

MSR Partners LLP

Financial Statements for the Year Ended 31 October 2021

Registered Number: OC313071



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MSR Partners LLP
Members' Report
Year ended 31 October 2021

The members present their report and financial statements for the year ended 31 October 2021.

Principal activities

Following the cessation of trading on 1 February 2019, the LLP is engaged in the orderly realisation of assets and the settlement of liabilities.

Previously, the principal activities of the LLP included the provision of audit and assurance, tax advisory, financial planning, management consulting, corporate advisory services, restructuring and insolvency and outsourcing services.

Structure and governance of the LLP

The Administrative Committee oversees the ongoing day to day operations of the LLP and adherence to the applicable regulatory frameworks.

The following individuals were designated members during the year:

Simon Gallagher
Jon Randall
Phil Cowan
Simon Baylis
Jeremy Willmont

Members' profit shares and distributions

The allocation of profit to individual members is made by the relevant governance committees based on a range of criteria including pre-determined profits points and performance elements.

The overall policy for members' distributions is the payment of amounts in respect of each member's profit share, taking into account the need to retain sufficient funds to settle liabilities.

Statement of members' responsibilities in respect of the financial statements

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

The Companies Act 2006, as applied to limited liability partnerships, requires members to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the LLP, and of the profit or loss of the LLP for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently, subject to any changes disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 assume that the LLP will continue in business. As explained below, the members do not believe it appropriate to prepare the financial statements on the going concern basis.

The members are also responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the LLP, and enable them to ensure that the financial statements comply with the Companies Act 2006, as applied to limited liability partnerships.

The members are also responsible for safeguarding the assets of the LLP, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are fulfilled by the Administrative Committee on behalf of the members.

Going concern

The LLP ceased to trade on 1 February 2019, and the going concern basis is therefore not appropriate. The Administrative Committee is engaged in an orderly realisation of assets and settlement of liabilities, and has a reasonable expectation that the LLP has adequate financial resources to meet its operational needs before distributing the surplus to the members.

Signed on behalf of the members on 18 July 2022



Simon Gallagher
Designated member



Jon Randall
Designated member

MSR Partners LLP
Statement of Comprehensive Income
Year ended 31 October 2021

Discontinued operations	Note	2021 £'000	2020 £'000
Revenue		-	-
Other operating income		22	39
		<u>22</u>	<u>39</u>
Other operating expenses	3	37	(36)
Operating profit		<u>59</u>	<u>3</u>
Gain on disposal of investment		-	12
Profits on business disposals	4	1,122	953
		<u>1,181</u>	<u>968</u>
Profit before interest			
Finance income		3	36
Profit for the period before Members' remuneration charged as an expense		<u>1,184</u>	<u>1,004</u>
Members' remuneration charged as an expense	6	(1,184)	(1,004)
Profit for the period after Members' remuneration charged as an expense		<u>-</u>	<u>-</u>
Total comprehensive income		<u>-</u>	<u>-</u>

MSR Partners LLP
Statement of Financial Position
As at 31 October 2021

Registered number: OC313071

	Note	2021 £'000	2020 £'000
Non-current assets			
Non-current assets held for sale	7	125	125
Investment in subsidiaries	8	-	-
Current assets			
Trade and other receivables	9	10,098	15,783
Cash and cash equivalents		6,204	3,626
		<u>16,302</u>	<u>19,409</u>
Total assets		<u>16,427</u>	<u>19,534</u>
Current liabilities			
Trade and other payables	10	1,432	2,674
Amounts due to members		14,188	15,782
		<u>15,620</u>	<u>18,456</u>
Non-current liabilities			
Provisions	11	807	1,078
		<u>807</u>	<u>1,078</u>
Total liabilities		<u>16,427</u>	<u>19,534</u>
Net assets		<u>-</u>	<u>-</u>
Represented by:			
Total members' interests		<u>-</u>	<u>-</u>

- For the year ended 31 October 2021 the LLP was entitled to exemption from audit under section 477 of the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) relating to small LLPs.
- The members acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.
- These accounts have been prepared in accordance with the provisions applicable to LLPs subject to the small LLPs regime.

The financial statements were approved by the members and authorised for issue on 18 July 2022 and signed on their behalf by:



Jon Randall
Designated member



Phil Cowan
Designated member

MSR Partners LLP
Statement of Cash Flows
Year ended 31 October 2021

	2021 £'000	2020 £'000
Cash flows from operating activities (discontinued operations)		
Operating profit	59	3
Non-cash adjustments		
Movements in provisions	(271)	(292)
Lease provision	-	18
Working capital adjustments		
Decrease in trade and other receivables and prepayments	846	2,049
Decrease in trade and other payables	(1,242)	(3,905)
Net cash outflow from operating activities	<u>(608)</u>	<u>(2,127)</u>
Cash flows from investing activities		
Proceeds on disposal of investments	-	12
Proceeds on business disposals	5,961	1,888
Interest received	3	36
Net cash inflow from investing activities	<u>5,964</u>	<u>1,936</u>
Cash flows from financing activities		
Payments to members	(2,778)	(13,430)
Lease receipts	-	3,198
Lease payments	-	(3,216)
Net cash outflow from financing activities	<u>(2,778)</u>	<u>(13,448)</u>
Net increase in cash and cash equivalents	2,578	(13,639)
Cash and cash equivalents at beginning of period	3,626	17,265
Cash and cash equivalents at end of period	<u>6,204</u>	<u>3,626</u>
Cash and cash equivalents consist of:		
Cash in hand and balances with banks	<u>6,204</u>	<u>3,626</u>

Note 13 forms part of this Statement of Cash Flows.

MSR Partners LLP
Statement of Changes in Equity and Members' Interests
Year ended 31 October 2021

Classified as liabilities:

	Amounts due to/(from) members £'000
At 1 November 2019	28,208
Members' remuneration charged as an expense	1,004
Drawings and distributions	(13,430)
At 31 October 2020	<u>15,782</u>
Members' remuneration charged as an expense	1,184
Drawings and distributions	(2,778)
At 31 October 2021	<u><u>14,188</u></u>

1 Accounting policies

1.1 Basis of preparation

The LLP is domiciled and incorporated in the United Kingdom and the registered office is 55 Baker Street, London, United Kingdom, W1U 7EU.

These financial statements comprise the results and financial position of MSR Partners ('LLP') as a stand-alone entity. As permitted by section 399 of the Companies Act 2006, the LLP has not prepared group accounts.

Accounting policies that relate to the financial statements as a whole are set out below. All accounting policies have been consistently applied to all the periods presented.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and with those parts of the Companies Act 2006 applicable to limited liability partnerships ('LLPs') reporting under IFRS.

The LLP ceased to trade on 1 February 2019 following the business disposals and the Administrative Committee is engaged in an orderly realisation of assets and settlement of liabilities. Consequently, the Administrative Committee does not believe it appropriate to prepare the financial statements on the going concern basis.

The Administrative Committee monitors budgets and forecasts which take account of expected cash flows from the realisation of assets and the settlement of liabilities, and the Committee has a reasonable expectation that the LLP has adequate financial resources to meet its operational needs before distributing the surplus to the members.

1.2 Adoption of new standards and interpretations

The LLP adopted IFRS 16 "Leases" in the prior year ended 31 October 2020. IFRS 16 replaces International Accounting Standard 17 "Leases" and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, lease assets and liabilities are recognised in the statement of financial position. The effect on the LLP in the prior year was to recognise a net investment in sub-lease of £3,198,000, a charge of £18,000 and a lease liability of £3,216,000 at 1 November 2019. There was no impact on reserves and both the sub-lease, and the lease liability were extinguished in the prior year ended 31 October 2020.

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the LLP. The impact of these new standards or amendments is not expected to have a material effect on future periods.

1.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and constitute management's best judgement at the date of the financial statements. In the future, actual experience could differ from those estimates.

The principal estimates and judgements that could have a significant effect upon the LLP's financial results relate to the valuation of deferred consideration and provisions for claims.

Provisions for claims include a prudent estimate of future costs likely to be incurred in defending and concluding claims, inevitably involving a reasonable degree of estimation uncertainty.

1.4 Property held for sale

Property is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Property held for sale is measured at the lower of its carrying amount and fair value less costs to sell, with no provision for depreciation.

1.5 Investments

Investments in subsidiaries are carried at cost less impairment in the financial statements.

1.6 Receivables and Payables

Receivables and payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

1.7 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Fair values of cash and cash equivalents approximate to carrying value owing to the short maturity of these instruments.

1.8 Leases

The LLP entered into a head-lease on its former principal office and, following its merger with BDO LLP, a sub-lease which transferred substantially all the rights and obligations of the lease to BDO LLP.

On adoption of IFRS 16 on 1 November 2019, the LLP recognised a liability under the head-lease at the present value of the lease payments to be made over the remaining term of the lease. The head-lease liability was increased to reflect the interest on the lease liability, and reduced by lease payments made during the year.

On the same date the LLP classified the sub-lease as a finance lease. The investment in the sub-lease was recognised as a receivable, at an amount equivalent to the net present value of lease payments receivable from the lessee. Lease payments received during the year were applied against the gross investment in the lease, to reduce both the principal and unearned finance income.

Finance income and expense was recognised, where material, based on the LLP's incremental borrowing rate, which was the discount rate used to determine net present value.

Amounts due under the head-lease and the sub-lease were fully extinguished in the year ended 31 October 2020.

1.9 Foreign currencies

The presentation currency of the LLP is pounds sterling. Sterling is the functional currency of the LLP.

Transactions in foreign currencies are translated into sterling at the prevailing rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange ruling at the date of the statement of financial position and gains and losses are included in the income statement.

1.10 Taxation

Taxation payable on LLP profits is the personal liability of individual members.

1.11 Members' interests, profit allocation and drawings

Profit is allocated and distributed to individual members, based on a wide range of criteria, including pre-determined profits points and performance elements.

Members' profit shares are treated as members' remuneration charged as an expense in the income statement to the extent that they are allocated.

Any unallocated profits are included in other reserves.

Members' drawings and distributions are set by the relevant governance committees, after considering the working capital needs of the business.

2 Employees

The average number of full time employees during the year was nil (2020: nil).

3 Other operating expenses

	2021 £'000	2020 £'000
Other operating expenses include:		
Foreign exchange (gains)/losses	(2)	12
Auditors' remuneration – audit services (non-audit services nil)	-	18

4 Profits on business disposals

On 14 December 2018, a wholly owned subsidiary Moore Stephens Consulting Limited and certain assets were acquired by Verisk Analytics Inc. for cash consideration. On 18 January 2019 the wealth management business unit was acquired by Tilney Group for cash consideration. On 1 February 2019 the LLP's remaining business units merged into BDO LLP.

Adjustments to profits on business disposals comprise:

	2021 £'000	2020 £'000
Consulting business unit	665	(50)
Wealth management business unit	443	900
Other business units	14	103
	<u>1,122</u>	<u>953</u>

5 Members' remuneration and key management remuneration

	2021 £'000	2020 £'000
Administrative Committee	196	202
Average per member	27	28
Highest paid member	49	50

The average number of members during the period was 32 (2020: 32).

6 Members' remuneration charged as an expense

	2021 £'000	2020 £'000
Individual members' remuneration	<u>1,184</u>	<u>1,004</u>

Members' remuneration includes both trading profits and capital profits.

7 Non-current assets held for sale

	Long leasehold property £'000
Net book value	
At 31 October 2020 and 2021	125

On 31 October 2019, the long leasehold property was transferred to property held for sale at net book value of £125,000.

8 Investment in subsidiaries

At 31 October 2021, the LLP holds an economic interest in the following subsidiary:

Company name	Country of incorporation	Accounting reference date	% held	Nature of business
MSR Partners Group Limited	England & Wales	31 October	100	Holding company (in solvent liquidation)

9 Trade and other receivables

	2021 £'000	2020 £'000
Deferred consideration receivable	9,384	14,223
Trade receivables	55	327
Other receivables	502	1,078
Prepayments	157	155
	<u>10,098</u>	<u>15,783</u>

Deferred consideration amounting to £9,359,000 (2020: £8,912,000) is due in more than one year and has not been discounted to reflect its net present value since receivables are held in interest bearing escrow accounts.

The ageing and credit risk relating to trade receivables is analysed as follows:

	2021 £'000	2020 £'000
30 days or less, fully performing	-	8
31 to 180 days, past due and fully performing	-	2
More than 180 days, past due and impaired	165	747
Impairment provision	(110)	(430)
	<u>55</u>	<u>327</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The LLP does not hold any collateral as security.

Movements in the impairment provision on trade receivables were as follows:

	2021 £'000	2020 £'000
Balance at 1 November	430	1,554
Released to the income statement	(320)	(1,124)
Balance at 31 October	<u>110</u>	<u>430</u>

10 Trade and other payables

	2021	2020
	£'000	£'000
Trade payables	10	72
Intercompany payable	-	665
Social security and other taxes	5	39
Accruals and deferred income	1,414	1,886
Other payables	3	12
	<u>1,432</u>	<u>2,674</u>

11 Provisions

	Claims
	£'000
At 1 May 2019	1,370
Settlement of obligation in year	(292)
At 31 October 2020	<u>1,078</u>
Settlement of obligation in period	(271)
At 31 October 2021	<u>807</u>

The expected timings of the utilisation of the provisions are as follows:

	Claims
	£'000
Within 12 months	307
Between 1 and 5 years	500
At 31 October 2021	<u>807</u>

Claims

Provision is made on a prudent basis in respect of disputes in the ordinary course of business which may give rise to claims by clients and others or investigations commenced by regulatory bodies which may lead to regulatory proceedings and includes a prudent estimate of the costs likely to be incurred in defending and concluding claims.

The LLP carries professional indemnity insurance and no separate disclosure is made of the detail of claims or the costs covered by insurance, as to do so could seriously prejudice the position of the LLP.

12 Financial Instruments – Risk Management

12.1 Financial assets

Measured at amortised cost

	2021	2020
	£'000	£'000
Cash	6,204	3,626
Loans and receivables	10,051	16,058
Impairment allowances	(110)	(430)
	<u>16,145</u>	<u>19,254</u>

12.2 Financial liabilities

Measured at amortised cost

	2021	2020
	£'000	£'000
Trade payables	10	72
Intercompany payable	-	665
	<u>10</u>	<u>737</u>

12.3 Credit risk

Credit risk is the risk of financial loss to the LLP if a client or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the LLP's receivables from clients.

Exposure is monitored on a routine basis and credit evaluations are performed on clients as appropriate. The LLP's exposure to that risk is influenced mainly by the individual characteristics of each client.

The credit risk inherent in customer receivables has been assessed with reference to historical credit loss data from the LLP's client portfolio, as well as data relating to payment practices within the sectors in which it operated. This, when considered alongside forecast macro-economic data, allows the LLP to arrive at an appropriate provisioning basis for losses arising from credit default.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions.

The minimum long-term credit rating of all banks and financial institutions who held the LLP's cash and cash equivalents was BBB+.

The LLP monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

12.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the LLP's income or the value of its holdings of financial instruments. At 31 October 2021 the LLP's exposure to market risk was negligible.

12 Financial Instruments – Risk Management (continued)

12.5 Liquidity risk

Liquidity risk is the risk that the LLP will not be able to meet its financial obligations as they fall due. Further information about the timing of the settlement of financial liabilities is given in the respective notes.

The LLP maintains a projected cash flow model to monitor its funding arrangements and appropriately manage operational cash flows. Profit distributions are only made to members when the LLP is reasonably assured that there are sufficient funds to meet future cash flow requirements.

13 Notes to the statement of cash flows

Proceeds on business disposals

	2021 £'000	2020 £'000
Asset disposals:		
Trade and other receivables	-	97
Trade and other payables	-	(30)
	-	67
Profit on business disposals	1,122	886
	1,122	953
Deferred consideration received	4,839	935
Proceeds on business disposals	5,961	1,888

Reconciliation of cash flow to movement in net debt

	2021 £'000	2020 £'000
Net increase in cash and cash equivalents	2,578	(13,639)
Repayment of finance leases	-	3,216
Movement in net debt in the period	2,578	(10,423)
Net cash at 1 November 2020	3,626	17,265
IFRS 16 adjustment	-	(3,216)
Net cash at 31 October 2021	6,204	3,626

Schedule of changes in net debt

	At 1 November 2020 £'000	Cash flow £'000	At 31 October 2021 £'000
Cash at bank and in hand	3,626	2,578	6,204

14 Related party transactions

Following the merger with BDO LLP certain members of the LLP became members of BDO LLP with some appointed to key management positions. Transactions with BDO LLP group reflect the terms of the sale and purchase agreement including the receipt of proceeds, settlement of lease commitments and collection of trade receivables. The amount receivable from BDO LLP group at 31 October 2021 was £nil (2020 - £5,399,000).