FARRADANE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

REGISTERED NUMBER 01387840

CONTENTS

DIRECTORS AND ADVISERS

DIRECTORS	A Debiase D Saulter D Coombes
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

STRATEGIC REPORT

The company presents its financial statements for the year ended 30 June 2021.

PRINCIPAL ACTIVITY

Farradane Limited is a support services company which provides professional and administrative services to the Davies Group Limited and its subsidiaries. These services include finance, IT, HR, and general management. The group will continue to provide the necessary financial and infrastructure support to Farradane Limited as it develops.

REVIEW OF BUSINESS

A summary of the results for the year is given in the Income Statement on page 10.

During the year Farradane Limited continued its strategy of providing cost effective administrative support to the companies within the Davies Group in the form of IT, Finance, HR and client relationship services. Farradane Limited was able to leverage its expertise and economies of scale to provide a central platform for the companies within the Davies Group and allow then to focus on their operational performance.

PRINCIPAL RISKS AND UNCERTAINTIES

The company operates in a competitive marketplace. The company manages this commercial risk by delivering a high quality, bespoke service to its clients, with most of whom it already enjoys a long-standing relationship. Farradane Limited as the management company supports the group in managing its risks.

RESULTS AND DIVIDENDS

The company's loss for the financial year was £12,509,822 (2020: £8,750,543). The loss is stated after exceptional costs of £5,428,315 (2020: £3,868,768). The statement of comprehensive income shows a net movement on the pension scheme of £1,995,000 (2020: £2,069,000). No dividends were paid or proposed during the year (year to 30 June 2020: £nil).

KEY PERFORMANCE INDICATORS

The company is part of the Davies Group Limited group of companies which are managed on a group-wide basis. The key performance indicators used by the group are disclosed in the Davies Group Limited consolidated financial statements on page 18.

The group uses Turnover and Operating loss as key performance indicators which can be seen on page 10.

By order of the Board

A Debiase

A Debiase
Director

Date: 24 February 2022

DIRECTORS' REPORT

The directors present their report with the audited financial statements of the company, registered number 01387840, for the year ended 30 June 2021.

RESULTS AND DIVIDENDS

The company's loss for the financial year was £12,509,822 (2020: £8,750,543). The loss is stated after exceptional costs of £5,428,315 (2020: £3,868,768). The statement of comprehensive income shows a net movement on the pension scheme of £1,995,000 (2020: £2,069,000). No dividends were paid or proposed during the year (year to 30 June 2020: £nil).

Whilst the balance sheet shows a shareholders deficit, the directors are satisfied that the company continues to have sufficient funds to enable it to meet its liabilities for a period of at least 12 months from the date of approval of these financial statements and accordingly the financial statements are prepared on the going concern basis. A letter of support has been received from the ultimate parent entity Tennessee Topco Limited

GOING CONCERN

Going concern has been discussed in detail in note 1. The company has received a letter of support from the parent company, Tennessee Topco Limited. As such, The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Directors therefore believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

FUTURE DEVELOPMENTS

The company continues to invest in new systems and technology with the focus on improving operational efficiency and flexibility whilst ensuring services are delivered cost effectively.

FINANCIAL RISK MANAGEMENT

The company is part of the Davies Group Limited group of companies which manages financial risk on a group-wide basis. The Group's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company is a wholly owned subsidiary of Davies Holdings 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 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:

A Debiase
D Saulter
D Coombers

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' RESPONSIBILITES
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 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 company and of the profit or loss of the company 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Debiase
Director

Date: 24 February 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FARRADANE LIMITED

Opinion on the financial statements

In our opinion the financial statements:

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

We have audited the financial statements of the Company for the year ended 30 June 2021 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity 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).

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a year of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 Responsibilities of Directors, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FARRADANE 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

As a part of our audit in accordance with United Kingdom Generally Accepted Accounting Practice; and requirements of the Companies Act 2006 we exercise professional judgement and maintain professional scepticism throughout the audit. Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Group accounting policies, United Kingdom Generally Accepted Accounting Practice, the UK Companies Act 2006 and those that relate to the payment of employees. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to recognition of revenue, and use of going concern assumptions;
- Revenue year end cut-off procedures;
- Identifying and testing journal entries, in particular any journal entries posted with specific unusual narratives, manual journals to revenue and cash, and Benford's law;
- Discussions with management; including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Review of minutes of Board meetings throughout the year.
- Obtaining an understanding of how the Company is complying with those legal and regulatory frameworks by making enquiries with management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and other evidence gathered during the course of the audit.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:
Julien Rye
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Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
24 February 2022

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

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Turnover	3	**8,336,811**	7,150,210
Cost of sales		**-**	-
Gross profit		**8,336,811**	7,150,210
Other administrative expenses		**(11,607,649)**	(10,461,054)
Amortisation		**(3,015,813)**	(2,470,475)
Depreciation		**(876,081)**	(848,389)
Exceptional administrative expenses		**(1,199,829)**	(1,412,412)
M&A integration expenses		**(4,228,486)**	(2,456,376)
Administrative expenses		**(20,927,858)**	(17,648,706)
Other income		**24,174**	52,191
Operating loss	5	**(12,566,873)**	(10,446,305)
Loss on ordinary activities before interest and taxation		**(12,566,873)**	(10,446,305)
Interest payable and similar charges	7	**(72,446)**	(3,082)
Loss on ordinary activities before taxation		**(12,639,319)**	(10,449,387)
Tax on loss on ordinary activities	8	**129,497**	1,698,844
Loss for the financial year		**(12,509,822)**	(8,750,543)

All amounts relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Loss for the financial year	**(12,509,822)**	(8,750,543)
Acturial profit / (loss) recognised in the year	**2,660,000**	(2,554,260)
Movement on deferred tax relating to pension deficit	**(665,000)**	485,260
Total recognised loss relating to the year	**(10,514,822)**	(10,819,543)

The notes on pages 13 to 24 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	As at 30 June 2021 £	As at 30 June 2021 £	As at 30 June 2020 £	As at 30 June 2020 £
ASSETS					
Fixed assets					
Intangible assets	9	5,048,544		4,881,043	
Tangible assets	10	1,095,194		1,218,265	
			6,143,738		6,099,308
Current assets					
Debtors	11	52,974,032		30,898,460	
Deferred tax	12	1,701,638		1,875,194	
Cash at bank and in hand		149,363		677,035	
			54,825,033		33,450,689
Total assets			60,968,771		39,549,997
LIABILITIES AND EQUITY					
Capital and reserves					
Called up share capital	13	10,000		10,000	
Capital redemption reserve		1,650,000		1,650,000	
Profit and loss account deficit		(41,368,031)		(30,853,209)	
Total shareholders' deficit			(39,708,031)		(29,193,209)
Other liabilities					
Creditors: amounts falling due within one year	14	99,699,786		65,388,558	
Provisions for liabilities	15	289,961		191,857	
Total other liabilities			99,989,747		65,580,415
Total equity and liabilities excluding defined benefit pension liability			60,281,716		36,387,206
Pension liability			687,055		3,162,791
Total equity and liabilities			60,968,771		39,549,997

The financial statements on pages 10 to 24 were approved by the Board of Directors on 24 February 2022 and were signed on its behalf by:

A Debiase
Director

Company registered number 01387840

The notes on pages 13 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Share capital £	Capital redemption reserve £	Profit and loss account £	Total Equity £
Balance as at 1 July 2019	10,000	1,650,000	(20,033,666)	(18,373,666)
Loss for the year	-	-	(8,750,543)	(8,750,543)
Other comprehensive losses for the year	-	-	(2,069,000)	(2,069,000)
Total comprehensive loss for the year	-	-	(10,819,543)	(10,819,543)
Balance as at 30 June 2020	**10,000**	**1,650,000**	**(30,853,209)**	**(29,193,209)**
Loss for the year	-	-	(12,509,822)	(12,509,822)
Other comprehensive income for the year	-	-	1,995,000	1,995,000
Total comprehensive loss for the year	-	-	(10,514,822)	(10,514,822)
Balance as at 30 June 2021	**10,000**	**1,650,000**	**(41,368,031)**	**(39,708,031)**

The notes on pages 13 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Farradane Limited is a private company limited by shares incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the directors' 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.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17 (d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Davies Group Limited as at 30 June 2021 and these financial statements may be obtained from the company's registered office.

Going concern

The company is a subsidiary of Tennessee Topco Limited and party to group funding facilities. The directors continually review and monitor business performance and liquidity of the Group which over the past 20 months has been carried out with additional rigour and scrutiny due to the COVID-19 pandemic. The Group navigated the COVID-19 pandemic robustly and experienced a smaller COVID-19 impact than first anticipated. 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 half of the year ending 30 June 2022 it is significantly ahead of its annual revenue, EBITDA and cash budgets. 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 £90m should this be required.
The Group's most recent forecasting exercise covers a period from the balance sheet date to 30 June 2023. As part of their forecasting work, the directors undertook some detailed sensitivity analysis which showed that the Group revenue would need to drop by 35% by December 2022 for there to be a significant impact on future covenant headroom. The key mitigant for a covenant breach would be an equity injection from the shareholders which is permitted under the existing banking agreement. Additionally, a further mitigant should the Group experience a liquidity issue, would be to drawdown on the £90m RCF which can be accessed for any purpose.

In July 2021 the Group recommenced its M&A program. During the year ended 30 June 2021 the Group made 17 acquisitions. Since October 2021 the Group has made four acquisitions in the UK and the US: Insurance Risk Services Inc., Sionic, the BVS Group and Merlinos Actuarial Consultants. In September 2021 the Group announced a deal to acquire Asta, the market leading third party managing agent at Lloyds, and this deal will complete subject to the appropriate regulatory approvals.

In August 2021, the Group completed a transaction with BC Partners who have acquired a majority stake in the business following a rigorous due diligence process. As part of this transaction, Blackstone replaced ICG as the Group's debt provider; upon completion new debt of £552m was drawn down, and an acquisition facility of £350m was secured alongside a c£90m rolling credit facility. This is a committed facility which can be utilised for any purpose including operational, working capital and M&A requirements and can be drawn down in 5 working days.
Going concern has been discussed in detail in note 1. The company has received a letter of support from the parent company, Tennessee Topco Limited. As such, The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The Directors therefore believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from this basis of preparation being inappropriate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

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

Tangible 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.

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 pay 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)

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 Daisybright 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 company 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 related 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.

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.
- Translation reserve represents the translation of investments held in subsidiaries.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (continued)

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.

2 Significant judgements and estimates

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.

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 company's principal activity, which the directors consider comprises a single class of business, and arose within the United Kingdom.

4 Staff costs and employee information

	Year ended 30 June 2021	Year ended 30 June 2020
	£	£
Wages and salaries	7,139,072	5,423,704
Social security costs	749,479	560,398
Other pension costs	291,377	215,575
Total	**8,179,928**	6,199,677

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

	Year ended 30 June 2021	Year ended 30 June 2020
	Number	Number
Support	173	122
Total	**173**	122

At 30 June 2021, the Group employed 211 (30 June 2020: 127) employees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Operating profit

Operating profit is stated after charging:

	Year ended 30 June 2021	Year ended 30 June 2020
	£	£
Other income	24,174	52,191
Operating lease rentals - Land & Buildings	82,030	53,900
Operating lease rentals - other	301,627	224,825
Depreciation - owned assets	876,081	848,389
Amortisation	3,015,813	2,470,475
Other pension costs	291,377	215,575
M&A integration expenses	4,228,486	2,456,376
Exceptional administrative expenses	1,199,829	1,412,412
Services provided by the company's auditors		
Group audit services	435,000	303,000
Company audit services	12,000	35,000
Corporate finance services	55,000	68,000
Tax services	110,000	147,000
Other services	95,000	54,000

The company bears the auditors' remuneration on behalf of all the subsidiaries of Davies Group Limited. The auditors' remuneration for the company only for the year ended 30 June 2021 was £9,405 (2020: £9,000).

Other income of £24,174 (2020: £52,191) relates to government grant income received in respect of employees placed in the Furlough Scheme during the year.

The M&A integration expenses of £4,228,486 (2020 : £2,456,376) 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 by the Group in the financial year including associated office closure, redundancy costs and advisory fees, as well as the ongoing integration costs

The exceptional administrative expenses of £1,199,829 (2010: £1,412,412) relate to costs incurred due to Covid-19 of £1,158,189 and exceptional restructuring cost of £41,640

6 Directors' emoluments

	Year ended 30 June 2021	Year ended 30 June 2020
	£	£
Aggregate emoluments	928,670	859,000

	Year ended 30 June 2021	Year ended 30 June 2020
	Number	Number
The number of directors to whom retirement benefits were accruing was as follows:		
Accruing under money purchase schemes	2	2

Highest paid director	Year ended 30 June 2021	Year ended 30 June 2020
	£	£
Aggregate emoluments excluding pension contributions	424,509	406,000
Total	424,509	406,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Interest payable and similar charges

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Interest on pension scheme	61,000	-
Lease interest	11,446	3,082
Total	**72,446**	3,082

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:

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Current tax:		
UK corporation tax on profits for the year	-	-
Adjustments in respect of previous years	(151,317)	(115,212)
Total current tax	**(151,317)**	(115,212)
Deferred tax:		
Origination and reversal of timing differences	(95,080)	(1,395,054)
Adjustments in respect of previous years	838,290	(111,001)
Changes in tax rate	(721,390)	(77,577)
Total deferred tax	**21,820**	(1,583,632)
Total tax tax charge / (credit) on profit on ordinary activities	**(129,497)**	(1,698,844)

b) Factors affecting the tax tax charge / (credit)

The tax assessed for the year is the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The difference is explained below:

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Loss on ordinary activities before taxation	**(12,639,319)**	(10,449,387)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(2,401,471)	(1,985,384)
Tax effects of:		
Expenses not deductible for tax purposes	18,094	9,214
Income not deductible for tax purposes	-	(26,908)
Depreciation in excess of capital allowances	462	717
Group relief surrendered	2,189,410	607,304
Deferred tax not recognised	109,289	36,447
Adjustment in respect of previous years	(151,317)	(226,210)
Adjustment in respect of previous years (deferred tax)	838,290	-
Remeasurement of deferred tax for changes in tax rates	(732,255)	(114,024)
Total current tax charge / (credit)	**(129,498)**	(1,698,844)

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Intangible fixed assets

	Technology cost	Total
	£	£
Cost		
At 30 June 2020	11,138,023	11,138,023
Additions	3,183,314	3,183,314
At 30 June 2021	**14,321,337**	**14,321,337**
Accumulated amortisation		
At 30 June 2020	(6,256,980)	(6,256,980)
Amortisation for year	(3,015,813)	(3,015,813)
At 30 June 2021	**(9,272,793)**	**(9,272,793)**
Net book value		
At 30 June 2021	**5,048,544**	**5,048,544**
At 30 June 2020	4,881,043	4,881,043

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

10 Tangible fixed assets

	Leasehold Improvement	Fixtures and Fittings	Computer Equipment	Total
	£	£	£	£
Cost				
At 30 June 2020	185,694	766,560	5,433,990	6,386,244
Additions	17,409	-	735,601	753,010
Reclass	748,699	51,116	(759,033)	40,782
At 30 June 2021	**951,802**	**817,676**	**5,410,558**	**7,180,036**
Accumulated depreciation				
At 30 June 2020	(131,104)	(708,168)	(4,328,707)	(5,167,979)
Charge for year	(261,263)	(4,181)	(610,637)	(876,081)
Reclass	(524,416)	(102,141)	585,775	(40,782)
At 30 June 2021	**(916,783)**	**(814,490)**	**(4,353,569)**	**(6,084,842)**
Net book value				
At 30 June 2021	**35,019**	**3,186**	**1,056,989**	**1,095,194**
At 30 June 2020	54,590	58,392	1,105,283	1,218,265

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Debtors due within one year

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Amounts owed by group untertakings	**52,231,465**	29,536,028
Corporation tax	**151,317**	115,212
Other debtors	**-**	378,336
Prepayments and accrued income	**591,251**	868,884
	52,974,032	30,898,460

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

12 Deferred tax

The movements on deferred tax are as follows:

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
At the beginning of year	**1,875,194**	273,562
Deferred tax credit/(charge) in income statement for the year	**(21,820)**	1,583,632
Less deferred tax recognised elsewhere on the balance sheet	**(151,736)**	18,000
At the end of year	**1,701,638**	1,875,194

The deferred tax comprises:	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Depreciation in excess of capital allowances	**(61,932)**	(45,332)
Losses	**1,763,570**	1,857,548
Short term timing differences	**-**	62,978
	1,701,638	1,875,194

The company has deferred tax assets on losses of £455,589 (2020: £346,000) which are not recognised

Deferred tax asset on pension liability	Year ended 30 June 2021 £	Year ended 30 June 2020 £
At the beginning of the year	**742,100**	274,840
Deferred tax on pension asset charged to profit and loss account	**151,736**	(18,000)
Deferred tax on pension liability charged through other comprehensive income	**(665,000)**	485,260
At the end of year - deferred tax asset on pension liability	**228,836**	742,100

13 Called up share capital

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Allotted, issued and fully paid		
100,000 (2020: 100,000) Ordinary Shares of 10p each	**10,000**	10,000
	10,000	10,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Creditors: amounts falling due within one year

	Year ended 30 June 2021	Year ended 30 June 2020
	£	£
Trade creditors	2,183,284	1,790,930
Amounts owed to Group undertakings	93,194,825	59,169,943
Other taxation and social security	2,341,935	1,690,832
Accruals and deferred income	1,975,130	2,199,025
Other creditors	4,611	537,828
	99,699,785	65,388,558

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

15 Provisions for liabilities

	Restructuring Year ended 30 June 2021
	£
At 1 July 2020	191,857
Charged to profit and loss account	257,046
Utilised in the year	(158,942)
At 30 June 2021	289,961

The provisions for restructuring costs relate to onerous property lease commitments

16 Operating lease commitments

The companies future minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2021		As at 30 June 2020	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Expiring:				
Within one year	-	154,747	81,329	507,957
In two to five years	-	-	90,000	154,747
In more than five years	-	-	-	-
Total	-	154,747	18,648	1,605

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 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 2021 as follows:

	As at 30 June 2021	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
Rate of increase in pensioi	**3.00%**	2.60%	2.80%	2.60%	2.60%	2.70%	3.00%
Rate of increase in deferre	**2.15%**	1.50%	2.10%	1.90%	2.00%	1.60%	2.20%
Discount rate for scheme l	**2.00%**	1.65%	2.50%	2.95%	2.85%	3.05%	3.95%
Inflation assumption	**3.15%**	2.70%	3.30%	3.10%	3.20%	2.80%	3.20%
Consumer price inflation	**2.15%**	1.70%	2.10%	1.90%	2.00%	1.60%	2.20%

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

	As at 30 June 2021 years	As at 30 June 2020 years
Retiring today:		
Males	**20.3**	20.4
Females	**22.3**	22.4
Retiring in 20 years:		
Males	**21.3**	21.5
Females	**23.6**	23.7

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

	Value at 30 June 2021 £000	Value at 30 June 2020 £000
Bonds	**5,232**	5,164
Equity	**11,332**	9,451
Insured pensions	**397**	474
Cash	**291**	133
Total market value of assets	**17,252**	15,222
Present value of scheme liabilities	**(18,168)**	(19,127)
Deficit in the scheme	**(916)**	(3,905)
Net pension deficit before deferred tax	**(916)**	(3,905)
Deferred tax asset on pension liability	**229**	742
Net pension deficit	**(687)**	(3,163)

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 Pension commitments (continued)

Reconciliation of present value of scheme liabilities

	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
At the beginning of year	19,127	17,242
Current service cost	-	-
Interest cost	310	424
Benefits paid	(684)	(555)
Actuarial (gain) / loss	(585)	2,016
At the end of year	18,168	19,127

Reconciliation of fair value of scheme assets

	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
At the beginning of year	15,222	15,627
Expected return on scheme assets	249	388
Contribution paid	390	300
Actuarial gain /(loss)	2,075	(538)
Benefits paid	(684)	(555)
At the end of year	17,252	15,222

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

	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
Net interest expense	61	36
Net expense	61	36

Pension Liability	Year ended 30 June 2021 £000	Year ended 30 June 2020 £000
Reconciliation of fair value of scheme assets	3,163	1,340
Charged to statement of other comprehensive income	(2,660)	2,554
Contributions paid	(390)	(300)
Net finance income charged to income statement	61	36
Deferred tax (credited) / charged to income statement	(152)	18
Deferred tax charged / (credited) to statement of other comprehensive income	665	(485)
At end of year	687	3,163

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 Pension commitments (continued)

History of experience gains and losses

	2021	2020	2019	2018	2017	2016
	£000	£000	£000	£000	£000	£000
Defined benefit obligation	(18,168)	(19,127)	(17,242)	(16,319)	(17,767)	(15,767)
Plan assets	17,252	15,222	15,627	14,960	14,997	13,745
Deficit	**(916)**	(3,905)	(1,615)	(1,359)	(2,770)	(2,022)
Experience gains and losses on plan assets	**2,075**	(538)	311	254	1,114	282
Experience gains and losses on scheme liabilities	-	-	101	(297)	(853)	(833)
Total actuarial (losses)/gains recognised in statement of other comprehensive income	**2,660**	(2,554)	(468)	310	314	(812)
Movement on deferred tax relating to pension deficit credited/(charged) to statement of other comprehensive income	**(665)**	485	43	(70)	(98)	146

Management have reviewed the sensitivities around the pension liability and consider the most volatile assumption to be the discount

Defined contribution scheme

The company operates a defined contribution scheme. The assets are held seperately from those of the company in a seperately administered fund. The charge for the year represents contributions payable by the company to the fund and amounted to £291,377 (Year ended 2020: £215,575)

At 30 June 2021, the company had oustanding contributions of £nil (2020: £nil)

18 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. At 30 June 2021 Daisybright Limited was in turn ultimately owned by Davies Topco Limited which the directors considered to be the ultimate parent undertaking and the largest Group to consolidate these financial statements. On 3 August 2021 the ultimate parent undertaking became Tennessee Topco Limited.

Copies of Daisybright Limited and Tennessee 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 BC Partners to be the ultimate controlling party of the Group.

19 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.