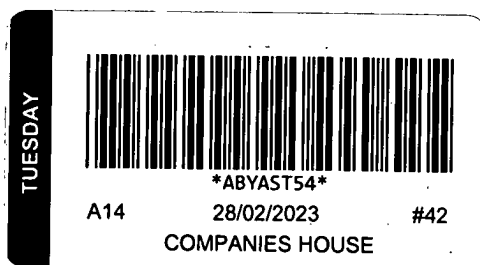


Registered number: OC321124

Keoghs LLP

**Annual report and financial statements
for the year ended 31 May 2022**



REPORT AND FINANCIAL STATEMENTS 2022

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OFFICERS AND PROFESSIONAL ADVISERS

Designated members

A J Carr
Keoghs Acquisition Limited

Registered office

5th Floor
20 Gracechurch Street
London
EC3V OBG

Bankers

The Royal Bank of Scotland
1 Hardman Boulevard
Manchester
M3 3AQ

Auditor

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

MEMBERS' REPORT

The members present their annual report on the affairs of the LLP, together with the financial statements and auditor's report, for the year ended 31 May 2022.

Firm structure

The LLP is a Limited Liability Partnership registered in England and Wales. A list of members' names is available for inspection at the LLP's registered office.

Principal activity

The principal activity of the LLP continues to be the provision of claims handling and legal services to the insurance industry in the United Kingdom.

Review of the business and future developments

Our goal is to be the best in class specialist provider of dispute resolution services for the insurance industry, providing services focused on litigation, claims management and fraud detection and prevention. We specialise in defendant services for motor, casualty (employers and public liability and disease), property and professional risk lines of insurance business.

We continue to be well placed to capitalise on the opportunities in the market place as the firm's competitive advantage is focused on combining low-cost workflow processing with operational and process excellence, alongside deep technical expertise in relation to more complex matters. We continue to benefit from the financial strength and expertise of the Davies Group Limited.

During 2021/22, our turnover grew by £5.4m (5%) and our profit before members' remuneration grew by £8.2m (36%). We continue to invest in technology to bring new solutions to the market and to drive further efficiency in order to meet the demands in a changing and competitive market.

The results for the year and financial position of the LLP at the year-end are set out on pages 10 and 11 of the financial statements.

The operating profit before exceptional items for the year amounted to £32.4m (2021: profit of £26.5m).

The balance sheet is set out on page 11 and shows net assets attributable to the members of the LLP of £62.0m (2021: £48.6m).

Going concern

The LLP is a subsidiary of Tennessee Topco Limited and party to group funding facilities. Monitoring of financial performance and management of banking facilities is done on a group basis and incorporates the results of all subsidiaries of the group that are consolidated within Tennessee Topco Limited accounts. 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 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.

The directors continually review and monitor business performance and liquidity of the Group. 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 is in line with budget after the first 7 months of the year ending 30 June 2023 despite the challenging economic environment and the Group remains on track to deliver an EBITDA performance in FY23 significantly ahead of last year. The Group also has 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 2024. As part of their forecasting work, the directors undertook detailed sensitivity analysis which showed that the Group is highly unlikely to breach its covenant. The Group enjoys continued funding support of its shareholders BC Partners, HGGC, and AimCo, having raised an additional £45m in equity in September 2022 to support M&A, with a further £35m to follow by the end of the calendar year. 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.

MEMBERS' REPORT

Going concern (continued)

The Group is continuing its M&A program and during the period ended 30 June 2022 the Group made five acquisitions. In June 2022, The Group secured an additional acquisition facility of £350m which underlines Blackstone's confidence in Davies performance. The Group has completed five new acquisitions in the period to January 2023, adding c£18.6m of annualised EBITDA before synergies.

The LLP has continued to trade profitably since the year end in line with forecasts. As such, and allowing for reasonably worst case downside scenarios, the members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. The members therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

Designated members

The designated members who served during the year and to the date of this report are set out on page 1.

The members who held office at the date of approval of this members' report confirm that, there is no relevant audit information of which the Limited Liability Partnership's auditors are unaware, and; and each member has taken all the steps they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the Limited Liability Partnership's auditors are aware of that information.

Political and charitable contributions

During the year, the LLP made charitable donations of £nil (2021: £7,500). The LLP did not make any political donations (2021: £nil).

Members' drawings and the subscription and repayment of members' capital

During the year, individual members received monthly drawings representing payments on account of their agreed profit share. Profits are allocated to members as they are drawn.

The capital requirements of the LLP are determined by the Board and are reviewed regularly. Each member is required to subscribe capital to the LLP. The amount of capital subscribed by each member is determined by their own remuneration level. Interest is paid on the capital. On leaving the LLP a member's capital is repaid within one year.

Disabled Employees

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

Directors' indemnities and insurance

The LLP has made qualifying third party indemnity provisions for the benefit of its members which were in place during the year and remain in force at the date of this report. The Company maintains members' and officers' liability insurance for its members and officers.

Corporate social responsibility

The LLP encompasses its corporate social responsibility through three different components that aim to positively impact the local community and the health and wellbeing of our people, they are 'Our Neighbourhood', 'Our Health and Wellbeing' and 'Employer of Choice'.

MEMBERS' REPORT

Energy Consumption and Emission

The Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 requires the LLP to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR regulated sources.

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

The table below details the regulated SECR energy and GHG emission sources from the current reporting period, in comparison to the previous financial reported year.

	1 st June 2019 to 31 st May 2020	1 st June 2020 to 31 st May 2021	1 st June 2021 to 31 st May 2022
Energy consumption used to calculate emissions (kWh)	7,326,164.37	5,225,707.83	4,744,530.79
Gas (kWh)	1,691,849.00	2,134,071.00	1,675,940.00
Electricity (kWh)	1,979,376.00	1,842,322.00	1,431,628.00
Transport fuels (kWh)	3,654,939.37	1,249,314.83	1,627,743.98
Transport fuels (Scope 3) kWh	-	-	9,218.81
Emissions from combustion of gas tCO ₂ e (Scope 1)	311.06	391.65	306.46
Emissions from combustion of fuel for transport purposes tCO ₂ e (Scope 1)	922.98	312.15	403.58
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing of the fuel tCO ₂ e (Scope 3)	-	-	2.19
Emissions from purchased electricity tCO ₂ e (Scope 2, location-based)	483.82	410.51	290.52
Total gross emissions tCO ₂ e based on the above	1,717.86	1,114.31	1,002.75
Total gross emissions from above by unit turnover/revenue (tCO ₂ e/£M)	17.71	10.89	8.95

Keoghs LLP understands the critical importance of our environmental responsibilities and as such we are committed to minimising our impact on the environment. We are building a culture to drive improvements and efficiencies across our operations and as part of that we support colleagues wherever possible to make informed decisions around reducing our carbon footprint. Since FY20, we have made material improvements to our Scope 1-3 emissions footprint including increasing the amount of flexible/remote working, propositional developments eliminating the need for travel, and consolidating multiple office sites. We have recently seen an increase in Scope 3 emissions regarding business related travel and commuting due to the lifting of Covid restrictions, however we continue to encourage agile and efficient working practices wherever possible.

Auditor

In the case of each of the persons who are members at the time when the members' report is approved, the following applies:

- so far as the designated member is aware, there is no relevant audit information of which the Limited Liability partnership's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a designated member in order to make himself/herself aware of any relevant audit information and to establish that the Limited liability partnership's auditors are aware of that information.

BDO LLP has indicated their willingness to be reappointed as auditor. A resolution to re-appoint BDO LLP as auditor will be proposed at the next members' meeting.

Approved by the Board on 28th February 2023 and signed on its behalf by:



Keoghs Acquisition Limited

MEMBERS' REPORT

Designated Member, signed by its duly authorised representative, A Debiase, director

MEMBERS' RESPONSIBILITIES STATEMENT

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

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the firm and of the profit or loss of the firm for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 firm will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are exercised by the Board on behalf of the members.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEOGHS LLP

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Limited Liability Partnership's affairs as at 31 May 2022 and of its 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 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

We have audited the financial statements of Keoghs Limited Liability Partnership ("the Limited Liability Partnership") for the year ended 31 May 2022 which comprise the Profit and Loss account, Balance Sheet, Statement of Changes in Members' Interest and Cash Flow Statement 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Limited Liability Partnership 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Members' 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 Limited Liability Partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The Members 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 AUDITOR'S REPORT TO THE MEMBERS OF KEOGHS LLP

Other information (continued)

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 as applied to limited liability partnerships

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit; or
- the Members were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Members' report.

Responsibilities of Members

As explained more fully in the Members' responsibilities statement, the Members 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 Members 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 Members are responsible for assessing the Limited Liability Partnership'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 Members either intend to liquidate the Limited Liability Partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEOGHS LLP

Auditor's responsibilities for the audit of the financial statements (continued)

Based on our understanding and accumulated knowledge of the limited liability partnership and the sector in which it operates, we consider the risk of acts by the limited liability partnership 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 limited liability partnership accounting policies, UK GAAP, the Companies Act 2006, compliance with SRA requirements and those that relate to the payment of employees. All team members were briefed to ensure that they were aware of any relevant regulations in relation to their work.

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

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:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the limited liability partnership. We understood the control environment of the limited liability partnership in monitoring compliance with the applicable laws and regulations;
- We assessed the susceptibility of the limited liability partnership financial statements to material misstatement, including performance of a detailed fraud risk assessment.
- We obtained an understanding of the internal control environment relevant to the audit in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the limited liability partnership's internal control;
- Based on our understanding obtained and risk assessment performed, we designed specific audit procedures to challenge assumptions and judgements made by management in their significant accounting estimates. We focused on estimates in revenue and work in progress recognition, specifically we carried out the following;
 - Testing a sample of revenue recognised either side of the period end to ensure revenue has been recognised in the correct period;
 - Testing a sample of work in progress to ensure that this was recognised correctly;
- We performed a review of minutes of Board meetings throughout the period and made direct enquiry with management and those charged with governance to understand any known or suspected instances of non-compliance with laws and regulations and fraud;
- In respect of the risk of management override, we completed specific testing of journal entries, with a focus on any manual journals to revenue and cash and journals including specific keywords based on our understanding of the business; and
- Evaluated 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. Further, we agreed the financial statement disclosure to underlying supporting documentation.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KEOGHS LLP

Use of our report

This report is made solely to the Limited Liability Partnership's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006 as applied by Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Limited Liability Partnership'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 Partnership and the Limited Liability Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Julien Rye
657B95FCEECB4FF...

Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
Date 28th February 2023

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

PROFIT AND LOSS ACCOUNT

For the year ended 31 May 2022

	Note	2022 £'000	2021 £'000
Turnover	1	107,710	102,263
Cost of sales			
Before exceptional items		(50,341)	(49,311)
Exceptional items		(28)	(2,071)
		<u>(50,369)</u>	<u>(51,382)</u>
Gross profit		57,341	50,881
Administrative expenses			
Before exceptional items		(25,008)	(26,455)
Exceptional items		(1,621)	(1,924)
		<u>(26,629)</u>	<u>(28,379)</u>
Operating profit		30,712	22,502
Operating profit before exceptional items		32,361	26,497
Exceptional items	3	<u>(1,649)</u>	<u>(3,995)</u>
Operating profit after exceptional items		30,712	22,502
Finance costs		(44)	(36)
Profit before taxation and members' remuneration and profit shares	3	30,668	22,466
Taxation on profit	7	-	-
Profit for the financial year before members' remuneration and profit shares		30,668	22,466
Members' remuneration charged as an expense		<u>(17,290)</u>	<u>(17,035)</u>
Profit for the financial year available for discretionary division among members		<u>13,378</u>	<u>5,431</u>

All results relate to continuing activities.

There are no items of other comprehensive income in the current year or prior year other than those recognised in the profit and loss account. Accordingly a statement of comprehensive income has not been presented.

BALANCE SHEET

At 31 May 2022

	Note	2022 £'000	(Restated) 2021 £'000
Fixed assets			
Intangible assets	8	2,913	5,685
Tangible assets	9	9,582	8,336
Investments	10	-	-
		<u>12,495</u>	<u>14,021</u>
Current assets			
Debtors	11	86,542	75,223
Cash at bank and in hand		3,644	1,887
		<u>90,186</u>	<u>77,110</u>
Creditors: amounts falling due within one year	12	<u>(39,143)</u>	<u>(39,519)</u>
Net current assets		<u>51,043</u>	<u>37,591</u>
Total assets less current liabilities		<u>63,538</u>	<u>51,612</u>
Provision for liabilities	13	<u>(1,506)</u>	<u>(3,007)</u>
Net assets attributable to members		<u>62,032</u>	<u>48,605</u>
Represented by:			
Loans and other debts due to members			
Members' capital classified as a liability		4,909	4,677
Members' other amounts		43,745	38,497
Equity			
Members' other interests classified as equity		<u>13,378</u>	<u>5,431</u>
Total Members' interests		<u>62,032</u>	<u>48,605</u>

See Note 16 for details to restatement.

The financial statements of Keoghs LLP (registered number OC321124) were approved by the Members and authorised for issue on 28th February 2023. They were signed on behalf of the Partnership by:



Keoghs Acquisition Limited
Designated Member, signed by its duly authorised representative, A Debiase, director

STATEMENT OF CHANGES IN MEMBERS' INTEREST

For the year ended 31 May 2022

	Members' capital classified as a liability £'000	Members' other reserves debt £'000	Members' other reserves equity £'000	Total Members' interests £'000
Members' interests at 31 May 2020	4,772	38,816	2,791	46,379
Other reserves allocated to members	-	2,791	(2,791)	-
Members' remuneration charged as an expense	-	17,035	-	17,035
Profit for the financial year available for discretionary division among members	-	-	5,431	5,431
Members' interests after profit for the year and total comprehensive income	4,772	58,642	5,431	68,845
Members' capital introduced	331	-	-	331
Members' capital withdrawn	(426)	-	-	(426)
Drawings	-	(20,145)	-	(20,145)
Members' interests at 31 May 2021	4,677	38,497	5,431	48,605
Other reserves allocated to members	-	5,431	(5,431)	-
Members' remuneration charged as an expense	-	17,290	-	17,290
Profit for the financial year available for discretionary division among members	-	-	13,378	13,378
Members' interests after profit for the year and total comprehensive income	4,677	61,218	13,378	79,273
Members' capital introduced	563	-	-	563
Members' capital withdrawn	(331)	-	-	(331)
Drawings	-	(17,473)	-	(17,473)
Members' interests at 31 May 2022	4,909	43,745	13,378	62,032

CASH FLOW STATEMENT

For the year ended 31 May 2022

	Note	2022 £'000	(Restated) 2021 £'000
Profit on ordinary activities before members' remuneration and profit shares		30,668	22,466
Adjustment for:			
Amortisation		2,772	2,699
Depreciation		4,538	3,589
Operating cash flow before movement in working capital		37,978	28,754
Movement in debtors		(11,320)	(1,544)
Movement in creditors		(373)	(11,723)
Movement in provisions		(1,501)	760
Net cash generated from operating activities		24,784	16,247
Cash flows from investing activities			
Purchase of tangible assets	9	(5,786)	(2,118)
Net cash outflows from investing activities		(5,786)	(2,118)
Cash flows from financing activities			
Capital introduced by members		563	331
Repayment of capital or debt to members		(331)	(428)
Members' drawings		(17,473)	(20,144)
Net cash outflows from financing activities		(17,241)	(20,241)
Net increase/(decrease) in cash and cash equivalents		1,757	(6,112)
Cash and cash equivalents at beginning of year		1,887	7,999
Cash and cash equivalents at the end of year		3,644	1,887

1. See Note 16 for details to restatement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2022

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

Keoghs LLP (“the Partnership”) is incorporated in the United Kingdom and registered in England and Wales under the Limited Liability Partnership Act 2000. The address of the registered office is given on page 1. The nature of the Partnership’s operations and its principal activities are set out in the members’ report on page 2.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the requirements of the Statement of Recommended Practice Accounting by Limited Liability Partnerships (issued July 2014 and updated 2018).

The functional and presentational currency of Keoghs LLP is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates.

Financial instruments

Financial assets and financial liabilities are recognised when the LLP becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the LLP after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the LLP intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2022

1. Accounting policies (continued)**Financial instruments (continued)**

- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the LLP transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the LLP, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(i) Investments

In the LLP balance sheet, investments in subsidiaries and joint ventures and associates are measured at cost less impairment.

(ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Going concern

The LLP is a subsidiary of Tennessee Topco Limited and party to group funding facilities. Monitoring of financial performance and management of banking facilities is done on a group basis and incorporates the results of all subsidiaries of the group that are consolidated within Tennessee Topco Limited accounts. 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 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.

The directors continually review and monitor business performance and liquidity of the Group. 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 is in line with budget after the first 7 months of the year ending 30 June 2023 despite the challenging economic environment and the Group remains on track to deliver an EBITDA performance in FY23 significantly ahead of last year. The Group also has access to a committed revolver credit facility of £90m should this be required.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2022

1. Accounting policies (continued)

Going concern (continued)

The Group's most recent forecasting exercise covers a period from the balance sheet date to 30 June 2024. As part of their forecasting work, the directors undertook detailed sensitivity analysis which showed that the Group is highly unlikely to breach its covenant. The Group enjoys continued funding support of its shareholders BC Partners, HGGC, and AimCo, having raised an additional £45m in equity in September 2022 to support M&A, with a further £35m to follow by the end of the calendar year. 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.

The Group is continuing its M&A program and during the period ended 30 June 2022 the Group made five acquisitions. In June 2022, The Group secured an additional acquisition facility of £350m which underlines Blackstone's confidence in Davies performance. The Group has completed five new acquisitions in the period to January 2023, adding c£18.6m of annualised EBITDA before synergies.

The LLP has continued to trade profitably since the year end in line with forecasts. As such, and allowing for reasonably worst case downside scenarios the members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. The members therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

Intangible assets

Intangible assets acquired are measured at fair value at the acquisition date. Subsequently these are amortised in equal annual instalments over the following period, which is their estimated useful economic life:

Customer relations and knowledge	3 to 5 years
Contracts	5 years

Provision is made for any impairment.

Goodwill arising on the acquisition of trade and assets, representing any excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and written off on a straight line basis over its estimated useful economic life of 5 years. Provision is made for any impairment.

Tangible fixed assets

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

Leasehold improvements	Over the term of lease
Office equipment	5 years
Computer equipment and licences	3-6 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Investments

Fixed asset investments are stated at cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2022

1. Accounting policies (continued)**Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date. Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Taxation

Under self-assessment, liabilities to tax on the profits of the LLP are the liabilities of the members and not the responsibility of the LLP. However, the members have agreed that the LLP will retain, as a deduction from their current accounts, sufficient amounts to meet tax liabilities arising as a result of the profits of the LLP and accordingly these amounts appear in loans and other debts due to members.

Members' interests

Members' capital is repayable on retirement of the member and is therefore classified as a liability. Because members may retire with less than one year's notice and typically have their capital repaid within one year of serving notice, members' capital is shown as being due within one year.

Members' remuneration

During the year individual members received monthly drawings representing payments on account of their agreed basic profit share. After basic profit shares have been allocated to the individual members additional profits may be allocated to individual members in accordance with any additional profit allocation schemes in force within the LLP from time to time. All residual profits after allocations to the individual members are then allocated and credited to the Corporate Member.

An interest rate of 1% over the LLP's bank base rate is paid on capital subscribed. The interest paid and the drawings paid in the year are reported as members' remuneration charged as an expense on the face of the profit and loss account.

Exceptional items

The LLP considers exceptional items to be those which derive from events or transactions which are significant for separate disclosure by virtue of their size or incidence in order for the user to obtain a proper understanding of the LLP's financial performance. These items include, but are not limited to, integration of the acquired business and costs relating to other investment opportunities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2022

1. Accounting policies (continued)**Turnover**

Revenue for services represents the fair value of services provided during the year on client assignments. Fair value reflects the amount expected to be recoverable from clients and is based on an agreed fixed fee or, in the majority of cases, on time spent, expertise and skills provided, and expenses incurred. Fee income is stated net of Value Added Tax. All turnover originated in the UK.

Where the fee for the assignment is based on an agreed fixed amount rather than time and materials the revenue associated with the fixed fee is recognised in line with the expected life cycle of the matter.

Legal services provided to clients during the year which, at the balance sheet date, have not been invoiced to clients, have been recognised as fee income in accordance with Section 23 Revenue of Financial Reporting Standard 102. Fee income recognised in this manner is based on an assessment of the fair value of the services provided by the balance sheet date as a proportion of the total value of the engagement.

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

Turnover which has been recognised but not invoiced by the balance sheet date is included in debtors in accrued income. Amounts invoiced in advance of the completion of contractual obligations are included in deferred income.

Defined contribution pension schemes

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period. The LLP accounts for its contributions to the scheme as a defined contribution pension scheme.

Business combinations

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements to bring the accounting policies used into line with those used by the LLP.

Dilapidation Provision

Where the Group has a legal obligation, a dilapidations provision 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.

Intercompany balances

All intercompany balances are repayable on demand and carry no interest charges, unless otherwise stated.

Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2022

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the LLP's accounting policies, which are described in note 1, the members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(i) Critical judgements in applying the company's accounting policies

The following are the critical judgements that the members have made in the process of applying the LLP's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition – accrued revenue

The value of accrued revenue is derived on the basis of estimations and assumptions regarding the fair value of unbilled time at the year end, having regard to the LLP's accounting policy for revenue recognition including work in progress provisioning and review of realisation rates. The judgement within this calculation is the realisation rate that is applied when calculating work in progress. Thus the recoverability of work in progress and provisioning is the key judgement.

(ii) Key source of estimation uncertainty

The following are the key assumptions that the members have made in the process of applying the LLP's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Work in Progress

The valuation of work in progress (WIP) which relates to unbilled time, involves significant judgement and affects the amount recognised as revenue in the financial statements. After a review of WIP by management on a matter by matter basis the valuation is based on an estimate of the amount expected to be recovered from clients on unbilled amounts based on the time and expertise provided. Provision is made for contingencies including any time recorded on a matter which is in excess of the amount that is considered recoverable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2022

3. Profit before taxation, members' remuneration and profit shares

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

	2022	2021
	£'000	£'000
Depreciation – owned assets	4,538	3,589
Amortisation of intangible assets	2,772	2,699
Operating lease rentals	2,412	3,072
Exceptional items	1,649	3,995

Exceptional items of £1,649k in the year (2021:£3,995k) represent an increase in provisions for onerous leases and dilapidations. FY21 represents the non-recurring costs relating to operational restructuring, provision for onerous leases and dilapidations, legal fees in relation to tax advice and costs associated with corporate restructuring.

The LLP uses valve Partners in Keoghs Northern Ireland LLP and Keoghs Scotland LLP to extract any excess profits to Keoghs LLP if applicable.

4. Auditor remuneration

The analysis of the auditor's remuneration is as follows:

	2022	2021
	£'000	£'000
Fees payable to the LLP's auditor and its associates for the audit of the LLP's annual financial statements	<u>64</u>	<u>65</u>
Audit-related assurance services	21	18
Taxation compliance services	34	16
Total non-audit fees	<u>55</u>	<u>34</u>

No services were provided pursuant to contingent fee arrangements (2021: same).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2022

5. Staff numbers and costs

The average monthly number of employees (excluding members) was:

	2022	2021
	Number	Number
Fee Earners	1,221	1,220
Support Staff	270	293
	<u>1,491</u>	<u>1,513</u>

Their aggregate remuneration comprised:

	2022	2021
	£'000	£'000
Salaries	41,411	41,881
Social security costs	4,449	3,979
Other pension costs (note 14)	1,697	1,699
	<u>47,557</u>	<u>47,559</u>

6. Members' remuneration and transactions

Profits are shared among the members in accordance with agreed profit sharing arrangements and include interest on members' capital.

The profit attributable to the member with the largest entitlement, Keoghs Acquisition Limited, was £13.4m (2021 £5.1m).

The average number of members during the year was 141 (2021: 122).

7. Tax on profit

Tax remains the individual responsibility of members and as a consequence no tax charge arises in the year (2021 - £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2022

8. Intangible fixed assets

	Customer relations and knowledge £'000	Contracts £'000	Goodwill £'000	Total £'000
Cost or valuation				
At 1 June 2021	2,999	302	11,869	15,170
Additions	-	-	-	-
At 31 May 2022	<u>2,999</u>	<u>302</u>	<u>11,869</u>	<u>15,170</u>
Amortisation				
At 1 June 2021	1,818	201	7,466	9,485
Charge for the year	480	61	2,231	2,772
At 31 May 2022	<u>2,298</u>	<u>262</u>	<u>9,697</u>	<u>12,257</u>
Net book value				
At 31 May 2021	<u>1,181</u>	<u>101</u>	<u>4,403</u>	<u>5,685</u>
At 31 May 2022	<u>701</u>	<u>40</u>	<u>2,172</u>	<u>2,913</u>

The remaining amortisation period for customer relations and knowledge, contracts and goodwill is between 1 and 2 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2022

9. Tangible fixed assets

	Leasehold improvements £'000	Computer equipment and licences £'000	Office equipment £'000	Total £'000
Cost or valuation				
At 1 June 2021	2,313	26,426	1,060	29,799
Additions	2,438	3,334	12	5,784
Disposals	-	-	-	-
	<u>4,751</u>	<u>29,760</u>	<u>1,072</u>	<u>35,583</u>
At 31 May 2022	<u>4,751</u>	<u>29,760</u>	<u>1,072</u>	<u>35,583</u>
Depreciation				
At 1 June 2021	1,734	18,791	938	21,463
Charge for the year	705	3,779	54	4,538
Disposals	-	-	-	-
	<u>2,439</u>	<u>22,570</u>	<u>992</u>	<u>26,001</u>
At 31 May 2022	<u>2,439</u>	<u>22,570</u>	<u>992</u>	<u>26,001</u>
Net book value				
At 31 May 2021	<u>579</u>	<u>7,635</u>	<u>122</u>	<u>8,336</u>
At 31 May 2022	<u>2,312</u>	<u>7,190</u>	<u>80</u>	<u>9,582</u>

10. Fixed asset investments

	2022 £	2021 £
Subsidiary undertaking	<u>2</u>	<u>2</u>

Subsidiary	Country of incorporation	Principal activity	Registered Office	Holding	Proportion
Keoghs Services Limited	England	Non Trading	2 The Parklands, Bolton, BL6 4SE	Ordinary shares	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2022

11. Debtors

	2022	(Restated) 2021
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	26,586	22,967
Amounts owed by group undertakings	36,141	28,458
Unbilled amounts recoverable from clients	16,935	15,988
Prepayments and accrued income	6,880	7,810
	<u>86,542</u>	<u>75,223</u>

Amounts due from group undertakings are interest free and due on demand.

12. Creditors: amounts falling due within one year

	2022	(Restated) 2021
	£'000	£'000
Trade creditors	9,891	10,274
Other taxation and social security	5,716	11,179
Amounts due to group companies	9,132	6,381
Other creditors	1,841	1,055
Deferred consideration	-	298
Accruals and deferred income	12,563	10,332
	<u>39,143</u>	<u>39,519</u>

Amounts due from group undertakings are interest free and due on demand.

13. Provision for Liabilities

	Dilapidations £'000	Onerous Lease £'000	Total £'000
Cost or valuation			
At 1 June 2021	964	2,043	3,007
Charge to profit or Loss	-	883	883
Utilised in year	(129)	(2,255)	(2,384)
At 31 May 2022	<u>835</u>	<u>671</u>	<u>1,506</u>
Non-current	575	27	602
Current	260	644	904
Total	<u>835</u>	<u>671</u>	<u>1,506</u>

1. See note 16 for details of restatement

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2022

14. Employee benefits

Defined contribution schemes

The group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 May 2022 was £1,697k (2021: £1,699k).

Contributions totalling £354k (2021: £340k) were payable at the end of the year and are included in other creditors.

15. Financial commitments

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

	2022 Land and buildings £'000	2021 Land and buildings £'000
- within one year	1,344	2,211
- between one and five years	3,085	4,240
- after five years	2,302	-
	6,731	6,451

16. Prior year Adjustment

In the prior year, presented under debtors were overstated by £15,239k due to a classification error. Equally, the amounts due to group companies presented in creditors due within one year had been overstated by £15,239k. Further, provisions relating to onerous lease and dilapidations had previously been stated within creditors within FY21. However, based on review of the balances, it was deemed that these meet the definition of provisions in accordance with FRS 102 and hence have been reclassified and presented accordingly in the current period and restated in the comparative period.

	2021 As previously reported £'000	Reclassification £'000	2021 As restated £'000
Amounts owed by group undertakings	43,698	(15,239)	28,459
Total Debtors	<u>90,462</u>	<u>(15,239)</u>	<u>75,223</u>
Amounts due to group companies	21,621	(15,239)	6,382
Provisions	2791	(2,791)	-
Total Creditors: amounts falling due within one year	<u>57,550</u>	<u>(18,030)</u>	<u>39,519</u>
Creditors: amounts falling due after more than one year	216	(216)	-
Provisions	-	3,007	3,007
Net assets attributable to members	<u>48,605</u>	=	<u>48,605</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 May 2022

16. Prior year Adjustment (continued)

The restatement had no impact on the Profit and Loss account for the LLP.

Within the Cash flow statement, the working capital movements have been restated to reflect the changes above. Movement of debtors is restated to outflow of £1,544k (previously reported £16,784k), movement of creditors is restated to outflow of £11,723k (previously reported inflow of £4,276k) and movement of provisions is restated to inflow of £760k (previous reported £nil).

17. Related party transactions

Keoghs LLP have taken advantage of the exemption available under Section 33 of FRS 102 whereby it has not disclosed transactions with other wholly owned subsidiaries of the Group.

18. Controlling party

The parent company is Keoghs Topco Limited, a company registered in England and Wales.

Keoghs Topco Ltd is a wholly owned subsidiary of a Davies Group Limited whose parent company is Tennessee Topco Limited. The directors consider BC Partners to be the ultimate controlling party of the Group.