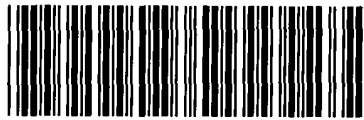


DAVIES GROUP LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

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**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

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**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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DIRECTORS AND ADVISERS

DIRECTORS

D Coombes
A Debiase
D Saulter

COMPANY SECRETARY

A Debiase

REGISTERED OFFICE

7th Floor
1 Minster Court
Mincing Lane
London
EC3R 7AA

INDEPENDENT AUDITOR

BDO LLP
Chartered Accountants and
Statutory Auditors
3 Hardman Street
Manchester
M3 3AT

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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CHIEF EXECUTIVE'S REVIEW

I am pleased to present our financial results for the year ending 30 June 2020.

We grew our global revenues by over 53% to £177.3m as we continued to invest in our people, in our new businesses, in digital transformation and through expanding our capability and geographical reach for our clients.

Our investment in these key areas resulted in year-on-year EBITDA growth (before exceptional costs and M&A integration expenses) of 32% to £31.3m (2019: £23.8m). We delivered strong organic revenue growth, as we continue to execute our strategy to deepen our relationships with our clients across multiple solutions and segments.

We have continued to invest in improvements to our operational performance, striving for high quality customer service, designing innovative solutions for our clients; and focusing on profitable work which enables us to reinvest for the future.

Today Davies delivers operations, consulting and technology solutions across the risk and insurance value chain, including excellence in claims, underwriting, distribution, regulation, customer experience, human capital, transformation & change management. Davies' core service lines include: Claims Solutions, Legal Solutions, Insurance Services and Consulting & Technology, delivered by our 4,000 strong team of professionals across the UK, Ireland, Bermuda, the US and Canada.

ACQUISITION ACTIVITY

In the year to June 2020 we completed seven acquisitions, diversifying our offering as well as adding strategic new capabilities and further broadening our geographic reach.

In July 2019 we acquired GBB Holdings incorporating the specialist forensic investigations business, GBB, and motor engineering solutions provider, Banwells. The businesses specialise in collision investigation, failure analysis and vehicle assessments, and added a 70-strong team of forensic scientists, engineers and collision specialists to Davies.

We completed the acquisition of Frontier Adjusters, Inc. ("Frontier"), in September 2019. Frontier is the multi-line independent claims adjusting firm that provides its clients with national field claims adjusting services across all 50 US states and parts of Canada through its network of franchised locations.

Also in September 2019 we announced the deal to acquire FWD Limited ("FWD"), the leading provider of professional and apprenticeship training in the Insurance and Financial Services sectors in the UK. FWD delivers professional learning and development programs, for leading national and global businesses, helping them develop and retain their professional talent.

In October 2019 we completed the deal to acquire Alternative Service Concepts, LLC ("ASC"), the workers' compensation and property and casualty third party administrator, headquartered in Nashville, Tennessee. Operating nationally across the US, ASC provide specialist end-to-end claims solutions to US & Lloyds insurance businesses, public entities, self-insured entities, insurance agencies and brokers.

We announced a deal to acquire Thornton Group ("Thornton") in November 2019. Based in Dublin, Thornton is a leading multi-line claims adjusting and third party administration business specialising in property, casualty, energy, marine & engineering and jewellery claims. Operating from three locations across the Republic of Ireland and Northern Ireland, Thornton provide end-to-end claims solutions to Insurers, brokers, MGA's and corporates.

In January 2020 we made a significant move in to the insurance legal services sector, with the acquisition of Keoghs, the insurance-focused, top-50 law firm. Keoghs is a leading provider of dispute resolution and risk services for the UK insurance industry across: motor, casualty, complex and specialty classes. The firm manages more than £1bn worth of insurer claims and resolves in excess of 100,000 claims per annum. Keoghs operates a defendant-only model, and works in partnership with leading insurers, MGAs, brokers, corporates and the public sector.

Codebase8 Limited ("Codebase8") joined Davies in March 2020, the automation, modernisation and digital solutions provider and consultancy firm, based in Llanelli, Wales. Codebase8 specialises in robotic process automation (RPA), legacy platform modernisation and product development for clients in the insurance and other highly regulated markets.

**DAVIES GROUP LIMITED
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CHIEF EXECUTIVE'S REVIEW (CONTINUED)

In March 2020 we mobilized our global work force to enable them to work from home as the COVID-19 pandemic spread across the globe. Since then we monitored the evolving situation very carefully and our teams across risk and operations who are focused on coronavirus planning are working hard to ensure we interpret and implement government guidance on workplace safety, as it is released and updated. We continue to see good levels of productivity and performance, and in some teams we have seen home-working allow for a higher level of output than in office environments. Having invested heavily in work-from-home capabilities, we don't need to rush to change our working approach, and we can adapt to local situations and guidance as the pandemic and its impact on our operating territories continues to develop.

During 2020 Davies has invested heavily in strengthening its global leadership team, as it seeks to continue its expansion in to new territories and to add new expertise, including: James Heath as Group Chief Risk Officer, Jeff Chang as General Counsel, and Matt Button as CEO of its fast-growing US Claims Solutions business.

Davies was named in Sunday Times PwC Top Track 250 as important mid-market contributor to the UK during the pandemic. Davies' Intelligent Automation arm continued to work closely with Welsh Health Board - Aneurin Bevan, to fully automate their end-to-end admissions, transfers and discharge processes as a response to COVID-19.

Davies has significantly increased its investment in technology and digital transformation, while nurturing new ideas and innovation from its people. In October 2019 we re-opened our Disruptive Thinking innovation lab for the third year and again, we received an overwhelming response from our people with over 650 ideas submitted ahead of the November deadline. Following a judging and shortlisting process we selected 10 winning ideas. The fourth season of the lab will open in Spring 2021.

Through The Davies Foundation, our registered charity, we have donated more than £60,000 globally to local community causes chosen by our people; £20,000 of that was earmarked for COVID related causes our people chose to donate to throughout the pandemic.

I am extremely proud of the amazing hard work from our team right across the globe. In what has been an exceptionally challenging time, our team has responded and continued to deliver for our 750+ clients around the world.



D Saulter
Chief Executive
Davies Group

Date: 9 November 2020

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

STRATEGIC REPORT

The Group has performed well during the year ended 30 June 2020 and confidently looks forward to continued growth in the coming year.

PRINCIPAL ACTIVITY

The principal activity of the Group and the Company in the year under review was the provision of operations management, consulting and digital solutions to organisations in highly regulated markets, including insurance, financial services, utilities, communications, and to regulatory bodies.

REVIEW OF BUSINESS

Following significant investment from HGGC in January 2017 and the introduction of AIMCO as a new shareholder in February 2017, we have continued to invest and add capability and geographies through acquisitions. In the year to June 2020 we completed seven deals, adding both new service lines and geographic reach to Davies. For full details of these please see the CEO report.

The results for the year and the financial position of the Group and the Company are as shown in the annexed financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The risk factors set forth below reflect material risks associated with the business and readers should consider them in addition to the other information contained in this report as our business, financial condition or results of the operation could be adversely affected if any of these risks were to actually occur.

The Group operates in a competitive marketplace. The Group manages this commercial risk by delivering a high quality, bespoke service to its clients, with most of whom it already enjoys long-standing relationships. Additionally the business development team conducts regular client meetings and update sessions to ensure that any client concerns are dealt with on a timely basis. This also provides an opportunity to update clients on developments within the business as well as new products and services. Furthermore the business development team actively engages in a large number of tenders each year to grow the client base to minimise reliance on any single client.

The Group's underlying business is subject to extensive legal and regulatory oversight, including the UK Companies Act and certain companies within the group to the regulations promulgated by the Financial Conduct Authority (FCA). This legal and regulatory compliance is limiting or restricting the products or services we sell, the markets we serve or enter, the methods by which we sell our products and services, the prices we can charge for our services, or by subjecting our business to the possibility of legal and regulatory actions or proceedings.

The results of our operations are generally affected by the level of business activity of our clients, which in turn is affected by the level of economic activity in the industries and markets these clients serve. Economic downturns, volatility, or uncertainty in some markets may cause reductions in technology and discretionary spending by our clients, which may result in reductions in the growth of new business or reductions in existing referrals. There are several specific business risks that should be taken into account for the group. The volume of claims referred to the Group, and therefore its revenue, can fluctuate according to the frequency and severity of weather related events. Additionally the Group is aiming to specifically grow its liability business to mitigate this risk.

Operational risks exist as the company operates in a complex and highly regulated environment, and it is essential to have effective processes and governance to be successful, as well as effective oversight of operations. The Group has put in place procedures and controls to mitigate known operational risks to which it believes it is exposed.

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

STRATEGIC REPORT (continued)

SECTION 172 STATEMENT

In performing their duties throughout the year, the Directors have promoted the success of the company for the benefit of the members as a whole and, in doing so, they have considered the key stakeholders when making decisions during the year, including:

- the likely consequences of any decisions in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with customers, suppliers, and others;
- the impact of the Group's operations on the community and environment;
- the Group's reputation for high standards of business conduct; and
- the need to act fairly as between members of the Group.

Our colleagues

Why?

Our colleagues are key to the delivery of our services and therefore to the long-term success of the business. It is imperative that we keep them actively engaged and motivated.

How?

Our internal communications strategy is designed to deliver engaging communication to drive the business objectives, as well as develop and enhance the organisational culture through engaging internal communication and employer brand content, through channels including the employee intranet, newsletters, emails, webinars, podcasts, internal notice boards and posters, which include a variety of key information and events including; performance and business updates, acquisition news, cultural initiatives and incentives, key appointments, industry award wins etc.

We motivate and reward our employees through participation in the Davies Incentive Plan, which is a pool of shares set aside for employees to share in the future success of Davies, all employees who have at least two years' service are eligible to participate in the scheme. During the financial year employee participation in the Davies Incentive Plan grew by 37% to 1,351 colleagues. We focus heavily on our policy of training and developing our staff, promoting internally before we recruit externally.

Our annual Davies Disruptive Thinking is an innovation lab that places the power of new ideas in the hands of our people. Our mission is to discover valuable ideas for our clients and our people so that we can reimagine our business, by using technology, to create a culture of innovation. The colleagues with the very best ideas receive seed funding to turn them into a reality. Since its launch in 2017 we have completed three successful seasons with more than 1500 ideas submitted by over 1000 colleagues.

Our communities and the environment

Why?

It is a core principle that we make a positive difference to the communities and environments in which we operate.

How?

We involve ourselves in our communities via our registered charity, The Davies Foundation, which aims to support charitable causes across the locations in which we operate around the globe, that have meaning and are close to the hearts of our people. Our fundraising efforts come from our people taking part in organised events and despite the COVID restrictions more than 600 colleagues have been involved in fundraising initiatives throughout 2020 including: Mental Health Awareness, Supporting people in crisis, The Diversity Trust: Challenging racial bias and racism in practice, Davies Foundation Yoga, Champion Commuter Exercise Challenge, Virtual Cocktail Class and 100,000 steps for The Davies Foundation. To date we have donated £60,000 to global community causes.

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

STRATEGIC REPORT (continued)

SECTION 172 STATEMENT (continued)

Our customers

Why?

The Directors recognise that maintaining long term relationships with existing customers, along with securing new customers, is vital to the success of the business.

How?

Our customers are at the heart of many of our day-to-day activities and decisions. During the year we have broadened the services we are able to offer our customers and other businesses in the risk and insurance value chain both through the development of new product offerings and through new services made available from businesses acquired in the year. During the year we have launched new products including DaviesView to reduce cost, time and friction from the adjusting process through the use of app and video technology; delivered ServiceTick customer engagement software to improve agent performance amongst our customers' own teams; and developed a dedicated process for handling and adjusting claims in respect of damage to highways or council owned property that is delivering reduced costs of claims for our motor claims customers. Following acquisitions made in the year we are now able to offer litigated claims handling to customers for who we previously only provided pre-litigation services; apprenticeship training in qualifications specific to the insurance and risk sector; and specialities in robotic process automation.

Our investors

Why?

It is critical that our investors have confidence in the Group, how it is operated and in its long-term strategic objectives.

How?

We are supported by our external investors, HGGC, Aimco and Permira and through regular dialogue, both inside and outside the structure of formal board meetings, we ensure their interests are represented by careful scrutiny of the shareholder benefit of each material decision taken by the business.

Our suppliers

Why?

The main suppliers to the business are essential to our ability to deliver services to our customers to the standards expected by our customers.

How?

We maintain good relations with all key suppliers to the Group, including through prompt payment practices.

Key decisions

For the key decisions made during the year, we set out below the way in which the interests of key stakeholder groups were considered:

Major acquisitions:

During the year we completed seven acquisitions which diversifies our offering and capabilities for the benefit of our customers. Our investors are engaged throughout each acquisition process ensuring their interests are represented through careful analysis and presentation of the shareholder value that is expected to be generated, but also the risks involved. On completion of each acquisition we make an internal announcement to all our colleagues of the acquisition that has been made and the new services that the Group can now offer, and in many cases have followed this up with webinars to introduce the new team and their business.

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

STRATEGIC REPORT (continued)

SECTION 172 STATEMENT (continued)

Key decisions (continued)

COVID-19 response:

In March 2020 we mobilised our global workforce to enable them to work from home, investing significantly in technology hardware to achieve that goal. This allowed us to protect our colleagues from the risks posed by attending one of the Group's offices while continuing to serve our customers' needs. Subsequently we have met the needs of both our colleagues and customers by investing in our office space to ensure it is a safe and secure environment for those colleagues who need or prefer to work from an office. In addition we have adjusted our holiday provisions to allow colleagues to defer some of their annual holiday entitlement by up to two years.

GOING CONCERN

The directors continually review and monitor business performance and liquidity of the Group which over the past 8 months has been carried out with additional rigour and scrutiny due the COVID-19 pandemic. However despite the on-going pandemic and after reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Group has performed ahead of expectations since the outbreak of the COVID-19 pandemic and after the first quarter of the year ending 30 June 2021 it is significantly ahead of its annual EBITDA and cash budgets. During the period the Group successfully restructured certain parts of its business and after initially drawing down on its banking facilities the directors felt confident enough in the Group's future outlook to repay the outstanding amount on revolving credit facility, which was £15m. Having done so, the Group still maintains significantly more cash resources on its balance sheet than required for normal working capital purposes and also access to a committed revolver credit facility of £20m should this be required.

The Group's most recent forecasting exercise covers a period from the balance sheet date to 31 December 2021. As part of their forecasting work, the directors undertook some detailed sensitivity analysis which showed that the Group revenue would need to drop by 25% for there to be a future covenant break, and by 40% for the Group to encounter any liquidity issue. The key mitigant for a covenant breach would be an equity injection from the shareholders which is permitted under the existing banking agreement. Additionally the main mitigant, should the Group experience a liquidity issue, would be to drawdown on the £20m RCF which can be accessed for any purpose.

Additionally, as the COVID-19 impact on trading and cash is smaller than was first anticipated at the outbreak of the pandemic, the Group has recommenced its M&A program and during the post balance sheet period has made 5 acquisitions, see note 22, Post Balance Sheet events. Further, it should be noted that the directors choose to use the Group's own cash resources to complete three of the 5 acquisitions without utilising any of a newly negotiated £100m credit facility. A further sign of the directors' confidence in the Group's prospects in the foreseeable future.

The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements

RESULTS AND DIVIDENDS

The Group's loss for the financial year ended 30 June 2020 is £10.6m (2019 profit (restated): £2.0m). The profit is stated after amortisation of goodwill of £13.1m (2019: £7.9m), interest payable of £7.8m (2019: £4.8m), M&A integration costs of £7.6m (2019 (restated): £4.9m) and exceptional costs of £9.7m; (2019: £2.6m) which include Covid-19 exceptional costs of £1.9m, provisions for onerous leases and related costs of £4.5m, and restructuring costs of £3.3m. No final dividend is proposed (2019: £nil) and the loss for the period has been transferred to reserves accordingly.

The Group has generated cash inflow from operating activities of £21.7m (2019: £15.3m) and has total shareholders' funds before group shareholder loan notes of £201.3 (2019: £117.1m).

**DAVIES GROUP LIMITED
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STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS

Management adopts a number of indicators to measure and monitor the overall performance of the Group. From a financial perspective an annual budget is set. Performance against the budget, in terms of its principal KPIs of turnover and EBITDA before exceptional items and M&A integration expenses and cash flow, is monitored in detail and reviewed monthly at board level. Other principal operational measures in place are:

- Claims Solutions - Claims received saw 4% increase on the prior year
- Claims Solutions - Claims closed saw a 3% decrease on the prior year
- Insurance Services - Annualised gross written premium by appointed representative network over £2bn
- Insurance Services - Number of appointed representatives at year end equals thirty seven
- Consulting + Technology - Annualised IVR surveys of 7.2 million
- Legal - Productivity increase in the hourly rate teams of 2% in the year
- Group Wide - Quality of service delivery by measurement of the net promoter score from customers
- Group Wide - Staff turnover and employee engagement satisfaction results

By order of the Board



A Debiase
Director

Date: 9 November 2020

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

DIRECTORS' REPORT

The directors present their report with the audited consolidated financial statements of the Group and the company for the year ended 30 June 2020.

RESULTS AND DIVIDENDS

The Group's operating loss for the year ended 30 June 2020 is £3.6m (30 June 2019 (restated): profit of £6.0m).

No final dividend is proposed (2019: £nil) and the loss for the year has been transferred to reserves accordingly.

FUTURE DEVELOPMENTS

The Group remains committed to sustainable, profitable growth and continues its program of strategic activities to meet these objectives. The priority remains to provide a market leading range of high quality and innovative services to customers and to develop our relationships with existing and new customers alike.

The Group continues to invest in new systems and technology with the focus on improving operational efficiency and flexibility. This is being implemented through a specific project which will reduce the lifecycle of claims, improve customer service, enhance the quality of management information available both internally and to our clients, and drive down the cost of delivering a successful claim outcome.

FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk.

Credit risk is managed, as far as possible, by partnering with financially strong clients, agreeing payment terms in advance and requesting progress payments during the life of a claim. Appropriate credit control procedures are in place to monitor credit taken by clients and mitigate the risk of a material bad debt.

The Group has a dedicated team managing its cashflow operations ensuring outstanding fee invoices are collected on a timely basis and suppliers are paid utilising available credit terms. Additionally the Group reviews and forecasts its cash requirements on a regular basis and has a £20,000,000 (2019: £5,000,000) revolving credit facility with its main lender to provide an additional source of liquidity to assist with growth and manage seasonal spikes in business.

In accordance with good corporate governance, cash held on behalf of clients are held in segregated trust bank accounts, separately identifiable from the Group's own cash at bank and in hand.

EMPLOYEES

Details of the number of employees and related costs can be found in note 4 to the financial statements.

The Group has continued its commitment to fostering good communication and consultation at all levels with a view to informing and involving staff in the progress of the Group and its future. Elected employee representatives meet with the executive management of the Group to consult on important workplace issues, including but not limited to market conditions, performance of the business, employee issues and any changes in business direction. Communication with all employees is through the intranet, email and staff meetings.

To encourage their involvement in the future performance of the Group, executive management and directors are included in the management share scheme and employees participate in performance related bonus schemes.

EMPLOYMENT OF DISABLED PERSONS

It is the Group's policy to give, wherever possible, equal opportunity of employment and career development to both disabled and able persons according to their suitability to perform the work required. The Group also makes every effort to provide employment for employees who become disabled. All employees are given opportunities for training, career development and promotion consistent with their capabilities whether disabled or able.

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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DIRECTORS' REPORT (continued)

ENERGY CONSUMPTION AND EMISSION

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires the Group to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR regulated sources for its large subsidiaries. Keoghs LLP is the only group entity meeting the definition of a large subsidiary and as such the report below details the energy consumption for Keoghs LLP for the period from its acquisition by the Group on 6 March 2020 to the year end of 30 June 2020. Energy and GHG emissions have been independently calculated for the Keoghs LLP's financial year and apportioned and seasonally adjusted to provide the data below.

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held – this includes electricity, natural gas and business travel in company-owned or grey-fleet cars.

The table below details the regulated SECR energy and GHG emission sources from the current reporting period. As this is the first year of reporting, no comparison to previous years is disclosed.

	6 March 2020 to 30 June 2020
Energy (kWh)	
Natural gas	359,958
Electricity	418,702
Transport	24,696
Total energy (kWh)	803,356
Emissions (tCO₂e)	
Natural gas	66
Electricity (location-based)	107
<i>Electricity (market-based) in tCO₂</i>	106
Transport	6
Total SECR emissions (tCO₂e)*	179
Intensity metric	
SECR emissions per intensity metric (tCO₂e / £m turnover)	5.6
*Uses location-based calculation	

Keoghs LLP is committed to reducing its environmental impact and contribution to climate change through increased energy management, awareness and changes to operational procedures. During the previous financial year, detailed energy audits were commissioned to establish an energy-saving action plan as part of ESOS Phase-2 regulations.

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

DIRECTORS' REPORT (continued)

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company is a wholly owned subsidiary of Davies Topco Limited which has maintained cover for its directors and officers and those of its subsidiary companies under a directors' and officers' liability insurance policy as permitted by the Companies Act 2006. The liability insurance is a qualifying third party indemnity provision and was in force during the financial year and up to and including the date of the approval of the Annual Report and Financial Statements.

DIRECTORS

The directors who served during the year and up to the date of signing these financial statements unless otherwise stated are as follows:

D Coombes
A Debiase
D Saulter

DISCLOSURE OF INFORMATION TO AUDITOR

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

- (1) so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) each director has taken all the 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 in accordance with the provisions of Section 418 of the Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 prepared the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Group and the company and of the profit or loss of the Group for that year. 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;
- state whether applicable UK 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 and the group 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 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 company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

DIRECTORS' REPORT (continued)

INDEPENDENT AUDITOR

The auditor, BDO LLP, has indicated its willingness to continue in office and will be proposed for re-appointment at the next annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'A Debiase', written in a cursive style.

**A Debiase
Director**

Date: 9 November 2020

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAVIES GROUP LIMITED

Opinion

We have audited the financial statements of Davies Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 30 June 2020 which comprise Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows, and the notes to the financial statements, 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice)

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 30 June 2020 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the 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 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.

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.

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAVIES GROUP LIMITED (continued)

Other information (continued)

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 this regard.

Opinion 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's 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 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.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, 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.

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAVIES GROUP LIMITED (continued)

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 at 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



*Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
9 November 2020*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Year ended 30 June 2020	Year ended 30 June 2019 (Restated)
		£000	£000
Turnover	3	177,277	115,512
Cost of sales		(96,219)	(53,732)
Gross profit		81,058	61,780
Administrative expenses excluding exceptional items, M&A integration expenses, depreciation and amortisation		(51,534)	(38,040)
EBITDA (before exceptional items and M&A integration expenses)		31,313	23,740
Depreciation		(4,572)	(2,381)
Amortisation		(13,061)	(7,899)
Exceptional administrative expenses		(9,699)	(2,553)
M&A integration expenses	5	(7,594)	(4,886)
Total administrative expenses		(86,460)	(55,759)
Other income		1,789	-
Group operating (loss) / profit	5	(3,613)	6,021
(Loss) / profit on ordinary activities before interest and taxation		(3,613)	6,021
Other finance charges		(59)	(375)
Interest payable and similar charges	6	(7,791)	(4,807)
(Loss) / profit on ordinary activities before taxation		(11,463)	839
Tax on (loss) profit on ordinary activities	8	870	1,170
(Loss) / profit for the financial year		(10,593)	2,009

All amounts relate to continuing operations.

The notes on pages 23 to 45 form part of these financial statements

DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

		Year ended 30 June 2020	Year ended 30 June 2019 (Restated)
	Note	£000	£000
(Loss) / profit for the financial year		(10,593)	2,009
Movement in translation reserve	21	156	-
Revaluation of liability		5	-
Actuarial loss recognised in the year	21	(2,554)	(468)
Movement on deferred tax relating to pension deficit	21	485	44
Total recognised (losses) / profits relating to the year		(12,501)	1,585

The notes on pages 23 to 45 form part of these financial statements

DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	As at 30 June 2020		As at 30 June 2019	
		£000	£000	(Restated) £000	(Restated) £000
ASSETS					
Fixed assets					
Intangible assets	9	265,464		111,020	
Tangible assets	10	17,851		6,331	
Investments	11	1		22	
			283,316		117,373
Current assets					
Debtors	12	124,251		68,204	
Deferred tax	13	327			
Cash at bank and in hand		63,422		10,957	
			188,000		79,161
Total assets			471,316		196,534
LIABILITIES AND EQUITY					
Capital and reserves					
Called up share capital	14	42,789		2,963	
Share premium account		42,626		2,800	
Translation reserve		156		-	
Profit and loss account		(15,087)		(2,430)	
Total shareholders' funds			70,484		3,333
Other liabilities					
Creditors: amounts falling due within one year	15	100,225		46,557	
Creditors: amounts falling due after more than one year	16	292,473		143,101	
Deferred tax	13	-		969	
Provisions for liabilities	18	4,971		1,234	
Total other liabilities			397,669		191,861
Total equity and liabilities excluding defined benefit pension liability			468,153		195,194
Pension liability	21		3,163		1,340
Total equity and liabilities			471,316		196,534

The financial statements on pages 17 to 45 were approved by the Board of Directors on 9 November 2020 and were signed on its behalf by:



A Debiase
 Director

Company registered number 06479822

The notes on pages 23 to 45 form part of these financial statements

DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	As at 30 June 2020		As at 30 June 2019	
		£000	£000	(Restated) £000	(Restated) £000
ASSETS					
Fixed assets					
Intangible assets	9	5,917		6,718	
Tangible assets	10	3,850		2,670	
Investments	11	230,734		125,716	
			240,501		135,104
Current assets					
Debtors	12	127,638		28,177	
Deferred tax	13	123		124	
Cash at bank and in hand		33,632		(32)	
			161,393		28,269
Total assets			401,894		163,373
LIABILITIES AND EQUITY					
Capital and reserves					
Called up share capital	14	42,789		2,963	
Share premium account		42,626		2,800	
Profit and loss account deficit		(44,548)		(29,459)	
Total shareholders' funds / (deficit)			40,867		(23,696)
Other liabilities					
Creditors: amounts falling due within one year	15	69,192		44,490	
Creditors: amounts falling due after more than one year	16	289,224		141,606	
Provisions for liabilities	18	2,611		973	
Total other liabilities			361,027		187,069
Total equity and liabilities			401,894		163,373

The financial statements on pages 17 to 45 were approved by the Board of Directors on 9 November 2020 and were signed on its behalf by:

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company for the year was £-15,089,040 (2019 restated: - £6,723,000)



A Debiase
Director

Company registered number 06479822

The notes on pages 23 to 45 form part of these financial statements

DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

GROUP	Share capital £000	Share premium £000	Translation reserve £000	Profit and loss account £000	Total Equity £000
Balance as at 1 July 2018	1,638	1,475	-	(4,015)	(902)
Increase in share capital	1,325	1,325	-	-	2,650
Profit for the year	-	-	-	4,227	4,227
Other comprehensive loss for the year	-	-	-	(424)	(424)
Total comprehensive income for the year	-	-	-	3,803	3,803
Balance as at 30 June 2019	2,963	2,800	-	(212)	5,551
Prior Year adjustment	-	-	-	(2,218)	(2,218)
Balance as at 30 June 2019 (restated)	2,963	2,800	-	(2,430)	3,333
Increase in share capital	39,826	39,826	-	-	79,652
Loss for the year	-	-	-	(10,593)	(10,593)
Other comprehensive income /(loss) for the year	-	-	156	(2,064)	(1,908)
Total comprehensive income / (loss) for the year	-	-	156	(12,657)	(12,501)
Balance as at 30 June 2020	42,789	42,626	156	(15,087)	70,484

COMPANY	Share capital £000	Share premium £000	Profit and loss account (Restated) £000	Total Equity (Restated) £000
Balance as at 1 July 2018	1,638	1,475	(22,736)	(19,623)
Increase in share capital	1,325	1,325	-	2,650
Loss for the year	-	-	(4,505)	(4,505)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(4,505)	(4,505)
Balance as at 30 June 2019	2,963	2,800	(27,241)	(21,478)
Prior Year adjustment	-	-	(2,218)	(2,218)
Balance as at 30 June 2019 (restated)	-	2,963	2,800	(29,459)
Balance as at 30 June 2019 (restated)	-	2,963	2,800	(29,459)
Increase in share capital	39,826	39,826	-	79,652
Loss for the year	-	-	(15,089)	(15,089)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(15,089)	(15,089)
Balance as at 30 June 2020	42,789	42,626	(44,548)	40,867

The notes on pages 23 to 45 form part of these financial statements

DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

		As at 30 June 2020	As at 30 June 2019 (Restated)
	Note	£000	£000
Cash flows from operating activities			
(Loss) / profit for the financial year		(10,593)	2,009
Adjustments for:			
Depreciation of fixed assets		4,572	2,381
Amortisation of intangible assets		13,061	7,899
Net interest payable		7,791	4,807
Taxation credit		(870)	(1,170)
Finance charges		59	375
Decrease / (increase) in trade and other debtors		1,868	(9,322)
Increase in trade and other creditors		2,430	9,038
Increase / (decrease) in provisions		3,390	(702)
Cash from operations		21,708	15,315
Interest paid		(420)	-
Taxation paid		(829)	(737)
Net cash generated from operating activities		20,459	14,578
Cash flows from investing activities			
Purchases of tangible fixed assets	10	(5,691)	(3,577)
Purchases of intangible fixed assets		(1,994)	(2,229)
Deferred consideration on acquisitions		(6,118)	(16,057)
Cash consideration for acquisition of subsidiaries	22	(91,111)	(44,443)
Cash acquired on acquisition		6,302	3,321
Acquisition costs	22	(4,389)	(1,268)
Net cash outflow from investing activities		(103,001)	(64,253)
Cash flows from financing activities			
Increase in bank loan		300	1,250
Intercompany loan borrowings received		193,269	51,004
Loan settled on acquisition	22	(58,664)	-
Increase in share capital		-	2,650
Net cash used in financing activities		134,906	54,904
Net increase in cash and cash equivalents		52,363	5,229
Cash and cash equivalents at beginning of year		10,957	5,728
Foreign exchange translation		102	-
Cash and cash equivalents at end of year		63,422	10,957

The notes on pages 23 to 45 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Davies Group Ltd is a private company limited by shares incorporated in England & Wales under the Companies Act. The address of the registered office is given on the Directors and Advisers page and the nature of the Group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole (see note 7);
- Disclosures in respect of the parent company's financial instruments and related party disclosures have not been presented as equivalent disclosures have been provided in respect of the Group as a whole.

Going concern

The directors continually review and monitor business performance and liquidity of the Group which over the past 8 months has been carried out with additional rigour and scrutiny due the COVID-19 pandemic. However despite the on-going pandemic and after reviewing the Group's forecasts and projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Group has performed ahead of expectations since the outbreak of the COVID-19 pandemic and after the first quarter of the year ending 30 June 2021 it is significantly ahead of its annual EBITDA and cash budgets. During the period the Group successfully restructured certain parts of its business and after initially drawing down on its banking facilities the directors felt confident enough in the Group's future outlook to repay the outstanding amount on revolving credit facility, which was £15m. Having done so, the Group still maintains significantly more cash resources on its balance sheet than required for normal working capital purposes and also access to a committed revolver credit facility of £20m should this be required.

The Group's most recent forecasting exercise covers a period from the balance sheet date to 31 December 2021. As part of their forecasting work, the directors undertook some detailed sensitivity analysis which showed that the Group revenue would need to drop by 25% for there to be a future covenant break, and by 40% for the Group to encounter any liquidity issue. The key mitigant for a covenant breach would be an equity injection from the shareholders which is permitted under the existing banking agreement. Additionally the main mitigant, should the Group experience a liquidity issue, would be to drawdown on the £20m RCF which can be accessed for any purpose.

Additionally, as the COVID-19 impact on trading and cash is smaller than was first anticipated at the outbreak of the pandemic, the Group has recommenced its M&A program and during the post balance sheet period has made 5 acquisitions, see note 22, Post Balance Sheet events. Further, it should be noted that the directors choose to use the Group's own cash resources to complete three of the 5 acquisitions without utilising any of a newly negotiated £100m credit facility. A further sign of the directors' confidence in the Group's prospects in the foreseeable future.

The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

The following principal accounting policies have been applied:

Basis of Consolidation

The consolidated financial statements present the results of Davies Group Limited and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method of accounting. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The consideration for an acquisition is recorded at fair value. The value of the consideration includes a reasonable estimate of the amounts expected to be payable at that time or in the future (where the value depends on future events). Any estimated future amounts are adjusted when the final amount is determined or when revised estimates can be made. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Revenue

Consulting & Technology

Turnover is recognised in line with the period that is covered for the service that is provided.

Claims Solutions

Turnover is recognised in line with the estimated stage of completion of each claim which is based on historical data specific to that business unit.

Income accrued in respect of claims in progress at the period end is included within turnover in the profit and loss account and within prepayments and accrued income in the balance sheet. Deferred income is recorded within the balance sheet and excluded from turnover when an interim fee is raised in advance of work performed. The deferred income interim fees net off with the amount held in accrued and released to the profit and loss account on completion of the case. It is a Group policy to hold the accrued and deferred balances separately until completion of the case as the accrued income is an estimate based on stage of completion and the deferred income is the actual invoicing on account.

Insurance

Insurance services turnover is recognised as follows:

- Fees receivable in respect of advisory services are recognised when the right to such fees is established and services performed.
- Debt collection fees are recognised when the right to such fees are established through a contract and either the debt has been collected or the services concerned have been performed at the balance sheet date.
- Credit write-back income is recognised when board approval has been obtained, having adhered to regulatory guidelines.

Legal Solutions

Revenue for services represents the fair value of services provided during the year on client assignments. Fair value reflects the amount expected to be recoverable from clients and is based on time spent, expertise and skills provided, and expenses incurred. Legal services provided to clients during the year which, at the balance sheet date, have not been invoiced to clients, have been recognised as fee income, based on an assessment of the fair value of the services provided by the balance sheet date as a proportion of the total value of the engagement.

Unbilled fee income is included within debtors and is stated at fair value where the right to consideration has been obtained. Provision is made against unbilled amounts on those engagements where the right to receive payments is contingent on factors outside the control of the LLP. Contingent fee income (over and above any agreed minimum fee which is recognised as above) is recognised in the period when the contingent event occurs.

A geographical split of turnover is shown at note 3.

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill on acquisitions is included in 'intangible assets'. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight line method to its estimated useful life, which management consider to be 20 years based on the anticipated future cash flows attributable to the acquisitions. Goodwill is assessed for impairment and any impairment is charged to the income statement. Reversals of impairments are recognised when the reasons for the impairment no longer apply.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- | | | |
|--------------------|---|---------------------|
| - Technology asset | - | 33.3% straight line |
| - Customer lists | - | 10% straight line |

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Short leasehold	-	over life of lease
Fixtures and fittings and office equipment	-	20% straight line
Computer equipment	-	33.3% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Valuation of Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Leased assets: Lessee

Where assets are financed by leasing agreements that gave rights approximating to ownership (finance leases), the assets are treated as if had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the income statement over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the income statement over the term of the lease and is calculated so that it represents a constant proportion of the balance sheet of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the income statement on a straight line basis over the term of the lease.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered before the date of transition to the standard (1 July 2014) to continue to be charged over the shorter period to the first market rent review rather than the term of the lease. For leases entered into on or after 1 July 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to the income statement over the term of the lease.

Where the Group has a legal obligation, a dilapidations provisions is created on inception of a lease. These provisions are a best estimate of the cost acquired to return lease properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

Onerous lease

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease. This is released over the remaining lease term.

Holiday accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future entitlement so accrued at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the 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 obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in 'sterling', which is the company's functional and the Group's presentation currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in the income statement.

Foreign currency transactions are translated into the Group entity's functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Current and deferred taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met and;
- Where timing differences relate to interests in subsidiaries and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of timing differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Pensions

Farradane Limited, a subsidiary of Davies Group Limited, operates a defined benefit pension scheme, the Davies Loss Adjusters Life Assurance and Pension Scheme, the assets of which are held separately from those of the company in an independently administered fund. The scheme was closed to new members in 1998 and no further benefits are accruing under the scheme.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The net expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in either other finance income or other finance charge. Actuarial gains and losses are recognised in the Group statement of comprehensive income. The resulting pension asset or liability is recognised on the statement of financial position, net of deferred tax. Where there is a surplus, the asset is only recognised to the extent that it can be recorded through reduced contributions by the Group.

The Group makes contributions under a defined contribution scheme, the assets of which are held in a separately-administered fund. All pension contributions are charged to the profit and loss in the period in which they fall due.

Exceptional administrative expenses

The separate reporting of exceptional administrative expenses, which are presented as exceptional and on the face of the Income Statement, helps provide an indication of the Group's ongoing business performance. The principal items which are included in this category are the costs of significant restructuring related to staff and property, including onerous leases, and the one-off measures implemented directly in response to Covid-19.

M&A integration expenses

M&A integration expense includes (i) the costs of undertaking M&A deal work: salaries and ongoing costs of the M&A team; (ii) the costs of agreed integration projects programs for completed M&A deals, and (iii) the costs of realising agreed synergies from deals. Management do not consider such costs to be part of the recurring and ongoing operational business of the Group and therefore present these costs separately on the face of the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

Reserves

The Group and Company's reserves are as follows:

- Called up share capital represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any costs.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transactions costs) and subsequently held at cost, less any impairment.

Financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Associates and joint ventures

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions. An entity is treated as a joint venture where the Group is party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control. In the consolidated accounts, interests in associated undertakings and joint ventures are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate, or joint venture. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the consolidated balance sheet, the interests in associated undertakings and joint ventures are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

2 Significant judgements and estimates

In preparing these financial statements, the directors have made the following judgements:

- Work in progress is recorded in revenue based on percentage completion on each case in the cabinet. The percentage is calculated differently depending on the type of claim to give the most accurate valuation based on proportion of work performed.
- Determine whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lease on a lease by lease basis.
- Determine whether there are indicators of impairment of the Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

Pension

The cost of defined benefit pension plans and other post-employment medical benefits determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 21.

Goodwill

The Group establishes a reliable estimate of the useful life of goodwill arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Significant judgements and estimates (continued)

Customer lists

Customer lists, are amortised over their useful life taking into account residual values, where appropriate. The actual life of the asset and residual value is assessed annually and may vary depending a number of factors. In re-assessing the asset life, factors such as loss of major customers and customer life cycles are taken into account.

Tangible assets

Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and life maintenance programmes are taken into account.

Prior Year Adjustment

A prior year adjustment has been made to correctly reclassify adjustments to contingent consideration no longer payable at 30 June 2019 from M&A integration costs in the profit and loss, and is now credited against capitalised goodwill on the balance sheet. This has resulted in a decrease in the profit for the year to 30 June 2019 of £2,218,000, and a decrease in net assets and a decrease to net equity respectively of £2,218,000 as at 30 June 2019.

3 Turnover

All turnover is derived from the Group's principal activity, a geographic split of revenue can be found below.

	£000	
United Kingdom	148,390	83.7%
Ireland	11,681	6.6%
Canada	430	0.2%
USA	12,073	6.8%
Bermuda	4,703	2.7%
	<u>177,277</u>	

In the current and prior year there were no customers who individually had more than 10% of Group turnover.

4 Staff costs and employee information

<u>Group</u>	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
Wages and salaries	127,378	47,042
Social security costs	10,324	4,235
Other pension costs	4,635	2,027
Total	142,337	53,304

The average monthly number of employees during the year (including directors service contracts) was:

	Year ended 30 June 2020	Year ended 30 June 2019
	Number	Number
Technical	1,497	1,105
Support	976	474
Total	2,473	1,579

At 30 June 2020, the Group employed 3,757 (30 June 2019: 1,658) employees.

<u>Company</u>	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
Wages and salaries	6,401	6,739
Social security costs	596	665
Other pension costs	303	271
Total	7,300	7,675

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NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Staff costs and employee information (continued)

The average monthly number of employees during the year (including directors service contracts) was:

	Year ended 30 June 2020	Year ended 30 June 2019
	Number	Number
Technical	110	127
Support	101	76
Total	211	203

At 30 June 2020, the company employed 203 (30 June 2019: 215) employees.

5 Operating profit

Operating profit is stated after charging/(crediting):

<u>Group</u>	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
Other income	(1,789)	
Operating lease rentals - Land & Buildings	4,216	2,231
Operating lease rentals - other	782	646
Depreciation - owned assets	4,572	2,381
Foreign exchange	-	(175)
Goodwill amortisation	13,061	7,899
M&A integration expenses	7,594	4,886
Exceptional administrative expenses	9,699	2,553
Services provided by the Group's auditors		
Services provided by the company's auditors:		
Group audit services	303	194
Company audit services	35	9
Corporate finance services	68	45
Tax services	147	89
Other services	54	-

Other income of £1,789,000 (2019: £nil) relates to government grant income received in respect of employees placed in the Furlough Scheme during the year.

The M&A integration expenses of £7,594,000 (2019 restated: £4,886,000) relate to M&A salary costs, one off non-capitalised transaction expenses and integration and other expenses as a result of the 7 legal entities acquired in the financial year including associated office closure, redundancy costs and advisory fees, as well as the ongoing integration costs relating to the 5 acquisitions in the prior year. The investment in these entities is broken down in note 11.

The exceptional administrative expenses of £9,699,000 relate to (i) costs incurred due to Covid-19 of £1,937,000, including salary - related costs for a non-recurring adjustment as a result of the change in the Group policy for holiday and IT costs incurred in order to move the Group workforce to a homeworking environment; (ii) onerous leases and related expenses of £4,473,000; and (iii) exceptional restructuring cost of £3,289,000 (2019: £2,553,000) which include one-off financing charges and the costs of redundancy programs in the year.

6 Interest payable and similar charges

<u>Group</u>	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
Loan interest	7,791	4,807
Total	7,791	4,807

Loan interest is interest payable to Group undertakings.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Directors' emoluments

<u>Group</u>	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Aggregate emoluments	859	943

	Year ended 30 June 2020 Number	Year ended 30 June 2019 Number
--	--------------------------------------	--------------------------------------

The number of directors to whom retirement benefits were accruing was as follows:

Accruing under money purchase schemes	2	3
---------------------------------------	---	---

<u>Highest paid director</u>	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Aggregate emoluments excluding pension contributions	406	442
Company contributions paid to money purchase pension schemes	-	11
Total	406	453

8 Tax on profit on ordinary activities

a) Analysis of the tax payment in the year

The tax payment on the profit on ordinary activities for the year was as follows:

<u>Group</u>	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Current tax:		
UK corporation tax on profits for the year	-	-
Foreign tax	748	-
Adjustments in respect of previous years	(68)	(544)
Total current tax	680	(544)
Deferred tax:		
Origination and reversal of timing differences	(1,386)	(64)
Adjustments in respect of previous years	(0)	(562)
Changes in tax rate	(164)	-
Total deferred tax	(1,550)	(626)
Total tax credit on profit on ordinary activities	(870)	(1,170)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Tax on profit on ordinary activities (continued)

b) Factors affecting the tax credit

The tax assessed for the period is lower than (year 2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The difference is explained below:

	Year ended 30 June 2020	Year ended 30 June 2019 Restated
	£000	£000
(Loss) / profit on ordinary activities before taxation	(11,463)	839
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(2,178)	159
Tax effects of:		
Expenses not deductible for tax purposes	3,396	1,241
Depreciation in excess of capital allowances	124	29
Other timing differences	5	-
Tax losses utilised	(202)	-
Group relief surrendered	(1,755)	(1,390)
Deferred tax not recognised	53	20
Adjustment to prior periods	(167)	(1,068)
Changes in tax rates	(234)	-
Items charged elsewhere	167	(161)
Overseas tax rate difference	(79)	-
Total current tax credit	(870)	(1,170)

In addition to the changes in rates of Corporation tax disclosed within the note on taxation, a number of further changes to the UK Corporation tax system were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 18% from 1 April 2020. These further changes had been enacted at the balance sheet date and, therefore, are included in these financial statements.

9 Intangible fixed assets

	Group				Company
	Other Intangible Asset £000	Goodwill £000	Customer lists £000	Total £000	Goodwill £000
Cost - restated					
At 1 July 2019	9,892	108,697	17,572	136,161	16,010
Additions	1,994	-	-	1,994	-
Acquisitions	1,655	163,181	-	164,836	-
Adjustment to consideration	-	773	(98)	675	-
At 30 June 2020	13,541	272,651	17,474	303,666	16,010
Accumulated amortisation					
At 1 July 2019	(3,950)	(17,135)	(4,056)	(25,141)	(9,292)
Amortisation for year	(2,814)	(8,639)	(1,608)	(13,061)	(801)
At 30 June 2020	(6,764)	(25,774)	(5,664)	(38,202)	(10,093)
Net book value					
At 30 June 2020	6,777	246,877	11,810	265,464	5,917
At 30 June 2019 - restated	5,942	91,562	13,516	111,020	6,718

The additions to goodwill relate to the acquisitions deals completed in the year, details of which can be found in note 22.

The other intangible assets comprise technology assets relating to an internally generated development asset comprising staff and contractor costs, and an acquired intangible asset relating to customer relations and knowledge.

Management have considered the impact of Covid-19 in their initial review of goodwill. The Group is significantly ahead of its annual EBITDA and cash budgets and management have concluded that there are no triggers for impairment of goodwill. Refer to the section on Going Concern within the Accounting Policies.

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10 Tangible fixed assets

<u>Group</u>	Short leasehold £000	Fixtures & fittings and office equipment £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 July 2019	1,754	1,735	10,916	14,405
Additions	4	129	5,558	5,691
Acquisitions	-	199	10,124	10,323
Exchange adjustment	-	7	36	43
At 30 June 2020	1,758	2,070	26,634	30,462
Accumulated depreciation				
At 1 July 2019	(619)	(1,362)	(6,093)	(8,074)
Disposals	-	-	-	-
Charge for period	(327)	(171)	(4,074)	(4,572)
Exchange adjustment	-	(1)	36	35
At 30 June 2020	(946)	(1,534)	(10,131)	(12,611)
Net book value				
At 30 June 2020	812	536	16,503	17,851
At 30 June 2019	1,135	373	4,823	6,331

Fixed assets are stated at historical cost.

<u>Company</u>	Short leasehold £000	Fixtures and fittings and office equipment £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 July 2019	1,138	965	3,255	5,358
Additions	-	38	2,550	2,588
At 30 June 2020	1,138	1,003	5,805	7,946
Accumulated depreciation				
At 1 July 2019	(438)	(595)	(1,655)	(2,688)
Charge for period	(191)	(119)	(1,098)	(1,408)
At 30 June 2019	(629)	(714)	(2,753)	(4,096)
Net book value				
At 30 June 2020	509	289	3,052	3,850
At 30 June 2019	700	370	1,600	2,670

Fixed assets are stated at historical cost.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Investments

<u>Group</u>	Investments £000
Cost	
At 1 July 2019	22
Disposals	(21)
At 30 June 2020	1

The investment in Solon Underwriting Limited held within the subsidiary, Ambant Underwriting Services Limited, was written off during the year.

<u>Company</u>	Shares in Group undertakings £000	Listed investments £000	Total £000
Cost			
At 1 July 2019	127,933	1	127,934
Additions	102,800	-	102,800
At 30 June 2020	230,733	1	230,734

The company's investment in the share capital of subsidiary undertakings which are held at 30 June 2020 comprises:

<u>Name</u>	<u>Country</u>	<u>Year ended 30 June 2020</u>	<u>Year ended 30 June 2019</u>
		<u>Proportion of shares held</u>	<u>Proportion of shares held</u>
Davies Construction and Engineering Limited	UK	100%	100%
Davies Managed Systems Limited	UK	100%	100%
Eastwell Contractor Management and Claim Care Limited	UK	100%	100%
Farradane Limited	UK	100%	100%
Ufton Associates Limited	UK	100%	100%
* Davies Assist Limited	UK	100%	100%
* Garwyn Group Limited	UK	100%	100%
Garwyn Limited	UK	100%**	100%**
Garwyn Ireland Limited	Ireland	100%**	100%**
* Garwyn EBT Limited	UK	100%**	100%**
Associated Loss Adjusters Limited	Ireland	100%	100%
Managed Fleet Services Limited	UK	100%	100%
Surveyorship Limited	UK	100%	100%
Core Insurance Services Limited	UK	100%	100%
Cynergie UK Limited	UK	100%	100%
Claims Management Services Limited	UK	100%	100%
Ambant Limited	UK	100%	100%
Ambant Underwriting Services Limited	UK	100%**	100%**
Servicetick Limited	UK	100%	100%
Total Loss Settlement Services Limited	UK	100%	100%
JMD SISG Limited	UK	100%	100%
JMD SIS Limited	UK	100%**	100%**
JMD MS Limited	UK	100%**	100%**
Requiem Limited	UK	100%	100%
A.M Associates Insurance Services Limited	Canada	100%	100%
John Heath & Company Inc.	USA	100%	100%
Quest Bermuda Holdings Limited	Bermuda	100%	100%
Quest Intermediaries (Bermuda) Limited	Bermuda	100%**	100%**
Quest Management Services Limited	Bermuda	100%**	100%**
Quest Captive Management Limited	USA	100%**	100%**
Direct Group Property Services Limited	UK	100%	100%
Direct Inspection Solution Limited	UK	100%**	100%**
Direct Validation Services Limited	UK	100%**	100%**

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NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Investments (continued)

(continued) Name	Country	Year ended 30 Proportion of	Year ended 30 Proportion of
Ember Group Limited	UK	100%	100%
Ember Services Limited	UK	100%**	100%**
Ember Search Limited	UK	100%**	100%**
Real Results Training Limited	UK	100%**	100%**
Ember (Canada) Inc.	Canada	100%**	100%**
Veriphy Limited	UK	100%	100%
Topmark Claims Management Limited	UK	100%	100%
GBB (UK) Holdings Limited	UK	100%	-
GBB (UK) Limited	UK	100%**	-
Banwell & Associates Ltd	UK	100%**	-
FWD Training & Consultancy Limited	UK	100%	-
Thornpart Adjustors Limited	Ireland	100%	-
Desk Expert Limited	Ireland	100%**	-
Techno Marine Limited	Ireland	100%**	-
Liability Claims Appraisers Limited	Ireland	100%	-
Claims Settlement Services International Ltd	Ireland	100%	-
Davies US Inc.	USA	100%	-
Frontier Adjusters Inc.	USA	100%**	-
Frontier Adjusters Co., Ltd	USA	100%**	-
Alternative Service Concepts, LLC	USA	100%**	-
Alternative Service Concepts of Tennessee	USA	100%**	-
Keoghs Topco Limited	UK	100%	-
Keoghs Midco Limited	UK	100%**	-
Keoghs Acquisition Limited	UK	100%**	-
Keoghs LLP	UK	100%**	-
Keoghs Services Limited (dormant)	UK	100%**	-
Codebase8 Limited	UK	100%	-

* Non trading company. ** Indirect Holding. All holdings shown above are of ordinary share capital.

** Indicates indirect shareholder.

Registered Offices:

UK	7th Floor, 1 Minster Court, Mincing Lane, London, EC3R 7AA
UK -Keoghs LLP	2 The Parklands, Bolton, Lancashire, BL6 4SE
Garwyn Ireland	Block 10B, Park West Business Park, Nangor Road, Dublin12
ALA	The Mall, Tuam, Co Galway
Canada	2425 Matheon Blvd. E., 8th Floor, Mississauga, L4W 5K4
US	11 Sundial Circle, Suite 22, Carefree, AZ, 853266
Bermuda	Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.

The directors believe that the value of the investments is supported by the future economic benefits the subsidiaries will provide to the company and Group.

12 Debtors due within one year

<u>Group</u>	As at 30 June 2020	As at 30 June 2019
	£000	£000
Trade debtors	44,343	20,128
Amounts owed by parent companies	15,757	7,438
Corporation tax	-	1,138
Other debtors	5,030	3,692
Prepayments and accrued income	59,121	35,808
	124,251	68,204
<u>Company</u>	As at 30 June 2020	As at 30 June 2019
	£000	£000
Trade debtors	3,062	2,752
Amounts owed by Group undertakings	114,990	16,804
Other debtors	107	140
Prepayments and accrued income	9,479	8,481
	127,638	28,178

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Deferred tax

The movements on deferred tax are as follows:

<u>Group</u>	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
At the beginning of year	(969)	(1,947)
Acquisition	(254)	-
Deferred tax credit in income statement for the year	1,550	978
At the end of year	327	(969)
At the end of year including deferred tax on pension liability	1,069	(694)

The deferred tax comprises:	Year ended 30 June 2020	Year ended 30 June 2019
	£000	£000
Depreciation in excess of capital allowances	345	414
Acquisition	(2,041)	(2,071)
Losses	1,936	416
Short term timing differences	87	272
	327	(969)

The Group has a deferred tax asset on losses of £648,000 (30 June 2019: £729,000) which is not recognised.

<u>Company</u>	Year ended 30 June 2019	Year ended 30 June 2018
	£000	£000
At the beginning of year	124	102
Short term timing differences	(1)	22
At the end of year	123	124

The company has a deferred tax asset on losses of £240,000 (30 June 2019: £359,000) which is not recognised.

Deferred tax asset on pension liability

<u>Group</u>	Year ended 30 June 2019	Year ended 30 June 2018
	£000	£000
At the beginning of year	275	231
Deferred tax on pension asset charged to profit and loss account	21	(18)
Deferred tax asset on pension liability charged through other comprehensive income	21	485
At the end of year - deferred tax asset on pension liability	21	742

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Called up share capital

	As at 30 June 2020	As at 30 June 2019
	£000	£000
Allotted, issued and fully paid		
Group and Company		
85,216,387 (2019 - 5,563,635) A Ordinary Shares of £0.50 each	42,608	2,782
163,636 (2019 - 163,636) B Ordinary Shares of £1 each	163	163
36,363 (2019 - 36,363) C Ordinary Shares £0.50 each	18	18
	42,789	2,963

All classes of ordinary shares rank pari passu for the payment of dividends and assets on wind up of the company. The A ordinary shares and the B ordinary shares carry the right of one vote per share. The C ordinary shares do not carry any voting rights.

During the year ended 30 June 2020 9,371,000 US redeemable preferences shares were issued due to a Group undertaking (refer to note 15).

15 Creditors: amounts falling due within one year

<u>Group</u>	As at 30 June 2020	As at 30 June 2019
	£000	£000
Trade creditors	22,977	10,288
Amounts owed to Group undertakings	13,660	6,068
Corporation tax	404	-
Other taxation and social security	2,823	1,762
Other creditors	34,547	10,716
Accruals and deferred income	25,814	17,723
	100,225	46,557

<u>Company</u>	As at 30 June 2020	As at 30 June 2019
	£000	£000
Trade creditors	4,642	2,607
Amounts owed to Group undertakings	57,974	29,370
Other creditors	1,474	7,729
Accruals and deferred income	5,102	4,784
	69,192	44,490

Amounts owed to Group undertakings are repayable on demand. They are unsecured, interest free and have no fixed date of repayment. Included within this balance for both Group and Company are 9,371,000 redeemable preferences shares due on demand to a Group undertaking. The value at 30 June 2020 was £7,582,000.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Creditors: amounts falling due after more than one year

<u>Group</u>		As at 30 June 2020	As at 30 June 2019
	Note	£000	£000
Bank loans and overdraft	17	1,782	1,495
Other creditors		11,367	3,034
Amounts owed to Group undertakings	17	279,323	138,572
		292,472	143,101

<u>Company</u>		As at 30 June 2020	As at 30 June 2019
	Note	£000	£000
Other creditors		9,901	3,034
Amounts owed to Group undertakings	17	279,323	138,572
		289,224	141,606

17 Loans and other borrowings

<u>Group</u>		As at 30 June 2020	As at 30 June 2019
		£000	£000
Bank loans and overdrafts		1,782	1,495
Amounts owed to Group undertakings		279,323	138,572
		281,105	140,067

<u>Maturity of financial liabilities</u>		As at 30 June 2020	As at 30 June 2019
		£000	£000
In one year or less, or on demand		1,782	-
In more than two years, but no more than five years		279,323	140,067
In more than five years		-	-
		281,105	140,067

There are no debts due after 5 years that are payable under instalments.

17 Loans and other borrowings (continued)

The company and the Group have the following loans:

Loan	Security	Interest rate	Date of repayment
Intercompany loan	Unsecured	Fixed rate 4%	Repayable on 26th January 2024 inline with the Group facilities agreement

<u>Company</u>		As at 30 June 2020	As at 30 June 2019
		£000	£000
Amounts owed to Group undertakings		279,323	138,572
		279,323	138,572

<u>Maturity of financial liabilities</u>		As at 30 June 2020	As at 30 June 2019
		£000	£000
In one year or less, or on demand		-	-
In more than two years, but not more than five years		279,323	138,572
In more than five years		-	-
		279,323	138,572

There are no debts due after 5 years that are payable under instalments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 Provisions for liabilities

<u>Group</u>	Restructuring Year ended 30 June 2020 £000
At 1 July 2019	1,234
Acquisitions	47
Charged to profit and loss account	3,816
Utilised in the year	(126)
At 30 June 2020	4,971

The provisions for restructuring costs relate to onerous property lease commitments. Of the provision, £2,260,000 is due for payment within one year, £2,189,000 between 2 and 5 years, and £522,000 after 5 years.

<u>Company</u>	Restructuring Year ended 30 June 2019 £000
At 1 July 2019	973
Charged to profit and loss account	1,921
Utilised in the year	(283)
At 30 June 2020	2,611

The provisions for restructuring costs relate to onerous property lease commitments.

19 Operating lease commitments

The Group's future minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2020		As at 30 June 2019	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Expiring:				
Within one year	5,756	1,175	2,281	372
In two to five years	10,467	430	7,687	280
In more than five years	2,425	-	4,389	-
Total	18,648	1,605	14,357	652

The company's future minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2020		As at 30 June 2019	
	Land and buildings	£000	Land and buildings	£000
Expiring:				
Within one year		1,365		628
In two to five years		4,782		3,181
In more than five years		2		576
Total		6,149		4,385

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NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Analysis of changes in net debt

<u>Group</u>	At 1 July 2019	Cash flow	Other non-cash changes	At 30 June 2020
	£000	£000	£000	£000
Cash at bank and in hand	10,957	52,465	-	63,422
Bank loans	(1,495)	(287)	-	(1,782)
Amounts owed to Group undertakings	(138,572)	(193,269)	52,518	(279,323)
Debt items	(140,067)	(193,557)	52,518	(281,105)
Net debt	(129,110)	(141,092)	52,518	(217,683)

21 Pension commitments

Defined benefit scheme

Davies Loss Adjusters LLP operated a defined benefit pension scheme, the Davies Loss Adjusters Life Assurance and Pension Scheme. The scheme was closed to new members in 1998 and no further benefits are accruing under the scheme. At the conclusion of the sale of the trade and assets of Davies Loss Adjusters LLP to Davies Group Limited, the pension scheme was transferred to Farradane Limited, with the company becoming the principal employer under a Deed of Substitution dated 29 February 2008.

A full actuarial valuation was carried out at in April 2018 by a qualified independent actuary. The major assumptions used by the actuary have been projected forward to 30 June 2020 as follows:

	As at 30 June 2020	As at 30 June 2019	As at 30 June 2018	As at 30 June 2017	As at 30 June 2016	As at 31 July 2015	As at 31 July 2014
Rate of increase in pensions in payment	2.60%	2.80%	2.60%	2.60%	2.70%	3.00%	3.00%
Rate of increase in deferred pensions	1.50%	2.10%	1.90%	2.00%	1.60%	2.20%	2.20%
Discount rate for scheme liabilities	1.65%	2.50%	2.95%	2.85%	3.05%	3.95%	4.45%
Inflation assumption	2.70%	3.30%	3.10%	3.20%	2.80%	3.20%	3.20%
Consumer price inflation	1.70%	2.10%	1.90%	2.00%	1.60%	2.20%	2.20%

The assumed life expectancy, on retirement at 65, applied was as follows:

	As at 30 June 2020 years	As at 30 June 2019 years
Retiring today:		
Males	20.4	20.6
Females	22.4	22.4
Retiring in 20 years:		
Males	21.5	21.6
Females	23.7	23.7

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NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Pension commitments (continued)

The assets in the scheme and the expected rate of return were:

	Value at 30 June 2020 £000	Value at 30 June 2019 £000
Bonds	5,164	4,900
Equity	9,451	9,309
Insured pensions	474	489
GARS	-	875
Cash	133	54
Total market value of assets	15,222	15,627
Present value of scheme liabilities	(19,127)	(17,242)
Deficit in the scheme	(3,905)	(1,615)
Net pension deficit before deferred tax	(3,905)	(1,615)
Deferred tax asset on pension liability	13 742	275
Net pension deficit	(3,163)	(1,340)

The expected returns have been based on the current split by investment sector of the assets of the scheme, using average expected returns on each sector.

Reconciliation of present value of scheme liabilities

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
At the beginning of year	17,242	16,319
Current service cost	-	-
Interest cost	424	477
Benefits paid	(555)	(333)
Actuarial loss	2,016	779
At the end of year	19,127	17,242

Reconciliation of fair value of scheme assets

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
At the beginning of year	15,627	14,960
Expected return on scheme assets	388	440
Contribution paid	300	250
Actuarial (losses) / gains	(538)	311
Benefits paid	(555)	(334)
At the end of year	15,222	15,627

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NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Pension commitments (continued)

Analysis of the amount charged to profit or loss as follows:

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Net interest expense	36	37
Net expense	36	37

Pension Liability	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
At the beginning of year	1,340	1,128
Charged to statement of other comprehensive income	2,554	468
Contributions paid	(300)	(250)
Net finance income charged to income statement	36	37
Deferred tax charged to income statement	18	-
Deferred tax credited to statement of other comprehensive income	(485)	(43)
At the end of year	3,163	1,340

History of experience gains and losses

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Defined benefit obligation	(19,127)	(17,242)	(16,319)	(17,767)	(15,767)	(14,646)
Plan assets	15,222	15,627	14,960	14,997	13,745	13,482
Deficit	(3,905)	(1,615)	(1,359)	(2,770)	(2,022)	(1,164)
Experience gains and losses on plan assets	(538)	311	254	1,114	282	198
Experience gains and losses on scheme liabilities	-	101	(297)	(853)	(833)	(1,121)
Total actuarial (losses)/gains recognised in statement of other comprehensive income	(2,554)	(468)	310	314	(812)	(871)
Movement on deferred tax relating to pension deficit credited/(charged) to statement of other comprehensive income	485	43	(70)	(98)	146	205

Management have reviewed the sensitivities around the pension liability and consider the most volatile assumption to be the discount rate used. The impact of increasing or decreasing the discount rate by 5% will respectively decrease or increase the liability by approximately £165,000.

Defined contribution scheme

The Group and the company operates a defined contribution scheme. The assets are held separately from those of the Group in a separately-administered fund. The charge for the year represents contributions payable by the Group and the company to the fund and amounted to £4,635,000 and £303,000 respectively (charge for the year ended 30 June 2019: Group £2,027,000 and company £243,000).

At 30 June 2020, the Group and the company had outstanding contributions of £734,000 and £408,000 respectively (2019: Group £344,000 and company £313,000).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Acquisitions

The Group has made acquisitions during the year and the provisional details are shown below.

On 9 July 2019 the company acquired the share capital of GBB Holdings UK and subsidiaries for a total consideration of £3,373,000.

	Book Value	Fair Value	Provisional
	£000	Adjustment	Fair Value
	£000	£000	£000
Tangible fixed assets	58	-	58
Debtors	853	-	853
Cash	92	-	92
Creditors: amounts falling due within one year	(749)	-	(749)
Net Assets Acquired	254	-	254
Consideration - cash			3,050
Deferred Consideration			259
Cost of Acquisition			64
Total Consideration			3,373
Goodwill			3,119

Since the date of the acquisition, GBB Holdings UK and subsidiaries have contributed a profit of £670,000 before tax to the Group results.

On 20 September 2019 the company acquired the share capital of FWD Limited for a total consideration of £14,898,000.

	Book Value	Fair Value	Provisional
	£000	Adjustment	Fair Value
	£000	£000	£000
Tangible fixed assets	22	-	22
Debtors	966	-	966
Cash	997	-	997
Creditors: amounts falling due within one year	(761)	-	(761)
Net Assets Acquired	1,224	-	1,224
Consideration - cash			8,787
Consideration - shares			2,000
Deferred Consideration			4,000
Cost of Acquisition			349
Impact of discounting			(238)
Total Consideration			14,898
Goodwill			13,674

Since the date of the acquisition FWD Limited has contributed a profit before tax of £914,000 to the Group results.

On 11 September 2019 the Group acquired the share capital of Frontier Adjusters Inc. and Frontier Adjusters Co. Ltd ("Frontier") for a total consideration of £14,581,000.

	Book Value	Fair Value	Provisional
	£000	Adjustment	Fair Value
	£000	£000	£000
Tangible fixed assets	53	-	53
Debtors	565	-	565
Cash	341	-	341
Creditors: amounts falling due within one year	(679)	-	(679)
Net Assets Acquired	280	-	280
Consideration - cash			13,733
Deferred Consideration			486
Cost of Acquisition			362
Total Consideration			14,581
Goodwill			14,301

Since the date of the acquisition, Frontier has contributed a profit before tax of £1,292,000 to the Group results.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Acquisitions (continued)

On 15 October 2020 the Group acquired the share capital of Alternative Service Concepts, LLC and its subsidiaries ("ASC") for a total consideration of £11,003,000.

	Book Value	Fair Value	Provisional
	£000	Adjustment	Fair Value
	£000	£000	£000
Tangible fixed assets	232	-	232
Intangible fixed assets	134	-	134
Debtors	2,527	-	2,527
Cash	1,829	-	1,829
Creditors: amounts falling due within one year	(3,655)	-	(3,655)
Net Assets Acquired	1,067	-	1,067

Consideration - cash	6,884
Consideration - intraGroup	1,804
Deferred Consideration	1,618
Cost of Acquisition	777
Impact of discounting	(80)
Total Consideration	11,003
Goodwill	9,936

Since the date of the acquisition, ASC has contributed a profit before tax of £1,122,000 to the Group results.

On 7 November 2019 the company acquired the share capital of Thornpart Adjustors Limited and its subsidiaries, Liability Claims Appraisers Limited, and Claims Settlement Services International Ltd, together ("Thorntons") for a total consideration of £9,516,000.

	Book Value	Fair Value	Provisional
	£000	Adjustment	Fair Value
	£000	£000	£000
Tangible fixed assets	453	-	453
Debtors	1,965	-	1,965
Cash	1,064	-	1,064
Creditors: amounts falling due within one year	(1,765)	-	(1,765)
Net Assets Acquired	1,717	-	1,717

Consideration - cash	7,893
Consideration - intraGroup	1,208
Cost of Acquisition	415
Total Consideration	9,516
Goodwill	7,799

Since the date of the acquisition, Thorntons has contributed profit before tax of £1,154,000 to the Group results.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Acquisitions (continued)

On 5 March 2020 the company acquired the share capital of Keoghs Topco Limited and its subsidiaries for a total consideration of £62,098,000.

	Book Value £000	Fair Value Adjustment £000	Provisional Fair Value £000
Tangible fixed assets	9,419	-	9,419
Intangible fixed assets	1,521	-	1,521
Debtors	43,966	-	43,966
Cash	1,043	-	1,043
Creditors: amounts falling due within one year	(41,356)	-	(41,356)
Loan settled on acquisition	(58,664)	-	(58,664)
Net Liabilities Acquired	(44,071)	-	(44,071)
Consideration - cash			45,879
Consideration - intraGroup			14,000
Deferred Consideration			-
Cost of Acquisition			2,219
Total Consideration			62,098
Goodwill			106,169

Since the date of the acquisition, Keoghs have contributed a profit before tax of £225,000 and EBITDA of £3,357,000 of to the Group results.

On 10 March 2020 the company acquired the share capital of Codebase8 Limited for a total consideration of £8,903,000.

	Book Value £000	Fair Value Adjustment £000	Provisional Fair Value £000
Tangible fixed assets	86	-	86
Debtors	1,151	-	1,151
Cash	936	-	936
Creditors: amounts falling due within one year	(1,453)	-	(1,453)
Net Assets Acquired	720	-	720
Consideration - cash			4,885
Deferred Consideration			4,700
Cost of Acquisition			203
Impact of discounting			(885)
Total Consideration			8,903
Goodwill			8,183

Since the date of the acquisition, Codebase8 Limited has contributed a profit before tax of £394,000 to the Group results.

23 Post balance sheet events

On 23 July 2020 the Group acquired Cedar Consulting LLC and Citadel Management Bermuda. On 14 September 2020 the Group acquired ContactPartners Limited. On 18 September 2020 the Group acquired TriPlus Services Inc. On 1 October 2020 the Group acquired the insurance business of Hool Law. On 30 October 2020 the Group acquired Johnsons Claims Services, Inc.

The provisional total consideration paid for these businesses was £43.5m and they were funded from a mixture of external loans and cash reserves.

On 8 September 2020 the one of the Group's intermediary holding companies entered into a newly negotiated additional £100m credit facility with its existing lenders.

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 Contingent Liability

The Company and its subsidiaries have given a cross guarantee in respect of a loan facility provided to another subsidiary, Davies Bidco Limited. As at the year end an amount of £298.3m (2019: £152m) was outstanding in respect of this facility.

25 Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary of a Group whose parent company is Daisybright Limited which is the smallest Group to consolidate these financial statements. Daisybright Limited is in turn ultimately owned by Davies Topco Limited which the directors consider to be the ultimate parent undertaking and the largest Group to consolidate these financial statements.

Copies of Daisybright Limited and Davies Topco Limited consolidated financial statements can be obtained from the Company Secretary at 7th Floor, 1 Minster Court, Mincing Lane, EC3R 7AA.

The directors consider HGGC LLC to be the ultimate controlling party of the Group.

26 Financial instruments

The Group's financial instruments may be analysed as follows:

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Financial assets		
Financial assets measured at amortised cost	112,795	34,777
Financial liabilities		
Financial liabilities measured at amortised cost	378,103	184,862

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors and amounts owed by parent companies.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, other creditors, shareholder loans, accruals and deferred income and amounts to Group undertakings.

27 Related party disclosures

The Group has taken advantage of the exemption confirmed by section 33 of FRS 102 not to disclose transactions with members of the Group headed by Davies Group Limited on the grounds that 100% of the voting rights in the company are controlled within that Group.