

Company registration number 06365189 (England and Wales)

**AZETS HOLDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2023**

# AZETS HOLDINGS LIMITED

## COMPANY INFORMATION

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**Directors**

Mr W Payne  
Mrs Carol Warburton  
Mr P Clifford

**Company number**

06365189

**Registered office**

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45 King William Street  
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**Auditor**

Ernst & Young LLP  
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# AZETS HOLDINGS LIMITED

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# AZETS HOLDINGS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 JUNE 2023

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The directors present the strategic report for the year ended 30 June 2023.

#### Fair review of the business

Azets Holdings Limited (the "company") heads and is one of the principal trading entities 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 acquisitions of Sandisons Limited and Naylor Wintersgill Limited whose principal activities were the provision of accountancy, advisory and taxation services. In addition, the company also completed the hive-up of the trading activities and net assets of Sandisons 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 the intangible assets acquired. These acquisitions were funded via intercompany loans which attract interest at market rates. However interest is rolled up into the loan rather than being paid in cash. In total, these two non-cash charges contributed £26.8 million (2022: £24.0 million) to the retained profit before exceptional items of £3.0 million (2022: retained loss of £17.8 million) and interest charge, most of which are on the loans used to fund these acquisitions, of £13.4 million (2022: £12.4 million).

Revenue for the year of £251.1 million was a 25.7% increase on the prior year (2022: £199.8 million) as a result of organic growth, a full year's trading of the Garbutt & Elliott and Tait Walker businesses which were acquired in the prior year and the acquisition of Sandersons and Naylor Wintersgill businesses.

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 £36.1 million (2022: £17.0 million).

EBITDAE increased by £19.1 million (112.3%) to £36.1 million due to the growth in revenue from organic growth and acquisitions, increased margins and improved operational performance throughout the business building on the benefits of the transformation programme implemented in the prior year as well as the positive impact of the acquisitions noted above in the current year and prior year.

After the non-cash depreciation of £9.1 million (2022: £8.7 million) and amortisation charges of £14.8 million (2022: £13.2 million) and exceptional items of £5.0 million (2022: £2.5 million), there was an operating profit for the year of £7.3 million (2022: operating loss of £7.5 million).

Exceptional items included within operating profit of £5.0 million (2022: £2.5 million) include impairment charges of £0.2 million (2022: £0.5 million) and other exceptional costs of £4.8 million (2022: £2.0 million). Other exceptional costs principally relate to changes in the fair value of contingent consideration for recent acquisitions and post-acquisition integration costs related to acquisitions in the current year.

There was a net interest charge of £13.4 million (2022: £12.4 million) and a tax credit of £4.0 million (2022: tax charge of £1.1 million). The company also received dividends of £16.5 million (2022: £0.8 million) from its subsidiaries and recorded a consequent impairment of £16.4 million (2022: £0.1 million) in the associated investments. This resulted in a loss after tax for the year of £2.0 million (2022: £20.4 million).

The statement of financial position shows the company's financial position at the year end. The company is financed via intercompany loans which totalled £233.9 million at 30 June 2023 (2022: £221.6 million). The company has obtained agreement that these loans will not be repayable before 31 December 2024 and as a result has net current assets as at 30 June 2023 of £36.6 million (30 June 2022: £15.0 million).

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.

# AZETS HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2023**

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### **Business Strategy**

Azets provides our clients with the support they need to help manage and grow their businesses. We provide proactive and relevant advisory, outsourcing and compliance services that help our clients at every stage of their life cycle. We service a number of client segments from large enterprise companies to the smallest of businesses with the majority of our clients being in the SME sector. We aim to be the primary business relationship our clients have, helping them unleash their potential and achieve their ambitions.

The SME sector has significant scope for growth and despite the current cost of living crisis and global economic uncertainty, it remains resilient. Larger audit firms are exiting the SME sector and the demand for digital accounting services is also necessitating clients change their approach. Azets is well positioned to capitalise on these UK market dynamics.

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

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

### **Principal risks and uncertainties**

The principal risk affecting the company relates to any downturn in economic conditions within the markets in which it operates. The costs of utilities (such as electricity and gas) have risen sharply and more generally, inflation has risen, impacting on the costs of goods and services. A more general downturn in economic conditions is mitigated to some extent by the long-term, recurring nature of much of the company's income and the number of markets in which it operates.

Not all factors are within the direct control of the company, or its directors and the list is not exhaustive. There may be other risks and uncertainties that are currently unknown, and the list may change as something that seems immaterial now could assume greater importance in the future, and vice versa.

Other risks and uncertainties include:

- Credit risk – the company has no significant concentration of credit risk, with exposure spread over many clients and market segments. The company conducts credit checks on all potential clients before any sales are made.
- Liquidity/cash flow risk – the company is financed through intercompany loans, working capital is actively managed to ensure that the company has sufficient funds for its operations.
- Cyber security – the company relies heavily on the use of data, relating to both clients and employees. The risk of a cyber-attack is considered as a key risk and comprehensive cyber security training is in place across the company, as well as appropriate policies. Staff awareness is good, and a small number of phishing attacks have been spotted and dealt with appropriately.
- Acquisition activity brings transaction risk as well as integration risk, leading to a lack of realisation of benefits. Both risks are managed with good due diligence arrangements in place pre-transaction and a new team ensuring that new businesses are integrated smoothly and efficiently.
- Recruitment of staff – As we grow, we continue to have a number of vacancies. The company has its own recruitment resource and in addition, a select number of outsourcing parties are contracted and available to complete specific tasks on behalf of the company.

# AZETS HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2023

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#### Acquisitions

The company made the following acquisitions of accountancy practices during the year:-

- Sandisons Limited - a company share acquisition on 30 September 2022; and
- Naylor Wintersgill Limited - a company share acquisition on 30 April 2023.

On 30 June 2023, the trade and assets of Sandisons Limited were transferred to the company via a hive-up arrangement. On 31 December 2023, the trade and assets of Naylor Wintersgill Limited were transferred to the company via a hive-up arrangement.

Further details are set out in note 12 to the financial statements.

#### Future developments

This year saw the next phase of embedding our five-year strategy - The Pathway which sets out our ambitious growth strategy for the Azets Group to be a £1bn+ revenue business by 2027 by offering trusted, business critical advice, compliance and outsourcing services to ambitious companies and business owners via our talented smart colleagues, network of local offices, effective technology and digital insights.

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

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

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

*Talented Smart People Pillar* – Without question our colleagues are central to our success and core to our purpose is our aim to improve the lives of our colleagues. Our goal is to be an attractive company to work for - where our colleagues want to stay, and new people want to join. We continue to proactively invest in the development of our people through Azets Reach! - our talent and performance development framework that focuses on offering learning and development that enables our colleagues to progress to the most senior levels within Azets or to develop their specialist skills to be experts. Over 100,000 courses have been completed and by increasing our internal expertise, we will continue to attract the best talent in the market. We continue to offer an agile and flexible way of working, enabling our people to have the opportunity to diversify their careers across Azets in a way that is unavailable in other businesses. We are passionate and committed to recognising our internal talent and have a goal to fill 30% of our vacancies through internal promotions.

*Personalised Client Service Pillar* – we have a client portfolio of 100,000 clients globally driven by our ambitious client feedback process and network of local offices across our communities. We recognise that our clients want to find a local support network and no business of our scale operates through as many local communities as we do. Our ambition is to deliver a personalised client service using both traditional client service techniques but also leveraging best in breed technologies, enhancing our client propositions, and increasing our use of data analytics. Our data is a huge asset, providing client insight unrivalled in our sector. Investment in data analytics continues and will generate significant growth opportunities for both existing and new clients.

## AZETS HOLDINGS LIMITED

### STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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#### **Future developments (continued)**

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

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

# AZETS HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2023**

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### 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 sections 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 2023, 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](http://www.wates.co.uk/who-we-are/corporate-governance).

The company provides accountancy, advisory and taxation services to its clients which are predominantly in the UK. As noted above the company is a member of the Azets group and is the group's main trading entity in the UK.

Historically, the company had been wholly subject to the governance framework of the group, but as the company has grown both organically and through acquisition, so has the level of governance required at the company level. The directors continue to take steps to develop the governance structure for the company 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 2023 ("FY23") 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 in which they work, in order to contribute to, and have a positive impact on society beyond our core business deliverables.

The group and the company continue to expand through strong organic growth augmented by strategic acquisitions as it has done since the inception of the group in 2016. In March 2020, a group-wide transformation programme was launched which enabled Azets to become a more aligned business; driving value creation with a new leadership team; standardise operational practices across the group; synergise benefits from the acquisitions completed to date and providing the platform for further growth whether organic or from 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 underpin 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 careers. These include regular updates and webinars along with mandatory and vocational training.

##### **Strategy**

The company aims to deliver a personalised client service through leveraging best in breed technologies, enhancing our client propositions, and increasing our use of data analytics. Investment in data analytics continues and will generate significant growth opportunities by creating additional value 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 and our clients with instant access to information about the their business that simplifies workflows, increases operational productivity, and supports a more productive client relationship.



## **AZETS HOLDINGS LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2023**

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#### **Strategy (continued)**

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 offerings with development of our wider Digital Service Proposition underway.

The company will continue to target acquisitions of quality and scale, 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") now comprises three executive directors, one executive director having retired on 30 June 2023. The company has not appointed a Chairman or further 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. Subsequent to the year end, the business was restructured into five regional areas alongside five national service lines with an overall CEO and CFO appointed reporting directly to the Board. Each regional area is managed by a Regional Managing Director supported by a regional finance partner with the national service lines reporting into a newly appointed Head of Client Service. Heads of the largest 3 service lines which are delivered in the regional areas were also appointed to the new Azets UK operations board to drive national focus, standardisation and coherence across the 5 new regions and also report to the Head of Client Service. During the year the Board re-constituted the Operational Board and delegated responsibility for the day to day running of the business to that board led by the UK CEO supported by the UK CFO.

#### **Balance and Diversity & Size and Structure**

The Board currently comprises three directors, two 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.

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 and diversity policy in place.

During the year the Board re-constituted the Operational Board and delegated responsibility for the day to day running of the business to that board led by the UK CEO. The Operational Board meets monthly and includes the CEO and CFO alongside the Head of Client Service, Service Line Heads for the 3 largest service lines, five regional RMD's, and representatives from HR, IT and Marketing, Compliance and group General Counsel. The Operational Board provides reports to the Board at each of their meetings. Operational Board gender diversity is 70:30 Male/Female.

#### **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 provide 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 been planned for the next financial year.

# **AZETS HOLDINGS LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 30 JUNE 2023**

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#### **Principle 3 – Directors Responsibilities**

##### **Accountability**

The Board has clearly documented terms of reference which were adopted during the prior 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 the year (FY23: twice). Under the newly established arrangements, the Board operates alongside the Operations Board with two independent meetings a year, with ad hoc meetings held as and when required.

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. Subsequent to the 30 June 2023, the Operations Board established sub committees for Audit and for Remuneration to work alongside the Operations Board. The Operations 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 in line with overall direction from the group Board. The members of the Operations Board and sub committees are encouraged to challenge each other and the business to ensure there is constructive problem solving.

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 FY23, alongside the regular reports on business and financial performance, the Board has started to receive regular reports from the Operational Board which now include, 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 for 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, and 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 Risk and Governance Director 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**

The Board discussed its strategic plan with group management on a regular basis during the year. Short term opportunities to improve business performance and achieve operational efficiencies are considered with group management on a monthly basis. Longer term growth plans are also considered within this framework.

# AZETS HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### Risk

The group's Audit and Risk Committee provides oversight to the company's management of risk. The group's risk register is updated on a regular basis for review by the Committee; this includes commentary on risk exposure, key controls and emerging risks. The Audit and Risk Committee of the company supports 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. Risk appetite is set and approved, aligned to enterprise risk categories, against which all risks are assessed and monitored.

Senior leaders, risk owners and the company's Risk and Compliance Director attend all meetings of the company's Board during the year; risk is reported regularly with clear actions and accountability assigned. The group Audit and Risk Committee is the defined reporting and escalation route from the Board for risk or control matters (individual or aggregate) outside normal parameters. The group has formalised its enterprise risk management framework to focus on risk identification, assessment and management across key risk categories, to include control assessment, enabling the implementation of a consistent, systematic methodology.

### Principle 5 - Remuneration

The principles in relation to remuneration are laid out by the group, but the Board is accountable for the decisions taken in relation to the company and its staff.

The remuneration principles allow each region or national serviceline 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.

Subsequent to the 30 June, the Operations Board established a sub committee to review and make recommendations with regard to remuneration levels within the UK business. The Remuneration Advisory Group was established comprised of a board director, UK CFO, UK CPO and a diverse group of partners from across the UK business.

More detailed gender pay gap reporting will be provided 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 and values 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.

The Group has established an Environmental, Social and Governance ("ESG") Committee. This committee has determined the group-wide initiatives and actions to build a better environment for our colleagues, clients & communities, increase diversity and inclusiveness in the workplace and have the right level of reporting, assessment and training in place to increase awareness and mitigate potential financial and reputational risks. Specific environmental actions for 2023 include reducing printing and paper consumption, using recycling facilities in our offices, screening our suppliers using social and environmental criteria and ensuring our datacentre providers have robust carbon footprint reduction plans in place.

### 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.

# AZETS HOLDINGS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2023**

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### Employees

The Board recognises that employees have a major part to play in the success of the company and continues to foster high levels of employee engagement ensuring that our employees are central to how we operate. As part of this we have invested in developing the pathways that our staff take during their time with the company, including their professional development, but equally importantly their wellbeing and ensuring there is an appropriate balance of in-office and 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 company and that it 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 in due course. 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 by directors as part of the standard board agenda.

The Board continues to benefit from high levels of employee engagement via regular "Your Voice" employee surveys to gain valuable staff feedback. Since December 2020, the group has used a quarterly "Your Voice" employee engagement survey to gain valuable staff feedback. There are a variety of questions on 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 can be filtered by department and location. People managers and senior leaders are actively encouraged to review the eNPS scores of their teams and respond to the comments made in the survey, and then make positive changes. We have seen considerable improvement to employee satisfaction over the last 3 years, have introduced a number of new benefits and initiatives as a result of the feedback. These include having more flexible annual leave benefits, enhanced family friendly policies and training for new managers. Engagement with staff, including two way dialogue within the business is fundamental. The 'Your Voice' survey is a core element of our engagement strategy as it provides the employee with a direct means of feedback and which enables us to put in place the necessary action plans to address issues raised.

A DE&I Network was recently established, committed to fostering diversity and inclusion across the business. This group is led by the committee members but fully supported by our AUK CEO and Leadership team who regularly attend meetings. A newly introduced DE&I calendar, created by the group serves as our guiding compass, ensuring the acknowledgment and celebration of key initiatives such as multicultural awareness days, diversity and social days.

Regular communications are a priority, keeping our colleagues and company informed about both business and people news. These updates are shared through various communication channels, including emails, our bi-weekly newsletter called "Pulse", newsletters, general updates, and the company intranet. In a meaningful partnership with The Princes Trust, we've strengthened our social commitment through a series of volunteering and mentoring opportunities. To further appreciate our peoples hard work and commitment, we have proudly launched two award recognition schemes across the business, allowing colleagues to recognise and celebrate one another.

### 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 FY24.

Charity initiatives are particularly popular across the company, with local, regional and national events regularly happening through the year with much engagement from staff. These have included, coffee mornings, boat races, sponsored walks and bike rides in addition to our seed fund where we challenged our teams to grow an initial charity fund which raised over £67,000 for local community groups.

### 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. Our centralised procurement function continues to support our governance in this area, although offices will continue to use local businesses to supply goods and services where appropriate.

On behalf of the board

**AZETS HOLDINGS LIMITED**

**STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 JUNE 2023***

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Mr P Clifford

**Director**

8 February 2024

## **AZETS HOLDINGS LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 30 JUNE 2023***

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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.

# AZETS HOLDINGS LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2023

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The directors present their annual report and financial statements for the year ended 30 June 2023.

#### 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 a number of subsidiaries whose trade and assets have not been hived up into the business, and a number of now dormant entities.

#### Results and dividends

The results for the year are set out on page 19. 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

Mrs Carol Warburton

Mr D Owens

(Resigned 30 June 2023)

Mr P Clifford

#### 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 days (2022: 72 days) 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 on 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.

# AZETS HOLDINGS LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2023

#### Energy and carbon report

##### Reporting Period

The SECR reporting period coincides with the financial year reporting period between 1 July 2022 and 30 June 2023

##### Energy Consumption

Activity	Scope	Volume	Conv Factor	2023 kgCO <sub>2</sub> e	% of total	2022 kgCO <sub>2</sub> e
Electricity (All Sites)	2	3,547,501 kWh	0.20707	734,596	52.8%	556,496
Gas (All Sites)	1	1,334,201 kWh	0.18293	244,064	19.8%	351,496
Transport	3	1,815,798 miles	0.24245	440,238	27.0%	260,807
Fuel	1	24,106 litres	0.25278	6,094	0.4%	6,404
Total kgCO <sub>2</sub> e				1,424,992		1,175,203

##### 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 kgCO<sub>2</sub>e and miles travelled to kgCO<sub>2</sub>e have been taken from the government published data for 'Greenhouse gas reporting: conversion factors 2020 at the Internet web address [Greenhouse gas reporting: conversion factors 2023](https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023) - GOV.UK ([www.gov.uk](https://www.gov.uk)) [[gov.uk](https://gov.uk)] and [chg-conversion-factors-2023-condensed-set-update.xlsx](https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023) (live.com) [[view.officeapps.live.com](https://view.officeapps.live.com)]

##### 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. During the year ended 30 June 2023 the average number of employees are 3,333 (2022: 3,049 employees).

The Azets employee intensity ratio is therefore: 427kgCO<sub>2</sub>e per employee (2022: 385kgCO<sub>2</sub>e).

The increase in the intensity ratio can be accounted for because of staff returning to work from an office location rather than working from home following the relaxing of the COVID-19 pandemic restrictions.



## AZETS HOLDINGS LIMITED

### DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2023**

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#### **Activities to Reduce Emissions**

At Azets, we pledge to help enable a low-carbon and more circular economy, with a focus on the following areas:

- Becoming net zero
- Expanding our green initiatives across the group
- Promoting digital services and hybrid way of working

The company takes the environmental protection seriously and are committed to develop services and operations in a way that supports the sustainable society. Through the company values of Collaborative, Authentic, Respectful and Dynamic Azets conducts our business in a responsible manner and in respect of the environment. In the professional services business the impact on the environment is mainly set by day to day decisions made by employees and customers, type of offices and consumable supplies used in those and through the supply chain.

During 2023, the company has performed a comprehensive carbon footprint calculation, covering all aspects of our business and value chain, marking a significant milestone in facilitating our journey towards net zero.

**Digital Services** - Azets offers digitalised accountancy and business support services. By digitalizing our services and utilizing the opportunities of modern software platforms combined with digital marketing we aim to minimize the usage of paper and printing not only in our own operations but also among our 100,000 clients. Introduction of dry recycling bins: over 50% of waste is now recycled.

**Smarter Working** – Azets is committed to strive towards smarter working in order to create a more flexible working environment for our employees and to minimize negative impacts on the environment. By combining remote working and office work, we are able to reduce the office space needed and the energy and water consumption of our offices and reduce travelling by replacing physical meetings with digital ones and also encouraging our customers to do so. In case travelling is needed we recommend our employees to use public transportation instead of own cars and flights when possible. Through smarter working our aim is to constantly reduce the CO2 emissions of our operations.

**Offices** - When selecting our offices we aim to select locations with good public transportation connections and energy efficient solutions.

**Utilities** - We are currently transferring all our utilities to 100% renewable source contracts as they expire.

# AZETS HOLDINGS LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2023**

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### 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.

### 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 2023, there were outstanding loans of £233.9 million which are not repayable before 31 December 2024.

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 31 March 2025, 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 31 March 2025. When applying what are considered to be reasonably possible downside scenarios the forecasts show that the company currently has access to adequate resources to continue in operational existence until 31 March 2025.

In making their assessment of going concern, the directors have obtained written confirmation from Azets Topco Limited that it has the ability to and will provide financial support to the company for a period until 31 March 2025 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 Topco Limited is the most appropriate company to provide this support. Based on enquiries made in relation to the Azets Topco Limited group's liquidity forecast the directors have concluded that Azets Topco Limited will be able to provide financial support to the company, for a period until 31 March 2025 as stated in the letter of support.

In reaching the conclusion that Azets Topco Limited is able to provide financial and other support, the directors of the company note that:

- Azets Topco Limited controls the Azets Opco Limited group ("the Group") which is funded through external borrowing. The external borrowings are not repayable before October 2028.
- Azets Opco Limited is subject to a leverage ratio (Total net debt to Consolidated pro-forma EBITDA) financial covenant related to this external debt which will be assessed quarterly during the year. Under the terms of the banking agreement, the financial covenant becomes progressively more stringent after the first 36 months.
- In making their assessment of going concern of the Group, the Directors of Azets Opco Limited ("the Group directors") have reviewed both the liquidity of the Group and its ability to comply with the financial covenant in both a base case and a downside scenario. The base case scenario applied by the Group Directors in their assessment of going concern shows that the Group will have adequate resources to continue in operational existence for the period under review and will meet its financial covenant during that period. The Group Directors have also considered what they believe to be a reasonably possible downside scenario being a 10% reduction in pro-forma EBITDA compared to pro forma EBITDA generated in the year ended 30 June 2023. This scenario shows that the Group would continue to meet its financial covenant and meet its liabilities as they fall due for the period to 31 March 2025.

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

8 February 2024

# AZETS HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBER OF AZETS HOLDINGS LIMITED

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#### Opinion

We have audited the financial statements of Azets Holdings Limited (the 'company') for the year ended 30 June 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 33, 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 2023 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 from Azets Topco Limited which we confirmed contained no conditionality and extended for the period to 31 March 2025. As part of assessing the ability of Azets Topco Limited to provide the support indicated we reviewed the consolidated financial statements of Azets Topco Limited for the year ended 30 June 2023, which were approved on 22 December 2023, and confirmed that, in concluding that the group headed by Azets Topco Limited was a going concern, both that company's directors and auditors had considered a period of 15 months following the date of approval, which we calculate to be through to 31 March 2025. We have also considered the underlying consolidated forecasts presented by Azets Topco Limited at the time their financial statements were finalised and made direct enquiries of Azets Topco Limited management to confirm that the underlying forecasts referred to above remain the latest consolidated forecasts of the Azets Topco Limited group and that actual trading in the period since the approval of the Azets Topco 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 31 March 2025.

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.

# AZETS HOLDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF AZETS HOLDINGS LIMITED

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### 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.

## AZETS HOLDINGS LIMITED

### INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF AZETS HOLDINGS LIMITED

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#### *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.

**Jamie Dixon (Senior Statutory Auditor)**  
**For and on behalf of Ernst & Young LLP**  
Manchester

8 February 2024

**Statutory Auditor**

2 St Peters Square  
Manchester  
United Kingdom  
M2 3DF

# AZETS HOLDINGS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Year ended 30 June 2023			Year ended 30 June 2022		
	Pre-exceptional items	Exceptional items (note 4)	Total	Pre-exceptional items	Exceptional items (note 4)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>	<b>Notes</b>					
3	251,146	-	251,146	199,806	-	199,806
Staff costs	8	(171,443)	(174,771)	(149,960)	(849)	(150,809)
Other operating expenses		(43,581)	(45,009)	(32,893)	(1,167)	(34,060)
Depreciation	15, 16	(9,050)	(9,050)	(8,727)	-	(8,727)
Amortisation	12	(14,804)	(14,804)	(13,165)	-	(13,165)
Impairment of tangible and intangible assets		-	(204)	-	(527)	(527)
<b>Operating profit/(loss)</b>	<b>5</b>	<b>12,268</b>	<b>(4,960)</b>	<b>(4,939)</b>	<b>(2,543)</b>	<b>(7,482)</b>
Dividends received from group undertakings	9	16,471	16,471	751	-	751
Interest received	9	8	8	1	-	1
Finance costs	6	(13,414)	(13,414)	(12,387)	-	(12,387)
Impairment of investment in subsidiaries	17	(16,387)	(16,387)	(142)	-	(142)
<b>Loss before taxation</b>		<b>(1,054)</b>	<b>(4,960)</b>	<b>(16,716)</b>	<b>(2,543)</b>	<b>(19,259)</b>
Taxation	11	4,064	4,064	(1,133)	-	(1,133)
<b>Profit / (loss) and total comprehensive income for the year</b>		<b>3,010</b>	<b>(1,950)</b>	<b>(17,849)</b>	<b>(2,543)</b>	<b>(20,392)</b>

All operations are continuing operations.

# AZETS HOLDINGS LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		2023		2022	
	Notes	£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Intangible assets	12		154,433		163,985
Right of use assets	15		21,319		26,769
Property, plant and equipment	16		8,104		9,597
Investments	17		16,535		22,980
			<u>200,391</u>		<u>223,331</u>
<b>Current assets</b>					
Trade and other receivables	19	88,535		83,348	
Cash and cash equivalents	18	16,307		8,012	
		<u>104,842</u>		<u>91,360</u>	
<b>Current liabilities</b>					
Trade and other payables	20	47,700		57,353	
Taxation and social security		14,989		13,193	
Lease liabilities	25	5,554		5,784	
		<u>68,243</u>		<u>76,330</u>	
<b>Net current assets</b>			36,599		15,030
<b>Total assets less current liabilities</b>			236,990		238,361
<b>Non-current liabilities</b>					
Borrowings	21	233,911		221,622	
Trade and other payables	20	6,722		9,070	
Lease liabilities	25	19,339		25,165	
		<u>(259,972)</u>		<u>(255,857)</u>	
<b>Provisions for liabilities</b>					
Deferred tax liabilities	22		(19,387)		(22,289)
Other provisions	28		(9,696)		(10,620)
			<u>(52,065)</u>		<u>(50,405)</u>
<b>Equity</b>					
Called up share capital	24		994		994
Share premium account	26		45,323		45,323
Merger reserve			6,462		6,462
Retained earnings			(104,844)		(103,184)
<b>Total equity</b>			<u>(52,065)</u>		<u>(50,405)</u>

## **AZETS HOLDINGS LIMITED**

### **STATEMENT OF FINANCIAL POSITION (CONTINUED)**

***AS AT 30 JUNE 2023***

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The financial statements were approved by the board of directors and authorised for issue on 8 February 2024 and are signed on its behalf by:

Mrs Carol Warburton  
**Director**

**Company Registration No. 06365189**



## AZETS HOLDINGS LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Share capital	Share premium account	Merger Reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 July 2021</b>	994	45,323	6,462	(83,769)	(30,990)
<b>Year ended 30 June 2022:</b>					
Loss and total comprehensive income for the year	-	-	-	(20,392)	(20,392)
Share based payments (refer to note 27)	-	-	-	977	977
<b>Balance at 30 June 2022</b>	994	45,323	6,462	(103,184)	(50,405)
<b>Year ended 30 June 2023:</b>					
Loss and total comprehensive income for the year	-	-	-	(1,950)	(1,950)
Share based payments (refer to note 27)	-	-	-	290	290
<b>Balance at 30 June 2023</b>	994	45,323	6,462	(104,844)	(52,065)

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

#### Company information

Azets Holdings Limited is a private company limited by shares incorporated in England and Wales. The registered office is 2nd Floor, Regis House, 45 King William Street, London, United Kingdom, EC4R 9AN. 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 2023 were authorised for issue by the board of directors on 8 February 2024 and the balance sheet was signed on the board's behalf by Mrs Carol 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. Under IFRS3, Business Combinations, goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it 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.

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2023**

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### **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.

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2023

#### 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 2023, there were outstanding loans of £233.9 million which are not repayable before 31 December 2024.

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 31 March 2025, 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 31 March 2025. When applying what are considered to be reasonably possible downside scenarios the forecasts show that the company currently has access to adequate resources to continue in operational existence until 31 March 2025.

In making their assessment of going concern, the directors have obtained written confirmation from Azets Topco Limited that it has the ability to and will provide financial support to the company for a period until 31 March 2025 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 Topco Limited is the most appropriate company to provide this support. Based on enquiries made in relation to the Azets Topco Limited group's liquidity forecast the directors have concluded that Azets Topco Limited will be able to provide financial support to the company, for a period until 31 March 2025 as stated in the letter of support.

In reaching the conclusion that Azets Topco Limited is able to provide financial and other support, the directors of the company note that:

- Azets Topco Limited controls the Azets Opco Limited group ("the Group") which is funded through external borrowing. The external borrowings are not repayable before October 2028.
- Azets Opco Limited is subject to a leverage ratio (Total net debt to Consolidated pro-forma EBITDA) financial covenant related to this external debt which will be assessed quarterly during the year. Under the terms of the banking agreement, the financial covenant becomes progressively more stringent after the first 36 months.
- In making their assessment of going concern of the Group, the Directors of Azets Opco Limited ("the Group directors") have reviewed both the liquidity of the Group and its ability to comply with the financial covenant in both a base case and a downside scenario. The base case scenario applied by the Group Directors in their assessment of going concern shows that the Group will have adequate resources to continue in operational existence for the period under review and will meet its financial covenant during that period. The Group Directors have also considered what they believe to be a reasonably possible downside scenario being a 10% reduction in pro-forma EBITDA compared to pro forma EBITDA generated in the year ended 30 June 2023. This scenario shows that the Group would continue to meet its financial covenant and meet its liabilities as they fall due for the period to 31 March 2025.

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

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 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).

#### 1.6 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

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

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.

#### 1.10 Financial assets

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.

##### *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.

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 1 Accounting policies

(Continued)

#### **Impairment of financial assets**

Financial assets carried at amortised cost and FVOCI are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

For trade receivables, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### **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.

### 1.11 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.

#### **Derecognition of financial liabilities**

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

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

#### 1.12 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.

#### 1.13 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.

#### 1.14 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.

#### 1.15 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.

#### 1.16 Retirement benefits

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



# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 1 Accounting policies

(Continued)

#### 1.17 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.

#### 1.18 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.

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

#### 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.

#### 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.

#### 1.19 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.

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 1 Accounting policies

(Continued)

#### 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.

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2023**

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### **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 2023 was £26.5 million (2022: £23.5 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.

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 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 2023, 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 12. 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 2023, the carrying value of acquired intangible assets was £154.4 (2022: £164.0) 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 12.

#### 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.

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 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:

	2023 £'000	2022 £'000
<b>Revenue analysed by class of business</b>		
Accountancy and taxation	223,871	176,680
Corporate finance	8,292	6,799
Insolvency	7,669	6,341
Payroll services	8,893	8,118
Other	2,421	1,868
	<u>251,146</u>	<u>199,806</u>
	<b>2023 £'000</b>	<b>2022 £'000</b>
<b>Revenue analysed by geographical market</b>		
United Kingdom	251,146	199,806
	<u>251,146</u>	<u>199,806</u>

Other in the revenue by class relates to Fee Protection services, inter-company billings in the wider Azets Group and commission income.

The company's revenue is derived from the provision of services over time, however there was revenue recognised of £2,077,000 (2022: £908,000) that related to Fee Protection services and commissions that are recognised at a point in time 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:

	2023 £'000	2022 £'000
Trade receivables	37,319	38,227
Unbilled receivables and work in progress	26,485	23,519

## AZETS HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

#### 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 58 days (2022: 77 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:-

	2023 £'000	2022 £'000
Exceptional items: staff costs	(3,328)	(849)
Exceptional items: other operating expenses	(1,428)	(1,167)
Exceptional items: impairment of tangible and intangible assets	(204)	(527)
	<u>(4,960)</u>	<u>(2,543)</u>

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

	2023 £'000	2022 £'000
Transformation costs	(214)	(1,012)
Acquisition costs	(351)	(677)
Restructuring and integration costs	(2,459)	(138)
Other costs	(571)	(189)
Movement in fair value of contingent consideration	(1,161)	-
Impairment of right of use assets	(204)	(527)
	<u>(4,960)</u>	<u>(2,543)</u>

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2023

#### 4 Exceptional items

(Continued)

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

##### *Transformation costs - £0.2 million (2022: £1.0 million)*

In the prior year, there was a group-wide transformation that was undertaken by the Group. Initiatives included; new systems and the increased use of technology, more targeted marketing, property rationalisation and a move to smarter working. This project was concluded during the year and costs of £0.2 million were incurred in the year ended 30 June 2023 (2022: £1.0 million).

##### *Acquisition costs - £0.4 million (2022: £0.7 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 Naylor Wintersgill Limited and Sandisons Limited during the year.

##### *Restructuring and integration costs - £2.5 million (2022: £0.1 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 - £0.6 million (2022: £0.2 million)*

In the current year the other costs comprise staff costs of £0.4 million, an increase in provision of retirement annuities of £0.1 million and other costs of £0.1 million.

##### *Movement in fair value of consideration - £1.2 million (2022: £nil)*

Movement in fair value of consideration in the current year relates to expected payments to be made to former owners of acquired businesses in respect of better than forecast post acquisition performance.

##### *Impairment charges for right of use assets - £0.2 million (2022: £0.5 million)*

Over the last four years, 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 £0.2 million in the year ended 30 June 2023 (2022: £0.5 million).

#### 5 Operating profit

	2023	2022
	£'000	£'000
Expense relating to short-term leases	253	22
Fees payable to the company's auditor for the audit of the company	250	283
Depreciation of property, plant and equipment	3,613	3,370
Depreciation of right of use assets	5,437	5,357
Amortisation of intangible assets	14,804	13,165
Profit on disposal of tangible assets	(73)	(61)
Share-based payments (refer to note 27)	290	977
	<u>          </u>	<u>          </u>

#### 6 Finance costs

	2023	2022
	£'000	£'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest payable to group undertakings	11,951	10,829
Interest on lease liabilities	1,463	1,558
	<u>          </u>	<u>          </u>
Total interest expense	13,414	12,387
	<u>          </u>	<u>          </u>



# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 7 Directors' remuneration

	2023 £'000	2022 £'000
Remuneration for qualifying services	969	860
Company pension contributions to defined contribution schemes	29	26
Compensation for loss of office	51	-
Share based payments (refer to note 27)	125	401
	<u>1,174</u>	<u>1,287</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2022 - 4).

	2023	2022
Remuneration disclosed above include the following amounts paid to the highest paid director:		
	£	£
Remuneration for qualifying services	326,050	251,524
	<u></u>	<u></u>

### 8 Employees

The total number of employees of Azets Holdings Limited, including those recharged to other group companies, at the year end was 3,355 (2022: 2,987).

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

	2023 Number	2022 Number
Average number of employees	3,333	3,049
	<u></u>	<u></u>

Their aggregate remuneration (including directors' remuneration) comprised:

	2023 £'000	2022 £'000
Wages and salaries	153,199	134,244
Social security costs	16,079	11,768
Pension costs	5,203	3,820
Share based payments	290	977
	<u>174,771</u>	<u>150,809</u>

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

<b>9 Investment income</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest income</b>		
Interest on bank deposits	8	1
	<u>          </u>	<u>          </u>
Income from shares in group undertakings	16,471	751
	<u>          </u>	<u>          </u>
Income from group undertakings comprise dividends received from subsidiaries.		
<b>10 Impairment of investment in subsidiaries</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Impairment loss on investment in subsidiaries (refer to note 17)	(16,387)	(142)
	<u>          </u>	<u>          </u>
<b>11 Taxation</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax on profits for the current year	18	(1,166)
Adjustments in respect of prior years	(465)	1,256
	<u>          </u>	<u>          </u>
<b>Total UK current tax</b>	<b>(447)</b>	<b>90</b>
	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(3,108)	(2,330)
Changes in tax rates	(155)	3,357
Adjustment in respect of prior periods	(354)	16
	<u>          </u>	<u>          </u>
	<b>(3,617)</b>	<b>1,043</b>
	<u>          </u>	<u>          </u>
<b>Total tax (credit)/charge</b>	<b>(4,064)</b>	<b>1,133</b>
	<u>          </u>	<u>          </u>

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 11 Taxation

(Continued)

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

	2023 £'000	2022 £'000
Loss before taxation	(6,014)	(19,259)
Expected tax credit based on a corporation tax rate of 20.50% (2022: 19.00%)	(1,233)	(3,659)
Effect of expenses not deductible in determining taxable profit	4,037	496
Income not taxable	(3,376)	(142)
Change in unrecognised deferred tax assets	-	3,940
Adjustment in respect of prior years	(819)	106
Group relief	(2,575)	371
Depreciation on assets not qualifying for tax allowances	57	-
Remeasurement of deferred tax for change in tax rate	(155)	238
Fixed asset investment credit	-	(217)
<b>Taxation (credit)/charge for the year</b>	<b>(4,064)</b>	<b>1,133</b>

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.

### 12 Intangible fixed assets

	Goodwill £'000	Customer contracts £'000	Total £'000
<b>Cost</b>			
At 30 June 2022	110,379	131,564	241,943
Arising on hive-up	2,205	2,860	5,065
Other movements	187	-	187
At 30 June 2023	112,771	134,424	247,195
<b>Amortisation and impairment</b>			
At 30 June 2022	35,063	42,895	77,958
Charge for the year	-	14,804	14,804
At 30 June 2023	35,063	57,699	92,762
<b>Carrying amount</b>			
At 30 June 2023	77,708	76,725	154,433
At 30 June 2022	75,316	88,669	163,985

## AZETS HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

#### 12 Intangible fixed assets

(Continued)

##### Goodwill

As at 30 June 2023, the balance sheet included goodwill of £77.7 million (2022: £75.3 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 CGU has been based on a value in use calculation. This uses cash flow projections included in the most recent budget for 2024 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 2023, 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% (2022: 2.7%) based on the spot and the forecast yields for 30-year UK government bonds. The pre-tax discount rates applied was 15.1% (2022: 15.1%). The value in use has been compared to the carrying value and no impairment has been recognised for the year ended 30 June 2023.

##### Sensitivity to changes in key assumptions

A sensitivity analysis has been performed in respect of the CGU in order to review the impact of changes in key assumptions. The results of this sensitivity analysis indicate that no reasonably possible change in any of the key assumptions would cause the carrying value of the CGU to exceed its recoverable amount.

##### Hive-up

On 31 December 2022, the trade and assets of Azets Sandisons Limited, the company's subsidiary, was transferred to the company via a hive-up arrangement. This involved the company acquiring the trade and assets of the acquired company 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, and as a result recognised net goodwill of £2.2 million in respect of the same assets and liabilities. The fair value of net assets acquired and consideration paid is presented on the following page:

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 12 Intangible fixed assets

(Continued)

#### Azets Sandisons

£'000

Goodwill	2,205
Fixed assets	99
Intangible assets - customer contracts	2,860
Right of use assets	88
Debtors and other assets	860
Cash	198
Trade and other payables	(783)
Lease liabilities	(88)
Deferred tax liabilities	(715)
Provision for dilapidations	(135)
Net assets / (liabilities) acquired	4,589
Total consideration	4,589

### 13 Subsidiaries

Details of the company's subsidiaries at 30 June 2023 are as follows:

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held	
				Direct	Indirect
Azets (TP) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (Ashby) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (Bicester) Limited*	England and Wales	Non-trading	Ordinary	0	100.00
Azets (Cannock) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (Cheltenham) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (Coventry) Limited*	England and Wales	Non-trading	Ordinary	0	100.00
Azets (Dursley) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (Jesmond) Limited*	England and Wales	Non-trading	Ordinary	0	100.00
Azets (Leamington) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (North East) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (Tamworth) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (Walsall) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (West Country) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (Wolverhampton) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (Yarm) Limited*	England and Wales	Non-trading	Ordinary	0	100.00

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 13 Subsidiaries

(Continued)

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held	
				Direct	Indirect
Azets Corporate Finance Limited	England and Wales	Corporate finance services	Ordinary	100.00	-
Azets Corporate Services Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (MCC) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets Technology Solutions Limited	England and Wales	Assurance services and IT support services	Ordinary	100.00	-
Azets (Holywell) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (Barnstaple) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (B&A) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (BDM) Limited*	England and Wales	Non-trading	Ordinary	0	100.00
Azets Debt Solutions Limited	Scotland	Provision of Debt Arrangement Scheme in Scotland	Ordinary	100.00	-
Azets (CDSW) Limited*	Scotland	Non-trading	Ordinary	0	100.00
Azets (CD) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Titanium Trustees Limited	Scotland	Non-trading	Ordinary	100.00	-
Azets (CHBS) Limited*	England and Wales	Company secretarial services	Ordinary	0	100.00
Azets (CHG) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets Property Holding Company Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets (Peterborough) Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets Payroll & HR Limited*	England and Wales	Non-trading	Ordinary	0	100.00
Azets (RC) Limited*	England and Wales	Non-trading	Ordinary	0	100.00
Azets (TR) Limited*	England and Wales	Non-trading	Ordinary	0	100.00
Azets Financial Planning Limited	England and Wales	Provision of financial services	Ordinary	100.00	-
Roffe Swayne Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets Inspire Ventures & Investments Ltd	England and Wales	Holding company	Ordinary	100.00	-
Azets Inspire Professional Services Limited	England and Wales	Non-trading	Ordinary	0	100.00
Azets Tait Walker Management Limited	England and Wales	Human resources provision	Ordinary	100.00	-
Azets Wealth Management Limited	England and Wales	Financial Services	Ordinary	100.00	-
Azets G & E Professional Services Limited	England and Wales	Non-trading	Ordinary	100.00	-
Azets Garbutt & Elliott LLP	England and Wales	Non-trading	Ordinary	0	100.00
Don't Fret About Debt Limited	Scotland	Non-Trading	Ordinary	100.00	-
Azets Sandisons Limited	England and Wales	Non-trading	Ordinary	100.00	-

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 13 Subsidiaries (Continued)

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held	
				Direct	Indirect
Naylor Wintersgill Limited	England and Wales	Provision of accounting, tax and advisory services	Ordinary	100.00	-
Azets (Oswestry) Limited	England and Wales	Non-trading	Ordinary	0	100.00

\* represents investments that are held indirectly.

With the exception of Azets Wealth Management Limited, the registered office of subsidiaries incorporated in England and Wales is 2nd Floor, Regis House, 45 King William Street, London, EC4R 9AN. The registered office of subsidiaries incorporated in Scotland is Titanium 1 Kings inch Place, Renfrew, PA4 8WF.

The registered office for Azets Wealth Management Limited is Bulman House Regent Centre, Gosforth, Newcastle Upon Tyne, NE3 3LS.

### 14 Associates

Details of the company's associates at 30 June 2023 are as follows:

Name of undertaking	Registered office	Principal activities	Class of shares held	% Held	
				Direct	Indirect
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 2nd Floor, Regis House, 45 King William Street, London EC4R 9AN.

### 15 Right of use assets

	Land and buildings Leasehold £'000	Motor vehicles £'000	Fixtures, fittings & equipment £'000	Total £'000
At 30 June 2022	25,238	113	1,418	26,769
Additions	640	82	44	766
Depreciation	(4,724)	(88)	(625)	(5,437)
Impairment	(204)	-	-	(204)
Disposals	(575)	-	-	(575)
At 30 June 2023	20,375	107	837	21,319

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 16 Property, plant and equipment

	Leasehold improvements	Fixtures, fittings & equipment	Plant and machinery	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 30 June 2022	1,160	3,801	9,060	22	14,043
Additions	41	980	1,008	-	2,029
Business combinations	-	20	77	2	99
Disposals	-	-	(9)	-	(9)
At 30 June 2023	1,201	4,801	10,136	24	16,162
<b>Accumulated depreciation and impairment</b>					
At 30 June 2022	136	868	3,436	6	4,446
Charge for the year	179	767	2,664	3	3,613
Eliminated on disposal	-	-	(1)	-	(1)
At 30 June 2023	315	1,635	6,099	9	8,058
<b>Carrying amount</b>					
At 30 June 2023	886	3,166	4,037	15	8,104
At 30 June 2022	1,024	2,933	5,624	16	9,597

### 17 Investments

	Current 2023 £'000	2022 £'000	Non-current 2023 £'000	2022 £'000
Investments in subsidiaries	-	-	16,535	22,980

During the year, the company acquired investments in subsidiaries amounting to £9.9 million. Details are included on the next page.



## AZETS HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

17	Investments	(Continued)
	<b>Movements in non-current investments</b>	<b>Shares in group undertakings</b>
		<b>£'000</b>
	<b>Cost or valuation</b>	
	At 1 July 2022	39,807
	Additions	9,942
	At 30 June 2023	49,749
	<b>Impairment</b>	
	At 1 July 2022	(16,827)
	Impairment losses	(16,387)
	At 30 June 2023	(33,214)
	<b>Carrying amount</b>	
	At 30 June 2023	16,535
	At 30 June 2022	22,980
18	<b>Cash and cash equivalents</b>	

Cash and cash equivalents comprise bank deposits amounting to £16.3 million (2022: £8.0 million). Included within the cash balance is restricted cash of £452,000 (2022: £nil).

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 19 Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	40,251	41,982
Provision for expected credit loss	(2,932)	(3,755)
	<u>37,319</u>	<u>38,227</u>
Unbilled receivables and work-in-progress	26,485	23,519
Amounts owed by subsidiary undertakings	113	696
Amounts owed by fellow group undertakings	416	-
Amounts owed by associates	14,157	11,095
Other receivables	3,312	3,453
Prepayments and accrued income	6,733	6,358
	<u>88,535</u>	<u>83,348</u>

### Ageing of receivables

	2023 £'000	2022 £'000
Not past due	26,705	26,112
0 - 3 months	5,241	5,264
Greater than 3 months	8,305	10,606
	<u>40,251</u>	<u>41,982</u>

Total receivables (before allowance for expected credit loss)

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

	2023 £'000	2022 £'000
At 1 July	3,755	3,992
Acquired through hive-up	4	248
Acquired through business combinations	-	178
Created	122	144
Utilised	(822)	(650)
Reversed/released	(127)	(157)
	<u>2,932</u>	<u>3,755</u>

At 30 June

Included within other receivables are insurance receivables in respect of litigation and claims (refer to note 28) amounting to £2,480,000 (2022: £2,943,000).

Included within trade receivables are lease receivables amounting to £126,000 (2022: £234,000) of which £44,000 (2022: £118,000) are receivable in more than one year.

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 20 Trade and other payables

	Current		Non-current	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade payables	7,628	7,184	-	-
Amount owed to parent undertaking	285	-	-	-
Amounts owed to subsidiary undertakings	17,687	28,417	-	-
Amounts owed to fellow group undertakings	2,452	120	-	-
Accruals and deferred income	10,410	9,317	-	-
Deferred consideration	9,192	11,168	6,722	9,070
Other payables	46	1,147	-	-
	<u>47,700</u>	<u>57,353</u>	<u>6,722</u>	<u>9,070</u>

### 21 Borrowings

	Non-current	
	2023	2022
	£'000	£'000
<b>Borrowings held at amortised cost:</b>		
Loans from group undertaking	233,911	221,622
	<u>233,911</u>	<u>221,622</u>

Loans from group undertakings represent amounts due to other companies within Azets.

The loans from group undertakings are repayable on demand. In June 2023, the counterparties of the loans agreed to vary the terms such that there would be no repayment of capital or interest before 31 December 2024 and as such the amounts owed are classified as non-current liabilities at 30 June 2023. The loans bear interest at an average rate of 5% (2022: 5%).

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 22 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	Other	Total
	£'000	£'000	£'000	£'000	£'000
Liability at 1 July 2021	(56)	(2,765)	21,173	-	18,352
<b>Deferred tax movements in prior year</b>					
Charge/(credit) to profit or loss	942	2,765	(2,428)	(236)	1,043
Arising on hive-up	-	-	1,819	-	1,819
Arising on acquisition	-	-	1,075	-	1,075
Liability at 1 July 2022	886	-	21,639	(236)	22,289
<b>Deferred tax movements in current year</b>					
Charge/(credit) to profit or loss	(304)	-	(3,173)	(140)	(3,617)
Arising on hive-up	-	-	715	-	715
Liability at 30 June 2023	582	-	19,181	(376)	19,387

There are unrecognised deferred tax assets of £5,431,000 (2022: £5,431,000) relating to interest disallowed under the corporate interest restriction which are not probable of becoming allowable in the future.

### 23 Retirement benefit schemes

	2023	2022
	£'000	£'000
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	5,203	3,820

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.

### 24 Share capital

	2023	2022	2023	2022
	Number	Number	£'000	£'000
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
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

Ordinary A, B and C shares are shares which have no voting rights and the right to receive dividends. Holders of Ordinary A and B shares are entitled to be paid first up to the value of the nominal amount of the paid up capital of these shares.

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 25 Lease liabilities

	2023	2022
	£'000	£'000
<b>Maturity analysis</b>		
Within one year	6,675	7,201
In two to five years	16,867	20,722
In over five years	5,350	8,418
	<u>28,892</u>	<u>36,341</u>
<b>Total undiscounted liabilities</b>	28,892	36,341
Future finance charges and other adjustments	(3,999)	(5,392)
	<u>24,893</u>	<u>30,949</u>
<b>Lease liabilities in the financial statements</b>	<u>24,893</u>	<u>30,949</u>

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.

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:

	2023	2022
	£'000	£'000
Current liabilities	5,554	5,784
Non-current liabilities	19,339	25,165
	<u>24,893</u>	<u>30,949</u>

	2023	2022
	£'000	£'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	1,463	1,558

During the year, there were cash payments in respect of leases of £7,226,000 (2022: £7,249,000).

### 26 Share premium account

	2023	2022
	£'000	£'000
At the beginning and end of the year	<u>45,323</u>	<u>45,323</u>

## AZETS HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

#### 27 Share-based payment transactions

There were no shares issued during the year. During the prior 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:

	2023	2022
Outstanding at 1 July	47,289	31,263
Awarded during the year	-	16,026
Lapsed	-	-
	<u>47,289</u>	<u>47,289</u>
Outstanding at 30 June	<u>47,289</u>	<u>47,289</u>

The fair value of services received in return for the shares awarded is measured by reference to the fair value of those shares. The fair value is measured at grant date and spread over the period during which the employees are expected to become unconditionally entitled to the shares, this period being reassessed on an annual basis. The 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:

	2023	2022
Issue price	N/A	£2.95
Expected share price volatility	N/A	27%
Expected term	N/A	0.9 years

Expenses	£'000	£'000
Related to equity settled share based payments	290	977
	<u>290</u>	<u>977</u>

#### 28 Other provisions

	2023	2022
	£'000	£'000
Dilapidations	6,517	6,573
Legal claims	3,179	4,047
	<u>9,696</u>	<u>10,620</u>

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

### 28 Other provisions (Continued)

Movements on provisions:	Dilapidations £'000	Legal claims £'000	Total £'000
At 1 July 2022	6,573	4,047	10,620
Additional provisions in the year	135	2,269	2,404
Reversal of provision	(191)	(2,405)	(2,596)
Utilisation of provision	-	(732)	(732)
At 30 June 2023	6,517	3,179	9,696

#### 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 that are generally expected to settle within the next 24 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. The reversal of amount relates to amounts that the company no longer expects to settle and there is a corresponding reduction in the other receivables for any related insurance receivables.

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

### 29 Merger Reserve

	2023 £'000	2022 £'000
At the beginning and end of the year	6,462	6,462

# AZETS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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### 30 Contingent liabilities

#### a) Guarantees and related matters

In October 2022, the Group refinanced and replaced its existing senior debt. As part of the refinancing, a senior facilities agreement (the "SFA") was entered into on 7 October 2022 and a related intercreditor agreement (the "ICA") was entered into on 21 October 2022. The charge that the company had provided in favour of DNB Bank ASA (as security agent) was released. The company acceded to the SFA as an additional guarantor and to the ICA as a debtor and an intra-group lender on 20 February 2023 and provided certain guarantees and security in connection with the SFA. As part of the accession, the company entered into an English law debenture with GLAS Corporation Limited on 20 February 2023, whereby it provided security by way of fixed charge over certain material bank accounts, by way of assignment and fixed charge over certain material intercompany receivables, by way of fixed charge over shares in members of the Azets Group that are either Obligors or Material Companies and by way of floating charge over its present and future assets and undertaking.

#### 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 28).

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.

### 31 Events after the reporting date

On 31 October 2023, the trade and assets of the company's subsidiary, Azets Tait Walker Management Limited, were hived up into the company for market value consideration.

On 31 December 2023, the trade and assets of the company's subsidiary, Naylor Wintersgill Limited, were hived up into the company for market value consideration.

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.

### 32 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.



## AZETS HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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#### 33 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: £14,157,073 (2022: £11,095,449)  
Azets Probate Services Limited: £(93,360) (2022: £12,861)

During the year, the company made sales to group companies as follows:-

Azets Audit Services Limited: £62,939,394 (2022: £48,169,025)  
Azets Probate Services Limited: £18,894 (2022: £282,872)

During the year, the company received management charges from group companies as follows:-

Azets Audit Services Limited: £200,000 (2022: £200,000)  
Azets Probate Services Limited: £11,170 (2022: £8,560)

During the year, the company was charged rent from Bridge House Friendly Society, with a certain director in common, of £425,550 (2022: £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 £82,000 (2022: £80,000). There was no outstanding balance at the year end.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.