

PAID AA'S for
CAPITAL RESOURCE
CONSULTING GROUP LIMITED
5169192
Company Registration No. 08781558

AMS Midco Limited

Annual Report and Financial Statements

For the year ended 31 December 2017



AMS Midco Limited

Annual report and financial statements 2017

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AMS Midco Limited

Annual report and financial statements 2017

Officers and professional advisers

Directors

R Blair
R Timmins

Registered Office

7 Bishopsgate
London
EC2N 3AQ

Bankers

HSBC Bank Limited
8 Canada Square
London
E14 5HP

ING Luxembourg SA
52 route d'Esch
L-2965 Luxembourg

Credit Suisse AG
Eleven Madison Avenue
New York, NY10010
USA

Solicitors

Kirkland and Ellis
30 St. Mary Axe
London
EC3 8AF

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

AMS Midco Limited

Strategic report

Review of AMS Midco Limited (“the Group”) trading results for the year ended 31 December 2017

In 2017 AMS Midco Limited generated earnings before exceptional items (note 5), interest, taxation, depreciation and amortisation (EBITDA) of £40.5m (2016: £35.0m) and an operating profit before exceptional items of £35.6m (2016: £31.7m). Profit after tax for the year was £10.2m (2016: £13.8m)

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

The strong progression in the Group’s trading metrics is detailed below.

£’000	2017	% change	2016	% change	2015	% change	2014
Turnover	242,478	19.8%	202,455	10.1%	183,971	11.3%	165,242
NFI (Gross profit)	206,134	20.5%	171,119	11.5%	153,415	12.6%	136,244
Operating Profit (before exceptional items)	35,560	12.3%	31,673	31.6%	24,079	0.1%	24,061
EBITDA (before exceptional items)	40,538	15.7%	35,035	29.6%	27,042	-0.4%	27,150

2017 was a year of strong growth for the Group with turnover rising by 19.8% and NFI rising by 20.5%. The growth in both turnover and NFI reflects the on-going success of the Group’s strategy to diversify into different geographies and sectors whilst also seeking to extend its offering into a wider range of services. The Group increased its NFI in 2017 by 20.5% due to the positive impact of new clients coupled with geographical and scope expansion with existing clients. Performance within Professional Services, Retail Banking and the Defence & Energy sector in 2017 were encouraging.

The Group generated EBITDA of £40.5m in 2017 which is an increase of 15.7% on 2016. Despite this strong performance, EBITDA as a % of NFI decreased from 20.5% in 2016 to 19.7% in 2017 due to the impact of the margin on new contracts being below their level at maturity.

The AMS Midco Group is primarily funded through external debt provided by third party banks and funds managed by New Mountain Capital LLC. The AMS Midco Group has a net asset position at 31 December 2017 of £68.4m (2016: £199.0m). The reduction in the net asset position of the Group is attributable to the £140.3m dividend paid during the financial year.

During 2017, the Group successfully completed a re-financing, repaid its senior term loan of \$110.7m, secured a new \$265m senior loan and paid a dividend of £140.3m. As part of this refinancing, the group increased its CID facility to £22.5m and increased its Revolving Credit Facility to \$40m.

As at April 2018, the Group has a median gender pay gap in hourly pay of 10.8%; this compares favourably to the national average (Office for National Statistics) of 18.4%.

Principal risks and uncertainties

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

Cash flow and interest rate risk

The Group’s balance sheet is funded by a US\$ denominated senior loan of US\$265.0 million and it has entered into derivative contracts to hedge part of the foreign currency risk associated with this loan. The derivatives comprise a cross-currency swap, a 1% GBP interest rate floor option and a 1% US\$ floor option. These derivatives provide certainty over 65% of the senior loan foreign currency exposure. In addition, AMS Bidco Limited, a 100% owned subsidiary of the Company, has a derivative to cap its interest rate exposure on 40% of its estimated borrowings through to May 2022 at US\$ and GBP LIBOR +1%.

AMS Midco Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

In addition to this the Group's trading activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group aims wherever possible to match income and costs by currency, and maintains foreign currency denominated bank accounts so as to minimise the exposure to converting currencies into sterling. The Group also draws funding in foreign currencies so as to minimise the foreign exchange exposure of funding the working capital requirements of its overseas subsidiaries. In addition, in view of the increasing cost base denominated in Polish zloty, the Group has entered into forward contracts which guarantee that the Group can purchase Polish zloty at a pre-determined rate each month. This provides certainty about the Polish zloty exchange rate for approximately 50% of the Group's forecast Polish zloty funding requirements.

Credit risk

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments. The Group mitigates this risk by ensuring that its counterparties do not represent excessive credit risk prior to the agreement of any transaction.

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments. The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group maintains a well-established credit control function that monitors the Group's trade debtors and is in regular communication with the Group's customers. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, who tend to be global, blue chip corporations with high credit ratings. Exposure to counterparties is reviewed on a regular basis to avoid any excessive reliance on a single counterparty.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through committed facilities.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group has a senior term and multicurrency facilities agreement with a syndicate of banks incorporating a £22.5 million invoice discounting facility, a US\$40 million revolving credit facility and a US\$265.0 million term facility. These facilities have end dates ranging between 25 May 2022 and 25 May 2024.

The above facilities require compliance with covenants and the Directors monitor compliance on an ongoing basis.

Key performance indicators

The Group monitors a number of operational, financial and strategic indicators to ensure it is progressing against plan and adequately addressing any risks. Financial metrics measured include Turnover, NFI, Operating Profit and EBITDA. Non-financial metrics include, but are not limited to, the hiring source mix and gender pay gap ratio.

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



R Timmins
Director
27 April 2018

AMS Midco Limited

Directors' report

The directors of AMS Midco Limited ("the Company") present their annual report on the affairs of the Company and its subsidiaries (together "the Group"), alongside the financial statements and auditor's report for the year ended 31 December 2017.

Activities

The principal activity of the Company is that of an investment holding company. The principal activity of the Group is the provision of Talent Acquisition and Talent Management Services usually under long-term contracts.

The subsidiaries principally affecting the results or net assets of the Group in the year are listed in note 12 to the accounts.

Business review

Profit for the year after tax was £10,183,000 (2016: £13,782,000).

Future developments

The Group will continue to expand by developing present client relationships with further geographical growth and breadth of service offering, as well as by working with new clients.

Financial risk management objectives and policies

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

Employee consultation

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

Disabled employees

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

Dividends

During the year the Group paid dividends of £140,298,000 (2016: £nil). This represents a dividend per share of £0.80 (2016: £nil).

Charitable and political contributions

During the year the Group made charitable donations of £388 (2016: £1,547). The Company made no political donations in the year.

AMS Midco Limited

Directors' report (continued)

Directors and their interests

The directors who have served during and since the year end are listed on page 1. There have been no changes during or since the year end.

None of the Directors held any beneficial interest in the shares of the Company, or any other group company except as disclosed below:

R Blair held 89,223 "B" preferred ordinary shares and 113,734 "D" ordinary shares in AMS Topco Limited.

R Timmins held 12,425 "B" preferred ordinary shares, 1 "C" ordinary share and 47,566 "D" ordinary shares in AMS Topco Limited.

R Blair was a member of a money purchase pension scheme.

Directors' indemnity arrangements

The Group has purchased directors' and officers' liability insurance in respect of itself and its directors.

Going concern

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

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

Subsequent events

There are no material subsequent events.

Auditor

Each of the persons who is a director at the date of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted with Section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



R Timmins
Director
27 April 2018

AMS Midco Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Each of the directors, whose names are listed on pages 1, confirms that:

- to the best of their knowledge, the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- to the best of their knowledge, strategic report includes a fair review of the development and performance of the business and the position of the Group on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces; and
- they consider, having taken advice from the Audit Committee, that the Annual Report and Financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Independent auditor's report to the members of AMS Midco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of AMS Midco Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions 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 group and the parent 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

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

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of AMS Midco Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

Independent auditor's report to the members of AMS Midco Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Peter Saunders (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 April 2018

AMS Midco Limited

Consolidated statement of profit and loss and other comprehensive income For the year ended 31 December 2017

		2017			2016		
	Notes	Before exceptional items £'000	Exceptional items (note 5) £'000	Statutory result £'000	Before exceptional items £'000	Exceptional items £'000	Statutory result £'000
Turnover	4	242,478	-	242,478	202,455	-	202,455
Cost of sales		(36,344)	-	(36,344)	(31,336)	-	(31,336)
Gross profit	4	206,134	-	206,134	171,119	-	171,119
Administrative expenses	5	(170,574)	(5,021)	(175,595)	(139,446)	(1,508)	(140,950)
Operating profit		35,560	(5,021)	30,539	31,673	(1,508)	30,169
Finance charges (net)	6			(16,501)			(12,005)
Profit on ordinary activities before taxation	8			14,038			18,164
Tax on Profit	9			(3,855)			(4,382)
Profit for the year				10,183			13,782

All of the results presented above derive from continuing operations.

AMS Midco Limited

Consolidated statement of financial position

As at 31 December 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Goodwill	11	255,697	255,697
Tangible fixed assets	12	5,701	4,990
Deferred tax	19	2,404	1,085
		<u>263,802</u>	<u>261,772</u>
Current assets			
Debtors – amounts falling within one year	14	108,436	105,369
Cash at bank and in hand		25,218	39,205
		<u>133,654</u>	<u>144,574</u>
Creditors: amounts falling due within one year	15	<u>(129,290)</u>	<u>(112,700)</u>
Net current assets		<u>4,364</u>	<u>31,874</u>
Total assets less current liabilities		<u>268,166</u>	<u>293,646</u>
Creditors: amounts falling due after more than one year	16	<u>(199,300)</u>	<u>(94,140)</u>
Provisions for liabilities	20	<u>(487)</u>	<u>(546)</u>
Net assets		<u>68,379</u>	<u>198,960</u>
Capital and reserves			
Called up share capital	21	174,967	174,967
Retained earnings		<u>(106,588)</u>	<u>23,993</u>
Shareholders' funds		<u>68,379</u>	<u>198,960</u>

The financial statements of AMS Midco Limited, registered number 08781558, were approved by the board of directors and authorised for issue on 27 April 2018.

Signed on behalf of the board of directors



R Timmins
Director

AMS Midco Limited

Company statement of financial position As at 31 December 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments	13	174,967	174,967
Total assets less current liabilities		174,967	174,967
Net assets		174,967	174,967
Capital and reserves			
Called up share capital	21	174,967	174,967
Shareholders' funds		174,967	174,967

The company reported a profit for the financial year ended 31 December 2017 of £nil (2016: nil).

The financial statements of AMS Midco Limited, registered number 08781558, were approved by the board of directors and authorised for issue on 27 April 2018.

Signed on behalf of the board of directors



R Timmins
Director

AMS Midco Limited

Consolidated statement of cash flows For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Net cash flow from operating activities	22	22,277	18,436
Payments to acquire tangible fixed assets	12	(4,174)	(3,148)
Net cash used in investing activities		(4,174)	(3,148)
Net repayment of borrowings		(87,051)	(11,456)
Net proceeds from refinancing		195,259	-
Dividends paid	23	(140,298)	-
Net cash used in financing activities		(32,090)	(11,456)
Net cash flow		(13,987)	3,832
Cash and cash equivalents in the beginning of the financial year		39,205	35,373
Cash and cash equivalents in the end of the financial year		25,218	39,205

Cash and cash equivalents comprise of cash and bank balances.

AMS Midco Limited does not hold any cash, therefore no company statement of cash flow has been produced.

AMS Midco Limited

Consolidated statement of changes in equity For the year ended 31 December 2017

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 31 December 2015	174,967	8,720	183,687
Total comprehensive income for the year	-	13,782	13,782
Exchange gain	-	1,491	1,491
Balance at 31 December 2016	174,967	23,993	198,960
Total comprehensive income for the year	-	10,183	10,183
Exchange loss	-	(466)	(466)
Dividends paid (note 23)	-	(140,298)	(140,298)
Balance at 31 December 2017	174,967	(106,588)	68,379

AMS Midco Limited

Company statement of changes in equity For the year ended 31 December 2017

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 31 December 2015	174,967	-	174,967
Balance at 31 December 2016	174,967	-	174,967
Dividends received	-	140,298	140,298
Dividends paid	-	(140,298)	(140,298)
Balance at 31 December 2017	174,967	-	174,967

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017

1. General information

AMS Midco Ltd is a company incorporated in the United Kingdom under the Companies Act. The address of the Company's registered office is 7 Bishopsgate, London EC2N 3AQ.

The principal activity of the Company is that of an investment holding company. The principal activity of the Group is the provision of Talent Acquisition and Talent Management Services usually under long-term contracts.

The presentational currency of the financial statements of the Group is GBP sterling.

2. Adoption of new and revised standards

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and have not yet been adopted by the EU:

- IFRS 9 Financial Instruments
- IFRS 16 Leases
- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IAS 7 (amendments) Disclosure Initiative
- IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

3. Accounting policies

Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. IFRS includes the standards and interpretations approved by the International Accounting Standards Board ("IASB") including International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

These financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Basis of consolidation

The financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

3. Accounting policies (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit and loss and comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, having considered the Company forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty. Accordingly, they have adopted the going concern basis in preparing the financial statements. Further detail is contained in the Directors' Report.

The Board has reviewed the Group's forecasts for the financial year ending 31 December 2018 and its forecast for the six months ending 30 June 2019. These forecasts, which take into account the Board's future expectations of the Group's performance indicate that there is sufficient headroom within the bank facilities for the Group to continue to operate within those facilities and to comply with the financial covenants. The directors considered factors likely to affect future development, performance and financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to business activities in coming to this conclusion.

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

Business combinations

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

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

Goodwill

Goodwill arising on consolidation represents the excess of purchase consideration less the fair value of the identifiable tangible and intangible assets and liabilities acquired.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, if the discounted cash flow is less than the carrying amount of the goodwill, the impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the Group pro-rata on the basis of the carrying amount of each asset. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

3. Accounting policies (continued)

Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is carried out on a systematic basis as below

- The amortisation method reflects the pattern of benefits
- If a pattern cannot be determined reliably, the straight line method is adopted
- The amortisation charge is recognised in profit or loss
- The amortisation period is reviewed at least annually.

The Group has no intangible assets with an indefinite life.

Financial assets and liabilities

Financial assets

Financial assets are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument and are measured at fair value on initial recognition. Transaction costs are included in the fair value on initial recognition except for financial assets designated at fair value through profit or loss where transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all risks and rewards. Transfers of financial assets with retention of all or substantially all risks and rewards include for example repurchase transactions and securities lending transactions.

The Group classifies its financial assets in the following categories: financial instruments at fair value through profit or loss; loans and receivables; held-to maturity investments and available-for-sale financial assets.

Trade date accounting is applied to financial assets classified in the categories financial assets at fair value through profit or loss and available-for-sale financial assets. Settlement date accounting is applied to the other categories of financial assets.

Financial assets at fair value through profit and loss

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

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

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

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

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

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

3. Accounting policies (continued)

Financial assets and liabilities (continued)

Financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

Other financial liabilities

The category other financial liabilities primarily include the Group's short-term and long-term borrowings. After initial recognition other financial liabilities are measured at amortised cost, using the effective interest method. The balance sheet items Deposits from credit institutions, Deposits and borrowings from the public and Debt securities are included in this category.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly market between market participants at the measurement date.

The fair value of financial instruments quoted in an active market, for example derivatives, financial assets and financial liabilities held for trading, and available-for-sale financial assets, is based on quoted market prices. If the asset or liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances are used.

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

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

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

3. Accounting policies (continued)

Fair value measurement (continued)

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

Revenue recognition

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

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

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

The main areas of judgement in revenue recognition relate to cut-off as revenue is recognised for permanent placements when the element of the service to the client has been completed in accordance with the contractual agreements and temporary placement income over the duration of the placement.

The group operates in one class of business, that of Talent Acquisition and Talent Management services.

Performance Obligations Satisfied at a Point in Time

Talent Acquisition performance obligations are satisfied at a point in time. AMS typically transfers control over the service to the customer upon the candidate commencing work for the customer.

Performance Obligations Satisfied Over Time

Talent Acquisition Management Service performance obligations are satisfied over time as the customer typically enjoys and consumes the benefits of our service over the contract term as we perform and transfer control of our management activities. AMS utilises an output method using time as a measure of progress to recognise revenue as our management activities are performed evenly throughout the period.

Payment Terms for Performance Obligations Satisfied at a Point in Time and Over Time

At contract inception, the promised consideration is dependent on the number of hires that are successfully placed with the customer for Talent Acquisition performance obligations as well as dependent on the number of AMS consultants working at the customer site for Talent Acquisition Management performance obligations. Whether or not a candidate is hired is susceptible to factors outside of AMS's influence. The number of AMS consultants for Talent Acquisition Management Services has a large number and broad range of possible consideration amounts through the life of the contract as AMS is not aware of how many AMS consultants the customer will require at the various times of the contract. AMS has experience with similar types of contract but that experience is of little predictive value in determining the future placement of candidates or the number of AMS employees for management fee arrangements.

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

3. Accounting policies (continued)

Revenue recognition (continued)

At the end of each month, AMS includes the transaction price of the actual amount of the monthly hires placed successfully with the customer and the number of AMS consultants utilised by the customer given that the estimation uncertainty is resolved. At the end of each month, AMS allocates the monthly fees to the distinct performance obligations provided during the period. This is because the fees relate specifically to the AMS efforts to transfer the services for that month, which are distinct from the services provided in other months, and the resulting allocation is consistent with the objective of the standard.

Contract costs

No costs are recognised as an asset unless it is virtually certain that a contract will be obtained and the contract is expected to result in future net cash inflows with a present value not less than the amounts recognised as an asset. Costs of implementation projects when not covered by implementation fees are carried forward and written off on a straight line basis starting from the year commencing with service delivery to the client and ending at the earlier of contract end date or point of earliest possible termination at will by the client. Costs carried forward are disclosed as “capitalised contract implementation costs” within debtors due within one year.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Fixtures and fittings	four years
Plant and machinery	four years
Computer equipment	three years

Residual value is calculated on prices prevailing at the date of acquisition.

Taxation

Responsibility for the tax strategy, the supporting governance framework and management of tax risk ultimately sits with the Chief Financial Officer. Day-to-day responsibility for each of these areas sits with the Group Financial Controller.

The Group's tax strategy aligns to the Group's wider risk and control framework. Key risks and issues related to tax are escalated to and considered by the Group Audit Committee on a regular basis and the overall approach is overseen by the Board.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, using rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

3. Accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the term to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter term is used.

Invoice discounting

Finance and transaction costs related to invoice discounting are recognised in the profit and loss account as incurred.

Investments

Investments in subsidiaries are carried at cost less impairment.

The carrying value of these investments is reviewed annually by the Directors to determine whether there has been any impairment to their values.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Revenue recognition

The main area of judgement in revenue recognition relates to timing in regards to determining the point when AMS have satisfied their performance obligation to the customer. This is determined in accordance with the contractual arrangement with each customer with revenue recognised when a located candidate commences work for the customer. In making its judgement, management considered the detailed criteria for the recognition of revenue set out in IFRS 15 *Revenue from contracts with customers* and, in particular.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

3. Accounting policies (continued)

Impairment of Goodwill

Determining whether the Company's goodwill has been impaired requires estimations of the cash generating unit's (CGU) values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the CGU and suitable discount rates in order to calculate present values. The carrying amount of goodwill at the balance sheet date was £255.7m with no impairment loss recognised in 2017 or 2016. Details of assumptions made and sensitivity analysis are given in note 11.

4. Turnover

Segment information and disaggregation of turnover

The Group operates in only one class of business, that of Talent Acquisition and Talent Management Services and all its turnover, loss before tax and net assets are generated from this class of business. Geographical analysis of business by turnover, net fee income, profit before tax and net assets is set out below.

	2017				2016			
	Turnover	Net Fee	Profit	Net assets	Turnover	Net Fee	Profit	Net assets
	£'000	Income	before tax	£'000	£'000	Income	before tax	£'000
		£'000	£'000	£'000		£'000	£'000	£'000
United Kingdom	137,401	117,777	8,640	53,568	112,060	108,959	13,828	187,283
Rest of Europe	32,885	30,021	842	4,999	24,801	20,734	546	3,501
Asia Pacific	19,468	16,870	1,955	5,077	28,492	15,236	2,218	4,570
America	52,724	41,466	2,601	4,735	37,102	26,190	1,572	3,606
	<u>242,478</u>	<u>206,134</u>	<u>14,038</u>	<u>68,379</u>	<u>202,455</u>	<u>171,119</u>	<u>18,164</u>	<u>198,960</u>

Contract balances

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

	2017	2016
	£'000	£'000
Group		
Receivables, which are included in trade debtors	56,442	48,631
Contract costs capitalised	6,578	3,111
Amortisation of contract costs during the year	(1,575)	(1,034)
Contract assets	36,411	25,093
Contract liabilities	<u>(5,507)</u>	<u>(5,638)</u>

The contract assets primarily relate to the Group's rights to consideration of work completed but not billed at the reporting date on contracts with its customers. The contract assets are transferred to receivables when the rights become unconditional. Contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised on satisfaction of performance obligations.

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

5. Exceptional items reported within administrative expenses

	2017 £'000	2016 £'000
Redundancy and restructuring costs	1,437	1,508
Management Bonus	3,584	-
	<u>5,021</u>	<u>1,508</u>

During the course of 2017, AMS incurred costs and expenses that are disclosed as 'exceptional items' in the statutory accounts. These items are exceptional by virtue of their size or infrequency and require separate disclosure as they would otherwise distort the 'normal' results of the business.

The exceptional items in 2017 are in respect of redundancy and restructuring costs as well as a management bonus cost awarded in respect of the refinancing.

In the prior year the exceptional items related to redundancy, staff re-organisation and restructuring costs.

6. Finance charges (net)

	2017 £'000	2016 £'000
Interest payable and similar charges		
Bank loans and overdrafts	11,841	4,266
Invoice discounting charges	678	297
Arrangement fee and Interest rate cap amortisation	3,553	1,005
Interest on overdue tax	67	4
Exchange losses (note 8)	371	6,440
	<u>16,510</u>	<u>12,012</u>
Interest receivable and similar income	<u>(9)</u>	<u>(7)</u>
Finance charges (net)	<u>16,501</u>	<u>12,005</u>

7. Directors emoluments and staff costs

	2017 £'000	2016 £'000
Directors' emoluments		
Directors' remuneration	613	512
Pension contributions	10	11
	<u>623</u>	<u>523</u>

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

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

7. Directors emoluments and staff costs (continued)

	2017 £'000	2016 £'000
Highest paid director		
Directors' remuneration	378	282
Pension contributions	10	12
	<u>388</u>	<u>294</u>

All directors are paid through Alexander Mann Solutions Limited.

Staff costs

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

	2017 No.	2016 No.
Sales	3,218	2,788
Administration	168	173
	<u>3,386</u>	<u>2,961</u>

Their aggregate remuneration comprised:

	£'000	£'000
Wages and salaries	123,220	101,843
Social security costs	12,229	10,154
Other pension costs	3,043	2,638
	<u>138,492</u>	<u>114,635</u>

The company has no employees (2016: nil).

8. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after: charging/(crediting):

	2017 £'000	2016 £'000
Depreciation	3,404	2,187
Amortisation of capitalised contract implementation costs	1,575	1,034
Rentals under operating leases	3,286	2,971
Net foreign exchange loss	371	6,440
Amortisation of intangible assets	-	140
Staff costs	138,492	114,635
Change in fair value of derivatives	<u>27,328</u>	<u>(12,272)</u>

Fees payable to the Group's auditor for the full year are £321,000 (2016:£317,000) for the audit of the Group's financial statements, and £25,000 (2016:£22,000) for other services to the Group.

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

9. Tax on profit

	2017 £'000	2016 £'000
UK Corporation tax - Group	2,978	2,764
Foreign tax	2,010	1,557
	<u>4,988</u>	<u>4,322</u>
Adjustments relating to prior year:		
UK companies	(13)	(45)
Foreign companies	199	200
	<u>5,174</u>	<u>4,477</u>
Current tax charge	5,174	4,477
Deferred tax (note 19)	(1,319)	(94)
	<u>3,855</u>	<u>4,382</u>
Tax on profit on ordinary activities		

Tax on profit on ordinary activities

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

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	14,038	18,164
Tax on loss on ordinary activities at standard UK corporation tax rate of 19.25% (2016: 20%)	2,702	3,633
Effects of:		
Disallowed expenses	42	63
Effect of overseas tax rates	924	531
Adjustments in respect of prior periods	187	155
	<u>3,855</u>	<u>4,382</u>
Total tax charge		

Following the 2017 Budget Statement, the main rate of UK corporation tax will reduce by 1% to 17% for the financial year beginning 1 April 2020. It is expected that this fall in the main corporation tax rate will result in a reduction of the Company's deferred tax asset and also a reduction in the Company's future current tax charge.

10. Profit attributable to AMS Midco Limited

The profit for the financial year dealt with in the financial statements of the parent company, AMS Midco Limited, was £nil (2016: £nil). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company.

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

11. Intangible fixed assets

Goodwill

£'000

Cost

At 31 December 2016 and 31 December 2017

Arising on acquisition of subsidiaries

255,697

Impairment tests for goodwill

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

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

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

Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value-in-use. The Group has performed its goodwill impairment test based on the 2018 budgeted EBITDA and 2019, 2020, 2021 and 2022 EBITDAs are based on the five year plan approved by the board. From 2021 onwards, growth in line with GDP growth has been conservatively factored in at 2.0% in perpetuity. In accordance with IFRS, the Group's WACC (Weighted Average Cost of Capital) is calculated based on the outsourcing / recruitment industry average leverage ratio and results in a WACC of 10.1% on a post-tax basis and also factors in a small companies risk premium of 2.8%. On this basis, no impairment of goodwill is required at 31 December 2017.

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

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

12. Tangible fixed assets

Group	Plant and machinery £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2016	14	4,380	2,073	6,467
Additions	-	2,540	608	3,148
Disposals	(1)	(2)	(90)	(93)
Foreign currency translation adjustment	2	363	178	543
At 31 December 2016	15	7,281	2,769	10,065
Accumulated depreciation				
At 1 January 2016	14	1,921	700	2,635
Charge for the period	-	1,585	602	2,187
Disposals	(1)	(2)	(90)	(93)
Foreign currency translation adjustment	2	240	104	346
At 31 December 2016	15	3,744	1,316	5,075
Net book value				
At 31 December 2016	-	3,537	1,453	4,990
At 31 December 2015	-	2,459	1,373	3,832

Group	Plant and machinery £000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 January 2017	15	7,281	2,769	10,065
Additions	-	4,031	144	4,174
Disposal	-	(126)	-	(126)
Foreign currency translation adjustment	3	35	(20)	18
At 31 December 2017	18	11,221	2,893	14,131
Accumulated depreciation				
At 1 January 2017	15	3,744	1,316	5,075
Charge for the period	1	2,792	616	3,409
Disposal	-	(56)	-	(56)
Foreign currency translation adjustment	2	22	(22)	2
At 31 December 2017	18	6,502	1,910	8,430
Net book value				
At 31 December 2017	-	4,719	983	5,701
At 31 December 2016	-	3,537	1,453	4,990

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

13. Fixed asset investments

Subsidiary undertakings	Company £'000
Cost and net book value	
At 31 December 2016 and 31 December 2017	<u>174,967</u>

The Company holds investments in the following subsidiary undertakings:

Subsidiary undertaking	Country of registration	Activity	Proportion of ordinary shares held %
*AMS Bidco Limited	England and Wales	Holding Company	100%
AMS Finco SARL	Luxembourg	Holding Company	100%
Newincco 780 Limited	England and Wales	Holding Company	100%
Newincco 781 Limited	England and Wales	Holding Company	100%
Alexander Mann Group Limited	England and Wales	Holding Company	100%
Alexander Mann Associates Limited	England and Wales	Holding Company	100%
Alexander Mann Employee Benefit Trust Limited	England and Wales	ESOP	100%
Alexander Mann Solutions Limited	England and Wales	Trading	100%
Alexander Mann BPO Limited	England and Wales	Trading	100%
Alexander Mann Solutions GmbH	Germany	Trading	100%
Alexander Mann Solutions ApS	Denmark	Trading	100%
Alexander Mann Solutions AB	Sweden	Trading	100%
Alexander Mann Solutions GmbH	Switzerland	Trading	100%
Alexander Mann Solutions S.P.A.	Italy	Trading	100%
Alexander Mann Solutions Poland Sp. Z.o.o.	Poland	Trading	100%
Alexander Mann Solutions BVBA	Belgium	Trading	100%
Alexander Mann Solutions BV	Holland	Trading	100%
AMS Recruitment Process Outsourcing S.L.	Spain	Trading	100%
Alexander Mann Solutions Corporation	U.S.A	Trading	100%
Alexander Mann BPO Solutions (Singapore) PTE Limited	Singapore	Trading	100%
Alexander Mann Solutions S.A.R.L.	France	Trading	100%
Alexander Mann Solutions Private Limited	India	Trading	100%
Amicus Limited	England and Wales	Trading	100%
Alexander Mann Solutions K.K.	Japan	Trading	100%
Alexander Mann Group Asia Pacific Pty Limited	Australia	Trading	100%
Alexander Mann Solutions (HK) Limited	Hong Kong	Trading	100%
Alexander Mann Solutions s.r.o.	Czech Republic	Trading	100%
Alexander Mann KFT	Hungary	Trading	100%
Alexander Mann Solutions (Shanghai) Enterprise Management Consulting Ltd	China	Trading	100%
Alexander Mann Solutions Inc	Canada	Trading	100%
Capital Resource Consulting Group Limited	England and Wales	Holding Company	100%
**Capital Resource Consulting Limited	England and Wales	Dormant	100%
**Interim Capital Limited	England and Wales	Dormant	100%
Alexander Mann Outsourcing Solutions Limited	Ireland	Trading	100%
Capital Resource Consulting Hong Kong Limited	Hong Kong	Trading	100%
Capital Resource Consulting GmbH	Germany	Trading	100%

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

13. Fixed asset investments (continued)

Subsidiary undertaking	Country of registration	Activity	Proportion of ordinary shares held %
AMS Processo De Recrutamento E Terceirização Ltda	Brazil	Trading	100%
Alexander Mann Solutions S. De R.L. De C.V.	Mexico	Trading	100%
Alexander Mann Solutions AS	Norway	Trading	100%
Alexander Mann Solutions BPO Inc.	Philippines	Trading	100%
Alexander Mann Solutions (Pty) Ltd	South Africa	Trading	100%
**Public Sector Resourcing Limited	England and Wales	Dormant	100%
Shearwater s r.o	Czech Republic	Dormant	100%

* held directly by AMS Midco Limited

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

**These dormant subsidiaries are exempt from the requirements of the Companies Act 2006 in relation to the preparation of individual accounts by virtue of s394A of that Act.

The registered addresses of the subsidiary companies are disclosed in the appendix to the financial statements.

14. Debtors: amounts falling due within one year

	2017 Group £'000	2016 Group £'000
Trade debtors	56,442	48,631
Derivative (note 17)	2,180	18,251
Other debtors	2,813	6,245
Corporation tax recoverable	209	209
Accrued income	36,411	25,093
Prepayments	3,803	3,829
Capitalised contract implementation costs	6,578	3,111
	108,436	105,369

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

15. Creditors: amounts falling due with one year

	2017 Group £'000	2016 Group £'000
Bank loans and overdrafts (note 18)	874	7,678
Derivative (note 17)	269	875
Trade creditors	2,629	3,703
Corporation Tax	3,099	2,312
Other taxes and social security	9,356	10,266
Other creditors	1,663	6,740
Accruals	105,893	75,488
Deferred income	5,507	5,638
	<u>129,290</u>	<u>112,700</u>

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

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

	2017 Group £'000	2016 Group £'000
Bank loans (note 18)	187,446	94,140
Derivative (note 17)	11,854	-
	<u>199,300</u>	<u>94,140</u>

17. Derivative financial instruments

	£'000	£'000
Financial assets carried at fair value through profit or loss (FVTPL):	Asset	Liability
Cross Currency swap	-	(10,898)
Interest rate swaps	1,538	(305)
Forward contracts	324	(149)
Interest rate caps/floors	376	(828)
	<u>324</u>	<u>(149)</u>
Foreign Exchange Derivative Instruments		
	<u>1,914</u>	<u>(12,031)</u>

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

17. Derivative financial instruments (continued)

All derivatives are treated as financial assets carried at fair value through profit or loss (FVTPL) and hedge accounting is not used.

	2017 £'000	2016 £'000
Derivative Liability		
Cross Currency swap		
Current	(120)	(711)
Non-current	(11,854)	-
	<u>(11,974)</u>	<u>(711)</u>
Forward Contracts		
Current	(149)	(164)
Non-current	-	-
	<u>(149)</u>	<u>(164)</u>
	<u>(12,123)</u>	<u>(875)</u>

18. Borrowings

	2017 £'000	2016 £'000
Current		
Bank loans – secured	1,964	8,523
Less capitalised arrangement fees	(1,090)	(845)
	<u>874</u>	<u>7,678</u>
Non-current		
Bank loans – secured	193,440	95,831
Less capitalised arrangement fees	(5,994)	(1,691)
	<u>187,446</u>	<u>94,140</u>
	<u>188,320</u>	<u>101,818</u>

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

18. Borrowings (continued)

At 31 December 2017, £195,404,000 (2016: £104,354,000) of the Group's borrowings were denominated in US\$. An analysis of the maturity of the borrowings is as follows:

	2017 £'000	2016 £'000
Not later than one year	1,964	8,523
Later than one year but not later than two years	1,964	1,296
Later than two years but not later than five years	191,476	94,535
Less unamortised capitalised arrangement fees	(7,084)	(2,535)
	<u>188,320</u>	<u>101,818</u>

Under the terms of the Credit Agreement dated 26 May 2017, the Group is required to annually repay 1% of the principal.

For the purposes of the maturity of the borrowings analysis above, the annual repayment of 1% of the principal has been classified as payable within one year. Likewise, the same annual payment has been classified as payable in more than one year but not more than two years.

Borrowings drawn under the Credit Agreement dated 26 May 2017, in respect of the revolving facility and the term loan, are secured by way of a floating charge over all of the Group's assets.

Borrowings drawn under the Receivables Finance Agreement (invoice discounting) relating to the multicurrency facility are secured against the Group's eligible trade debtors.

At 31 December 2017, \$263,675,000 of the term loan of US\$265,000,000 was outstanding, nil was drawn on the Revolving loan facility and nil was drawn under the Receivables Finance Agreement.

19. Deferred tax

	2017 £'000	2016 £'000
At beginning of period	1,085	990
Credited to profit and loss account	1,319	94
At 31 December 2017	<u>2,404</u>	<u>1,085</u>
	2017 £'000	2016 £'000
The amounts of deferred taxation provided at 19.25% are:		
- Depreciation in excess of capital allowances	-	219
- Other temporary differences	2,404	866
	<u>2,404</u>	<u>1,085</u>

The deferred tax asset has been recognised on the basis that it is considered more likely than not that there will be suitable taxable profits in the entity from which the future reversal of the underlying timing differences can be deducted. There are no unprovided deferred tax assets.

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

19. Deferred tax (continued)

Following the 2017 Budget Statement, the main rate of UK corporation tax will reduce by 1% to 17% for the financial year beginning 1 April 2020. It is expected that this fall in the main corporation tax rate will result in a reduction of the Company's deferred tax asset and also a reduction in the Company's future current tax charge.

20. Provision for liabilities

	Dilapidation £'000	Group Other £'000	Total £'000
At 1 January 2016	485	67	552
Credited to profit and loss account	-	(14)	(14)
Capitalised within fixed assets	8	-	8
At 31 December 2016	493	53	546
Credited to profit and loss account	(59)	-	(59)
At 31 December 2017	434	53	487

The Group has provided against the cost of rectification work required to restore leasehold premises to the same condition as at the inception of the leases. £42,000 has been provided in respect of redecoration and £392,000 has been provided in respect of capital refurbishment. They are all expected to be paid by 2024.

21. Called up share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid:		
174,966,555 ordinary shares of £1.00 each	174,967	174,967

22. Cash flow statements

a) Reconciliation of net cash flow from operating activities

	2017 £'000	2016 £'000
Profit for the financial year	30,539	30,169
Depreciation and amortisation	4,979	3,361
(Increase) in trade and other receivables	(23,386)	(18,544)
Increase in trade and other payables	26,554	12,415
Financing costs	(12,047)	(5,324)
Income tax	(4,362)	(3,642)
Net cash flow from operating activities	22,277	18,436

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

22. Cash flow statements (continued)

b) Changes in liabilities arising from financing activities

	1 January 2017	Financing Cash Flow	Fair Value Adjustment	31 December 2017
Bank Loans	(104,354)	(106,710)	15,660	(195,404)

23. Dividends

During the year the Group paid dividends of £140,298,000 (2016: £nil). This represents a dividend per share of £0.80 (2016: £nil).

24. Ultimate controlling party and related party transactions

The Company's ultimate parent undertaking is AMS Topco Limited, a company incorporated in the Cayman Islands, registered as a foreign company in England and Wales and tax resident in Great Britain. The ultimate parent undertaking heads the largest group of undertakings of which the Company is a member and for which group accounts are prepared. AMS Topco Limited is under the control of funds advised by New Mountain Capital LLC. The registered address of the ultimate parent undertaking is 94 Solaris Avenue, Grand Cayman, KY1-1108 and is the address from which copies of the consolidated financial statements can be obtained.

AMS Holdco Limited, the intermediate parent company, heads the smallest group of undertakings of which the Company is a member. The registered address of the intermediate parent undertaking company is 7 Bishopsgate, London, EC2N 3AQ.

No transactions have been undertaken in the year with the Group's immediate parent AMS Holdco Limited or the Group's ultimate parent AMS Topco Limited (2016: £nil)

During the year, the AMS Topco Group paid New Mountain Capital LLC a £500,000 (2016: £500,000) fee in connection with the management of the Group.

25. Operating lease commitment

Commitments under non-cancellable operating leases are as follows:

Group	Land and buildings	
	2017 £'000	2016 £'000
Expiry date		
- not later than one year	2,582	2,625
- later than one year and not later than five years	4,614	6,818
- later than five years	839	1,374
	<u>8,035</u>	<u>10,817</u>

Company

The Company had no operating lease commitments during the year. Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

AMS Midco Limited

Notes to the financial statements

For the year ended 31 December 2017 (continued)

26. Pension arrangements

The pension cost charge for the current year of £3,043,000 (2016: £2,368,000) represents the amounts payable to defined contribution personal pension schemes.

27. Statement of guarantee

The Company has signed a statement of guarantee in respect of a number of subsidiary companies under section 479a of the Companies Act 2006. As a result, the following subsidiaries are exempt from the requirements of the UK Companies Act 2006 in relation to the audit of individual accounts by virtue of s479A of that Act:

Company	Company registration number
Newincco 780 Limited	06420558
Newincco 781 Limited	06420524
Alexander Mann Associates Limited	01884422
Alexander Mann BPO Limited	06292822
Alexander Mann Employee Benefit Trust Limited	04014675
Amicus Limited	03930954
Capital Resource Consulting Limited	03690780
Capital Resource Consulting Group Limited	05169192
Interim Capital Limited	03703850
Public Sector Resourcing Limited	10648278

AMS Midco Limited

Appendix to the subsidiary note

Subsidiary Undertaking	Registered Address
*AMS Bidco Limited	7-11 Bishopsgate, London, EC2N 3AQ
AMS Finco SARL	48, Boulevard Grande-Duchesse Charlotte, L-1330, Luxembourg
Newincco 780 Limited	7-11 Bishopsgate, London, EC2N 3AQ
Newincco 781 Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Group Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Associates Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Employee Benefit Trust Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Solutions Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann BPO Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Solutions GmbH	Eschenheimer Anlage 1, 60316 Frankfurt am Main
Alexander Mann Solutions ApS	Larsbjornsstraede 3, K1454, Copenhagen, Denmark
Alexander Mann Solutions AB	Stureplan 4c, 4th Floor, 114 35, Stockholm, Sweden
Alexander Mann Solutions GmbH	Hardturmstrasse 120, CH-8005 Zürich Switzerland
Alexander Mann Solutions S.P.A.	Via Senato, 20, 20121 Milano, Italy
Alexander Mann Solutions Poland Sp. Z.o.o.	Ul. Puzkarska 7f, 30-644, Krakow, Poland
Alexander Mann Solutions BVBA	Rond Point Schuman 6, Box 5, 1040 Brussels, Belgium
Alexander Mann Solutions BV	Geesinkweg 901 - 999, 1096 AZ, Amsterdam, The Netherlands
AMS Recruitment Process Outsourcing S.L.	Avida Diagonal, 640 6º, 08021 Barcelona
Alexander Mann Solutions Corporation	Erievue Tower, 1301 East 9th St, suite 1200, Cleveland, Ohio, 44114
Alexander Mann BPO Solutions (Singapore) PTE Limited	2 Shenton Way, SGX Centre 1, #16-03 Singapore
Alexander Mann Solutions S.A.R.L.	12/14 Rond-Point des Champs-Élysées, 75008, Paris, France
Alexander Mann Solutions Private Limited	B2, 402, MARATHON INNOVA, OFF GANPATRAO KADAM MARG, OPP PENINSULA CORPORATE BANK, LOWER PAREL MUMBAI 400013 INDIA
Amicus Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Solutions K.K.	3-18-6 Toyo, Koto-ku, Tokyo
Alexander Mann Group Asia Pacific Pty Limited	101 Collins Street, Melbourne, Victoria 3004
Alexander Mann Solutions (HK) Limited	7/F Nan Fung Tower, 88 Connaught Road, Central, Hong Kong
Alexander Mann Solutions s.r.o.	U Garáží 1611/1, 170 00 Prague 7, Czech Republic
Alexander Mann KFT	Kálmán Imre utca 1, Budapest, 1054 HUNGARY
Alexander Mann Solutions (Shanghai)	Unit 701, ZRT Tower, No. 20, Lane 1228 Jiangchang Road, Jingan District, Shanghai, 200072
Enterprise Management Consulting Ltd	1000, rue De La Gauchetière Ouest, Bureau 900, Montréal, QC, Canada H3B 5H4
Alexander Mann Solutions Inc	7-11 Bishopsgate, London, EC2N 3AQ
Capital Resource Consulting Group Limited	7-11 Bishopsgate, London, EC2N 3AQ
Capital Resource Consulting Limited	7-11 Bishopsgate, London, EC2N 3AQ
Interim Capital Limited	7-11 Bishopsgate, London, EC2N 3AQ
Alexander Mann Outsourcing Solutions Limited	20 Molesworth Street, Dublin 2, Ireland
Capital Resource Consulting Hong Kong Limited	7/F Nan Fung Tower, 88 Connaught Road, Central, Hong Kong
Capital Resource Consulting GmbH	Thurn-und-Taxis-Platz 6 D-60313 Frankfurt am Main
AMS Processo De Recrutamento E Terceirização Ltda	Avenida Engenheiro Luis Carlos Berrini, nº 1461, 12º andar, bairro Cidade Monções, cidade de São Paulo, estado de São Paulo, Gutierrez Zamora #128 Int. 1, Colonia Las Aguilas, Delegacion Alvaro Obregon, Ciudad de Mexico, CP 01710
Alexander Mann Solutions S. De R.L. De C.V.	Vassboten 1, Building 2, Cadastral unit no 67, Sandnes
Alexander Mann Solutions AS	32/F Philam Life Tower Building, 8767 Paseo De Roxas Avenues Makati City Philippines
Alexander Mann Solutions (Pty) Ltd	Executive City Corner of Cross St & Charmaine Ave President Ridge Randburg 2125, PO Box 1734
Public Sector Resourcing Limited	7-11 Bishopsgate, London, EC2N 3AQ
Shearwater s.r.o	U Garáží 1611/1, 170 00 Prague 7, Czech Republic