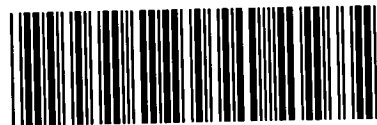


DAVIES GROUP LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

REGISTERED NUMBER 06479822

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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 AUDITORS

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

CHIEF EXECUTIVE'S REVIEW

I am delighted to present our financial results for the year ending 30 June 2018. Once again we made excellent progress toward our goals. We grew revenue by 41% to more than £77.6m, as we continued to invest in our people, in digital transformation, and through expanding our capability and geographical reach for our clients.

Today Davies is a leading specialist professional services business. We deliver core operations, digital solutions, and consulting to insurance and highly regulated businesses across the UK, Ireland, Bermuda and North America. We help our clients improve service, grow, and win.

Our investment in digital transformation continued to pay off, as we were able to improve our gross profit margin by 7% to 56% and we expect to see further improvements as we continue to invest in future. As a result EBITDA (before exceptional costs) increased by 47% to £15.4m (2017: £10.5m) and will continue to build as we take full benefit of growth from our existing clients and recently acquired businesses and capabilities.

ACQUISITION ACTIVITY

Following significant investment from HGGC in January 2017, we have continued to invest and add capability through acquisitions. In the year to June 2018 we completed five deals, adding both new service lines and geographic reach to Davies.

In August 2017, we acquired Claims Management Services Limited (CMSL), a specialist casualty claims business. CMSL was quickly and successfully integrated in to our casualty claims operation during the year.

Ambant Limited (Ambant), a specialist insurance services business was acquired in September 2017. Ambant added launch & host capability for MGAs, specialist Lloyd's market experience and new clients which are highly complementary to the rest of the Group.

ServiceTick Limited (ServiceTick) joined the group in October 2017. Focused on insurance and highly regulated markets, ServiceTick provides customer experience monitoring and insight through its proprietary technology platform. During the period, we brought ServiceTick together with our Cynergie business to form our Customer Solutions division.

In December 2017, Total Loss Settlement Services Limited (TLSS) joined the Group. TLSS is a specialist motor claims business offering desktop engineering services and expertise in total loss settlement. The business has joined our existing motor claims business and we are already successfully providing this service to our existing claims clients.

Most recently, in January 2018, we acquired a portfolio of insurance services companies from listed insurer Randall & Quilter. These acquisitions have added capability in areas such as specialist Lloyd's market processing, legacy broker outsourcing and captive management. These acquisitions also increased our geographic footprint to Bermuda and North America. The businesses acquired from Randall & Quilter have been combined with Ambant to create our Insurance Services division.

TRADING REVIEW

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 provides business critical operations, digital and specialist professional services to more than 400 insurance businesses, highly regulated businesses, and leading brands, from its platforms in the UK, Ireland and Bermuda. During the year we simplified our operating structure, forming three business units across claims, insurance services, and customer experience.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Our **Claims Solutions** business delivers end to end claims solutions for MGAs, brokers, insurers, reinsurers, captives, and large organisations across all major insurance classes.

Through our **Insurance Services** offering we provide launch, host, capacity, legacy, and core operations solutions for intermediaries, insurers, reinsurers, captives and large global businesses.

In **Customer Solutions** we deliver a range of customer experience (CX), complaints handling and compliance solutions for insurers, highly regulated businesses, and major consumer brands.

We continued our long term investment in business development, adding a number of senior individuals to our business organically and via focused acquisitions. We secured more than 100 new account wins, from both existing and new clients, meaning we once again recorded 11% organic growth in our revenues, alongside significant additional growth via acquisition.

In October 2017 we launched our innovation lab, called Disruptive Thinking, placing the power of new ideas in the hands of our people. We had an overwhelming response from our teams with more than 300 ideas submitted ahead of our December deadline. Through a judging and shortlisting process we elected nine winning ideas, and in March 2018 our finalists travelled to Silicon Valley to pitch their ideas to Davies and HGGC senior executives. We have since set aside seed capital to invest in three of our best ideas, which we hope will improve our business and our service to our clients. Our lab will launch again in October 2018 for second year.

Finally and most importantly of all, we have a winning team at Davies. We continue to invest at all levels in training, development and in creating great career opportunities for our 1300 strong team across the UK, Ireland and Bermuda. I am delighted that we have been able to set aside shares in Davies, in the form of our Davies Incentive Plan, so that our teams can benefit from our future success and growth.



D Saulter
Chief Executive
Davies Group
Date: 2/10/18

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

STRATEGIC REPORT

The company has performed well during the year ended 30 June 2018 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, we have continued to invest and add capability through acquisitions. In the year to June 2018 we completed five 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; 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 nosiness. 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 know operational risks to which it believes it is exposed.

RESULTS AND DIVIDENDS

The Group's profit for the financial year ended 30 June 2018 is £1.5m (2017: £2.6m). The profit is stated after amortisation of goodwill of £4.8m (2017: £2.3m), interest payable of £1.3m (2017: £2.7m), exceptional costs of £0.4m (2017: £0.4m) and M&A exceptional integration costs of £4.8m (2017: £0.9m). No final dividend is proposed (2017: £nil) and the profit for the period has been transferred to reserves accordingly.

The Group has generated cash inflow from operating activities of £5.1m (2017: £4.7m) and has total shareholders' funds before group shareholder loan notes of £86.6m (2017: £46.8m).

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 turnover, profit, and cash flow, is monitored in detail and reviewed monthly at board level. The principal operational measures in place are:

- Claims Solutions - Claims received saw 44% increase on the prior year
- Claims Solutions - Claims closed saw a 43% increase on the prior year
- Insurance Services - Annualised gross written premium by appointed representative network £198,000,000
- Insurance Services - Number of appointed representatives at year end equals thirty
- Customer Solutions - Annualised IVR surveys of five million
- 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: 2nd October 2018

**DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 2018.

RESULTS AND DIVIDENDS

The Group's operating profit for the year ended 30 June 2018 is £4.6m (30 June 2017: £5.8m).

No final dividend is proposed (2017: £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 programme 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 £5,000,000 (2017: £2,000,000) 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
FOR THE YEAR ENDED 30 JUNE 2018**

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 AUDITORS

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 auditors are 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;
- 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 2018**

DIRECTORS' REPORT (continued)

INDEPENDENT AUDITORS

The auditors, BDO LLP, have indicated their 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 over a horizontal line.

**A Debiase
Director**

Date: 2nd October 2018

INDEPENDENT AUDITORS' 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 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and 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 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

INDEPENDENT AUDITORS' 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 determines 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 2018**

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

Auditor's responsibilities for the audit of the financial statements

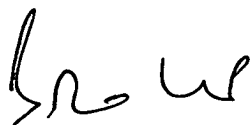
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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*

Date 2 October 2018.

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 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Turnover	3	77,656	55,052
Cost of sales		(34,036)	(27,987)
Gross profit		43,620	27,065
Administrative expenses excluding exceptional items, depreciation and amortisation		(28,206)	(16,565)
EBITDA (before exceptional items)		15,414	10,500
Depreciation		(1,400)	(1,092)
Amortisation		(4,807)	(2,336)
Exceptional administrative expenses		(440)	(389)
M&A exceptional integration expenses	5	(4,185)	(896)
Administrative expenses		(39,038)	(21,278)
Group operating profit	5	4,582	5,787
Profit on ordinary activities before interest and taxation		4,582	5,787
Other finance charges		(1,166)	(701)
Interest payable and similar charges	6	(1,279)	(2,657)
Profit on ordinary activities before taxation		2,137	2,429
Tax on profit on ordinary activities	8	(672)	171
Profit for the financial year		1,465	2,600

All amounts relate to continuing operations.

DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

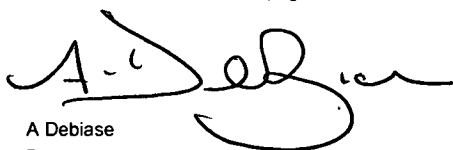
	Note	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Profit for the financial year		1,465	2,600
Actuarial gain recognised in the year	21	310	314
Movement on deferred tax relating to pension deficit	21	(70)	(98)
Total recognised profits relating to the year		1,705	2,816

DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	£'000	As at 30 June 2018 £'000	As at 30 June 2017 £'000
ASSETS				
Fixed assets				
Intangible assets	9	66,301		37,695
Tangible assets	10	4,312		1,956
Investments	11	22		2
			70,635	39,653
Current assets				
Debtors	12	42,210		34,275
Cash at bank and in hand		5,728		4,173
			47,938	38,448
Total assets			118,573	78,101
LIABILITIES AND EQUITY				
Capital and reserves				
Called up share capital	14	1,638		663
Share premium account		1,475		500
Profit and loss account deficit		(4,015)		(5,720)
Total shareholders' (deficit)			(902)	(4,557)
Other liabilities				
Creditors: amounts falling due within one year	15	25,241		25,819
Creditors: amounts falling due after more than one year	16	89,013		54,107
Deferred tax	13	1,947		863
Provisions for liabilities	18	2,146		400
Total other liabilities			118,347	81,189
Total equity and liabilities excluding defined benefit pension liability			117,445	76,632
Pension liability	21		1,128	1,469
Total equity and liabilities			118,573	78,101

The financial statements on pages 13 to 39 were approved by the Board of Directors on 2 October 2018 and were signed on its behalf by:



A. Debiase
Director

Company registered number 06479822

DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	£'000	As at 30 June 2018 £'000	As at 30 June 2017 £'000
ASSETS				
Fixed assets				
Intangible assets	9	7,518		8,319
Tangible assets	10	1,339		860
Investments	11	70,486		36,607
			79,343	45,786
Current assets				
Debtors	12	21,301		13,759
Deferred tax	13	102		351
Cash at bank and in hand		426		610
			21,829	14,720
Total assets			101,172	60,506
LIABILITIES AND EQUITY				
Capital and reserves				
Called up share capital	14	1,638		663
Share premium account		1,475		500
Profit and loss account deficit		(22,736)		(17,689)
Total shareholders' deficit			(19,623)	(16,526)
Other liabilities				
Creditors: amounts falling due within one year	15	30,024		22,773
Creditors: amounts falling due after more than one year	16	88,768		54,107
Provisions for liabilities	18	2,003		152
Total other liabilities			120,795	77,032
Total equity and liabilities			101,172	60,506

The financial statements on pages 11 to 39 were approved by the Board of Directors on 2 October 2018 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 £5,047,000 (2017 - £495,000)



A Debiase
Director

Company registered number 06479822

DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

GROUP

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total Equity £'000
Balance as at 1st July 2016	263	100	(8,536)	(8,173)
Profit for the year	-	-	2,600	2,600
Increase in share capital	400	400	-	800
Other comprehensive income for the year	-	-	216	216
Total comprehensive income for the year	400	400	2,816	3,616
Balance as at 30th June 2017	663	500	(5,720)	(4,557)
Profit for the year	-	-	1,465	1,465
Increase in share capital	975	975	-	1,950
Other comprehensive income for the year	-	-	240	240
Total comprehensive income for the year	975	975	1,705	3,655
Balance as at 30th June 2018	1,638	1,475	(4,015)	(902)

COMPANY

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total Equity £'000
Balance as at 1st July 2017	263	100	(18,184)	(17,821)
Profit for the year	-	-	495	495
Increase in share capital	400	400	-	800
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	400	400	495	1,295
Balance as at 30th June 2017	663	500	(17,689)	(16,526)
Profit for the year	-	-	(5,047)	(5,047)
Increase in share capital	975	975	-	1,950
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	975	975	(5,047)	(3,097)
Balance as at 30th June 2018	1,638	1,475	(22,736)	(19,623)

DAVIES GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

		As at 30 June 2018	As at 30 June 2017
	Note	£'000	Restated £'000
Cash flows from operating activities			
Profit for the financial year		1,465	2,600
Adjustments for:			
Depreciation of fixed assets		1,400	1,092
Disposal of fixed assets		18	-
Amortisation of intangible assets		4,807	2,336
Net interest payable		1,279	2,657
Taxation charge / (credit)		672	(171)
Finance charges		1,166	62
Increase in trade and other debtors		(2,826)	(3,900)
(Decrease) / increase in trade and other creditors		(4,586)	536
Increase / (decrease) in provisions		1,715	(477)
Cash from operations		5,110	4,736
Interest paid		(4,470)	(741)
Taxation paid		(897)	-
Net cash generated from operating activities		(257)	3,995
Cash flows from investing activities			
Purchases of tangible fixed assets	10	(3,040)	(3,057)
Purchases of intangible fixed assets		(1,874)	-
Payment of deferred consideration on acquisitions		(5,719)	(1,546)
Cash consideration for acquisition of subsidiaries	22	(29,802)	(7,706)
Cash acquired on acquisition		3,279	672
Acquisition cost	22	(1,692)	(492)
Net cash outflow from investing activities		(38,848)	(12,129)
Cash flows from financing activities			
Capital repayments of bank loan		-	(12,200)
Intercompany loan borrowings received		40,660	21,726
Increase in share capital		-	800
Net cash used in financing activities		40,660	10,326
Net increase in cash and cash equivalents		1,555	2,192
Cash and cash equivalents at beginning of year		4,173	1,981
Cash and cash equivalents at end of year		5,728	4,173

Adjusted cash from operations increased strongly by 89% from £6.3m last year to £11.9m in the year ending 30 June 2018. This is calculated as cash from operations plus cash exceptional costs £2.8m plus cash utilised on reduction of working capital of the acquired operations £4.0m.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Davies Group Ltd is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents 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. Notwithstanding the net liabilities, 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 having received confirmation of ongoing support from the major creditors. 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.

Revenue

Customer solutions turnover is recognised inline with the period that is covered in the service that is provided.

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 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

All turnover is derived from within the United Kingdom apart from those listed in note 11.

Cashflow

The prior year cashflow has been restated as it is company policy for payment on deferred consideration from prior acquisitions in the investing activities section of the cash flow.

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% 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 charge 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 charge 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

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.

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 leasee 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Significant judgements and estimates (continued)

Pension

The cost of defined benefit pension plans and other post-employment medical benefits are 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.

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.

3 Turnover

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

	£'000	
United Kingdom	69,214	89%
Ireland	6,215	8%
Canada	140	0%
USA	476	1%
Bermuda	1,611	2%
	<u>77,656</u>	

See Note 11 for an entity by entity split of geographic revenue

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 2018	Year ended 30 June 2017
	£'000	£'000
Wages and salaries	27,945	23,762
Social security costs	2,333	2,350
Other pension costs	791	744
Total	31,069	26,856

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

	Year ended 30 June 2018	Year ended 30 June 2017
	Number	Number
Technical	781	560
Support	225	268
Total	1,006	828

At 30 June 2018, the group employed 1284 (30 June 2017: 881) employees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Staff costs and employee information (continued)

<u>Company</u>	Year ended 30 June 2018	Year ended 30 June 2017
	£'000	£'000
Wages and salaries	7,067	7,576
Social security costs	709	770
Other pension costs	243	239
Total	8,019	8,585

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

	Year ended 30 June 2018	Year ended 30 June 2017
	Number	Number
Technical	127	142
Support	84	83
Total	211	225

At 30 June 2018, the company employed 215 (30 June 2017: 221) employees.

5 Operating profit

Operating profit is stated after charging/(crediting):

<u>Group</u>	Year ended 30 June 2018	Year ended 30 June 2017
	£'000	£'000
Operating lease rentals - Land & Buildings	2,087	1,535
Operating lease rentals - other	771	777
Depreciation - owned assets	1,400	1,092
Goodwill amortisation	4,807	2,336
Foreign exchange	63	136
M&A exceptional integration expenses	4,185	896
Exceptional administrative expenses	440	389
Services provided by the group's auditors		
Services provided by the company's auditors:		
Group audit services	127	90
Company audit services	9	9
Corporate finance services	100	228
Tax services	62	38

The M&A exceptional integration expenses of £4,185,000 (2017: 896,000) relate to one off expenses as a result of the 15 legal entities acquired in the financial year including associated office closure, redundancy costs and advisory fees. The investment in these entities is broken down in note 11. The exceptional administrative expenses of £440,000 (2017: £389,000) relate to exceptional restructuring costs in this and the prior year.

6 Interest payable and similar charges

<u>Group</u>	Year ended 30 June 2018	Year ended 30 June 2017
	£'000	£'000
Loan interest	1,279	2,594
Amortisation of arrangement fees	-	63
Total	1,279	2,657

Loan interest includes £1,279,000 (2017: £2,187,122) of loan note interest payable to amounts owed to group undertakings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Directors' emoluments

<u>Group</u>	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Aggregate emoluments	826	864
	Year ended 30 June 2018 Number	Year ended 30 June 2017 Number
The number of directors to whom retirement benefits were accruing was as follows:		
Accruing under money purchase schemes	3	3
<u>Highest paid director</u>	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Aggregate emoluments excluding pension contributions	370	399
Company contributions paid to money purchase pension schemes	11	11
Total	381	410

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 2018 £'000	Year ended 30 June 2017 £'000
Current tax:		
UK corporation tax on profits for the year	747	249
Adjustments in respect of previous years	2	20
Total current tax	749	269
Deferred tax:		
Origination and reversal of timing differences	(334)	(65)
Adjustments in respect of previous years	257	(424)
Changes in tax rate	-	49
Total deferred tax	(77)	(440)
Total tax credit on profit on ordinary activities	672	(171)

b) Factors affecting the tax credit

The tax assessed for the period is lower than (year 2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19%). The difference is explained below:

<u>Group</u>	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Profit on ordinary activities before taxation	2,137	2,429
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.75% (2017: 19.75%)	422	480
Tax effects of:		
Expenses not deductible for tax purposes	382	473
Depreciation in excess of capital allowances	107	7
Other timing differences	92	-
Tax losses utilised	(69)	-
Group relief surrendered	(0)	(332)
Deferred tax not recognised	29	(429)
Adjustment to prior periods	(24)	(403)
Items charged elsewhere	(267)	(36)
Overseas tax rate difference	-	69
Total current tax charge / (credit)	672	(171)

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 substantively enacted at the balance sheet date and, therefore, are included in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Intangible fixed assets

	Technology Asset £'000	Goodwill £'000	Group Customer Customer lists £'000	Total £'000	Company Goodwill £'000
Cost					
At 1 July 2017	-	33,598	10,389	43,987	16,010
Reclassified from Tangible fixed assets	5,600	-	-	5,600	-
Additions	2,063	25,187	6,163	33,413	-
At 30 June 2018	7,663	58,785	16,552	83,000	16,010
Accumulated amortisation					
At 1 July 2017	-	9,982	1,031	11,013	7,691
Reclassified from Tangible fixed assets	879	-	-	879	-
Amortisation for year	924	2,570	1,313	4,807	801
At 30 June 2018	1,803	12,552	2,344	16,699	8,492
Net book value					
At 30 June 2018	5,860	46,233	14,208	66,301	7,518
At 30 June 2017	4,721	23,616	9,358	37,695	8,319

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

The technology asset relates to an internally generated development asset comprising staff and contractor costs.

Management conducted an impairment review in the prior year and have concluded that no impairment was necessary. The impairment review was based on management's most recent business forecast which was over 5 years and based on the following assumptions; growth in revenues and costs of 2% and a discount rate of 11%. There were no indicators to conduct a full review in the current period.

10 Tangible fixed assets

Group

	Short leasehold £'000	Fixtures and fittings and office equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation				
At 1 July 2017	727	1,708	10,446	12,881
Reclassified to Intangible fixed assets	-	-	(5,600)	(5,600)
Additions	553	125	2,360	3,038
Acquisitions	-	12	722	734
Disposals	(92)	(314)	(454)	(860)
At 30 June 2018	1,188	1,531	7,474	10,193
Accumulated depreciation				
At 1 July 2017	377	1,347	4,480	6,204
Reclassified to Intangible fixed assets	-	-	(879)	(879)
Disposals	(78)	(306)	(460)	(844)
Charge for period	125	209	1,066	1,400
At 30 June 2018	424	1,250	4,207	5,881
Net book value				
At 30 June 2018	764	281	3,267	4,312
At 30 June 2017	350	361	1,245	1,956

Fixed assets are stated at historical cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Tangible fixed assets (continued)

Company

	Short leasehold £'000	Fixtures and fittings and office equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation				
At 1 July 2017	349	608	1,044	2,001
Additions	216	101	795	1,112
At 30 June 2018	565	709	1,839	3,113
Accumulated depreciation				
At 1 July 2017	223	406	512	1,141
Charge for period	45	84	504	633
At 30 June 2018	268	490	1,016	1,774
Net book value				
At 30 June 2018	297	219	823	1,339
At 30 June 2017	126	202	532	860

11 Investments

Group

	Investments £'000
Cost	
At 1 July 2017 and 30 June 2018	22

The acquired entity Ambant Underwriting Services Limited has an investment of £20,000 in Solon Underwriting Limited for 20% on their share capital.

The market value of listed investments at 30 June 2018 is £14,000 (2017: £12,000).

Company	Shares in group undertakings £'000	Listed investments £'000	Total £'000
Cost			
At 1 July 2017	36,606	1	36,607
Additions	33,879	-	33,879
At 30 June 2018	70,485	1	70,486

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Investments (continued)

The company's investment in the share capital of subsidiary undertakings which are held at 30 June 2018 comprises:

Name	Country	Year ended	Year ended
		30 June 2018	30 June 2017
		Proportion of shares held	Proportion of shares held
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%	n/a
Ambant Limited	UK	100%	n/a
Ambant Underwriting Services Limited	UK	100%**	n/a
Servicetick Limited	UK	100%	n/a
Total Loss Settlement Services Limited	UK	100%	n/a
JMD SISG Limited	UK	100%	n/a
JMD SIS Limited	UK	100%**	n/a
JMD MS Limited	UK	100%**	n/a
Requiem Limited	UK	100%	n/a
A.M Associates Insurance Services Limited	Canada	100%	n/a
John Heath & Company Inc	USA	100%	n/a
Quest Bermuda Holdings Limited	Bermuda	100%	n/a
Quest Intermediaries (Bermuda) Limited	Bermuda	100%**	n/a
Quest Management Services Limited	Bermuda	100%**	n/a
Quest Captive Management Limited	USA	100%**	n/a

* Non trading company. Farradane Limited is a group management company. All other subsidiaries are involved in loss adjusting, claims management and related activities for insurance clients or local authorities. 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
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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Debtors due within one year

<u>Group</u>	As at 30 June 2018	As at 30 June 2017
	£'000	£'000
Trade debtors	14,027	10,947
Amounts owed by parent companies	-	2,394
Other debtors	703	132
Prepayments and accrued income	27,480	20,802
	42,210	34,275

<u>Company</u>	As at 30 June 2018	As at 30 June 2017
	£'000	£'000
Trade debtors	2,475	2,594
Amounts owed by group undertakings	11,846	5,358
Other debtors	115	112
Prepayments and accrued income	6,865	5,695
	21,301	13,759

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

13 Deferred tax

The movements on deferred tax are as follows:

<u>Group</u>	Year ended 30 June 2018	Year ended 30 June 2017
	£'000	£'000
At the beginning of year	(562)	(152)
On acquisition	(2,664)	(1,151)
Deferred tax charge in income statement for the year	1,279	440
At the end of year	(1,947)	(863)
At the end of year including deferred tax on pension liability	(1,716)	(562)

The deferred tax comprises:

	Year ended 30 June 2018	Year ended 30 June 2017
	£'000	£'000
Depreciation in excess of capital allowances	414	282
On acquisition	(2,664)	(1,151)
Short term timing differences	303	6
	(1,947)	(863)

The group has a deferred tax asset on losses of £670,000 which is not recognised.

<u>Company</u>	Year ended 30 June 2018	Year ended 30 June 2017
	£'000	£'000
At the beginning of year	351	128
Short term timing differences	(249)	223
At the end of year	102	351

The company has a deferred tax asset on losses of £359,000 which is not recognised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Deferred tax (continued)

Deferred tax asset on pension liability

<u>Group</u>	Year ended 30 June 2018	Year ended 30 June 2017
	£'000	£'000
At the beginning of year	301	399
Deferred tax asset on pension liability charged through statement of total recognised gains and losses	21	(98)
At the end of year - deferred tax asset on pension liability	231	301

14 Called up share capital

<u>Allotted, issued and fully paid Group and Company</u>	As at 30 June 2018 £'000	As at 30 June 2017 £'000
2,915,270 (2017 - 963,635) A Ordinary Shares of £0.50 each	1,457	482
163,636 (2017 - 163,636) B Ordinary Shares of £1 each	163	163
36,363 (2017 - 36,363) C Ordinary Shares £0.50 each	18	18
	1,638	663

All classes of 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.

15 Creditors: amounts falling due within one year

<u>Group</u>	As at 30 June 2018	As at 30 June 2017
	£'000	£'000
Trade creditors	7,870	5,226
Amounts owed to group undertakings	14	5,081
Corporation tax	367	501
Other taxation and social security	1,171	2,826
Other creditors	6,087	4,761
Accruals and deferred income	9,732	7,424
	25,241	25,819
<u>Company</u>	As at 30 June 2018	As at 30 June 2017
	£'000	£'000
Trade creditors	2,350	1,326
Amounts owed to group undertakings	19,735	12,778
Other taxation and social security	-	237
Other creditors	4,947	6,172
Accruals and deferred income	2,992	2,260
	30,024	22,773

Amounts owed to group undertakings are repayable on demand. They are unsecured, interest free and have no fixed date of repayment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Creditors: amounts falling due after more than one year

<u>Group</u>		As at 30 June 2018	As at 30 June 2017
	Note	£'000	£'000
Bank loans and overdraft	17	245	-
Shareholder loans		-	30,285
Other creditors		1,200	2,729
Amounts owed to group undertakings	17	87,568	21,093
		89,013	54,107

<u>Company</u>		As at 30 June 2018	As at 30 June 2017
	Note	£'000	£'000
Shareholder loans		-	30,285
Other creditors		1,200	2,729
Amounts owed to group undertakings	17	87,568	21,093
		88,768	54,107

The amounts owed to group undertakings disclosed above is an intercompany loan due to Daisycove Limited, an immediate parent undertaking.

17 Loans and other borrowings

<u>Group</u>		As at 30 June 2018	As at 30 June 2017
		£'000	£'000
Bank loans and overdrafts		245	-
Shareholder loans		-	30,285
Amounts owed to group undertakings		87,568	21,093
		87,813	51,378

Maturity of financial liabilities	As at 30 June 2018	As at 30 June 2017
	£'000	£'000
In one year or less, or on demand	-	-
In more than two years, but no more than five years	245	-
In more than two years, but not more than five years	-	30,285
In more than five years	87,568	21,093
	87,813	51,378

There are no debts due after 5 years that are payable under instalments. The 87.5m is payable on 26th January 2024.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 of 26th January 2024 inline with the group facilities agreement	
Company			As at 30 June 2018	As at 30 June 2017
			£'000	£'000
Bank loans and overdrafts			-	-
Shareholder loans			-	30,285
Amounts owed to group undertakings			87,568	21,093
			87,568	51,378
Maturity of financial liabilities			As at 30 June 2018	As at 30 June 2017
			£'000	£'000
In one year or less, or on demand			-	-
In more than two years, but no more than five years			-	-
In more than two years, but not more than five years			-	30,285
In more than five years			87,568	21,093
			87,568	51,378

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 2018 £'000
At 1 July 2017	400
Charged to profit and loss account	1,848
Utilised in the year	(102)
At 30 June 2018	2,146

The provisions for restructuring costs relate to onerous property lease commitments. Of the provision, £965,000 is due for payment within one year and the remaining between 2 and 5 years.

<u>Company</u>	Restructuring Year ended 30 June 2018 £'000
At 1 July 2017	152
Charged to profit and loss account	1,848
Utilised in the year	3
At 30 June 2018	2,003

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 2018		As at 30 June 2017	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring:				
Within one year	2,029	627	1,409	773
In two to five years	7,483	424	3,727	1,008
In more than five years	5,192	-	2,375	773
Total	14,704	1,051	7,511	2,554

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

	As at 30 June 2018	As at 30 June 2017
	Land and buildings £'000	Land and buildings £'000
Expiring:		
Within one year	1,229	388
In two to five years	4,792	1,186
In more than five years	-	850
Total	6,021	2,424

The payments above include rates and services charges.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Analysis of changes in net debt

<u>Group</u>	At 1 July 2017	Cash flow	Other non-cash changes	At 30 June 2018
	£'000	£'000	£'000	£'000
Cash at bank and in hand	4,173	1,555	-	5,728
Bank loans	-	-	(245)	(245)
Shareholder loans	(30,285)		30,285	
Amounts owed to group undertakings	(21,093)	(36,190)	(30,285)	(87,568)
Debt items	(21,093)	(36,190)	(30,530)	(87,813)
Net debt	(16,920)	(34,635)	(30,530)	(82,085)

The other non-cash changes on shareholder loans principally relate to the capitalisation of interest and the amortisation of debt issue costs.

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 6 April 2012 by a qualified independent actuary. The major assumptions used by the actuary have been projected forward to 30 June 2018 as follows:

	As at 30 June 2018	As at 30 June 2017	As at 30 June 2016	As at 30 June 2015	As at 31 July 2014	As at 31 July 2013
Rate of increase in pensions in payment	2.60%	2.60%	2.70%	3.00%	3.00%	3.10%
Rate of increase in deferred pensions	1.90%	2.00%	1.60%	2.20%	2.20%	2.20%
Discount rate for scheme liabilities	2.95%	2.85%	3.05%	3.95%	4.45%	4.65%
Inflation assumption	3.10%	3.20%	2.80%	3.20%	3.20%	3.20%
Consumer price inflation	1.90%	2.00%	1.60%	2.20%	2.20%	2.20%

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

	As at 30 June 2018 years	As at 30 June 2017 years
Retiring today:		
Males	20.7	20.6
Females	22.6	21.6
Retiring in 20 years:		
Males	21.8	22.6
Females	23.9	23.8

NOTES TO THE FINANCIAL STATEMENTS (continued)

21 Pension commitments (continued)

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

	Note	Expected return		Value at 30 June	
		%	2018 £'000	%	2017 £'000
Bonds		3.90%	4,593	3.90%	3,615
Equity		7.60%	8,875	7.60%	7,724
Insured pensions		-	551	-	571
GARS		-	849	-	2,973
Cash		1.00%	92	1.00%	114
Total market value of assets			14,960		14,997
Present value of scheme liabilities			(16,319)		(16,767)
Net pension deficit before deferred tax			(1,359)		(1,770)
Deferred tax asset on pension liability	13		231		301
Net pension deficit			(1,128)		(1,469)

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 2018 £'000	Year ended 30 June 2017 £'000
At the beginning of year	16,767	15,767
Current service cost	-	-
Interest cost	466	477
Benefits paid	(858)	(277)
Actuarial (gain) / loss	(56)	800
At the end of year	16,319	16,767

Reconciliation of fair value of scheme assets

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
At the beginning of year	14,997	13,745
Expected return on scheme assets	417	415
Contribution paid	150	-
Actuarial gains	254	1,114
Benefits paid	(858)	(277)
At the end of year	14,960	14,997

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 2018 £'000	Year ended 30 June 2017 £'000
Net interest expense	49	62
Net expense	49	62

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Pension Liability		
At the beginning of year	1,469	1,623
Charged to statement of other comprehensive income	(310)	(314)
Contributions paid	(150)	-
Net finance income charged to income statement	49	62
Deferred tax credited to statement of other comprehensive income	70	98
At the end of year	1,128	1,469

History of experience gains and losses

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Defined benefit obligation	(16,319)	(17,767)	(15,767)	(14,646)	(12,700)	(12,148)
Plan assets	14,960	14,997	13,745	13,482	12,419	11,984
(Deficit)/surplus	(1,359)	(1,770)	(2,022)	(1,164)	(281)	(164)
Experience gains and losses on plan assets	254	1,114	282	198	79	1,183
Experience gains and losses on scheme liabilities	(297)	(853)	(833)	(1,121)	(402)	(857)
Total actuarial (losses)/gains recognised in statement of other comprehensive income	310	314	(812)	(871)	(269)	189
Movement on deferred tax relating to pension deficit credited/(charged) to statement of other comprehensive income	(70)	(98)	146	205	-	(59)

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 £791,000 and £243,000 respectively (charge for the year ended 30 June 2017: group £744,000 and company £238,000).

At 30 June 2018, the group and the company had outstanding contributions of £240,000 and £187,000 respectively (2017: group £102,000 and company £83,000)

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Acquisitions

On 16 August 2017 the company acquired the share capital of Claims Management Services Limited for a total consideration of £1,219,000.

	Book Value £'000	Fair Value Adjustment £'000	Provisional Fair Value £'000
Tangible fixed assets	-	-	-
Intangible fixed assets	-	-	-
Debtors	277	189	466
Cash	3	-	3
Creditors: amounts falling due within one year	(353)	-	(353)
Net Assets Acquired	(73)	189	116

Consideration	1,062
Deferred Consideration	47
Cost of Acquisition	115
Impact of discounting	(5)
Total Consideration	1,219

Goodwill 1,103

The fair value adjustments are to value the intangible asset and deferred tax on acquisition. There are also adjustments for work in progress to bring the company inline with the rest of the group.

Since the date of the acquisition, Claims Management Services Limited have contributed £303,000 to the group profit.

On 14 September 2017 the company acquired the share capital of Ambant Limited for a total consideration of £5,102,000.

	Book Value £'000	Fair Value Adjustment £'000	Provisional Fair Value £'000
Tangible fixed assets	32	-	32
Intangible fixed assets	20	1,321	1,341
Debtors	916	-	916
Cash	879	-	879
Creditors: amounts falling due within one year	(1,218)	(238)	(1,456)
Net Assets Acquired	629	1,083	1,712

Consideration	4,455
Deferred Consideration	95
Cost of Acquisition	561
Impact of discounting	(9)
Total Consideration	5,102

Goodwill 3,390

The fair value adjustments are to value the intangible asset and deferred tax on acquisition.

Since the date of the acquisition, Ambant have contributed £1,039,000 to the group profit.

On 25 October 2017 the company acquired the share capital of Servicetick Limited for a total consideration of £1,488,000.

	Book Value £'000	Fair Value Adjustment £'000	Provisional Fair Value £'000
Tangible fixed assets	9	-	9
Intangible fixed assets	-	729	729
Debtors	330	-	330
Cash	222	-	222
Creditors: amounts falling due within one year	(417)	(131)	(548)
Net Assets Acquired	144	598	742

Consideration	1,007
Deferred Consideration	423
Cost of Acquisition	99
Impact of discounting	(42)
Total Consideration	1,487

Goodwill 745

The fair value adjustments are to value the intangible asset and deferred tax on acquisition.

Since the date of the acquisition, ServiceTick Limited have contributed £373,000 to the group profit.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Acquisitions (continued)

On 18 December 2017 the company acquired the share capital of Total Loss Settlement for a total consideration of £6,502,000.

	Book Value £'000	Fair Value Adjustment £'000	Provisional Fair Value £'000
Tangible fixed assets	6	-	6
Intangible fixed assets	-	970	970
Debtors	317	-	317
Cash	1,409	-	1,409
Creditors: amounts falling due within one year	(536)	(175)	(711)
Net Assets Acquired	1,196	795	1,991
Consideration			4,491
Deferred Consideration			2,200
Cost of Acquisition			136
Impact of discounting			(325)
Total Consideration			6,502
Goodwill			4,511

The fair value adjustments are to value the intangible asset and deferred tax on acquisition.

Since the date of the acquisition, Total Loss Settlement Service Limited have contributed £547,000 to the group profit.

On 13 January 2018 the company acquired the share capital of Randall & Quilter carve out (known as Canterbury) for a total consideration of £19,103,000.

	Book Value £'000	Fair Value Adjustment £'000	Provisional Fair Value £'000
Tangible fixed assets	687	-	687
Intangible fixed assets	169	3,143	3,312
Debtors	3,523	-	3,523
Cash	767	-	767
Creditors: amounts falling due within one year	(3,592)	(566)	(4,158)
Net Assets Acquired	1,554	2,577	4,131
Consideration			18,787
Deferred Consideration			-
Cost of Acquisition			781
Impact of discounting			-
Total Consideration			19,568
Goodwill			15,437

The fair value adjustments are to value the intangible asset and deferred tax on acquisition.

Since the date of the acquisition, Canterbury have contributed £1,540,000 to the group profit.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23 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.

24 Financial instruments

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

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Financial assets		
Financial assets measured at amortised cost	20,458	15,252
Financial liabilities		
Financial liabilities measured at amortised cost	23,949	22,492

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..

25 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.