Company Registration No. 06365189 (England and Wales)

AZETS HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

AZETS HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr W Payne	
	C Warburton	
	Mr D Owens	(Appointed 22 April 2021)
	Mr P Clifford	(Appointed 22 April 2021)
Company number	06365189	
Registered office	Churchill House 59 Lichfield Street Walsall West Midlands United Kingdom WS4 2BX	
Auditor	Ernst & Young LLP One Colmore Square Birmingham United Kingdom B4 6HQ	

AZETS HOLDINGS LIMITED

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AZETS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present the strategic report for the year ended 30 June 2021.

Fair review of the business

Azets Holdings Limited (the "company") heads and is one of the principal trading entities for for the UK sub-group of the wider Azets group (being the group headed by Azets Topco Limited) ("the group", "Azets") and provides accountancy, advisory and taxation services.

During the year, the company completed the hive-up of the trading activities of those subsidiaries previously involved in the provision of accountancy, advisory and taxation services with the hive up of the trade and assets of Azets (Ashby) Limited.

As discussed below, the company continues to trade profitably but generates a retained loss. The company has grown by acquisition and with this comes a significant non-cash amortisation charge related to intangible assets acquired. These acquisitions were funded via intercompany loans which attract interest at above market rates. However interest is rolled up into the loan rather than being cash paid. In total, these two non-cash charges contributed £24.5 million to the retained loss, before exceptional items of £23.7m.

The ongoing transformation programme and the repayment in 2021 of amounts received under the UK Government's Job Retention Scheme have resulted in costs in 2021 that are not expected to recur. Once the benefits of the transformation have been realised, and excluding the non-cash charges, the directors expect the company to generate a retained profit on a pre-exceptional basis.

Revenue for the year of £182.2 million was in line with the prior year (2020: £183.8 million) despite the difficult trading conditions associated with the ongoing Covid-19 pandemic.

The main measure of the company's profit performance is operating profit from continuing operations before depreciation, interest, taxation, intangible asset amortisation and exceptional items ("EBITDAE"). EBITDAE for the year was £12.4 million (2020: £18.5 million).

During the year, the company received income of £1.1 million from the UK Government's Job Retention Scheme (2020: £2.5 million). The company subsequently made a voluntary repayment of £3.6 million, being all amounts received under the scheme. Excluding the impact of amounts received and repaid under the Job Retention Scheme, adjusted EBITDAE was £15.0 million (2020: £15.9m). EBITDAE was impacted by the difficult trading conditions associated with the pandemic as well as the investment required to support the infrastructure that will help to deliver the company's strategy.

After the non-cash depreciation of £7.8 million (2020: £8.4 million) and amortisation charges of £12.8 million (2020: £13.2 million) and exceptional items of £6.7 million (2020: £45.7 million), there was an operating loss for the year of £14.9 million (2020: £48.8 million).

Exceptional items included within operating loss of £6.7 million (2020: £45.7 million) include impairment charges of £0.6 million (2020: £38.6 million) and other exceptional costs of £6.1 million (2020: £7.1 million). Impairment charges in 2021 relate to lease assets (2020: £2.2 million). 2020 also included impairment charges of £35.1 million to goodwill and £1.3 million to brand names. Other exceptional costs principally relate to costs associated with the ongoing transformation programme along with post-acquisition integration costs related to acquisitions in the current and prior year.

There was a net interest charge of £13.2 million (2020: £12.2 million) and a tax charge of £1.2 million (2020: credit of £4.2 million), which included a charge of £3.4 million (2020: £1.1 million) arising as a result of applying future enacted rates of tax when evaluating deferred tax. In 2020, the company also received dividends of £29.2 million from its subsidiaries and recorded a consequent impairment of £15.9 million in the associated investments. This resulted in a loss after tax for the year of £29.3 million (2020: £43.5 million).

Fair Review of the Business (continued)
The balance sheet shows the company's financial position at the year end. The company is financed via intercompany loans which totalled £193.8 million at 30 June 2021 (2020: £183.3 million). At 30 June 2020, these loans were repayable on demand resulting in net current liabilities of £136.6 million During the year, the company has obtained agreement that these loans will not be repayable before 31 December 2022 and as a result has net current assets as at 30 June 2021 of £34.5 million (30 June 2020: £46.7 million excluding group loans).

Cash at 30 June 2021 of £13.0 million (2020: £29.1 million) reflects the unwinding of actions taken to preserve cash during the early months of the Covid-19 pandemic partly offset by continued improvements to working capital management during the year. The company's financial position is considered satisfactory in terms of working capital and cash, and the directors believe the company to be well positioned for future growth.

Business Strategy
The company provides a complete range of technologically advanced accounting, tax and advisory services to a wide variety of personal and corporate clients across the UK, further details of which are set out in the Statement of Governance within this Strategic Report.

Principal risks and uncertainties
The company is exposed to market risk and price pressure from competitors which could significantly impact the valuation of goodwill or other intangible assets as well as impacting trading performance.

The company monitors all aspects of risk including economic risk, competition and changes in market conditions, financial risk and customer dependencies. The company has a large number of clients that reduces the risk that it is overly dependent on a single customer.

The company does not expect to be significantly impacted by the potential economic issues associated with the UK exit of the European Union, given all its operations are in the UK.

Credit risk
The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit risk is managed by close attention to credit control procedures.

Liquidity risk
The company is reliant upon funding from other group entities for acquisitions and other financing requirements. The company actively manages its working capital requirements to ensure it has sufficient funds for its operations.
Cyber security
The company 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 policies and cyber security training are in place across the group. Staff awareness is considered to be good, as illustrated by the small number of phishing attacks which have been identified and resolved appropriately.

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

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

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

Acquisitions

On 1 February 2021, the trade and assets of Azets (Ashby) Limited were transferred to the company via a hive-up arrangement and on 1 March 2021, the company acquired the trade and certain assets of Roffe Swayne, one of the largest independent chartered accountants in the South East of England. In addition, the company acquired a customer list from a business during the year.

Further details are set out in note 11 to the financial statements.

Future developments

The company will continue to acquire businesses that contribute to the group's strategic goal to become a leading financial services group. Acquisitions completed by the company subsequent to the year-end are set out in the directors' report.

As part of Azets, the Board has plans to grow the business, both in terms of revenue and profitability through organic growth within its existing core markets and through acquisition in adjacent market sectors and other geographies, which have similar market characteristics and will allow the company to apply its differentiated business model.

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

SECTION 172 (1) OF THE COMPANIES ACT 2006 (THE "ACT") AND STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

The Wates Corporate Governance Principles for Large Private Companies serves as the framework to demonstrate how directors have had regard for the matters set out in section 172(1)(a) to (f) of the Act when performing their duties. Reporting against the Wates Principles is included in the Statement below.

Statement of Corporate Governance

For the year ended 30 June 2021, the company applied the Wates Corporate Governance Principles for Large Private Companies which can be found at www.wates.co.uk/who-we-are/corporate-governance.

As noted above, the company is a member of the Azets group. Prior to June 2017, the company operated solely as a holding company but from July 2017, the company started to make acquisitions directly and trade in its own right, albeit a significant amount of trade was still conducted through its subsidiaries. On 1 July 2019, the trade and assets of the majority of the subsidiaries were hived up into the company and the company has been the main trading vehicle for the group in the UK since that time.

Historically, the company had been wholly subject to the governance framework of the group, but as the volume of trade being conducted through the company has increased so has the level of governance required at the company level. The directors continue to take steps to establish an appropriate governance structure for the company that is complementary with that of the group. However, as would be expected for a wholly-owned company, once the appropriate governance has been established and embedded at company level, certain aspects of governance will continue to be subject to group arrangements.

Set out below is an explanation of how the Wates Principles have been applied during the year ended 30 June 2021 ("FY21") and any changes that have been implemented subsequent to the year end.

Principle 1 – Purpose and leadership

Purpose

The company is part of Azets, an international accounting, tax, audit, advisory and business services group. Our company purpose is to improve the lives of our colleagues, clients and communities in a sustainable way.

The company provides its clients with the support they need to help manage and grow their businesses. The company also places great emphasis on developing and supporting its employees, and the communities they work in, in order to give back and have a positive impact on society beyond our core business deliverables.

Both the group and the company have grown through multiple acquisitions since the inception of the group in 2016. In March 2020, a group-wide transformation programme was launched. This has continued throughout the year under review and aims to build Azets into a more aligned business; driving value creation with a new leadership team; a transformation program to standardise operational practices across the group; synergise benefits from the acquisitions completed to date and providing the platform for further growth from both organic and M&A activity.

Values and Culture

The values of the company are aligned with those of the group in being Collaborative, Authentic, Respectful and Dynamic.

These values are regularly communicated and reinforced amongst the company's teams.

In addition, the company abides by the ICAEW Code of Ethics which guide members' behaviour: Integrity, Objectivity, Professional Competence and Due Care, Confidentiality and Professional behaviour.

These values permeate through the way that we undertake our work and work with each other. The company operates policies and procedures designed to support staff in applying those values throughout their career. These include regular updates and webinars along with mandatory training.

Strategy

The company aims 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 in providing client insight. Investment in data analytics continues and will generate significant growth opportunities for both existing and new clients.

The company's client experience is based on delivering a highly personalised service, through its local office network and its proprietary digital workplace technology, "Azets CoZone". A unique cloud-based portal, Azets CoZone continues its development and will offer SMEs a market leading digital solution, providing the Azets client team with instant access to information about the client's business that simplifies workflows, increases operational productivity, and supports a more productive client relationship.

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

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

Principle 2 – Board Composition

The board of directors of the company (the "Board") comprises four executive directors, the company has not appointed a Chairman or non-executive directors. The group board includes the Chairman, investor directors, non-executive and executive directors. It is envisaged that non-executive oversight will continue to be exercised at group level.

The Board is collectively responsible for establishing the framework and procedures to govern their work and to ensure the appropriate discharge of their legal and regulatory obligations associated with the company being a regulated entity. During FY21, there was a restructuring of the business into four regions with a CEO being appointed for each. Whilst the Board retains overall responsibility for the management of the affairs of the company, it has now delegated operational and financial control to the regional CEOs, three of whom are Board directors and each of whom are supported by a regional CFO.

Balance and Diversity & Size and Structure

The Board comprises four directors, three of whom are male and one female. The current board members have a diverse range of skills, expertise and experience, including experience in the fields of management, accountancy and audit.

The directors have equal voting rights when making decisions. Directors have access to the advice and services of the General Counsel of the group and may, if required, take professional advice at the company's expense.

As the governance structure of the company develops, it is intended that the duties of the Board will be met partially through committees. There are plans to expand Board membership during FY22 and to consider establishing audit and risk and remuneration committees if appropriate.

The company promotes diversity in its approach to hiring new staff and will, along with the group and principal shareholder, apply the same considerations when making appointments to the Board. There is an equal opportunities policy in place. A formal diversity policy is currently being drafted and will be adopted during FY22.

Effectiveness

Directors keep their skills, knowledge and familiarity with the company up to date by meeting with senior management, and by attending company events and appropriate external seminars and training courses. Induction briefing sessions are provided to new directors which are tailored to their specific experience and knowledge, and which provides access to all parts of the business. Continuous professional development (CPD) is a pre-requisite for accountancy professionals, and this includes training in relation to director responsibilities. The directors are required to act in the interests of the company but will have regard to the interests of the wider group in discharging their responsibilities. As the Board in its current form was only constituted in FY21, a board effectiveness review has not yet been carried out.

Principle 3 – Directors Responsibilities

Accountability

The Board has clearly documented terms of reference which were adopted during the year. This is aligned to the group's governance arrangements but has also been designed to meet the company's requirements on a standalone basis.

The Board met twice during FY21. Under the newly established arrangements, the Board operates a programme of four scheduled meetings a year, with ad hoc meetings held as and when required. Since the year end, the Board has met three times.

The group continues to develop its governance framework which will encompass the company providing policies and delegations of authorities.

Committees

The group Board operates using various committees, including Audit and Risk and has delegated certain governance responsibilities to those committees which also have oversight of matters for the company. At present, there are no sub committees of the company's Board, but as the governance at company level develops, there may be separate Audit and Risk and Remuneration committees established. Currently, Audit and Risk are dealt with by the Board.

The Board and its committees will review terms of reference to ensure that they remain fit for purpose, are adapted to promote good governance and meet the requirements of the company.

The members of the Board are encouraged to challenge each other and the business to ensure there is constructive problem solving.

Integrity of Information

During the year under review, the Board received ad-hoc reports on the business and financial performance. During FY22, the Board will start to receive regular reports on business and financial performance, key risks and opportunities, strategy, operational matters, market conditions, human resources, legal, compliance, and regulatory matters.

Key financial information is collated by the company's centralised finance function from its various accounting systems. The group's finance function has the appropriate independence, expertise and qualifications to ensure the integrity of this information and is provided with the necessary training to keep up to date with regulatory changes. Financial information is externally audited by Ernst & Young LLP on an annual basis, who report their findings to the Board at the conclusion of the group audit and to the group via attendance at its Audit and Risk Committee. Other key information is prepared by the relevant business and internal functions, which are subject to periodic reviews by the internal audit function. Ernst & Young LLP also attend the Board meeting of the company at which the financial statements of the company are approved

The group's Audit and Risk Committee which is a subcommittee of the group's Board is responsible monitoring the effectiveness of internal financial control systems that identify, assess, manage and monitor financial risks, and the effectiveness of other operational and regulatory controls within the group, this includes oversight of the company. Reporting to the group's Audit and Risk Committee is designed to separately identify issues related to the company versus issues related to other areas in the group, with issues related to the company being followed up with the company's Board for resolution.

The Group Chief Risk and Compliance Officer and members of the group's Internal Audit function are attendees at each group Audit and Risk Committee meeting and have unfettered access to meet with the Committee Chairman outside of the formal meeting programme, throughout the year.

Principle 4 - Opportunity and Risk Opportunity

Starting in FY22, the Board will discuss its strategic plan with group management on a regular basis. Short term opportunities to improve business performance and achieve operational efficiencies are considered with group management on a monthly basis. Longer term growth will be considered within the strategy. An Innovation group was established by the group during the year, this considers new ideas for sources of value to the group, including the company. Oversight of innovation opportunities will be fed to the group Delivery Committee and ultimately approved by the group Board, where appropriate.

Risk

The group's Audit and Risk Committee currently provides oversight to the company's approach to risk. The group's risk register is updated on a regular basis for review by the Committee; this includes commentary on emerging risks. The Audit and Risk Committee of the company will, if established, assist the Board in fulfilling its responsibility for determining the company´s risk appetite and for ensuring that sound risk management and internal control systems are maintained.

Each meeting of the company's Board held during the year was attended by the Group Chief Risk and Compliance Officer or their delegate and the Chief Executive Officer for each of the regions. The Group Chief Risk and Compliance Officer reports on an aggregate basis to the group Audit and Risk Committee and reports back to the company's Board at their regular meetings.

The risk management systems are being formalised to use one system to review, manage and mitigate risks across the group.

Principle 5 - Remuneration

The company has a detailed remuneration approach drafted for approval. The principles in relation to remuneration are laid out by the group, but the Board will be accountable for the decisions taken in relation to the company and its staff.

The remuneration principles allow each region to determine the remuneration for their region, with oversight provided by the group Remuneration Committee. The company is responsible for ensuring that remuneration is consistent with business strategy, objectives, values and the long-term interests of the company, encourages fair treatment of clients and fair treatment of staff, and include measures to avoid conflicts of interest.

Appropriate remuneration structures assist the company in securing and retaining high quality staff.

Gender pay gap reporting is not yet required but will be in future years. Data is being gathered in readiness for reporting to government timescales.

Principle 6 – Stakeholder Relationships and Engagement

The Board is responsible for managing the business and the strategic success of the company and its subsidiaries. The Board adopts the behavioural standards of the group in relation to all its stakeholders.

External impacts

The company inevitably impacts the areas in which it works, both economically, bringing work to the region, and environmentally. Within this report is a separate Energy and Carbon report in relation to the environmental impact. FY22 will see the introduction of more stringent ESG (Environmental, Social and Governance) reporting across the Azets.

Stakeholders

As part of the group, the Board considers the views of its ultimate parent and the interests of the group as part of any major decisions made by the company. There is an ongoing dialogue with the stakeholders, both internally and externally on a range of subjects.

Clients

The company is committed to ensuring that all clients are treated fairly and that any conflicts of interest are highlighted and mitigated.

Employees

The Board recognises that employees have a major part to play in the success of the company and is keen to ensure high levels of employee engagement. Part of the transformation programme has been to consider the path that our staff take during their time with the company, including their professional development, but equally importantly their wellbeing, especially while working from home.

People are at the heart of the business, and we want our staff to feel that they are integral to the success of the business and that the business considers them in all that it does. The Board recognises that it is important employees feel able to raise concerns about conduct or ethical practices in a manner which they feel is safe and secure, a process which is aligned to the ICAEW regulated status of the company. A new policy in this respect is under review and is expected to be issued later in FY22. Any conflicts between staff and clients are managed via an internal self-reporting process ratified by an annual 'fit and proper' process and are also covered for directors as part of the standard board agenda.

The Board are keen to ensure high levels of employee engagement. In December 2020, the group launched its "Your Voice" employee survey. This is a series of short surveys with a variety of questions which takes place every eight weeks. Topics include wellbeing, job satisfaction, connection to the company, peer relationships and workload. The surveys are open to employees throughout the group, but the results are filtered and made available to the directors of the company. People managers and senior leaders are actively encouraged to review scores and comments made in the survey, and then make positive changes. Generally we are seeing improvement to employee satisfaction since introducing Your Voice.

Engagement with staff, including two way dialogue within the business is fundamental and is helped by requesting feedback from staff following employee engagement surveys.

The company also has a weekly newsletter called "Pulse" and a regularly updated intranet to keep staff informed, engaged and up-to-date at all times. This year the company marked Pride Month and International Women's Week for the first time which resulted in really positive engagement from staff in terms of diversity and inclusion.

Community

The company, as part of the wider group takes its responsibility for environmental and social matters seriously. We have a number of informal working groups set up across the group, looking at Charities, 'Green' issues and Diversity & Inclusion. ESG reporting takes place at group level, and working groups are in place across the group to further ESG matters during FY22.

Charity initiatives are particularly popular across the company, with local, regional and national events regularly happening through the year with much engagement from staff.

Suppliers

The company carries out regular due diligence with new suppliers and existing ones, checking that slavery and human trafficking is not taking place in any of its supply chains or any part of its business. Suppliers are required to comply with the Modern Slavery Act. A centralised procurement function was established during the year as part of the group transformation. However, offices will continue to use local businesses to supply goods and services, where this is appropriate.

On behalf of the board

Mr P Clifford
Director

15 February 2022

AZETS HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards ("IFRSs") including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 accounting estimates that are reasonable and prudent;
- 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, including FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- in respect of the company financial statements, state whether UK-adopted international accounting standards 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The directors present their annual report and financial statements for the year ended 30 June 2021.

Principal activities

The principal activity of the company is the provision of accountancy, advisory and taxation services in the United Kingdom. The company also acts as a holding company for the remaining Azets entities where the underlying trade and assets have not been hived into the business and a number of now dormant entities.

Results and dividends

The results for the year are set out on page 17. No interim ordinary dividends were paid during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr W Payne	
C Warburton	
Mr D Owens	(Appointed 22 April 2021)
Mr P Clifford	(Appointed 22 April 2021)

Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the company at the year-end were equivalent to 59 day's purchases, based on the average daily amount invoiced by suppliers during the year.

Disabled persons

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

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Auditor

In accordance with the company's articles, a resolution proposing that Ernst & Young LLP be reappointed as auditor of the company will be put at a General Meeting.

Energy and carbon report

Reporting Period

The SECR reporting period coincides with the financial year reporting period between 1 July 2020 and 30 June 2021.

Energy Consumption

Activity	Scope	Volume	Conv Factor	2021 kgCO2e	% of total	2020 kgCO2e
Electricity (All Sites)	2	2,875,680 kWh	0.21233	610,593	54.6%	861,322
Gas (All Sites)	1	1,938,095 kWh	0.20297	393,375	35.2%	374,707
Heating Oil (Portobello)	1	N/A	N/A	-	0%	5,716
Transport	1	395,337 miles	0.27596	109,097	9.8%	99,502
Fuel	1	2,090 litres	2.51233	5,250	0.4%	4,065
Total kgCO2e				1.118,315		1,345,312

Reporting Methodology

Energy data has been collected by Azets staff from information issued by energy suppliers or brokers. This information includes both actual readings and estimated readings. This methodology had to be used as most offices remain closed during the pandemic. Where information has not been made available reasonable estimations have been made for the energy use.

In regard of business transport, each business journey is recorded in the companies expense control system and this information has been used to identify the total mileage travelled and the total litres of fuel purchased.

The conversion factor for kWh of energy to kgCO2e and miles travelled to kgCO2e have been taken from the government published data for 'Greenhouse gas reporting: conversion factors 2020 at the Internet web address https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/891105/Conversion_Factors_2021_-_Condensed_set__for_most_users_.xlsx

Intensity Measurement

The Azets workforce are either office workers, travelling sales or consultancy roles. Therefore, it has been decided that the number of employees would be the most consistent year on year measure for annual energy comparisons. As of 30 June 2021 there are 3007 employees (2020: 2,885 employees).

The Azets employee intensity ratio is therefore : 372kgCO2e per employee (2020: 450kgCO2e).

The decrease in the intensity ratio can be accounted for because of staff continuing to work from home and returning to the offices following the relaxing of the COVID-19 pandemic restrictions.

Activities to Reduce Emissions

Azets have recently changed stationery suppliers to a Social Enterprise Organisation. The chosen supplier is The WildHearts Group are Carbon Neutral. Their operations, including all customers deliveries, now remove more carbon from the atmosphere than they emit. As a result of this partnership, Azets is converting an everyday overhead into the carbon reduction programme.

Azets are currently undergoing a programme of works refurbishing offices across the UK and where possible, we are ensuring that we are utilising the most efficient heating/cooling systems available on the market. Example: Maidstone office has recently had an air source heat pump heating and cooling system installed at a cost of approximately £0.1 million, and this ensures no natural gas is required to heat the property. In addition to the heating/cooling of this large office we are planning on changing all lighting to LED lighting. LED lighting is also used on all refurbishment projects where appropriate.

We will continue to work with our suppliers to improve efficiency in all aspects of building and building management projects.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events
On 30 November 2021, the company completed the acquisition of Garbutt + Elliott, a specialist accountancy firm with offices in York and Leeds, and one the largest independent chartered accounting firms in Yorkshire.

Due to the proximity of the acquisition 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 company's current financial position, results of operations or cash flows.

Going concern
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate. Funding is provided to the company through intercompany borrowings from other companies within Azets. As at 30 June 2021, there were outstanding loans of £193.8 million which are not repayable before 31 December 2022.

In making their assessment of going concern, the directors have considered the company's cash flows, liquidity and likely business activities over the period to 28 March 2023, these forecasts assume no repayments in respect of the intercompany borrowings. The results of the base case forecasts show that the company currently has access to adequate resources to continue in operational existence until 28 March 2023. However when applying what are considered to be reasonably possible downside scenarios the forecasts indicate that the company is likely to require further financial support from within the wider group.

In making their assessment of going concern, the directors have obtained written confirmation from Azets Opco Limited that it has the ability to and will provide financial support to the company for a period until 28 March 2023 to assist the company in meeting its liabilities as and when they fall due to the extent that it is not otherwise able to do so from its existing resources.

The directors consider Azets Opco Limited is the most appropriate company to provide this support. Based on the enquiries made in relation to the Azets Opco Limited group's liquidity forecast the directors have concluded that Azets Opco Limited will be able to provide financial support to the company, for a period until 28 March 2023 as stated in the letter of support.

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

On behalf of the board

Mr P Clifford
Director

15 February 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF AZETS HOLDINGS LIMITED

Opinion

We have audited the financial statements of Azets Holdings Limited (the 'company') for the year ended 30 June 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included a review expected cashflows of the business, which confirmed that in certain circumstances the company will require financial support from a parent company, and obtaining a copy of the support letter the company received form Azets Opco Limited which we confirmed contained no conditionality and extended for the period to 31 March 2023. As part of assessing the ability of Azets Opco Limited to provide the support indicated we reviewed the consolidated financial statements of Azets Opco Limited for the year ended 30 June 2021, which were approved on 28 October 2021, and confirmed that, in concluding that the group headed by Azets Opco Limited was a going concern, both that company's directors and auditors had considered a period of 17 months following the date of approval, which we calculate to be through to 28 March 2023. We have also considered the underlying consolidated forecasts presented by Azets Opco Limited at the time their financial statements were finalised and made direct enquiries of Azets Opco Limited management to confirm that the underlying forecasts referred to above remain the latest consolidated forecasts of the Azets Opco Limited group and that actual trading in the period since the approval of the Azets Opco Limited financial statements is not inconsistent with those forecasts.

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 company's ability to continue as a going concern for a period until 28 March 2023.

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 company'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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or 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 accounting records and returns; or
- certain disclosures of remuneration specified by law are not made; 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, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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 entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including furlough scheme rules, health and safety and GDPR.
- We understood how Azets Holdings Limited is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and procedures in these areas, and corroborated this by reviewing supporting documentation.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We identified the value ascribed to the recognition and valuation of work-in-progress (WIP) which directly impacts revenue as a specific revenue recognition risk. To address this risk we tested, on a sample basis, specific transactions impacting WIP to source documentation, performed procedures to validate the reasonableness of adjustments made to reflect the expected recovery of standard charge out rates, and performed procedures to validate the outcome of management's review process to identify WIP in need of provision. This included discussions with a representative sample of non-finance personnel responsible for client engagements.
- In relation to management override we used data analytics to review the entire population of revenue journals, identifying specific transactions which did not meet our expectations based on specific criteria. We then investigated the journals identified to gain an understanding of the supporting rationale prior to agreeing a sample of journals to source and supporting documentation in order to conclude on the appropriateness of the journals.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved verifying that material transactions are recorded in compliance with FRS 101 and where appropriate Companies Act 2006. Compliance with other operational laws and regulations was covered through our inquiry with no indication of non-compliance identified.

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

Andrew Merrick (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP

17 February 2022

Statutory Auditor

One Colmore Square
Birmingham
United Kingdom
B4 6HQ

AZETS HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

		Year ended 30 June 2021			Year ended 30 June 2020		
		Pre-exceptional items	Exceptional items (note 4)	Total	Pre-exceptional items	Exceptional items (note 4)	Total
		£'000	£'000	£'000	£'000	£'000	£'000
	Notes						
Revenue	3	182,244	-	182,244	183,754	-	183,754
Other operating income		1,074	-	1,074	2,562	-	2,562
Staff costs	8	(141,223)	(4,533)	(145,756)	(143,566)	(4,678)	(148,244)
Other operating expenses		(29,664)	(1,604)	(31,268)	(24,245)	(2,455)	(26,700)
Depreciation	14, 15	(7,848)	-	(7,848)	(8,354)	-	(8,354)
Amortisation	11	(12,820)	-	(12,820)	(13,224)	-	(13,224)
Impairment of tangible and intangible assets		-	(595)	(595)	-	(38,578)	(38,578)
Operating loss	5	(8,237)	(6,732)	(14,969)	(3,073)	(45,711)	(48,784)
Dividends received from group undertakings	9	-	-	-	-	29,213	29,213
Interest received	9	82	-	82	63	-	63
Finance costs	6	(13,246)	-	(13,246)	(12,299)	-	(12,299)
Impairment of investment in subsidiaries		-	-	-	-	(15,896)	(15,896)
Loss before taxation		(21,401)	(6,732)	(28,133)	(15,309)	(32,394)	(47,703)
Taxation	10	(2,308)	1,166	(1,142)	3,028	1,214	4,242
Loss and total comprehensive income for the financial year		(23,709)	(5,566)	(29,275)	(12,281)	(31,180)	(43,461)

All operations are continuing operations.

AZETS HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Non-current assets					
Intangible assets	**11**		150,495		155,722
Right of use assets	**14**		24,788		28,555
Property, plant and equipment	**15**		8,174		8,187
Investments	**16**		830		492
			184,287		192,956
Current assets					
Trade and other receivables	**17**	73,043		77,953	
Cash and cash equivalents		12,953		29,053	
		85,996		107,006	
Current liabilities					
Borrowings	**19**	-		183,322	
Trade and other payables	**18**	28,585		29,889	
Taxation and social security		16,505		23,647	
Lease liabilities	**22**	6,357		6,788	
		51,447		243,646	
Net current assets/(liabilities)			34,549		(136,640)
Total assets less current liabilities			218,836		56,316
Non-current liabilities					
Borrowings	**19**	193,763		-	
Trade and other payables	**18**	2,870		6,043	
Lease liabilities	**22**	22,096		24,563	
			(218,729)		(30,606)
Provisions for liabilities					
Deferred tax liabilities	**20**		(18,352)		(16,010)
Other provisions	**24**		(12,745)		(12,747)
Net liabilities			(30,990)		(3,047)
Equity					
Called up share capital	**26**		994		994
Share premium account	**27**		45,323		45,323
Merger reserve	**28**		6,462		5,388
Retained earnings			(83,769)		(54,752)
Total equity			(30,990)		(3,047)

AZETS HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2021

The financial statements were approved by the board of directors and authorised for issue on 15 February 2022 and are signed on its behalf by:

C Warburton
Director

Company Registration No. 06365189

AZETS HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	Share premium account	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2019	994	45,323	-	(11,291)	35,026
Year ended 30 June 2020:					
Loss and total comprehensive income for the year	-	-	-	(43,461)	(43,461)
Arising on acquisition	-	-	5,388	-	5,388
Balance at 30 June 2020	994	45,323	5,388	(54,752)	(3,047)
Year ended 30 June 2021:					
Loss and total comprehensive income for the year	-	-	-	(29,275)	(29,275)
Share based payments (refer to note 23)	-	-	-	258	258
Arising on acquisition (refer to note 28)	-	-	1,074	-	1,074
Balance at 30 June 2021	994	45,323	6,462	(83,769)	(30,990)

1 Accounting policies

Company information

Azets Holdings Limited is a private company limited by shares incorporated in England and Wales. The registered office is Churchill House, 59 Lichfield Street, Walsall, West Midlands, United Kingdom, WS4 2BX. The company's principal activities and nature of its operations are disclosed in the directors' report.

The financial statements of Azets Holdings Limited (the "company") for the year ended 30 June 2021 were authorised for issue by the board of directors on 15 February 2022 and the balance sheet was signed on the board's behalf by C Warburton.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

True and fair override

Under FRS101, Goodwill is not amortised, it is instead assessed annually for impairment under IAS36. The UK Companies Act requires goodwill to be reduced by provision for amortisation on a systemic basis chosen by the directors; over its useful economic life. However, under IFRS3, Business Combinations, goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews if for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a "true and fair override" to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

The company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

The financial statements are prepared in sterling, which is the functional currency of the company and are presented in £'000s unless indicated otherwise.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- inclusion of an explicit and unreserved statement of compliance with IFRS;
- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- the effect of financial instruments on the statement of comprehensive income;
- comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment and intangible assets;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- comparative narrative information; and
- related party disclosures for transactions with the parent or wholly owned members of the group.

Where required, equivalent disclosures are given in the group accounts of Azets Topco Limited.

1 Accounting policies **(Continued)**

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

Azets Holdings Limited is a wholly owned subsidiary of Azets BA Bidco Limited, a company incorporated in Jersey, and the results of Azets Holdings Limited are included in the consolidated financial statements of Azets Topco Limited, a company incorporated in Jersey, which are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

1.2 Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.
The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

1 Accounting policies **(Continued)**

1.3 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate. Funding is provided to the company through intercompany borrowings from other companies within Azets. As at 30 June 2021, there were outstanding loans of £193.8 million which are not repayable before 31 December 2022.

In making their assessment of going concern, the directors have considered the company's cash flows, liquidity and likely business activities over the period to 28 March 2023, these forecasts assume no repayments in respect of the intercompany borrowings. The results of the base case forecasts show that the company currently has access to adequate resources to continue in operational existence until 28 March 2023. However when applying what are considered to be reasonably possible downside scenarios the forecasts indicate that the company is likely to require further financial support from within the wider group.

In making their assessment of going concern, the directors have obtained written confirmation from Azets Opco Limited that it has the ability to and will provide financial support to the company for a period until 28 March 2023 to assist the company in meeting its liabilities as and when they fall due to the extent that it is not otherwise able to do so from its existing resources.

The directors consider Azets Opco Limited is the most appropriate company to provide this support. Based on enquiries made in relation to the Azets Opco Limited group's liquidity forecast the directors have concluded that Azets Opco Limited will be able to provide financial support to the company, for a period until 28 March 2023 as stated in the letter of support. In reaching this conclusion, the directors note that:

- The Azets Opco Limited group is funded through external and intercompany borrowing. The intercompany borrowings are not repayable before March 2023. The external borrowings which at 30 June 2021 amounted to £494m are not repayable until November 2023, other than in respect of a NOK 250m Revolving Credit Facility which matures in November 2022 and is forecast to be repaid on maturity.
- The external debt is subject to financial covenants which are assessed quarterly, which include a Leverage ratio and an Interest cover ratio. These covenants become progressively more stringent over the term of the loans.
- Under the Azets Opco Limited directors base case scenario, the Azets Opco Limited group shows it will have adequate resources to continue in operational existence and meet its financial covenants through to March 2023. Under a reasonably possible downside scenario being a 10% reduction in pro-forma EBITDA compared to the EBITDA generated in the year ended 31 June 2021, the Azets Opco Limited group would continue to meet its financial covenants for measurement periods up to 30 September 2022. For the measurement period ended 31 December 2022, should pro forma EBITDA still be at 90% of the FY21 level, then a number of non-contractual payments included in the forecast would not be due and there would be no covenant breach.

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

1 Accounting policies **(Continued)**

1.4 Revenue

Revenue represents the value of sales made to customers after deduction of discounts and sales taxes. Revenue is measured based on the consideration specified in a contract with a customer, which are less than a year in duration. The company 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 contract, is achieved.

The contract asset balances include amounts the company has invoiced to customers (trade receivables) as well as amounts where the company 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.

1.5 Intangible assets

Intangible assets acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. 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).

1 Accounting policies **(Continued)**

1.6 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the term of the lease
Fixtures, fittings & equipment	15% straight line
Plant and machinery	20% straight line
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.7 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.8 Impairment of tangible and intangible assets

The carrying amounts of the company'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.

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.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

Financial assets held at amortised cost
Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets
Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.10 Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss
Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities
Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

1 Accounting policies **(Continued)**

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

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

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.

Deferred tax

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.

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

1 Accounting policies **(Continued)**

1.14 Employee benefits

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

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are recognised in profit or loss as they fall due.

1.16 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Monte Carlo pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1 Accounting policies **(Continued)**

1.17 Leases

The company 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.

Company as a lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company 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 company 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	Over the term of the lease
Fixtures and fittings	3 – 8 years
Motor vehicles and equipment	3 – 5 years

If ownership of the leased asset transfers to the company 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 5 for further details.

ii) Lease liabilities

At the commencement date of the lease, the company 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 company and payments of penalties for terminating the lease, if the lease term reflects the company 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 company 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 company's lease liabilities are presented separately on the face of the balance sheet.

1 Accounting policies **(Continued)**

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

The company 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.

1.18 Grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss. Non-monetary assets and liabilities are maintained at historical cost and are translated using the exchange rate at the date of the transaction.

1.20 Trade and other receivables

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. 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 worked performed, and not yet billed. The carrying values includes outlays incurred on behalf of clients. 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 an assignment and office wide 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.

1.21 Finance income and costs

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.

2 Critical accounting estimates and judgements

In applying the company's accounting policies, 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 company's performance in transferring services to its clients. Management has concluded that the input method of measuring progress is appropriate based on the time and external costs incurred to date as a percentage of total expected time and external costs.

This requires an estimate to be made of the stage of completion of those assignments. Management estimates the remaining time and external costs to be incurred in completing the assignments and the client's willingness and ability to pay for the services provided. A different assessment of the outturn on an assignment may result in a different value being determined for revenue and a different carrying value being determined for unbilled revenue for client work. Unbilled revenue as at 30 June 2021 was £20.1 million (2020: £22.2 million), given that this 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.

2 Critical accounting estimates and judgements (Continued)

Impairment of goodwill
In considering whether there are any indicators of impairment, the directors have made the judgement that the activities of the company represent a single cash generating unit ("CGU"). Goodwill is tested for impairment annually, or more often if indicators of impairment exist. There are two key areas of estimation in relation to goodwill impairment.

The first is the appropriateness of the cash-generating units ("CGUs") for the purpose of impairment testing. In the year ended 30 June 2021, management determined that the business comprised a single CGU. 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, service lines or 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 company's 5-year forecasts and long-term growth rates - are disclosed in note 11. 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.

Valuation of acquired intangible assets in a business combination
As at 30 June 2021, the carrying value of acquired intangible assets was £150.5 million. The company'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 company 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; and
- Cost approach in determining the fair value of software.

Information on the carrying values of intangibles assets are disclosed in note 11.
Determining the lease term of contracts with renewal and termination options - company as a lessee

The company 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 company has several lease contracts that include extension and termination options. The company 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 company 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 company 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.

2 Critical accounting estimates and judgements (Continued)

Leases - estimating the incremental borrowing rate

The company 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 company 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 company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The company estimates the IBR using observable inputs (such as market interest rates) when available.

3 Revenue

An analysis of the company's revenue by class and geographic region is as follows:

	2021	2020
	£'000	£'000
Revenue analysed by class of business		
Accountancy and taxation	158,504	157,000
Corporate finance	4,698	6,166
Insolvency	6,417	7,334
Payroll services	11,330	9,958
Other	1,295	3,296
	182,244	183,754

	2021	2020
	£'000	£'000
Revenue analysed by geographical market		
United Kingdom	182,244	183,754

The company's revenue is largely derived from the provision of services over time, however there was revenue recognised of £1,542,000 (2020: £1,869,000) 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 company's contracts with customers:

	2021	2020
	£'000	£'000
Trade receivables	29,825	33,572
Unbilled receivables and work in progress	20,094	22,170

3 Revenue **(Continued)**

The contract asset balances include amounts the company has invoiced to customers (trade receivables) as well as amounts where the company 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 balance sheet.

The average debtor days during the year are 68 days (2020: 75 days).

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.

4 Exceptional items

Exceptional items analysed by income statement headings are as follows:-

	2021 £'000	2020 £'000
Exceptional items: staff costs	(4,533)	(4,678)
Exceptional items: other operating expenses	(1,604)	(2,455)
Exceptional items: impairment of tangible and intangible assets	(595)	(38,578)
Exceptional items: dividends received from subsidiaries	-	29,213
Exceptional items: impairment of investment in subsidiaries	-	(15,896)
Exceptional items: tax impact	1,166	1,214
	(5,566)	(31,180)

The exceptional items can by analysed by type as follows:-

	2021 £'000	2020 £'000
Transformation costs	(4,689)	(1,406)
Acquisition costs	(56)	(474)
Restructuring and integration costs	(900)	(3,693)
Other costs	(94)	(815)
Movement in fair value of contingent consideration	(398)	(744)
Impairment of investment in subsidiaries	-	(15,896)
Impairment of goodwill	-	(35,063)
Impairment of brand names	-	(1,297)
Impairment of right of use assets	(595)	(2,219)
Dividends received from subsidiaries	-	29,213
Tax impact	1,166	1,214
Total exceptional costs	(5,566)	(31,180)

4 Exceptional items **(Continued)**

Exceptional items analysed by income statement headings are as follows:-

Transformation costs - £4.7 million (2020: £1.4 million)
As discussed in the Strategic Report, the group-wide transformation initiated last year has continued during the year. Initiatives include, new systems and the increased use of technology, more targeted marketing, property rationalisation and a move to smarter working. Costs of £4.7 million were incurred in the year ended 30 June 2021 (2020: £1.4 million), being severance costs of £3.7 million; property costs of £0.5 million relating to the costs of exiting properties and associated with holding vacant properties; systems implementation costs of £0.1 million; employee costs of permanent and temporary employees dedicated to the projects of £0.3 million and other costs of £0.1 million.

Acquisition costs - £0.1 million (2020: £0.5 million)
Acquisition costs include legal, professional and other transactions costs related to acquisition and potential acquisitions, along with certain costs related to investment in staff in new business areas. The company completed the acquisition of Roffe Swayne during the year.

Restructuring and integration costs - £0.9 million (2020:£3.7 million)
Restructuring and integration costs includes post acquisition integration costs such as dual management costs, rebranding and cessation of pre-acquisition contractual obligations and post-acquisition restructuring such as redundancy, IT and property costs.

Other costs - £0.1 million (2020:£0.8 million)
Other costs in the current year comprise legal fees in respect of litigation and claims. In the prior year, as part of the company's response to the Covid-19 pandemic, a number of employees were placed on furlough during the year ended 30 June 2020 and a majority of the remaining employees worked a four-day week for a period of three months. During this time, employees continued to accrue leave at their usual rate and £0.8 million of the increase in the holiday pay accrual related to leave accrued when employees were not working and not generating revenue and was presented within exceptional costs in that year.

Movement in fair value of consideration - £0.4 million (2020: £0.7 million)
Movement in fair value of consideration relates to payments made to former owners of acquired businesses in respect of movements in acquired work-in-progress.

4 Exceptional items **(Continued)**

Impairment charges - £0.6 million (2020: £54.5 million)

- Goodwill – £nil (2020: £35.1. million). ollowing the annual impairment review there was an impairment of £35.1 million charged against the goodwill in the year ended 30 June 2020.
- Brands - £nil (2020: £1. million). The Phase I strategy of the group involved a series of targeted acquisitions several which in the UK Regional business, including Baldwins, Wilkins Kennedy, Campbell Dallas and Scott Moncrieff, continued to trade under their existing branding. As part of the Phase II strategy, all of the UK Regional businesses were rebranded as Azets on 7 September 2020. As a consequence of this an impairment charge of £1.3 million was recorded in the year ended 30 June 2020 to write down the brands to a value of £0.1 million which equates to two months of amortisation which was charged in July and August 2020 to match with the period that the brand names were in use.
- Right of use assets - £0.6 million (2020: £2. million). As discussed in the strategic report, the Phase II strategy includes a move to smarter working. This enables the company's employees, with the support of technology and systems, to work effectively and efficiently both in offices and remotely. Over the last two year, there has been a review of the property portfolio to ensure that the company has the right number of offices in the right locations to best support its business and clients. Once an office has closed, and is not expected to reopen, the associated right of use asset is fully impaired, with a charge of £0.6 million in the year ended 30 June 2021 (2020: £2.2 million).
- Investment in subsidiaries - £(2020:£15.9 million). Following the hive-up of the trade and assets of certain subsidiaries and the distribution of retained profits in the year ended 30 June 2020, the carrying values of these subsidiaries was reassessed resulting in an impairment charge of £15.9 million.

Dividends received from subsidiaries - £nil (2020:£29.2 million).
Following the hive-up of the trade and assets of certain subsidiaries in the year ended 30 June 2020, there was a distribution of retained profits of £29.2 million from certain of the subsidiaries.

Tax impact - £1.2 million (2020:£1.2 million)
The exceptional credit in the current year and prior year represents the taxation impact of items categorised as exceptional.

5 Operating loss

	2021	2020
	£'000	£'000
Expense relating to short-term leases	630	1,289
Government grants	(1,074)	(2,562)
Repayment of government grants	3,636	-
Fees payable to the company's auditor for the audit of the company's and its subsidiaries financial statements	250	315
Depreciation of property, plant and equipment	2,487	2,656
Depreciation of right of use assets	5,361	5,698
Loss on disposal of property, plant and equipment	352	131
Amortisation of intangible assets	12,820	13,224
Share-based payments (refer to note 23)	258	-

The company received government grant income in respect of furlough of £1,074,000 (2020: £2,562,000) during the year which is included in other operating income. Also during FY2021 the company repaid the full amount of UK Government Job Retention Scheme grant received of £3,636,000 which is recorded in other operating expense. The net impact of the UK Government Job Retention Scheme grant was to increase the loss for the year by £2,562,000 (2020: reduce the loss for the year by £2,562,000).

6 Finance costs

	2021	2020
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	11,657	10,583
Interest on lease liabilities	1,589	1,716
Total interest expense	13,246	12,299

7 Directors' remuneration

	2021	2020
	£'000	£'000
Remuneration for qualifying services	535	1,053
Company pension contributions to defined contribution schemes	16	59
Compensation for loss of office	-	742
Share based payments (refer to note 23)	186	-
	737	1,854

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2020 - 2).

The number of directors who exercised share options during the year was 3 (2020 - 0).

During the year, certain of the directors subscribed for shares in Azets Topco Limited. See note 23 for further details.

7 Directors' remuneration **(Continued)**

Remuneration disclosed above include the following amounts paid to the highest paid director:

	£	£
Remuneration for qualifying services	284,917	449,906

8 Employees

The total number of employees of Azets Holdings Limited, including those recharged to other group companies, at the year end was 3,007 (2020: 2,885).

The note below relates solely to the employees who worked directly for the company during the year.

	2021 Number	2020 Number
Average number of employees	3,013	2,895

Their aggregate remuneration (including directors' remuneration) comprised:

	2021 £'000	2020 £'000
Wages and salaries	130,698	134,393
Social security costs	11,040	10,073
Pension costs	3,760	3,778
Share based payments	258	-
	145,756	148,244

9 Investment income

	2021 £'000	2020 £'000
Interest income		
Interest on bank deposits	82	63
Income from shares in group undertakings	-	29,213

10 Taxation

	2021 £'000	2020 £'000
Current tax		
Adjustments in respect of prior years	(338)	(413)
Total UK current tax	(338)	(413)
Deferred tax		
Origination and reversal of temporary differences	(1,880)	(5,025)
Changes in tax rates	3,360	1,196
	1,480	(3,829)
Total tax charge/(credit)	1,142	(4,242)

The charge for the year can be reconciled to the loss per the income statement as follows:

	2021 £'000	2020 £'000
Loss before taxation	(28,133)	(47,703)
Expected tax credit based on a corporation tax rate of 19.00% (2020: 19.00%)	(5,345)	(9,064)
Effect of expenses not deductible in determining taxable profit	272	9,740
Income not taxable	(78)	(5,550)
Change in unrecognised deferred tax assets	(975)	103
Adjustment in respect of prior years	(338)	(412)
Group relief	4,189	-
Depreciation on assets not qualifying for tax allowances	98	-
Share based payment charge	(49)	-
Remeasurement of deferred tax for change in tax rate	3,360	1,196
Other differences	8	(255)
Taxation charge/(credit) for the year	1,142	(4,242)

From 17 March 2020, the substantively enacted UK corporation tax rate was 19% as announced by the Government in the Spring budget 2020. 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 substantially enacted on 24 May 2021. Closing deferred tax balances have been calculated at the rates that are expected to apply in the period when the underlying temporary differences reverse, being 25% on items unwinding after 1 April 2023 and 19% on items unwinding before this date.

11 Intangible fixed assets

	Goodwill	Customer contracts	Brand names	Total
	£'000	£'000	£'000	£'000
Cost				
At 30 June 2020	93,179	114,516	2,457	210,152
Arising from business combination	2,127	5,301	-	7,428
Disposals	-	-	(2,457)	(2,457)
Adjustment to prior year business combinations	60	-	-	60
Additions	-	105	-	105
At 30 June 2021	95,366	119,922	-	215,288
Amortisation and impairment				
At 30 June 2020	35,063	16,999	2,368	54,430
Charge for the year	-	12,731	89	12,820
Eliminated on disposals	-	-	(2,457)	(2,457)
At 30 June 2021	35,063	29,730	-	64,793
Carrying amount				
At 30 June 2021	60,303	90,192	-	150,495
At 30 June 2020	58,116	97,517	89	155,722

Intangible assets acquired and disposed

The £105,000 additions for customer contracts relates to the acquisition of customer lists from third parties.

During the year the group rebranded as Azets and therefore historical brand names are considered disposed.

11 Intangible fixed assets (Continued)

Goodwill

As at 30 June 2021, the balance sheet included goodwill of £60.3 million (2020: £58.1 million). The company is required to test its goodwill for impairment at least annually, or more frequently if indicators of impairment exist. The review of goodwill impairment by management is performed at the lowest level of cash generating unit ('CGU') monitored for goodwill purposes, management have determined that the company represents a single CGU.

The recoverable amount of the CGUs has been based on a value in use calculation. This uses cash flow projections included in the most recent budget for 2022 and the 5-year plan, which has been approved by the Board and reflects management's expectations of revenue growth and operating costs and margin for the core business in place at 30 June 2021, based on all information available to it. Where long-term growth rates for periods are not covered by the annual budget, management has used assumption relating to the services and industries in which the CGU operates. The growth rates to perpetuity beyond the initial budgeted cash flows, applied in the value in use calculations for goodwill were 2.7% (2020: 2.7%) based on the spot and the forecast yields for 30-year UK government bonds. The pre-tax discount rates applied was 15.5% (2020: 17.1%). The value in use has been compared to the carrying value and no impairment has been recognised for the year ended 30 June 2021.

Sensitivity to changes in key assumptions

A sensitivity analysis has been performed in order to review the impact of changes in key assumptions. The value-in-use calculation referred to above showed headroom of £16.8 million. However, the sensitivity analysis performed indicates that applying a 1% increase in the discount rate would eliminate the headroom and would result in an impairment of £0.7 million; applying a 10% reduction in volume would result in an impairment of £5.9 million and applying zero terminal growth would result in an impairment of £12.5 million. Consideration was also given to a 1% decrease in margin, this did not identify any impairment of goodwill.

Goodwill acquired

On 1 March 2021, the company acquired the trade, ongoing client engagements and certain assets of Roffe Swayne for consideration of £7,745,000 giving rise to goodwill of £2,127,000. As part of the acquisition of Roffe Swayne, the company also acquired the whole of the share capital of Roffe Swayne Limited. The fair value of net assets acquired and consideration paid is as follows:

	Roffe Swayne
	£'000
Intangible assets	5,301
Amounts recoverable from contract customers	363
Debtors and other assets	1,542
Liabilities	(397)
Deferred tax	(999)
Dilapidations provision	(192)
	5,618
Cash	4,921
Deferred consideration	2,824
Total consideration	7,745
Goodwill	2,127

11 Intangible fixed assets **(Continued)**

Hive-up

On 1 February 2021, the trade and assets of the Azets (Ashby) Limited, the company's subsidiary, were transferred to the company via a hive-up arrangement. This involved the company acquiring the trade and assets of Azets (Ashby) Limited at fair value for consideration in the form of an intercompany loan.

As permitted under FRS101 the company has elected to record the carrying value of the underlying assets and liabilities acquired via the hive up at amounts equal to those stated in the consolidated accounts of the parent entity, Azets Topco Limited, in respect of the same assets and liabilities. The difference between the amounts recorded and the consideration paid has been accounted for as a merger reserve within equity. The fair value of net assets acquired and consideration paid is as follows:

	Hive-up of Azets (Ashby) Limited £'000
Fixed assets	55
Debtors and other assets	649
Cash	95
Liabilities	(1,101)
Net liabilities acquired	(302)
Total consideration	751
Merger reserve (refer to note 28)	1,053

12 Subsidiaries

The principal activity of the companies which were hived up on 1 July 2019 has been set as non-trading, refer to the prior year financial statement for their former principal activities. Details of the company's subsidiaries at 30 June 2021 are as follows:

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held Direct	Voting
Azets (TP) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Advantage) Limited)	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Alnwick) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Ashby) Limited	England and Wales	Accountancy and taxation services. Non-trading since 1 February 2021	Ordinary	100.00	100.00
Azets (Bicester) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Bridgnorth) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00

12 Subsidiaries (Continued)

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held Direct	Voting
Azets (Cannock) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Cardiff) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Cheltenham) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Coventry) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Crook) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Derby) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Dursley) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Evesham) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Gloucester) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Guisborough) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Hetton-Le-Hole)*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Hexham) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Jesmond) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Leamington) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (North East) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (North West) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Nottingham) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Nuneaton) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Oswestry) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Portobello) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Seaton Burn) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Shrewsbury) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Stourbridge) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Tamworth) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Telford) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Walsall) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Welshpool) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (West Country) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Witney) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00

12 Subsidiaries

(Continued)

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held Direct	Voting
Azets (Wolverhampton) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Worcester) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Wynyard) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Yarm) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets Corporate Finance Limited	England and Wales	Corporate finance services	Ordinary	100.00	100.00
Azets Corporate Services Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (MCC) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Payestaff) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets Restructuring & Insolvency Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets Technology Solutions Limited	England and Wales	IT support services	Ordinary	100.00	100.00
Azets Capital Allowances Limited	England and Wales	Non-trading	Ordianry	100.00	100.00
Azets (Holywell) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Barnstaple) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (B&A) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (BDM) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets Debt Solutions Limited	Scotland	Provision of Debt Arrangement Scheme in Scotland	Ordinary	100.00	100.00
Azets (CDSW) Limited*	Scotland	Non-trading	Ordinary	100.00	100.00
Azets (CD) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Titanium Trustees Limited	Scotland	Non-trading	Ordinary	100.00	100.00
Azets (CHBS) Limited*	England and Wales	Company secretarial services	Ordinary	100.00	100.00
Azets (CHG) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (CJ) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (CJT&A) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (FE) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (TAG) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets Property Holding Company Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (M) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (Peterborough) Limited	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets Payroll & HR Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (RC) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (RL) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00
Azets (TR) Limited*	England and Wales	Non-trading	Ordinary	100.00	100.00

12 Subsidiaries (Continued)

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held Direct	% Held Voting
Azets Financial Planning Limited	England and Wales	Provision of financial services	Ordinary	100.00	100.00
Azets Financial Management Ltd	England and Wales	Non-trading	Ordinary	100.00	100.00
Roffe Swayne Limited	England and Wales	Human resources provision	Ordinary	100.00	100.00

* represents investments that are held indirectly.

With the exception of Roffe Swayne Limited, the registered office of subsidiaries incorporated in England and Wales is Churchill House, 59 Lichfield Street, Walsall, WS4 2BX. The registered office of subsidiaries incorporated in Scotland is Titanium 1 Kings inch Place, Renfrew, PA4 8WF.

The registered office of Roffe Swayne Limited is Ashcombe Court, Woolsack Way, Godalming, Surrey, GU7 1LQ.

13 Associates

Details of the company's associates at 30 June 2021 are as follows:

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held Direct	% Held Voting
Azets Audit Services Limited	England and Wales	Audit services	Ordinary	49.00	49.00
Azets Probate Services Limited	England and Wales	Probate services	Ordinary	5.00	5.00

The registered office of the associates is Churchill House, 59 Lichfield Street, Walsall, WS4 2BX.

14 Right of use assets

	Land and buildings Leasehold £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
At 1 July 2020	25,897	378	2,280	28,555
Additions	4,126	62	-	4,188
Depreciation	(4,652)	(201)	(508)	(5,361)
Impairment	(595)	-	-	(595)
Disposals	(1,434)	(22)	(119)	(1,575)
Transfer to lease receivables	(424)	-	-	(424)
At 30 June 2021	22,918	217	1,653	24,788

15 Property, plant and equipment

	Leasehold improvements	Fixtures, fittings & equipment	Plant and machinery	Motor vehicles	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 30 June 2020	761	1,881	8,344	314	11,300
Additions	-	696	2,144	30	2,870
Business combinations - hive-up	-	27	28	-	55
Other movements	(262)	2	(210)	19	(451)
At 30 June 2021	499	2,606	10,306	363	13,774
Accumulated depreciation and impairment					
At 30 June 2020	91	387	2,378	257	3,113
Charge for the year	46	407	1,963	71	2,487
At 30 June 2021	137	794	4,341	328	5,600
Carrying amount					
At 30 June 2021	362	1,812	5,965	35	8,174
At 30 June 2020	670	1,494	5,966	57	8,187

The other movements above principally arose on the finalisation of the net assets hived up in the prior year as set out in note 28.

16 Investments

	Current		Non-current	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Investments in subsidiaries	-	-	830	492

During the year, the company acquired the remaining 10% minority interest in its subsidiary, Azets (Ashby) Limited, for £100,000. The trade of Azets (Ashby) Limited ceased on 1 February 2021. There is an increase in £238,000 in investments relating to the investment in Azets Financial Planning Limited.

Details are included in the table on the following page.

16 Investments (Continued)

Movements in non-current investments

	Shares in group undertakings
	£'000
Cost or valuation	
At 1 July 2020	17,177
Additions	338
At 30 June 2021	17,515
Impairment	
At 1 July 2020 & 30 June 2021	(16,685)
Carrying amount	
At 30 June 2021	830
At 30 June 2020	492

17 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	33,817	37,760
Provision for expected credit loss	(3,992)	(4,188)
	29,825	33,572
Unbilled receivables and work-in-progress	20,094	22,170
Corporation tax recoverable	1,254	359
Amounts owed by fellow group undertakings	1,343	2,496
Amounts owed by associates	10,485	8,657
Other receivables	5,558	5,982
Prepayments and accrued income	4,484	4,717
	73,043	77,953

Ageing of receivables (net of allowance for expected credit loss)	2021 £'000	2020 £'000
Not past due	18,814	17,184
0 - 3 months	5,434	9,479
Greater than 3 months	5,577	6,909
Total receivables (net of allowance for expected credit loss)	29,825	33,572

The movement on the company's provision allowance for doubtful debt is as follows:

	2021 £'000	2020 £'000
At 1 July	4,188	1,803
Acquired through hive-up	-	2,082
Acquired through business combinations	164	92
Created	983	1,604
Utilised	(1,343)	(1,393)
Reversed/released	-	-
At 30 June	3,992	4,188

Included within other receivables are insurance receivables in respect of litigation and claims (refer to note 24) amounting to £5,094,000 (2020: £5,271,000).

Included within trade receivables are lease receivables amounting to £336,000 (2020: £nil) of which £220,000 are receivable in more than one year.

18 Trade and other payables

	Current		Non-current	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade payables	6,236	6,325	-	-
Amounts owed to subsidiary undertakings	5,285	-	-	-
Accruals and deferred income	10,707	12,005	-	-
Deferred consideration	5,314	11,441	2,870	6,043
Other payables	1,043	118	-	-
	28,585	29,889	2,870	6,043

19 Borrowings

	Current		Non-current	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Borrowings held at amortised cost:				
Loans from group undertaking	-	183,322	193,763	-

Loans from group undertakings represent amounts due to other companies within Azets. In the prior year, these loans were repayable on demand and accordingly were disclosed within current liabilities.

In June 2021, the counterparties of the loans agreed to vary the terms such that there would be no repayment of capital or interest before 31 December 2022 and as such the amounts owed are classified as non-current liabilities at 30 June 2021. The loans bear interest at an average rate of 6% (2020: 6%).

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs	Tax losses	Intangible assets	Total
	£'000	£'000	£'000	£'000
Deferred tax liability at 1 July 2019	305	-	9,799	10,104
Deferred tax movements in prior year				
Charge/(credit) to profit or loss	(227)	(2,596)	(2,202)	(5,025)
Effect of change in tax rate - profit or loss	-	-	1,196	1,196
Arising on hive-up	-	-	8,400	8,400
Arising on acquisition	-	-	1,615	1,615
Other	-	-	(280)	(280)
Deferred tax liability at 1 July 2020	78	(2,596)	18,528	16,010
Deferred tax movements in current year				
Charge/(credit) to profit or loss	(134)	(169)	(1,577)	(1,880)
Effect of change in tax rate - profit or loss	-	-	3,360	3,360
Arising on acquisition	-	-	999	999
Other	-	-	(137)	(137)
Deferred tax liability at 30 June 2021	(56)	(2,765)	21,173	18,352

There is no unrecognised deferred tax asset. In the prior year there was unrecognised deferred tax assets amounting to £975,000 relating to the corporate interest restriction which were not probable of being realised. Following a review, it is considered that the criteria for recognition of the amounts has been met.

21 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £3,760,000 (2020 - £3,778,000).

22 Lease liabilities

Maturity analysis	2021 £'000	2020 £'000
Within one year	6,345	6,788
In two to five years	18,992	20,561
In over five years	8,404	10,258
Total undiscounted liabilities	33,741	37,607
Future finance charges and other adjustments	(5,288)	(6,256)
Lease liabilities in the financial statements	28,453	31,351

The company 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 company'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").

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021 £'000	2020 £'000
Current liabilities	6,357	6,788
Non-current liabilities	22,096	24,563
	28,453	31,351

Amounts recognised in profit or loss include the following:	2021 £'000	2020 £'000
Interest on lease liabilities	1,589	1,716

23 Share-based payment transactions

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

The number of shares awarded under the plan was as follows:

Awarded during the year	34,105
Lapsed	(2,842)
Outstanding at 30 June 2021	31,263

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

	2021	2020
Issue price	£2.95	-
Expected share price volatility	29%	-
Expected term	2.5 years	-
Expenses	**£'000**	**£'000**
Related to equity settled share based payments	258	-

24 Other provisions

	2021 £'000	2020 £'000
Dilapidations	6,227	6,218
Legal claims	6,518	6,529
	12,745	12,747

24 Other provisions **(Continued)**

Movements on provisions:	Dilapidations £'000	Legal claims £'000	Total £'000
At 1 July 2020	6,218	6,529	12,747
Additional provisions in the year	-	1,049	1,049
Utilisation of provision	(183)	(560)	(743)
Recognised on acquisition (refer to note 11)	192	-	192
Transferred to accruals	-	(500)	(500)
At 30 June 2021	6,227	6,518	12,745

Dilapidations

Relates to the dilapidation provision on property leases. The expected timing of any resulting outflow of economic benefit for most properties is not expected within the next 5 years and dependent on the timing of lease agreement termination.

Legal claims

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

In many cases, the known claims are covered by the company'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 case where a legal claimant action is made which is not covered by the company's Professional Indemnity 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.

Once amounts are agreed in principal but not yet paid, they are transferred to accruals.

25 Contingent liabilities

a) Guarantees and related matters

In 2016 the company gave security to the bankers of the Azets Holdings Limited group of companies by way of a group cross guarantee supported by a debenture over the whole of the company's assets.

Along with other members of Azets, including certain of the company's subsidiaries, the company is party to a cross guarantee in respect of the third party borrowings of the group.

b) Other matters

From time to time, the company will provide business advisory services on a number of matters which exposes the company to risks of future investigation and potential claims. (Refer to note 24).

We have recognised provisions for certain known or reasonably likely legal claims or actions against the company where it is probable that a settlement of that obligation will be paid, and a reasonable estimate can be made of the amount of the obligation.

None of the legal claims or actions which are either known or reasonably likely or not and for which a provision has not been established are currently expected to have a material adverse impact on the company's financial position, results of operations or cash flows.

Each of the businesses acquired by the company 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 company. The risk management framework established by the group seeks to mitigate the likelihood of any such incidents occurring post formation of the group.

26 Share capital

	2021	2020	2021	2020
Ordinary share capital	**Number**	**Number**	**£'000**	**£'000**
Issued and fully paid				
Ordinary of £1 each	592,803	592,803	593	593
Ordinary 'A' non-voting of £1 each	825	825	1	1
Ordinary 'B' non-voting of £1 each	385,000	385,000	385	385
Ordinary 'C' of £1 each	15,200	15,200	15	15
	993,828	993,828	994	994

27 Share premium account

	2021	2020
	£'000	**£'000**
At the beginning and end of the year	45,323	45,323

28 Other reserves

	Merger Reserve
	£'000
Balance at 1 July 2019	-
Arising on acquisition	5,388
Balance at 30 June 2020	5,388
Arising on acquisition	1,074
Balance at 30 June 2021	6,462

On 1 July 2019, as part of a group-wide restructuring within the Azets Holdings Limited group of companies, the trade and assets of certain of the company's subsidiaries were transferred to the company for consideration based on either book values or fair values.

The company adopted the pooling-of-interest method under which the net assets acquired were recorded at amounts equal to those used for the same net assets in Azets Topco Limited consolidated financial statements. In the prior year this gave rise to a difference compared to the consideration paid of £5.4 million which was recognised in the merger reserve.

During the year, the trade and assets of Azets (Ashby) Limited were transferred to the company at fair value. The company adopted the pooling-of-interest method under which the net assets acquired were treated under a consistent treatment to that of the hive-up of subsidiaries in the prior year. This gave a difference compared to the consideration paid of £1.1 million which was reflected as a reduction to the merger reserve. The balance sheets of the hive-up trade and assets in prior year has been finalised in the current financial year, resulting in an increase to the merger reserve of £2.2 million.

29 Events after the reporting date

On 30 November 2021, the company completed the acquisition of Garbutt & Elliott, one of the largest independent chartered accountants in Yorkshire. Due to the proximity of the acquisition dates 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 value of the assets and liabilities, including associated goodwill, nor the forecast contribution to profit before tax are expected to be material relative to the company's current financial position, results of operations or cash flows.

30 Controlling party

The immediate parent company is Azets BA Bidco Limited, a company registered in Jersey.

The parent company of the largest group of undertakings for which consolidated financial statements are drawn up and are publicly available and which the company is a member is Azets Topco Limited, a company incorporated in Jersey, whose registered address is 22 Grenville Street, St Helier, Jersey, JE4 8PX. Copies of the group financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

In the opinion of the directors the immediate controlling party is the immediate parent entity and there is no ultimate controlling party.

31 Related party transactions

In the normal course of business, the company has a number of transactions with companies that are part of the Azets group of companies and has taken advantage of the exemption within FRS101 from disclosing transactions or balances with wholly owned group companies. This includes inter-company recharges, management recharges and sales and purchases between these related parties made at market prices. Outstanding balances are unsecured, interest free and cash settlement is expected in line with normal trading terms.

The company has the following debtor/(creditor) balances with non-wholly owned companies in the Azets group:-

Azets Audit Services Limited: £10,391,965 (2020: £8,472,683)
Azets Probate Services Limited: £93,263 (2020: £183,947)

During the year, the company made sales to group companies as follows:-
Azets Audit Services Limited: £39,631,015 (2020: £34,196,381)
Azets Probate Services Limited: £376,063 (2020: £308,144)

During the year, the company was charged rent from Bridge House Friendly Society, with a certain director in common, of £484,550 (2020: £484,550). There was no outstanding balance at the year end.

During the year, the company was charged rent from Baldwins Property Holdings Limited, a company owned by certain minority shareholders of the company's parent undertaking, Azets (Topco) Limited, of £351,792 (2020: £351,792). There was no outstanding balance at the year end.