	
Rentekostnad til foretak i samme konsern		114 018 953	122 426 258
Annen rentekostnad		113 112 996	103 678 180
Annen finanskostnad		642 690	-4 564 646
Sum finanskostnader		**228 896 112**	**221 539 792**
Netto finans		**50 623 419**	**-3 464 708**
Ordinært resultat før skattekostnad		**50 309 916**	**-3 913 500**
Skattekostnad på ordinært resultat	4	11 318 590	-860 971
Ordinært resultat etter skattekostnad		**38 991 326**	**-3 052 529**
Årsresultat	5	**38 991 326**	**-3 052 529**
Årsresultat etter minoritetsinteresser		**38 991 326**	**-3 052 529**
Totalresultat		**38 991 326**	**-3 052 529**
Overføringer og disponeringer			
Konsernbidrag		52 161 500	2 323 009
Udekket tap			-3 052 529
Avsatt til annen egenkapital		38 991 326	

Resultatregnskap

Beløp i: NOK	Note	2022	2021
Sum overføringer og disponeringer		**91 152 826**	**-729 520**

Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	4		9 237 912
Sum immaterielle eiendeler			**9 237 912**
Finansielle anleggsmidler			
Investering i datterselskap	6	2 227 379 493	2 227 379 387
Investering i annet foretak i samme konsern		8 997 069	8 997 069
Lån til foretak i samme konsern	7	2 473 653 113	2 630 381 339
Sum finansielle anleggsmidler		**4 710 029 676**	**4 866 757 795**
Sum anleggsmidler		**4 710 029 676**	**4 875 995 707**
Omløpsmidler			
Varer			
Fordringer			
Andre kortsiktige fordringer		54 982	
Konsernfordringer	7	813 429 493	594 651 897
Sum fordringer		**813 484 475**	**594 651 897**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.		5 787	4 158
Sum bankinnskudd, kontanter og lignende		**5 787**	**4 158**
Sum omløpsmidler		**813 490 263**	**594 656 056**
SUM EIENDELER		**5 523 519 938**	**5 470 651 762**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	8	10 000 000	10 000 000

Balanse

Beløp i: NOK	Note	2022	2021
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		7 611 856	-31 379 471
Sum opptjent egenkapital		**7 611 856**	**-31 379 471**
Sum egenkapital	5	**1 602 442 258**	**1 563 450 931**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	4	1 219 708	
Sum avsetninger for forpliktelser		**1 219 708**	
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	9, 10	2 110 556 324	1 972 914 910
Gjeld til konsernselskap	7, 10	1 314 550 061	1 458 698 627
Sum annen langsiktig gjeld		**3 425 106 385**	**3 431 613 537**
Sum langsiktig gjeld		**3 426 326 093**	**3 431 613 537**
Kortsiktig gjeld			
Sertifikatlån	7	85 951 896	146 499 169
Leverandørgjeld		119 669	
Betalbar skatt	4	860 970	
Kortsiktig konserngjeld	7	389 609 071	316 377 972
Annen kortsiktig gjeld		18 209 982	12 710 153
Sum kortsiktig gjeld		**494 751 588**	**475 587 294**
Sum gjeld		**3 921 077 681**	**3 907 200 831**
SUM EGENKAPITAL OG GJELD		**5 523 519 938**	**5 470 651 762**

Azets Opco Limited

Annual report and financial statements

For the year ended 30 June 2022

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 2022.

Corporate activity

During the year ended 30 June 2022, the Group continued to acquire new businesses with a focus on high quality accountancy businesses and complimentary business services providers across existing and new geographies, aligned with the Group's strategic plan. The Group completed three acquisitions in the United Kingdom and four 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, outsourcing and compliance services that help our clients at every stage of their life cycle We service a number of client segments from large enterprise 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, helping them unleash their potential and achieve their ambitions.

The SME sector has significant scope for growth and despite the current cost of living crisis and global economic uncertainly, they remain resilient. Larger audit firms are exiting the SME sector and the demand for digital accounting services is necessitating clients 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 organically and through strategic acquisitions to deliver to our clients the business services they want and need, this is key as we aim to be 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 use market leading technology. The Azets client portal – Cozone provides clients access to their data and all services from anywhere on any device including the ability to talk 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 2022 and up to the date of signing this report, Azets now employs more than 7,000 people from 154 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

Revenue for the year of £558.7 million was £54.4 million or 11% higher than last year (2021: £504.3 million). This reflects acquisitions in the year and a full-years impact of acquisitions in the prior year along with organic growth in the each of the three businesses. Excluding the impact of acquisitions, revenue was 7% higher than FY21.

Strategic report *(continued)*

Business Review (continued)

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 66. The Group adopted IFRS 16 'Leases' in FY20, 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 £74.4 million was £10.7 million or 17% higher than last year (2021: £63.7 million). EBITDAE margin of 13.3 % was 70 bps ahead of last year as the benefits of the transformation program continue to be realised and there has been a continued focus on controlling costs (2021: 12.6%).

Pre-tax exceptional items of £15.9 million (2021: £25.7 million) include impairment charges related to, lease assets of £1.2 million and other exceptional costs of £14.7 million. Exceptional costs principally relate to costs associated with the ongoing transformation programme, legal and professional costs associated with the acquisitions in the year and post-acquisition integration and restructuring costs along with legal and professional costs related to the refinancing which completed post year end and a non-recurring corporate project that commenced during the year.

After accounting for IFRS 16 and before impairment and exceptional items, the Group generated an operating profit of £35.9 million (2021: £26.1 million). There were exceptional items of £14.7 million (2021: £20.4 million) and impairment charges of £1.2 million (2021: £5.3 million) resulting in an operating profit for the year of £20.0 million (2021: £0.4 million). There was a net interest charge of £64.6 million (2021: £63.5 million) and a tax credit of £0.6 million (2021: £1.1 million) resulting in a loss after tax for the year of £44.0 million (2021: £62.0 million).

During the year, the Group continued to develop scale and diversification through a number of acquisitions for a total consideration of £64.7 million. These acquisitions were completed with cash and contingent consideration. Further details are contained in note 24.

The consolidated balance sheet on page 13 shows the Group's financial position at the year end. Net current assets (excluding lease liabilities and borrowings) of £67.1 million (2021: £93.5 million) reflect the completion of the unwind during the year of payments deferred as part of Government support during the early part of the pandemic, and the funding of the acquisition in the year mitigated by strong cash and working capital management during the year. The net liabilities of £305.6 million (2021: £264.3 million) are a consequence of the financing structure of the Group.

There was strong operational cash flow in the year with a cash flow from operating activities of £56.7 million (2021: £36.0million) after investing in acquisitions, and paying interest on the back debt, there was a cash outflow for the year of £30.9 million (2021: £49.1 million).

In October 2022, the Group completed a full refinancing of its banking arrangements, with committed facilities now secured until October 2029. 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

This year also saw the launch of our five-year strategy called The Pathway which sets out our ambitious strategy to be a £1bn+ revenue business by 2027 by offering trusted, business critical advice, compliance and outsourcing services to ambitious companies and business owners via our expert people, network of local offices, effective technology and digital insights.

Underpinning our strategy is our purpose – to improve the lives of our colleagues, our clients and our communities in a sustainable way – this is our driving force, and why we get excited to do our jobs. The successful delivery of our five-year strategy is driven through five strategic pillars each with executive group ownership for delivery supported by five-year pillar plans at a business level too.

Ambitious Growth Pillar – we continue to expand our range of services across our geographies and client segments to offer our existing clients the service they need as well as attracting new clients. Our successful M&A growth strategy means we have acquired and integrated new businesses globally increasing our footprint into new sectors too. Azets will continue to target acquisitions of quality, complimentary businesses with an increased focus on smooth, successful integrations into the transformed Azets landscape.

Strategic report (continued)

Future developments (continued)

We are continuing to develop our data capabilities and client insights to identify opportunities to help our clients achieve their ambitions - be that to grow, to exit, to increase profitability or to simply remain confidently compliant. We will continue to actively grow our market share in the SME sector, whilst retaining and growing our presence in Private Client, Public Sector, Large and Enterprise Corporates and International Businesses. We have strength and depth in a number of sectors, and this is our next area of focus, to maximise the opportunity to go to market by sector which will give our people an opportunity to evolve and refine their skills.

Talented Smart People Pillar – Without question our people are central to our success and core to our purpose is our aim to improve the lives of our colleagues. Our goal is to be an attractive company to work for - where our people want to stay, and new people want to join. We will proactively invest in the development of our people through **Azets Reach!** - our new talent and performance development framework that focuses on offering learning and development that will allow our people to progress to the most senior levels within Azets. By increasing our internal expertise, we will continue to attract the best talent in the market. We continue to offer an agile and flexible way of working, enabling our people to have the opportunity to diversify their careers across Azets in a way that is unavailable in other businesses. We are passionate and committed to recognising our internal talent and have a goal to fill 30% of our vacancies through internal promotions.

Personalised Client Service Pillar – we have a very loyal client portfolio driven by our ambitious client feedback process and network of local offices across our communities. We recognise that our clients want to find a local support network and no business of our scale operates through as many local communities as we do. 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 clients.

Operational Excellence Pillar – Our Operational Transformation has touched every area of our business enabling us to work smarter and more effectively, creating capacity to deliver services that our clients want and will enhance our client relationships. We continue to optimise our core systems and processes to create and build a solid, scalable foundation for future growth. These include demand and resource planning tools, expansion of nearshoring to our Romania operation, process optimisation and automation technologies. Data is rapidly becoming one of the world's most valuable commodities and armed with the rich data our investments are generating, our people can identify opportunities to help our clients make the right decisions for their business or on a personal level. Our use of data will increase and become the bedrock of business. Across Azets we will continue to enhance our automation strategy and deployments ensuring we fully embrace and maximise the potential that automation technologies can bring to our business. Process automation, system integration, software robotics and artificial intelligence sit at the heart of accelerated automation projects we have in the pipeline, all designed to create capacity to focus on higher value client work. These technologies provide us with opportunities to further improve predictability and reliably of our service delivery and, more importantly, the ability to scale up / down quickly to meet client demand and smooth peaks in our delivery. They will support us in saving precious time that we can better use to support our clients.

Effective Technology – our future client propositions will remain a combination of personal, face to face advisory support combined with digital proposition to ensure we continue to capitalise on the demand for real time advice aimed at making our clients' businesses better. We will equip our advisors with the skills to deliver compliance services efficiently and proactive business advice, using real-time business intelligence from end-to-end digital solutions. We will deploy specialist technology consulting teams to help our clients successfully transition to digital business processes. Through our scale we will continue to partner with leading industry strategic third party vendors such as Dext & Xero to embed the right end-to-end business solutions for example the regulatory UK requirements of MTD mean our clients will interact with us more regularly, strengthening client relationships and opportunities to grow revenue. The combination of digital business tools, business intelligence, data driven client insight and the ongoing re-development of the Azets CoZone portal will differentiate us in our markets.

Strategic report (continued)

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. In recent months, the costs of utilities (such as electricity and gas) have risen sharply and more generally, inflation has risen, impacting on the costs of goods and services. A more general downturn in economic conditions 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 - 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 43 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 43 for more details). The appropriateness of these bank and debt instruments and the risks related to variable rate debt has recently been reviewed and renewed 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 or in any subsequent period.
- 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 risk 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.
- Acquisition activity brings transaction risk as well as integration risk, leading to a lack of realisation of benefits. Both risks are managed with good due diligence arrangements in place pre-transaction and a new team ensuring that new businesses are integrated smoothly and efficiently.
- Recruitment of staff – As we grow, we continue to have a number of vacancies. The Group continues to use near-shoring arrangements within the group, making use of 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.

Strategic report (continued)

Risk management review (continued)

Sanctions against Russia

As a result of the war in Ukraine, sanctions have been applied to Russian individuals and businesses. The Group immediately disengages from any sanctioned individuals or businesses. There are a small number of clients who have links to Russia from whom it is disengaging, where appropriate. This will have a limited impact on the revenue of the group.

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 2024.

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 2024.

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 2022. Should this scenario arise, there would be no breach in the financial covenants and the Group would continue to be able to pay its liabilities.

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:

DocuSigned by:
Gordon Hurst
A9B4008891334D8...

GM Hurst
Director

16 December 2022

Directors' report

The directors present their annual report and the audited financial statements for the year end 30 June 2022. 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:

EA Crosier (appointed 21 April 2022)
GM Hurst
IE Jarvis (resigned 1 August 2021)
D Marriott
CN Horne (appointed 13 September 2021)
S Sharp

Results and dividends
The Group's result for the year is reflected in the consolidated income statement on page 11. The loss on ordinary activities after taxation amounted to £44.0 million.

The directors do not recommend the payment of a dividend (2021: 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 a forthcoming meeting of the members of the Company.

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

DocuSigned by:
Gordon Hurst
A9B4008891334D8...
GM Hurst
Director

22 Grenville Street
St Helier, Jersey
JE4 8PX

16 December 2022

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 2022 which comprise the 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 2022 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 related 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 15 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 company, 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 7, 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 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 European Union;
- We understood how the group is complying with these 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 honestly and ethical behaviour. We also made enquiries 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 targeted test of transactions and specific engagements including validation through to engagement agreements and other supporting documentation. We made direct enquiry of a sample 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; and
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of documentation, direct enquiry of management and those charged with governance. Further we complete 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.

DocuSigned by:
Ernst & Young LLP
DC8725244F9540F...

Jamie Dixon
for and on behalf of Ernst & Young LLP
Manchester
16 December 2022

Azets Opco Limited
Consolidated income statement

For the year ended 30 June 2022

		Year ended 30 June 2022			Year ended 30 June 2021		
	Note	**Pre-exceptional items £'000**	**Exceptional items (note 4) £'000**	**Total £'000**	Pre-exceptional items £'000	Exceptional items (note 4) £'000	Total £'000
Revenue	1,2	**558,731**	-	**558,731**	504,303	-	504,303
Employee and other direct costs	5	**(411,332)**	**(9,746)**	**(421,078)**	(370,586)	(14,558)	(385,144)
Other operating costs	3	**(57,486)**	**(4,957)**	**(62,443)**	(51,907)	(5,836)	(57,743)
Impairment loss on trade receivables	12	**(451)**	-	**(451)**	(1,317)	-	(1,317)
Depreciation of property, plant & equipment	9	**(6,095)**	-	**(6,095)**	(5,063)	-	(5,063)
Depreciation of right of use assets	20	**(13,123)**	-	**(13,123)**	(15,497)	-	(15,497)
Amortisation	8	**(34,478)**	-	**(34,478)**	(34,284)	-	(34,284)
Impairment charges	4	-	**(1,173)**	**(1,173)**	-	(5,314)	(5,314)
Share of profit/(loss) after tax from associates	10	**117**	-	**117**	434	-	434
Operating profit/(loss)		**35,883**	**(15,876)**	**20,007**	26,083	(25,708)	375
Finance income	6	**1,355**	-	**1,355**	3,137	-	3,137
Finance costs	6	**(65,958)**	-	**(65,958)**	(66,638)	-	(66,638)
Loss before taxation		**(28,720)**	**(15,876)**	**(44,596)**	(37,418)	(25,708)	(63,126)
Taxation credit	7	**(1,938)**	**2,526**	**588**	(2,883)	4,028	1,145
Loss for the year		**(30,658)**	**(13,350)**	**(44,008)**	(40,301)	(21,680)	(61,981)

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 2022

	Year ended 30 June 2022 £'000	Year ended 30 June 2021 £'000
Loss for the year recognised in the income statement	**(44,008)**	(61,981)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Effect of movements in foreign exchange	**(1,407)**	(4,805)
Other comprehensive loss for the year	**(45,415)**	(4,805)
Total comprehensive loss for the year	**(45,415)**	(66,786)

Azets Opco Limited - Registered number FC033952
Consolidated balance sheet

As at 30 June 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	8	**645,616**	618,789
Property, plant & equipment	9	**16,752**	14,147
Right of use assets	20	**42,323**	50,349
Investment in associates	10	**6,149**	6,024
Lease receivables	20	**118**	487
Deferred tax assets	11	-	14,300
Total non-current assets		**710,958**	704,096
Current assets			
Trade and other receivables	12	**175,651**	150,589
Cash and cash equivalents	13	**39,469**	70,759
Total current assets		**215,120**	221,348
Total assets		**926,078**	925,444
Current liabilities			
Trade and other payables	15	**(129,249)**	(118,916)
Lease liabilities	20	**(12,657)**	(16,913)
Provisions	16	**(15,937)**	(8,677)
Borrowings	14	**(482,717)**	(473,345)
Income tax		**(2,835)**	(289)
Total current liabilities		**(643,395)**	(618,140)
Non-current liabilities			
Borrowings	14	**(499,784)**	(472,703)
Lease liabilities	20	**(38,184)**	(43,403)
Other non-current liabilities	15	**(314)**	(3,418)
Provisions	16	**(18,856)**	(8,444)
Deferred tax liabilities	11	**(31,184)**	(43,652)
Total non-current liabilities		**(588,322)**	(571,620)
Total liabilities		**(1,231,717)**	(1,189,760)
Net liabilities		**(305,639)**	(264,316)
Equity			
Issued capital	17	**2**	2
Share premium		**13,598**	13,598
Translation reserve		**(11,293)**	(9,886)
Retained earnings		**(307,946)**	(268,030)
Total equity attributable to equity shareholders		**(305,639)**	(264,316)

Consolidated balance sheet *(continued)*

These financial statements were approved by the board of directors on 16 December 2022 and were signed on its behalf by:

DocuSigned by:

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CN Horne
Group Chief Executive Officer

Azets Opco Limited
Consolidated cash flow statement

For the year ended 30 June 2022

	Notes	Year ended 30 June 2022	Year ended 30 June 2021
		£'000	£'000
Cash flow from operating activities			
Loss before taxation		**(44,596)**	(63,126)
Finance income	6	**(1,355)**	(969)
Finance expense	6	**64,816**	63,114
Share of profit/(loss) after tax of associates	10	**(117)**	(434)
Amortisation	8	**34,478**	34,284
Impairments	4	**1,173**	5,314
Depreciation of property, plant & equipment	9	**6,095**	5,063
Depreciation of right of use assets	20	**13,123**	15,497
Net foreign exchange differences	6	**1,142**	1,356
Equity share-based payments	17	**4,092**	1,096
Loss on disposal of property, plant and equipment		**(52)**	36
Exceptional items (non-cash)		**(104)**	19
		78,695	61,250
(Increase) / decrease in receivables		**(10,525)**	13,053
Increase / (decrease) in payables		**(7,944)**	(26,997)
Cash generated from operations		**60,226**	47,306
Income taxes paid		**(3,557)**	(11,307)
Net cash from operating activities		**56,669**	35,999
Cash flows from investing activities			
Purchase of property, plant and equipment	9	**(6,919)**	(3,350)
Purchase of intangibles	8	**(2,754)**	(1,994)
Purchase of subsidiaries (net of cash acquired)	24	**(39,400)**	(7,881)
Disposal of property, plant and equipment		**598**	12
Acquisition of non-controlling interest		**-**	(100)
Payment of deferred consideration and contingent consideration		**(10,454)**	(23,230)
Interest received		**1,355**	933
Net cash from investing activities		**(57,574)**	(35,610)
Cash flows from financing activities			
Interest paid		**(25,649)**	(25,717)
Increase /(decrease) in long-term loans (including financing fees)	18	**26,623**	(2,677)
Funding of intercompany loan	18	**(13,074)**	(2,722)
Payment of lease liabilities (including interest)	20	**(17,894)**	(18,397)
Net cash from financing activities		**(29,994)**	(49,513)
Net decrease in cash and cash equivalents		**(30,899)**	(49,124)
Cash and cash equivalents at the beginning of the year		**70,759**	121,265
Effect of movements in foreign exchange	18	**(391)**	(1,382)
Cash and cash equivalents at the end of the year	13	**39,469**	70,759

Azets Opco Limited
Consolidated statement of changes in equity

For the year ended 30 June 2022

	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 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 2020	-	-	(4,805)	(61,981)	(66,786)	-	(66,786)
Equity share-based payment (see note 17)	-	-	-	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)
Loss for the year ended 30 June 2022	-	-	-	**(44,008)**	**(44,008)**	-	**(44,008)**
Other comprehensive loss							
Currency translation differences	-	-	**(1,407)**	-	**(1,407)**	-	**(1,407)**
Total other comprehensive loss for the year ended 30 June 2022	-	-	**(1,407)**	**(44,008)**	**(45,415)**	-	**(45,415)**
Equity share-based payment (see note 17)	-	-	-	**4,092**	**4,092**	-	**4,092**
Balance as at 30 June 2022	**2**	**13,598**	**(11,293)**	**(307,946)**	**(305,639)**	-	**(305,639)**

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 2022 were authorised for issue by the board of Directors on 16 December 2022.

The parent of the consolidated Group, Azets Opco Limited, is incorporated and domiciled in Jersey as company number BR019040. 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 2024.

The Group has net liabilities of £305.6 million, recorded a loss after taxation of £44.0 million and a cash outflow of £30.9 million. Funding is provided to the Group through external and intercompany borrowings.

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 December 2022, there was cash of £47 million which is available for operations, in addition there is a committed and available revolving credit facility of £50.0 million and a committed and available acquisition facility of £112.1 million.

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 2022, there were internal borrowings of £461.9 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 2024. 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 2022, there were external borrowings of £520.6 million of which £20.8m was due to mature in November 2022 and the remainder in November 2023.

Subsequent to the balance sheet date, the Group completed a refinancing of its external debt with all external borrowings now maturing on 28 February 2029. The Group is subject to a leverage ratio (Total net debt to Consolidated pro-forma EBITDA) financial covenant related to this external debt which will be assessed quarterly during the year. Under the terms of the banking agreement, the financial covenant becomes progressively more stringent after the first 36 months.

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 covenant 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 covenant 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 2022. This scenario shows that the Group would continue to meet its financial covenant and meet its liabilities as they fall due for the period to 31 March 2024.

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.

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.

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

Critical accounting estimates and judgements (continued)

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 2022 was £31.8 million (2021: £28.2 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. A sensitivity analysis has been performed to illustrate the impact of a change in management's assumptions related to the valuation of unbilled revenue. This indicates that a 5% reduction in the amount billable would result in an additional charge to the income statement of £1.6 million.

Impairment of goodwill

As at 30 June 2022, the carrying value of goodwill was £454.4 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 2022, 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 2022, the carrying value of acquired intangible assets was £187.5 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. Details of potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term are disclosed in note 20.

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).

Valuation of contingent consideration for acquired businesses

A number of the Group's recent acquisitions have consideration payments which are based on earn out provisions. This requires estimates to be made of the future revenue, profit and working capital of acquired businesses. These estimates are reviewed on a regular basis and any variance in the actual performance will result in future payments being higher or lower than the balance sheet provision. Further details of contingent consideration are disclosed in note 24.

Equity related balances - estimating the share price

Certain 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 requires 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 66.

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 2022, 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
Provision of accounting and payroll outsourcing services across the Nordic region (Norway, Sweden, Denmark and Finland).

Azets UK
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 2022

	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	**258,273**	**215,761**	**87,704**	**(2,891)**	**558,847**	**(116)**	**558,731**
Operating profit before associates, exceptional items, depreciation and amortisation	**45,491**	**22,870**	**20,414**	**(14,477)**	**74,298**	**15,164**	**89,462**
Profit after tax from associates	-	17	100	-	117	-	117
EBITDAE	**45,491**	**22,887**	**20,514**	**(14,477)**	**74,415**	**15,164**	**89,579**
Amortisation of intangibles	(12,252)	(15,151)	(6,958)	(117)	(34,478)	-	(34,478)
Depreciation	(1,570)	(4,114)	(941)	(26)	(6,651)	556	(6,095)
Depreciation of right of use asset	-	-	-	-	-	(13,123)	(13,123)
Operating profit/(loss) before exceptional costs	**31,669**	**3,622**	**12,615**	**(14,620)**	**33,286**	**2,597**	**35,883**
Exceptional items	(5,926)	(3,780)	(419)	(6,568)	(16,693)	1,990	(14,703)
Impairment	-	-	-	-	-	(1,173)	(1,173)
Profit/(loss) before interest and taxation	**25,743**	**(158)**	**12,196**	**(21,188)**	**16,593**	**3,414**	**20,007**
Finance income	1,328	-	15	1	1,344	11	1,355
Finance costs	(11,838)	(10,876)	(1,531)	(39,010)	(63,255)	(2,703)	(65,958)
Taxation	(2,869)	1,550	1,445	1,006	1,132	(544)	588
Profit/(loss) for the year	**12,364**	**(9,484)**	**12,125**	**(59,191)**	**(44,186)**	**178**	**(44,008)**

Notes to the financial statements *(continued)*

Note 1. Divisional results *(continued)*

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 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 2022

	Azets Europe £'000	**Azets UK £'000**	**Blick Rothenberg £'000**	**Head Office / elims £'000**	**Total £'000**
Primary geographical market:					
UK	-	**215,645**	**87,704**	**(2,891)**	**300,458**
Europe	**258,273**	-	-	-	**258,273**
Revenue	**258,273**	**215,645**	**87,704**	**(2,891)**	**558,731**
Major service line:					
Advisory and tax	**33,303**	**67,174**	**36,468**	**(737)**	**136,208**
Audit, accounting and bookkeeping	**101,506**	**130,179**	**45,528**	**(248)**	**276,965**
Payroll and HR	**82,038**	**8,866**	**5,326**	**(836)**	**95,394**
IT	**41,426**	-	-	**(1,070)**	**40,356**
Corporate finance	-	**9,426**	**382**	-	**9,808**
Revenue	**258,273**	**215,645**	**87,704**	**(2,891)**	**558,731**

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

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 £0.2m (2021: £0.3m) in Blick Rothenberg and £3.3m (2021: £4.1m) 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:

	2022 £'000	2021 £'000
Trade receivables	95,630	79,923
Unbilled receivables and work-in-progress	31,796	28,213
Deferred income	(4,688)	(3,579)

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. Receivable days, including the full year's impact of acquisitions, at 57 days are in line with last year (2021: 57 days). Year end balances for billed and unbilled revenue have increased compared to the prior year as a result of the acquisitions in the year.

Deferred income primarily relates to advance consideration received from customers, for which revenue is recognised over time. The deferred income of £3.6 million as at 30 June 2021 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:	**2022**	2021
	£'000	£'000
IT costs	**21,309**	18,053
Legal & professional costs	**9,457**	9,571
Other operating and administration costs	**11,447**	8,547
Other property costs	**13,233**	14,887
Motor and travel	**2,040**	849
	57,486	51,907

Other property costs include rental payments for short term leases 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.

	2022	2021
	£'000	£'000
Exceptional income		
Movement in the fair value of contingent consideration	**(104)**	(392)
Total exceptional income	**(104)**	(392)
Exceptional costs		
Transformation costs	**9,867**	19,094
Acquisition costs	**2,094**	56
Restructuring and integration costs	**548**	1,031
Other costs	**2,298**	194
Movement in the fair value of contingent consideration	-	411
Impairment costs	**1,173**	5,314
Total exceptional costs	**15,980**	26,100
Net exceptional costs	**15,876**	25,708

Notes to the financial statements *(continued)*

Note 4. Exceptional items *(continued)*

Transformation costs - £9.9 million (2021: £19.1 million)
As discussed in the Strategic Report, the group-wide transformation has continued during the year, with the UK side of the transformation completing and the focus shifting to the Nordics. Initiatives include, new systems and the increased use of technology, more targeted marketing, property rationalisation and a move to smarter working. Costs of £9.9 million were incurred in the year ended 30 June 2022 (2021: £19.1 million), including severance and other exit costs of £0.3 million; property costs of £1.2 million relating to the costs of exiting properties and associated with holding vacant properties; systems implementation costs of £0.7 million; employee costs of permanent and temporary employees dedicated to the projects of £7.3 million and other costs of £0.4 million. Internal labour costs of £2.8 million (2021: £2.5m) have been charged to exceptional items.

Acquisition costs - £2.1 million (2021: £0.1 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. Acquisition costs also include payments to selling shareholders that are accounted for as remuneration and retention arrangements put in place for certain key individuals post acquisition.

The Group completed the acquisition of 3 UK and 4 Nordic based businesses during the year, with 1 UK and 3 Nordic based acquisitions in the prior year.

Restructuring and integration costs - £0.6 million (2021:£1.0 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 - £2.3 million (2021:£0.2 million)
Other costs of £2.3 million includes legal and professional costs associated with the refinancing of the Group along with professional fees and retention arrangements associated with a non-recurring corporate project that commenced during the year. These costs have been partially offset by a £0.2 million adjustment to a previously provided liability.

Impairment charges - £1.2 million (2021: £5.3 million)
Right of use assets - £1.2 million (2021: £5.3 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 years, 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, over 30 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 £1.2 million in the year ended 30 June 2022 (2021: £5.3 million).

Notes to the financial statements *(continued)*

Note 5. Employees and other direct costs

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

	2022 Number	2021 Number
United Kingdom	**3,753**	3,665
Nordics	**3,059**	2,948
Average number of employees	**6,812**	6,613

Employee costs	2022 £'000	2021 £'000
Wages and salaries	**333,879**	304,264
Social security contributions	**39,429**	40,466
Contributions to defined contribution pension schemes	**17,013**	15,964
Total employee benefits expense	**390,321**	360,694
Total employee benefits expense	**390,321**	360,694
Other direct costs	**30,757**	24,450
Employees and other direct costs	**421,078**	385,144

Other direct costs include subcontractor costs, costs related to agency and other staff not directly employed by the company along with IT costs which are directly attributable to production in the Nordics.

During the year ended 30 June 2022, the Group received £nil (2021: £0.5 million) income from the UK Job Retention Scheme and similar arrangements in the Nordics. All amounts received in FY21 were repaid during the year ended 30 June 2021.

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.

	2022	2021
	£'000	£'000
Finance income		
Interest income	**1,355**	969
Foreign exchange gains on financing activities	-	2,168
Total finance income	**1,355**	3,137
Finance costs		
Interest expense on bank loans	**(29,378)**	(27,424)
Interest expense on borrowings with related parties	**(32,735)**	(32,665)
Interest expense on lease liabilities	**(2,703)**	(3,025)
Foreign exchange losses on financing activities	**(1,142)**	(3,524)
Total finance costs	**(65,958)**	(66,638)

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.

	2022 £'000	2021 £'000
Current tax expense		
UK - Corporate tax	**2,179**	1,274
Overseas - Corporate tax	**3,824**	3,745
Adjustment in respect of previous periods	**(2,900)**	2,687
	3,103	7,706
Deferred tax expense		
Origination & reversal of temporary differences	**(4,058)**	(6,945)
Effect of changes in tax rates	**92**	933
Adjustment in respect of previous periods	**275**	(2,839)
	(3,691)	(8,851)
Total income tax credit in income statement	**(588)**	(1,145)

Reconciliation of effective tax rate	2022 £'000	2021 £'000
Loss before taxation	**(44,596)**	(63,126)
Nominal tax charge at UK corporation tax rate of 19% (2021: 19%)	**(8,473)**	(11,994)
Fixed asset investment credit	**(269)**	-
Expenses not deductible for tax purposes	**1,464**	5,281
Income not taxable for tax purposes	**(70)**	(542)
Effect of overseas tax rates	**306**	66
Tax rate differences	**92**	933
Derecognition of deferred tax on losses	**5,292**	(178)
Adjustment in respect of previous periods	**(2,625)**	(152)
Effect of Group relief	**3,695**	5,441
	(588)	(1,145)

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.

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 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
Acquired through business combinations	**37,232**	**368**	**22,064**	**2,186**	**61,850**
Additions	-	**2,754**	-	-	**2,754**
Disposals and retirements	-	-	**(81)**	-	**(81)**
Exchange and other movements	**(3,137)**	**(130)**	**(273)**	**(4)**	**(3,544)**
At 30 June 2022	**489,451**	**22,371**	**315,952**	**10,860**	**838,634**
Amortisation and impairment					
At 1 July 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
Amortisation charge for the year	-	**4,054**	**30,254**	**170**	**34,478**
Disposals and retirements	-	-	-	-	-
Exchange and other movements	-	**(10)**	**(265)**	**(51)**	**(326)**
At 30 June 2022	**35,063**	**17,614**	**133,250**	**7,091**	**193,018**
Net book value					
At 30 June 2021	420,293	5,809	190,981	1,706	618,789
At 30 June 2022	**454,388**	**4,757**	**182,702**	**3,769**	**645,616**

Notes to the financial statements (continued)

Note 8. Intangible assets *(continued)*

Goodwill
As at 30 June 2022, the consolidated balance sheet included goodwill of £454.4 million (2021: £420.3 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	2022 £'000	2021 £'000	Pre-tax discount rate 2022 %	Pre-tax discount rate 2021 %
Azets Nordics	**355,441**	334,212	**11.6**	11.0
Azets UK	**78,164**	60,303	**15.1**	15.5
Blick Rothenberg	**20,783**	25,778	**12.0**	13.2
Total	**454,388**	420,293		

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 2023 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 2022, 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% (2021: 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% (2021: 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 results of this sensitivity analysis indicate that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

Intangible assets

During the year ended 30 June 2021, the Azets UK business acquired the customer list of one business at a cost of £0.1 million.

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 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**
Acquired through business combinations	**369**	**705**	**107**	**1,181**
Additions	**4,635**	**494**	**1,790**	**6,919**
Disposals	**(4,691)**	**(274)**	**(541)**	**(5,506)**
Exchange and other movements	**1,232**	-	-	**1,232**
At 30 June 2022	**22,876**	**6,007**	**3,114**	**31,997**
Accumulated depreciation				
At 1 July 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**
Depreciation charge for the year	**4,706**	**554**	**835**	**6,095**
Disposals	**(4,532)**	**(252)**	**(540)**	**(5,324)**
Exchange and other movements	**450**	-	-	**450**
At 30 June 2022	**12,370**	**2,350**	**525**	**15,245**
Net book value				
At 30 June 2021	9,585	3,034	1,528	14,147
At 30 June 2022	**10,506**	**3,657**	**2,589**	**16,752**

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:

	2022 **£'000**	**2021** **£'000**
Non-current assets	**5,597**	5,597
Current assets	**18,343**	16,697
Current liabilities	**(17,791)**	(16,270)
Net assets	**6,149**	6,024
Group's carrying amount of the investment	**6,149**	6,024

	Year ended **30 June 2022** **£'000**	Year ended 30 June 2021 £'000
Revenue	**66,988**	54,055
Profit	**117**	434
Total other comprehensive profit	**117**	434

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.

	2022	2021
	£'000	£'000
Deferred tax asset	-	(14,300)
Deferred tax liability	**31,184**	43,652
Net deferred tax liability	**31,184**	29,352

The deferred taxation balance is attributed to the following:	**2022**	2021
	£'000	£'000
Fixed asset temporary differences	**1,086**	(183)
Intangible assets arising on consolidation	**42,348**	43,476
Losses	**(56)**	(1,104)
Interest restricted under Corporate Interest Restriction rules	**(9,550)**	(8,993)
Leases	**(844)**	(1,387)
Other temporary differences	**(1,800)**	(2,457)
Provision at end of year	**31,184**	29,352

Notes to the financial statements *(continued)*

The Group holds the following unrecognised deferred tax assets:	**2022**	2021
	£'000	£'000
Losses	**(235)**	-
Interest restricted under Corporate Interest restriction rules	**(16,526)**	(3,398)
Non-trade financial instruments	**(9)**	-
Fixed asset temporary differences	**(29)**	-
Short term timing differences	**(3,190)**	-
Balance at end of year	**(19,989)**	(3,398)

Movement in deferred tax during the current year

	At 1 July 2021	**Recognised in profit or loss**	**On acquisition of subsidiaries**	**Other balance sheet movement**	**Exchange and other movements**	**At 30 June 2022**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fixed asset temporary differences	**(183)**	**1,239**	**30**	-		**1,086**
Intangible assets arising on consolidation	**43,476**	**(5,617)**	**4,556**	-	**(67)**	**42,348**
Losses	**(1,104)**	**44**	-	**1,003**	**1**	**(56)**
Interest restricted under Corporate Interest Restriction rules	**(8,993)**	**(557)**	-	-	-	**(9,550)**
Leases	**(1,387)**	**543**	-	-	-	**(844)**
Short term timing differences	**(2,457)**	**657**	-	-	-	**(1,800)**
	29,352	**(3,691)**	**4,586**	**1,003**	**(66)**	**31,184**

This amount relates to tax losses contributed within Azets Europe. The balance of £1.0m offsets against the Group's corporation tax liability

Movement in deferred tax during the prior year

	At 1 July 2020	Recognised in profit or loss	On acquisition of subsidiaries	Other balance sheet movement	Foreign exchange movements	At 30 June 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed asset temporary differences	194	(377)	-	-	-	(183)
Intangible assets arising on consolidation	42,097	205	1,529	-	(355)	43,476
Losses	(218)	(827)	-	-	(59)	(1,104)
Interest restricted under Corporate Interest Restriction rules	(2,508)	(6,485)	-	-	-	(8,993)
Leases	(714)	(673)	-	-	-	(1,387)
Short term timing differences	(1,763)	(694)	-	-	-	(2,457)
	37,088	(8,851)	1,529	-	(414)	29,352

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.

	2022	2021
	£'000	£'000
Amounts expected to be recovered within one year		
Trade receivables	**100,702**	85,486
Provision for expected credit loss	**(5,072)**	(5,563)
Net trade receivables	**95,630**	79,923
Unbilled receivables and work-in-progress	**31,796**	28,213
Receivables due from associates	**11,320**	9,468
Receivables due from related parties	**12,000**	12,000
Other receivables and prepayments	**17,815**	16,792
Income tax	**6,974**	3,900
Lease receivable	**116**	293
Trade and other receivables	**175,651**	150,589

Other receivables and prepayments include prepaid rent, IT licences, professional fees and other prepaid costs along with the insurance receivable related to claims under the Group's professional indemnity insurance. See note 16 for further details.

Notes to the financial statements *(continued)*

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

Ageing of receivables	**2022** **£'000**	2021 £'000
Not past due	**71,714**	59,213
0 - 3 months	**14,027**	10,934
Greater than 3 months	**14,961**	15,339
Total receivables	**100,702**	85,486

The movement on the Group's provision allowance for expected credit loss is as follows:

	2022 **£'000**	2021 £'000
At 1 July	**5,563**	5,999
Acquired through business combinations	**392**	169
Created	**451**	1,317
Utilised	**(645)**	(1,354)
Reversed/released	**(636)**	(536)
Effect of movement in foreign exchange	**(53)**	(32)
At 30 June	**5,072**	5,563

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 2022 amounted to £95.6 million (2021: £79.9 million).

The average credit period taken on sales of services, including the full year's impact of acquisitions is 57 days (2021: 57 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	**2022** **£'000**	2021 £'000
Cash at bank and in hand	**39,469**	70,759

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.

	2022	2021
	£'000	£'000
Current loans		
Revolving Credit Facility	**20,799**	21,056
Other loans with intermediate parent entities	**461,918**	452,289
Total current loans	**482,717**	473,345
Non-current loans		
Bank loans	**499,784**	472,703
Total non-current loans	**499,784**	472,703
Secured loans		
- GBP floating rate	**303,069**	285,266
- NOK floating rate	**115,967**	105,940
- EUR floating rate	**50,109**	50,010
- DKK floating rate	**29,998**	29,946
- SEK floating rate	**21,440**	22,597
Total Secured loans	**520,583**	493,759

Current loans – other loans with parent entities

The Group enters into financing arrangements with 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

At 30 June 2022, the Group had a number of committed facilities with a syndicate of commercial banks. These borrowings were 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)*

Interest was 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 and on 20 June 2019, the Group further extended the acquisition financing from its existing banking arrangements, by NOK 500 million.

On 8 January 2021, the Group secured additional financing of NOK 315 million from its existing banking arrangements to support the planned acquisition programme.

All of the additional facilities were secured by fixed and floating charges over a number of the Group's subsidiaries and bore interest rate at a 4.50% margin above LIBOR.

On 11 October 2021, 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 2022, there were unamortised capitalised finance costs of £4.5 million (2021: £6.6 million). These loan arrangement costs were being written off over the period of the debt.

As at 30 June 2022, the Group had committed banking facilities of £505.3 million of which £20.8 million was the Revolving Credit Facility and £484.5 million term loans and acquisition facilities. All of the committed facilities were fully drawn at 30 June 2022.

The Revolving Credit Facility was due to mature in November 2022 and the remaining facilities in November 2023. In order to secure its long-term funding, the Group completed a refinancing of its facilities on 7 October 2022.

The new senior facilities include a £428 million facility B (split into GBP 202,376,165, NOK 1,442,045,128, SEK 275,048,165, DKK 267,392,748 and EUR 60,051,663) ("**Facility B**"), a £112,054,005.40 acquisition facility (the "**Acquisition Facility**") and a £29,170,000 revolving facility (the "**Revolving Facility**").

Facility B was drawn down in full on 28 October 2022 and the existing bank loans were repaid in full on that date. Facility B and the Acquisition facility mature on 28 October 2029, and the Revolving Facility matures on 28 February 2029.

Facility B, the Acquisition Facility and the Revolving Facility bear interest at a rate of 6.5% above SONIA (0.75% floor), NIBOR (0.75% floor), STIBOR (0.25% floor), CIBOR (0.25% floor) or EURIBOR (zero floor), as applicable.

Also on 7 October 2022, the Group secured additional intercompany funding of £135 million.

As at the date of this report, the Group had committed banking facilities of £568.3 million, of which £427.1 million was drawn and £141.2 million was undrawn.

The Revolving Facility is available for general corporate purposes. The Acquisition Facility is available to fund permitted acquisitions and deferred consideration payments.

The Group is subject to a quarterly financial covenant test, which is a leverage ratio test. 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	**2022 £'000**	2021 £'000
Trade payables	**19,091**	17,599
Accrued interest	**7,035**	5,436
Other taxes and social security payables	**32,403**	34,039
Employee benefit payables	**33,266**	33,095
Deferred income	**4,688**	3,579
Amounts due to associates	**214**	2,048
Other payables and accruals	**29,764**	13,328
Deferred consideration	**2,788**	9,792
Total trade and other payables	**129,249**	118,916

Non-current trade and other payables	**2022 £'000**	2021 £'000
Non-current liabilities		
Other payables	**314**	548
Deferred consideration	-	2,870
Total other non-current liabilities	**314**	3,418

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.

Other payables reported with current payables primarily relate to professional fees. 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 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
Acquisition of subsidiary	**20,752**	**822**	**74**	-	**21,648**
Change in estimate of fair value	**(104)**	-	-	-	**(104)**
Created	-	**177**	**1,220**	-	**1,397**
Utilised	**(1,079)**	**(344)**	**(992)**	-	**(2,415)**
Released	-	**(177)**	**(2,678)**	-	**(2,855)**
Exchange and other movements	**1**	-	-	-	**1**
At 30 June 2022	**21,617**	**7,596**	**4,547**	**1,033**	**34,793**
2022					
Current	**9,532**	**825**	**4,547**	**1,033**	**15,937**
Non-current	**12,085**	**6,771**	**-**	**-**	**18,856**
	21,617	**7,596**	**4,547**	**1,033**	**34,793**
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

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 November 2024 based on the acquisition agreements.

During the year, £0.1 million was released representing the change in estimate of contingent consideration payable on one of the acquisitions made by Azets Nordics 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 the property leases within Azets UK and 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.

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.

Notes to the financial statements *(continued)*

Note 16. Provisions *(continued)*

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 2020 and 30 June 2021	150,101	1,501
Issued during the year ended 30 June 2022	-	-
As at 30 June 2022	**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 to the employee of £2.95. Under the terms of this plan, 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 and outstanding under the plan was as follows:

	2022	2021
	Number	Number
Outstanding at 1 July	**161,067**	-
Awarded during the year	**42,934**	189,489
Lapsed	**(11,369)**	(28,422)
Outstanding at 30 June	**192,632**	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 fair value is measured at grant date and spread over the period during which the employees are expected to become unconditionally entitled to the shares, this period being reassessed on an annual basis. The amount recognised as an expense is adjusted for leavers who have lost the rights to their 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:

	2022	2021
Issue price	**£2.95**	£2.95
Expected share price volatility	**27%**	29%
Expected term	**0.9 years**	2.5 years

Notes to the financial statements *(continued)*

Note 18. Analysis of net debt

	As at 30 June 2021 £'000	Cash flow £'000	Non-cash items £'000	Exchange adjustments £'000	As at 30 June 2022 £'000
Bank loans	(493,759)	(26,623)	(2,130)	1,929	**(520,583)**
Loans from Group companies	(452,289)	13,074	(22,703)	-	**(461,918)**
	(946,048)	(13,549)	(24,833)	1,929	**(982,501)**
Cash at bank	70,759	(30,899)	-	(391)	**39,469**
Net debt excluding leases liabilities	(875,289)	(44,448)	(24,833)	1,538	**(943,032)**
Lease liabilities	(60,316)	17,894	(9,409)	990	**(50,841)**
Net debt including leases liabilities	(935,605)	(26,554)	(34,242)	2,528	**(993,873)**

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 FY21 or FY22.

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 amortised cost 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)*

	2022 £'000	2021 £'000
Financial Assets		
Cash and bank balances	**39,469**	70,759
Trade and other receivables	**175,651**	150,589
Total Financial assets	**215,120**	221,348
Financial liabilities		
Current		
Trade and other payables	**129,249**	118,916
Contingent consideration	**9,532**	362
Lease liabilities	**12,657**	16,913
Revolving credit facility	**20,799**	21,056
Other loans with intermediate parents	**461,918**	452,289
Non-current		
Trade and other payables	**314**	3,418
Contingent consideration	**12,085**	1,685
Lease liabilities	**38,184**	43,403
Bank loans	**499,784**	472,703
Total financial liabilities	**1,184,522**	1,130,745

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

	2022				
	Due within 1 year	**Due between 1 and 5 years**	**Due after 5 years**	**Contracted amount**	**Carrying amount**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Bank loans	**49,662**	**515,777**	-	**565,439**	**520,583**
Trade and other payables	-	**314**	-	**314**	**314**
Lease liabilities	-	**33,311**	**10,605**	**43,916**	**38,184**
Contingent consideration	-	**12,085**		**12,085**	**12,085**
Total bank loans and non-current financial liabilities	**49,662**	**561,487**	**10,605**	**621,754**	**571,166**

	2021				
	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Contracted amount	Carrying amount
	£'000	£'000	£'000	£'000	£'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 bank loans and non-current financial liabilities	43,742	555,513	12,581	611,836	542,265

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 SONIA.

At 30 June 2022, 47% (2021: 48%) of the Group's total borrowings were at fixed rates. The Group does not have significant sensitivities to the impact of interest rates on floating rate borrowings as it has taken out hedging instruments to fix the interest rates on the refinanced bank debt for the 12 months to December 2023. However the sensitivity to a reasonable possible change (+/– 1.0%) in the relevant base rates would equate to a £5.1 million (2021: +/– 1.0% £2.5 million) post tax profit or loss exposure 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 £0.9 million (2021: £0.8 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 2022. The Group considers its maximum exposure to credit risk to be:

	2022 £'000	2021 £'000
Cash and cash equivalents	**39,469**	70,759
Trade and other receivables	**175,651**	150,589
	215,120	221,348

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 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)
Exchange and other movements	(1,127)	(6)	(1,133)
As at 30 June 2021	**48,303**	**2,046**	**50,349**
Acquired through business acquisition	2,010	-	2,010
Additions	6,892	449	7,341
Depreciation expense	(12,282)	(841)	(13,123)
Impairment charge	(1,173)	-	(1,173)
Disposals (net of depreciation reversed)	(2,901)	(25)	(2,926)
Transfer to lease receivables	(269)	-	(269)
Exchange and other movements	118	(4)	114
As at 30 June 2022	**40,698**	**1,625**	**42,323**

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

	2022 £'000	2021 £'000
As at 1 July	**60,316**	67,379
Acquired through business acquisition	**2,010**	2,664
Additions	**7,341**	10,257
Accretion of interest	**2,703**	3,025
Payments	**(17,894)**	(18,397)
Disposals (net of depreciation reversed)	**(2,645)**	(3,475)
Exchange and other movements	**(990)**	(1,137)
As at 30 June	**50,841**	60,316
Current liability (note 19)	**12,657**	16,913
Non-current liability (note 19)	**38,184**	43,403

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:

	2022	2021
	£'000	£'000
Depreciation expense of right-of-use assets	**13,123**	15,497
Interest expense on lease liabilities	**2,703**	3,025
Impairment charge of right-of-use assets	**1,173**	5,314
Loss on disposal	**306**	-
Expense relating to short-term leases (included in other operating costs)	**742**	2,506
Expense relating to leases of low-value assets (included in other operating costs)	**644**	273
Total amount recognised in profit or loss	**18,691**	26,615

The Group had total cash outflows for leases (excluding short-term leases and leases of low value) of £17.9 million for the year ended 30 June 2022 (2021: £18.4 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of £7.3 million for the year ended 30 June 2022 (2021: £10.3 million). The impairment charge of right-of-use assets includes two properties that were part-impaired, £0.3m, as the remaining space was sub-let, the recoverable amount of these assets is £1.2m and is its fair value less costs of disposal. See note 4 for additional details on the impairments. 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 21).

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:

		2022	
	Within five years	**More than five years**	**Total**
	£'000	**£'000**	**£'000**
Extension options expected not to be exercised	**14,916**	**-**	**14,916**
Lease payments after termination options expected to be exercised	**3,684**	**318**	**4,002**
	18,600	**318**	**18,918**

		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

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 2022, the company provided guarantees of £9.8 million (2021: £2.6 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 had no lease contracts that had not yet commenced as at 30 June 2022 (2021: one). The future lease payments for this non-cancellable lease contract are £1.5 million within one year (2021: £0.01 million), £5.8 million within five years (2021: £0.1 million) and £nil thereafter (2021: £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 claim or action will be paid, and a reliable estimate can be made of the amount of the related claim or action. None of the actual 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.

Subsequent to the year end, the Group was advised of a circumstance which may lead to a potential future legal claim or action against the Group. This matter is at a very early stage, and it is not possible to reliably estimate any potential outflow as the issue is yet to be quantified. Should a claim or action be received, it is possible that there would be a material adverse impact on the Group's financial position, results of operations or cash flows.

This matter should be covered by the Group's professional indemnity insurance up to the insurance cap. However, as is usual in these circumstances, insurance coverage will not be confirmed until such time as a claim is received. Insurers have been informed and legal advisors engaged in the review of the issue in advance of the possibility of a claim or action.

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 2022. 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 2022 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	
Blick Rothenberg Limited	
FXBR Limited (in liquidation)	
Blick Rothenberg Global Business Services Limited	
BRGBS Limited (in liquidation)	
BR VAT Reclaim Limited (in liquidation)	
H.F. Nominees Limited (in liquidation)	
H.F. Secretarial Services Limited (in liquidation)	
Kirkman Nominees Limited (in liquidation)	
NBB Associates Limited	
TaxFax Limited	
Drakewest Limited (in liquidation)	
Azets (Alnwick) Limited (dissolved 23 August 2022)	
Azets (Ashby) Limited	
Azets (Bicester) Limited	
Azets (Bridgnorth) Limited	
Azets (Cannock) Limited	
Azets (Cardiff) Limited (dissolved 30 August 2022)	
Azets (Cheltenham) Limited	
Azets Corporate Finance Limited	
Azets Corporate Services Limited	
Azets (Coventry) Limited	
Azets (Crook) Limited (dissolved 23 August 2022)	
Azets (Derby) Limited (dissolved 23 August 2022)	
Azets (Dursley) Limited	
Azets (Evesham) Limited (dissolved 23 August 2022)	
Azets (Gloucester) Limited	
Azets (Guisborough) Limited (dissolved 6 September 2022)	
Azets (Hetton-le-Hole) Limited (dissolved 6 September 2022)	
Azets (Hexham) Limited (dissolved 23 August 2022)	
Azets Holdings Limited	
Azets (Jesmond) Limited	
Azets (Leamington) Limited	
Azets (MCC) Limited	
Baldwins Management Services LLP (in liquidation)	
Azets (North East) Limited	

Notes to the financial statements *(continued)*

Note 22. Group entities *(continued)*

Subsidiary undertakings	% effective holding if not 100%
United Kingdom	
Azets (North West) Limited (dissolved 23 August 2022)	
Azets (Nottingham) Limited	
Azets (Oswestry) Limited	
Azets (PAYEStaff) Limited (dissolved 23 August 2022)	
Azets (Portobello) Limited (dissolved 30 August 2022)	
Azets Restructuring & Insolvency Limited (dissolved 2 August 2022)	
Azets (Seaton Burn) Limited (dissolved 23 August 2022)	
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 (dissolved 30 August 2022)	
Azets (West Country) Limited	
Azets (Witney) Limited	
Azets (Wolverhampton) Limited	
Azets (Worcester) Limited (dissolved 23 August 2022)	
Azets (Yarm) Limited	
Azets (BDM) Limited	
Azets (Wynyard) Limited (dissolved 30 August 2022)	
Azets (B&A) Limited	
Azets (CD) Limited	
Azets Debt Solutions Limited	
Azets (CDSW) Limited	
Azets (CHBS) Limited	
Azets (CHG) Limited	
Azets (CJ) Limited	
Azets (Holywell) Limited	
Azets Property Holding Company Limited	
Azets (M) Limited (dissolved 2 August 2022)	
Azets (Barnstaple) Limited	
Azets (Peterborough) Limited	
Azets Payroll and HR Limited	
Azets (RC) Limited (dissolved 30 August 2022)	
Azets (TR) Limited	
Titanium Trustees Limited	
Azets Capital Allowances Limited	
Azets Financial Planning Limited	
Azets Probate Services Limited	10%
Roffe Swayne Limited	
Dont Fret About Debt Limited	
Azets Inspire Ventures & Investments Ltd	
Azets Inspire Professional Services Limited	
Azets G & E Professional Services Limited	
Azets Garbutt & Elliott LLP	
Azets Garbutt & Elliott Audit Limited	
Azets Tait Walker Management Limited	
Azets Wealth Management Limited (formerly Azets Tait Walker Financial Services 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 Treasury AS	
Kar Norway Holdco AS	
Legeregnskap AS	
Karabingruppen AS	
Karabin Valent AS	
Karabin AS	
Karabin Sans AS	
Karabin Impello AS	
Denmark	
Azets Denmark Holdco ApS	
Azets Denmark Holding ApS	
Azets Insight A/S	
Azets Labs A/S	
Azets ATB ApS	
Azets Insight III A/S	
Azets Perspektiv A/S	
Azets Solutions ApS	
Estonia	
Azets Estonia Holding OÜ	
Azets Insights OÜ	
Finland	
Azets Finland Holding Oy	
Azets Insight OY	
Azets Document Solutions OY	
Isännöinti Luotsi Oy	
Astala Isännöinti Oy	
Astala Tekniikka Oy	
Sweden	
Azets Sweden Holding AB	
Azets Insight AB	
Azets Document Solutions AB	
IDUR Information AB	
Azets Software AB	
Azets Solution AB	
Romania	
Azets Document Solutions RO SRL	
Azets Insight SRL	
Azets AS Holding SRL	

Notes to the financial statements *(continued)*

Note 22. Group entities *(continued)*

USA
Blick Rothenberg Inc

Associates
A list of the Group's associates as at 30 June 2022 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	**2022 £'000**	2021 £'000
Charges from Hg Pooled Management Limited in respect of services provided for the Group	1	**146**	334
Charges to associates in respect of services provided by the Group on normal trading terms	2	**66,988**	54,055
Rental payments	3	**590**	836
Amounts due to associates	4	**214**	2,048
Amounts due from associates	4	**11,320**	9,468
Amounts due to Group companies	5	**461,918**	452,289
Amounts due from related parties	6	**12,000**	12,000
Short term employee benefits to key management personnel		**4,409**	3,504

1. During the year ended 30 June 2022, Hg Pooled Management Limited recharged the Group for recurring management fees and director's fees.
2. During the year ended 30 June 2022, 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 2022, the Group made rental payments of £0.6m in respect of properties occupied by group companies in which management and shareholders had an ownership interest. There were no amounts outstanding in respect of these arrangements at 30 June 2022.
4. As at 30 June 2022, the Group owes £0.2 million (2021: £2.0 million) to Blick Rothenberg Holdco Limited and is owed £11.3 million (2021: £9.5 million) by Azets Audit Services Limited.
5. As at 30 June 2022, the Group owes £461.9 million (2021: £452.3 million) to its immediate parent entity, Azets Group Limited.
6. As at 30 June 2022, the Group was owed £12.0 million (2021: £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.

2022
During the year, the Group acquired three business in the UK and four businesses in the Nordics. Total consideration was £64.7 million, comprising £44.0 million in cash, and contingent consideration of £20.7 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 £17.9 million and a profit before tax of £3.7 million for the period between the dates of acquisition and 30 June 2022. 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.

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.

Notes to the financial statements *(continued)*

Note 24. Acquisitions *(continued)*

2022

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 2022 are as follows:

	Azets UK £'000	Azets Nordics £'000	Total £'000
Identifiable assets and liabilities			
Intangible assets	14,852	9,766	24,618
Property, plant and equipment	1,026	155	1,181
Right of use assets	1,829	181	2,010
WIP	2,342	-	2,342
Trade receivables	4,152	2,650	6,802
Other debtors and prepayments	1,295	446	1,741
Cash and cash equivalents	2,947	1,950	4,897
Trade payables	(780)	(470)	(1,250)
Other payables	(2,525)	(3,581)	(6,106)
Borrowings	-	(305)	(305)
Lease liabilities	(1,829)	(181)	(2,010)
Provisions	(896)	-	(896)
Deferred tax liabilities	(3,630)	(956)	(4,586)
Current tax payable	(659)	(267)	(926)
Net identifiable assets and liabilities	18,124	9,388	27,512
Goodwill	18,050	19,182	37,232
Total consideration	36,174	28,570	64,744
Satisfied by			
Cash consideration	18,724	25,268	43,992
Contingent consideration	17,450	3,302	20,752
	36,174	28,570	64,744
Net cash			
Cash consideration	18,724	25,268	43,992
Cash and cash equivalents acquired	(2,947)	(1,950)	(4,897)
Borrowings assumed	-	305	305
	15,777	23,623	39,400

Notes to the financial statements *(continued)*

Note 24. Acquisitions *(continued)*

2021

The 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
WIP	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)*

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 FY22, each of the acquisitions included an element of contingent consideration. Five of the acquisitions have contingent consideration clauses that are capped at a fixed amount. The range of possible liability payments on these acquisitions was nil and £16.0 million on acquisition and the carrying amount at 30 June 2022 was £11.0 million. For the remaining two acquisitions, the level of contingent consideration is uncapped, the provision on acquisition and at 30 June 2022 was based on management's best expectation of what will be achieved but, if post acquisition performance exceeds this expectation, then the contingent consideration ultimately paid will be higher. £9.7 million was provided at 30 June 2022 in respect of these acquisitions.

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.

Deferred consideration

The deferred consideration on the balance sheet at 30 June 2022 will be settled with the next financial year.

£10.5 million (2021: £23.2 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 2022 were £2.1 million (2021: £0.1 million) this relates to the legal and professional costs associated with acquisitions, along with costs of retaining the senior management team post acquisition. These costs were recognised in profit and loss and were presented within exceptional items, with the increase in the year due to the number of acquisitions completed in FY22 compared to FY21.

Notes to the financial statements *(continued)*

Note 24. Acquisitions *(continued)*

	2022	2021
	£'000	£'000
Azets Nordics	**703**	-
Azets UK	**1,391**	56
Blick Rothenberg	-	-
Head office	-	-
Total acquisition related costs	**2,094**	56

Note 25. Post balance sheet events

On 30 September 2022, the group acquired 100% of the share capital of Sandisons Limited. Based in based in Blandford Forum (Dorset), Sandisons is a long-established firm of specialist medical accountants, providing a first- class service to GPs, medical practices and SME businesses across the South of England and South Wales. .On 1 November 2022, the group acquired the trade and assets of Naver Ejendomsadministration, adding on to the Group's existing property management business in Denmark.

Due to the proximity of the acquisitions to the finalisation of these financial statements, management has not completed its assessment of the fair values of the assets and liabilities acquired. However, neither the fair values of the assets and liabilities, including the associated goodwill, nor the forecast contribution to profit before tax are expected to be material relative to the Group's current financial position, results of operations or cash flows.

On 7 October 2022, the group completed a refinancing of its Senior Facilities Agreement, the new facilities include a £428 million term loan, a £113 million acquisition facility and a £29 million revolving credit facility. The term loan was drawn down in full on 28 October 2022 and the existing bank loans were repaid in full on that date. Under the new facilities, the Group will be subject to quarterly financial covenant tests, and these include leverage ratio and interest cover ratio. The Group expects to pass all covenant hurdles in the future. On 2 December 2022, the revolving credit facility was extended by £21 million to give a total facility of £50 million.

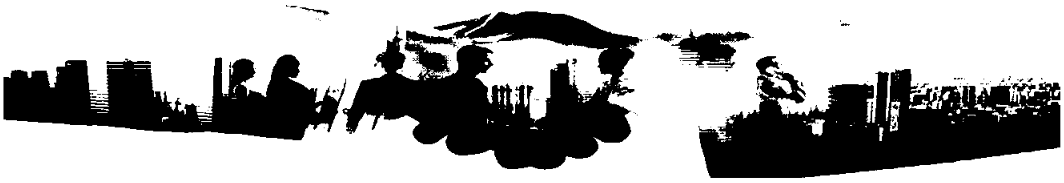
Unaudited information

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 2022 £'000	Year ended 30 June 2021 £'000
Loss for the year	**(44,008)**	(61,981)
Add back:		
Finance income	**(1,355)**	(3,137)
Finance costs (including exceptional items)	**65,958**	66,638
Taxation	**(588)**	(1,145)
Depreciation of property, plant & equipment	**6,095**	5,063
Depreciation of right of use asset	**13,123**	15,497
Amortisation	**34,478**	34,284
Impairments	**1,173**	5,314
EBITDA	**74,876**	60,533
Exceptional items included within EBITDA	**14,703**	20,394
EBITDAE on IFRS 16 basis	**89,579**	80,927
Impact of IFRS 16	**(15,164)**	(17,248)
EBITDAE	**74,415**	63,679



AZETS

ÅRSREGNSKAP 2022
Avvikende regnskapsår 01.07.2021- 30.06.2022
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 01.07.2021 - 30.06.2022

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 38 991 326 som foreslås overført til annen egenkapital.

Oslo, 20.12.2022
Styret i Kar Norway Holdco AS

Christopher Neil Horne styreleder	Vidar Bekken styremedlem

Resultatregnskap
Kar Norway Holdco AS

Driftsinntekter og driftskostnader	Note	01.07.2021-30.06.2022	01.07.2020-30.06.2021
Annen driftskostnad	2, 3	313 502	448 792
Sum driftskostnader		**313 502**	**448 792**
Driftsresultat		**-313 502**	**-448 792**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap		66 873 718	2 978 216
Renteinntekt fra foretak i samme konsern		208 828 394	215 096 434
Annen renteinntekt		0	434
Annen finansinntekt		3 817 418	0
Nedskrivning av finansielle eiendeler		1 121 473	0
Rentekostnad til foretak i samme konsern		114 018 953	122 426 258
Annen rentekostnad		113 112 996	103 678 180
Annen finanskostnad		642 690	-4 564 646
Resultat av finansposter		**50 623 419**	**-3 464 708**
Ordinært resultat før skattekostnad		**50 309 916**	**-3 913 500**
Skattekostnad på ordinært resultat	4	11 318 590	-860 971
Årsresultat	**5**	**38 991 326**	**-3 052 529**
Overføringer			
Avsatt til annen egenkapital		38 991 326	0
Overført til udekket tap		0	3 052 529
Sum overføringer		**38 991 326**	**-3 052 529**
Mottatt konsernbidrag netto etter skatteeffekt		52 161 500	2 323 009

Balanse
Kar Norway Holdco AS

Eiendeler	Note	30.06.2022	30.06.2021
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	4	0	9 237 912
Sum immaterielle eiendeler		**0**	**9 237 912**
Finansielle anleggsmidler			
Investeringer i datterselskap	6	2 227 379 493	2 227 379 387
Investeringer i annet foretak i samme konsern		8 997 069	8 997 069
Lån til foretak i samme konsern	7	2 473 653 113	2 630 381 339
Sum finansielle anleggsmidler		**4 710 029 676**	**4 866 757 795**
Sum anleggsmidler		**4 710 029 676**	**4 875 995 707**
Omløpsmidler			
Fordringer			
Andre kortsiktige fordringer		54 982	0
Konsernfordringer	7	813 429 493	594 651 897
Sum fordringer		**813 484 475**	**594 651 897**
Bankinnskudd, kontanter o.l.		5 787	4 158
Sum likvider		**5 787**	**4 158**
Sum omløpsmidler		**813 490 263**	**594 656 056**
Sum eiendeler		**5 523 519 938**	**5 470 651 762**

Balanse
Kar Norway Holdco AS

Egenkapital og gjeld	Note	30.06.2022	30.06.2021
Egenkapital			
Innskutt egenkapital			
Aksjekapital	8	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		7 611 856	-31 379 471
Sum opptjent egenkapital		**7 611 856**	**-31 379 471**
Sum egenkapital	**5**	**1 602 442 258**	**1 563 450 931**
Gjeld			
Utsatt skatt	4	1 219 708	0
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	9, 10	2 110 556 324	1 972 914 910
Gjeld til konsernselskap	7, 10	1 314 550 061	1 458 698 627
Sum annen langsiktig gjeld		**3 425 106 385**	**3 431 613 537**
Kortsiktig gjeld			
Konsernkontoordningen	7	85 951 896	146 499 169
Leverandørgjeld		119 669	0
Betalbar skatt	4	860 970	0
Konserngjeld	7	389 609 071	316 377 972
Annen kortsiktig gjeld		18 209 982	12 710 153
Sum kortsiktig gjeld		**494 751 588**	**475 587 294**
Sum gjeld		**3 921 077 681**	**3 907 200 831**
Sum egenkapital og gjeld		**5 523 519 938**	**5 470 651 762**

Oslo, 20.12.2022
Styret i Kar Norway Holdco AS

Christopher Neil Horne	Vidar Bekken
styreleder	styremedlem

Indirekte kontantstrøm
Kar Norway Holdco AS

	Note	01.07.21-30.06.2022	01.07.20-30.06.2021
Kontantstrømmer fra operasjonelle aktiviteter			
Resultat før skattekostnad		50 309 916	-3 913 500
- Finansinntekter		-279 519 530	-218 075 084
+ Finanskostnader		228 896 112	221 539 792
Resultat fra ordinær drift		**-313 502**	**-448 792**
Endring i leverandørgjeld		119 669	-46 128
Endring i andre tidsavgrensningsposter		-64 912 545	-57 259 866
Netto kontantstrøm fra operasjonelle aktiviteter		**-64 792 877**	**-57 305 993**
Kontantstrømmer fra investeringsaktiviteter			
+ Innbetalinger fra langsiktige utlån		213 556 250	149 399 588
Netto kontantstrøm fra investeringsaktiviteter		**213 556 250**	**149 399 588**
Kontantstrømmer fra finansieringsaktiviteter			
Innbetalinger ved opptak av ny langsiktig gjeld		122 295 623	52 148 178
Innbetalinger av konsernbidrag		2 978 216	58 469 676
Utbetalinger ved nedbetaling av IC-lån		-210 000 080	-66 102 833
Netto kontantstrøm fra finansieringsaktiviteter		**-84 726 241**	**44 515 021**
+/- Effekt av valutakursendringer		-3 174 728	-2 940 620
Netto endring i kontanter og kontantekvivalenter		**60 548 902**	**133 219 204**
Beh. av kont. og kontantekvivalenter ved per. begynnelse		-146 495 011	-279 714 214
Beh. av kont. og kontantekvivalenter ved per. slutt		**-85 946 109**	**-146 495 010**
Spesifikasjon av kontanter og kontantekvivalenter:			
Bankinnskudd		5 787	4 158
Konsernkontoordningen		-85 951 896	-146 499 169
Sum kontanter og kontantekvivalenter		**-85 946 109**	**-146 495 011**

Kar Norway Holdco AS

NOTER PR. 30.06.2022

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 2022 omfatter perioden 01.07.2021 - 30.06.2022.

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. 30.06.2022

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 - Driftskostnader

	2022	2021
Honorarer	309 321	444 638
Annen kostnad	4 181	4 154
SUM	313 502	448 792

Note 3 - 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 2022 utgjør kr 110 121 eks mva og kr 206 134 for andre attestasjonstjenester.

Kar Norway Holdco AS

NOTER PR. 30.06.2022

Note 4 - Skatt

Årets skattekostnad	**01.07.21-30.06.22**	**01.07.20-30.06.21**
Resultatført skatt på ordinært resultat:		
Betalbar skatt	860 970	0
Endring i utsatt skatt	10 457 620	-860 971
For mye avsatt betalbar skatt i fjorårets regnskap		
Skattekostnad ordinært resultat	**11 318 590**	**-860 971**
Skattepliktig inntekt:		
Ordinært resultat før skatt	50 309 916	-3 913 500
Permanente forskjeller	1 138 217	
Endring i midlertidige forskjeller	3 913 500	3 913 500
Anvendelse av fremførbart underskudd	-51 448 133	
Skattepliktig inntekt	**3 913 500**	**0**
Betalbar skatt i balansen:		
Betalbar skatt på årets resultat	-13 851 248	-655 208
Betalbar skatt på mottatt konsernbidrag	14 712 218	655 208
Sum betalbar skatt i balansen	**860 970**	**0**
Beregning av effektiv skattesats:		
Resultat før skatt	**50 309 916**	**-3 913 500**
Beregnet skatt av resultat før skatt	11 068 182	-860 970
Skatteeffekt av permanente forskjeller	250 408	0
Avsatt for lite skatt tidl. år	0	0
Sum	**11 318 590**	**-860 969**
Effektiv skattesats	22,5 %	22,0 %

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

	30.06.2022	**30.06.2021**	**Endring**
Andre forskjeller			0
Sum	**0**	**0**	**0**
Underskudd til fremføring		-51 448 133	-51 448 133
Avskåret fradrag for rentekostnader, til fremføring			0
Andre forskjeller	5 544 125	9 457 625	3 913 500
Grunnlag for beregning av utsatt skatt	**5 544 125**	**-41 990 508**	**-47 534 633**
Utsatt skatt / skattefordel(-) (22%)	**1 219 708**	**-9 237 912**	**10 457 619**

Skattefordel for underskudd til fremføring har ikke vært balanseført i selskapet tidligere år, og ble først tatt 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 66 873 718

NOTER TIL ÅRSREGNSKAP 2022

Kar Norway Holdco AS

NOTER PR. 30.06.2022

Note 5 - Egenkapital

	Aksje kapital	Overkurs	Annen innskutt egenkapital	Annen egenkapital / udekket tap	SUM
Pr. 30.06.2021	10 000 000	1 584 830 402	0	-31 379 471	1 563 450 931
Årets resultat				38 991 326	38 991 326
Kapital 30.06.2022	**10 000 000**	**1 584 830 402**	**0**	**7 611 856**	**1 602 442 258**

Note 6 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 2 217 554 355 pr 30.06.2022. Årsresultatet for Azets AS i regnskapsåret 01.07.2021 til 30.06.2022 viste et årsresultat på kr 53 015 372, og bokført egenkapital pr 30.06.2022 var kr 2 537 646 836.

I tillegg eier selskapet aksjeposter i Azets Group IP Limited og Azets UK Holdco Limited.
Disse har pr 30.06.2022 en bokført verdi på totalt kr 9 023. Via Azets UK Holdco Limited eier
Kar Norway Holdco AS Blick Rothenberg-konsernet og Baldwins-konsernet.
Aksjer i øvrige konsernselskap er relatert til konsernbidrag.

Note 7 - Konsern, tilknyttede selskaper m.v.

Kar Norway Holdco AS mottok KB fra Azets Norway Holding AS pålydende NOK 66 873 718.

Mellomværende med konsernselskap er som følger:

Fordringer	30.06.2022	30.06.2021
Kundefordringer	0	0
Andre kortsiktige fordringer *	813 429 493	594 651 897
Langsiktige fordringer**	2 473 653 113	2 630 381 339
Mellomværende konsern	**3 287 082 606**	**3 225 033 236**

Gjeld	30.06.2022	30.06.2021
Leverandørgjeld	0	0
Annen kortsiktig gjeld***	389 609 071	316 377 972
Annen langsiktig gjeld ****	1 314 550 061	1 458 698 627
Konsernkontoordningen*****	85 951 896	146 499 169
Mellomværende konsern	**1 790 111 029**	**1 921 575 768**

*Andre kortsiktige fordringer på konsernselskap inneholder påløpte renter på kr 191 500 012 fra Azets Br Bidco Ltd, kr 427 943 749 fra Azets BA Bidco Ltd og kr 116 214 285 fra Azets UK Holdco Ltd.

**Langsiktige fordringer gjelder lån til Azets AS på kr 897 005 422, Azets Br Bidco Ltd kr 303 216 658, Azets BA Bidco Ltd på kr 996 377 436, Azets UK Holdco Ltd på kr 277 053 597.

*** Annen kortsiktig gjeld inneholder påløpte renter på kr 309 260 800 til Azets UK Holdco Ltd og kr 80 348 271 til Azets Group Opco Ltd.

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**** Annen langsiktig gjeld inneholder lån fra Azets UK Holdco Ltd på kr 93 611 725 og lån fra Azets Group Opco Ltd på kr 1 220 938 337

***** 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	**30.06.2022**	**30.06.2021**
Ytt nye lån	0	0
Opptak nye lån	0	0
Renteinntekter på lån*	208 828 394	215 096 434
Rentekostnader på lån**	109 711 769	117 406 287
Renter på konsernkontoordningen	4 307 183	5 019 971

* Renteinntekter på lån gjelder lån til Azets AS på kr 61 513 940, til Azets UK Holdco Ltd på kr 32 608 572, til Azets BA Bidco Ltd på kr 78 719 421 og til Azets BR Bidco Ltd på kr 35 986 462

*Rentekostnader på lån gjelder lån fra Azets Opco Ltd på kr 98 600 984 og fra Azets UK Holdco Ltd på kr 11 110 785.

Etter balansedagen er gjeldsstrukturen i konsernet endret. All ekstern gjeld er erstattet med tilsvarende intern gjeld til Azets Opco Ltd.

Note 8 - 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 9 - 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 10 - 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

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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.

Etter balansedagen er gjeldsstrukturen i konsernet endret. All ekstern gjeld er erstattet med tilsvarende intern gjeld til Azets Opco Ltd.

Oversikt over selskapets eksterne lån:

	30.06.2022	**30.06.2021**
2220 Langsiktig gjeld DNB	913 150 000	913 150 000
2221 Financing fee	-5 544 125	-9 457 625
2223 Langsiktig gjeld DNB	67 911 559	67 911 559
2224 Langsiktig gjeld DNB*	176 314 118	174 230 339
2225 Langsiktig gjeld DNB*	791 002 556	781 654 045
2230 Langsiktig gjeld DNB	45 426 592	45 426 592
2261 SEB Swap agreement	0	0
2226 Langsiktig gjeld DNB	122 295 623	
Sum eksterne lån	2 110 556 324	1 972 914 910

*Gjelden er i GBP

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Statsautoriserte revisorer
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Medlemmer av Den norske Revisorforening

UAVHENGIG REVISORS BERETNING

Til generalforsamlingen i Kar Norway Holdco AS

Konklusjon

Vi har revidert årsregnskapet for Kar Norway Holdco AS som består av balanse per 30. juni 2022, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening oppfyller årsregnskapet gjeldende lovkrav og gir et rettvisende bilde av selskapets finansielle stilling per 30. juni 2022 og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjon

Vi har gjennomført revisjonen i samsvar med International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med kravene i relevante lover og forskrifter i Norge og *International Code of Ethics for Professional Accountants* (inkludert internasjonale uavhengighetsstandarder) utstedt av International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering 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 (ledelsen) er ansvarlig for den øvrige informasjonen. Vår konklusjon 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 om årsberetningen inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav og 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 eller ikke inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav, er vi pålagt å rapportere det.

Vi har ingenting å rapportere i så henseende, og vi mener at årsberetningen er konsistent med årsregnskapet og inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og 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 virksomheten, eller ikke har noe annet realistisk alternativ.

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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 ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan skyldes misligheter eller feil og er å anse som vesentlig 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 ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og vurderer 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.
- evaluerer 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 eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke kan fortsette driften.
- evaluerer 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 og tidspunktet for revisjonsarbeidet og eventuelle vesentlige funn i revisjonen, herunder vesentlige svakheter i den interne kontrollen som vi avdekker gjennom revisjonen.

Oslo, 21. desember 2022
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: Ernst & Young AS
Serienummer: 9578-5990-4-2796687
IP: 51.175.xxx.xxx
2022-12-21 19:47:56 UTC

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