Kelliher Insurance Group Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 05648669

Kelliher Insurance Group Limited

Company Information

Directors	P J Kelliher C J Calder* R N Donegan* M J Coulbert I F L Coggan C Gebhard* * Non-Executive Director
Company secretary	I F L Coggan
Registered number	05648669
Registered office	2nd Floor John Stow House 18 Bevis Marks London EC3A 7JB
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Kelliher Insurance Group Limited

Contents

Kelliher Insurance Group Limited

Group Strategic Report
for the Year Ended 31 December 2021

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2021.

Principal activities

The principal activities of the Group are the provision of insurance and risk related services regulated by the Financial Conduct Authority. The principal activity of the company is to act as a holding company for the various group companies.

Review of business and future developments

The Group acts as an independent insurance broker encompassing commercial and personal lines business focusing on the industry sectors of construction, property investors, sport and leisure as well as servicing a wide range of other clients. In addition to our direct lines of business the Group also includes an underwriting and wholesale division.

The business continued to strengthen its core capabilities and operating infrastructure and remains focused on developing its online solutions and its products to meet customer demands and needs.

Kelliher Insurance Group

The Kelliher Insurance Group primarily consists of two direct regulated operating subsidiaries; Kerry London Limited and Trade Direct Insurance Services Limited. During the year Kerry London set up a Maltese operating subsidiary to allow us to Broker EU based risks for our clients.

Like the majority of businesses in the UK, the Group continued to be impacted by the Coronavirus pandemic during 2021. Our strategy has been to ensure that we fully supported our clients and staff through a very challenging year.

Turnover increased by 6.4% to £17.3m with both operating companies able to exploit their respective market positions. Operating profit was marginally ahead of the prior year, with margins broadly unchanged. This includes absorbing the write off of the exceptional set up costs for the Maltese operating unit.

The Group also repaid its outstanding loan balance with AIB.

Kerry London Limited

Despite the uncertainty and challenges posed by the COVID pandemic, Kerry London was able to increase Turnover to £11.1m. That represents a 4.3% increase over the prior year (2020 - £10.7m).

The business delivered a profit before tax of £0.7m (2020 - £1.0m). The reduction in profit is attributable to increased investment in staff and a material increase in the businesses Professional Indemnity Insurance costs. The latter is a market wide issue.

We continue to invest in and develop our people, improving our business development capability and exploiting opportunities in its core specialist Insurance markets.

In the year, Kerry London set up an operating company in Malta, under the legal entity of JATCO. This is to allow us to broker EU risks for our clients.

The Company's statement of financial position remained strong with net current assets of £8.8m (2020 - £8.2m) and shareholders' funds have increased to £8.4m (2020 - £7.8m). The business has a strong and stable platform to invest and support future growth.

Trade Direct Insurance Services Limited

Turnover during the year grew by 11% to £6.2m (2020 - £5.6m), despite the ongoing lockdowns due to the COVID pandemic. The Business continued to see the benefit of the investment in its digital capability helping to increase both revenue and profits. Operating profit increased to £1.4m (2020 - £1.0m).

The net asset position of the company remains strong, with shareholder funds at the end of 2021 of £3.3m (2020 - £2.8m).

Going concern

Our priority throughout the COVID-19 pandemic and government imposed lockdowns has been the safety of our staff and the continuation of a high level of service to our clients.

The Group has followed government advice and facilitated all staff to work from home. The necessary investments in IT and other equipment have been made to ensure this could happen. The senior leadership have been meeting regularly to manage the business through the crisis. We have been working through issues relating to Client engagement, IT, Operations, staff welfare and considerations for return to work.

Despite the Pandemic the business was able to grow both income and operating profit in 2021. Turnover increased by £1.1m to £17.3m. The Group's liquidity position remained strong with office cash balances of £5.2m at the end of 2021.The Group is in a good position to weather any continuing impact of the Virus.

The Group has made a positive start to 2022 and as at the end of May is ahead of budgeted targets. The directors are reasonably optimistic about the remainder of 2022.

The Directors confirm that the Ukrainian war has had no discernible impact on trading.

There have been no post balance sheet events that require adjustment to the 2021 financial results or disclosure in these financial statements.

Post balance sheet events

COVID-19
In the post balance sheet period the novel coronavirus (COVID-19) and its business implications continues. The Board is closely monitoring developments in this area and set out our considerations in the Going concern section of this report. The directors do not consider the need to adjust the 2021 financial results in relation to COVID-19.

Financial instruments, principal risks and uncertainties

Credit risk

Financial instruments which potentially subject the company to concentrations of credit risk consist only of cash and temporary cash investments. Group companies manage this risk by maintaining investment practices that restrict placement of these investments to financial institutions evaluated as highly credit worthy.

There is a risk that other parties which owe the company money will default on their payment. Each of the companies within the Group minimises this risk by maintaining sound credit and collection practices and by providing for any amounts deemed uncollectable.

Cashflow risk

The bank facilities were renewed in September 2018 and a loan of £2.345m was agreed at a rate of LIBOR plus 2.85% until 14 September 2022. The loan had been fully repaid at the year end (2020 - £1.0m).

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations only as it affects loan repayments and interest earning operations.

Liquidity risk

All the Group companies manage their cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that each company has sufficient liquid resources to meet the operating needs of its business. Client money is held with approved banks and cleared funds have to be available before payment is made.

This report was approved by the board and signed on its behalf by:

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I F L Coggan
Director

Date: 10.10.22

Directors' Report
for the Year Ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors

The directors who served during the year were:

P J Kelliher
C J Calder
R N Donegan
M J Coulbert
I F L Coggan

Subsequent to the year end, C Gebhard was appointed as a director on 19 January 2022.

Results and dividends

The consolidated statement of comprehensive income for the Group is shown on page 11 and shows a profit before taxation of £1.0m for the year (2020 - £0.9m).

Dividends were paid as an interim of £Nil (2020 - £50,000) and final of £310,000 (2020 - £212,000).

The profit for the year, after taxation, amounted to £777,535 (2020 - £737,713).

Consolidated results

Turnover on continuing operations increased from £16.2m in 2020 to £17.3m in 2021. The Group made an overall profit before interest and tax of £1.1m (2020 - £1.0m) and an EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of £1.6m (2020 - £1.6m).

After tax the Group showed a profit of £0.8m (2020 - £0.7m).

The net assets position improved from £6.4m to £6.9m.

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the group for that period.

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 will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force at the date of approval of the directors' report and financial statements.

Matters covered in the Group Strategic Report

An assessment of the financial risk management objectives and policies including exposure to credit and liquidity risk are included in the strategic report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

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I F L Coggan
Director

Date: 10.10.2022

Independent Auditor's Report to the Members of Kelliher Insurance Group Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Kelliher Insurance Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 Group and Parent Company'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 Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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:

- Agreement of the Group and the Parent Company financial statement disclosures to underlying supporting documentation;
- Obtaining a general understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework and whether there were any known instances of non-compliance;
- Reviewing minutes of board meetings throughout the period;
- Reviewing correspondence with the Financial Conduct Authority (FCA) throughout the period;
- Assessing whether the accounting policies, treatments and presentation adopted in the financial statements is in accordance with 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) and whether there are instances of potential bias in areas with significant degrees of judgement; and
- Assessing the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

DocuSigned by:
John Perry
CA5C6EBFF59947C...

John Perry (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 13 October 2022

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

Kelliher Insurance Group Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	**17,269,924**	16,223,894
Gross profit		**17,269,924**	16,223,894
Administrative expenses		**(16,176,942)**	(15,373,996)
Exceptional administrative expenses	6	**(132,733)**	-
Other operating income		**106,238**	112,901
Operating profit	5	**1,066,487**	962,799
Interest receivable and similar income	10	**19,493**	41,446
Interest payable and similar expenses	11	**(38,255)**	(58,206)
Profit before taxation		**1,047,725**	946,039
Taxation	12	**(270,190)**	(208,326)
Profit for the financial year		**777,535**	737,713
Other comprehensive income for the year			
Currency translation differences		**(688)**	-
Total comprehensive income for the year		**776,847**	737,713

All amounts relate to continuing operations.

There were no recognised gains and losses for 2021 or 2020 other than those included in the consolidated statement of comprehensive income.

The notes on pages 18 to 35 form part of these financial statements.

Kelliher Insurance Group Limited
Registered number: 05648669

Consolidated Statement of Financial Position
as at 31 December 2021

	Note		2021 £		2020 £
Fixed assets					
Intangible assets	13		**229,385**		357,562
Tangible assets	14		**251,141**		386,853
			480,526		744,415
Current assets					
Debtors	16	**20,494,077**		14,516,546	
Cash and cash equivalents	17	**15,921,900**		16,162,281	
		36,415,977		30,678,827	
Current liabilities					
Creditors: amounts falling due within one year	18	**(29,949,274)**		(24,528,242)	
Net current assets			**6,466,703**		6,150,585
Total assets less current liabilities			**6,947,229**		6,895,000
Creditors: amounts falling due after more than one year			**-**		(402,323)
Provisions for liabilities					
Deferred taxation	21		**(50,755)**		(63,050)
Net assets			**6,896,474**		6,429,627
Capital and reserves					
Called up Share capital	22		**1,367,700**		1,367,700
Merger reserve	23		**(208,330)**		(208,330)
Profit and loss account	23		**5,737,104**		5,270,257
			6,896,474		6,429,627

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

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I F L Coggan
Director

Date: 10.10.2022

The notes on pages 18 to 35 form part of these financial statements.

Kelliher Insurance Group Limited
Registered number: 05648669

Company Statement of Financial Position
as at 31 December 2021

	Note		2021 £		2020 £
Fixed assets					
Investments	15		**6,587,643**		6,561,517
Current assets					
Debtors	16	**997,962**		852,497	
Cash and cash equivalents	17	**154,648**		769,076	
		1,152,610		1,621,573	
Current liabilities					
Creditors: amounts falling due within one year	18	**(5,845,031)**		(5,376,023)	
Net current liabilities			**(4,692,421)**		(3,754,450)
Total assets less current liabilities			**1,895,222**		2,807,067
Creditors: amounts falling due after more than one year	19		**-**		(402,323)
Net assets			**1,895,222**		2,404,744
Capital and reserves					
Called up share capital	22		**1,367,700**		1,367,700
Profit and loss account	23		**527,522**		1,037,044
			1,895,222		2,404,744

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the Parent Company for the year was £199,522 (2020 profit - £923,707).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

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I F L Coggan
Director

Date:

The notes on pages 18 to 35 form part of these financial statements.

Kelliher Insurance Group Limited

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2021

	Share capital	Merger reserve	Retained earnings	Equity attributable to owners of parent company	Total equity
	£	£	£	£	£
At 1 January 2021	1,367,700	(208,330)	5,270,257	6,429,627	6,429,627
Comprehensive income for the year					
Profit for the year	-	-	777,535	777,535	777,535
Currency translation differences	-	-	(688)	(688)	(688)
Contributions by and distributions to owners					
Dividends	-	-	(310,000)	(310,000)	(310,000)
At 31 December 2021	1,367,700	(208,330)	5,737,104	6,896,474	6,896,474

The notes on pages 18 to 35 form part of these financial statements.

Kelliher Insurance Group Limited

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2020

	Share capital	Merger reserve	Retained earnings	Equity attributable to owners of parent company	Total equity
	£	£	£	£	£
At 1 January 2020	1,367,700	(208,330)	4,794,544	5,953,914	5,953,914
Comprehensive income for the year					
Profit for the year	-	-	737,713	737,713	737,713
Contributions by and distributions to owners					
Dividends	-	-	(262,000)	(262,000)	(262,000)
At 31 December 2020	1,367,700	(208,330)	5,270,257	6,429,627	6,429,627

The notes on pages 18 to 35 form part of these financial statements.

Kelliher Insurance Group Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £	Retained earnings £	Total equity £
At 1 January 2021	1,367,700	1,037,044	2,404,744
Comprehensive income for the year			
Loss for the year	-	(199,522)	(199,522)
Contributions by and distributions to owners			
Dividends	-	(310,000)	(310,000)
At 31 December 2021	1,367,700	527,522	1,895,222

Company Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Retained earnings £	Total equity £
At 1 January 2020	1,367,700	375,337	1,743,037
Comprehensive income for the year			
Profit for the year	-	923,707	923,707
Contributions by and distributions to owners			
Dividends	-	(262,000)	(262,000)
At 31 December 2020	1,367,700	1,037,044	2,404,744

The notes on pages 18 to 35 form part of these financial statements.

Consolidated Statement of Cash Flows
for the Year Ended 31 December 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	**777,535**	737,713
Adjustments for:		
Amortisation of intangible assets	**218,817**	439,184
Depreciation of tangible assets	**187,361**	171,414
Loss on disposal of tangible assets	**-**	157,887
Interest payable charged to the statement of comprehensive income	**38,255**	58,206
Interest receivable credited to the statement of comprehensive income	**(19,493)**	(41,446)
Taxation charge	**270,190**	208,326
Increase in debtors	**(5,977,534)**	(1,605,758)
Increase in creditors	**5,974,194**	5,980,645
Corporation tax paid	**(239,348)**	(272,481)
Foreign exchange differences	**(688)**	-
Net cash generated from operating activities	**1,229,289**	5,833,690
Cash flows from investing activities		
Purchase of intangible fixed assets	**(90,638)**	(293,300)
Purchase of tangible fixed assets	**(51,650)**	(222,422)
Interest received	**19,493**	41,446
Net cash used in investing activities	**(122,795)**	(474,276)
Cash flows from financing activities		
Bank loan repayment	**(998,620)**	(602,219)
Dividends paid	**(310,000)**	(262,000)
Interest paid	**(38,255)**	(58,206)
Net cash used in financing activities	**(1,346,875)**	(922,425)
Net (decrease)/increase in cash and cash equivalents	**(240,381)**	4,436,989
Cash and cash equivalents at beginning of year	**16,162,281**	11,725,292
Cash and cash equivalents at the end of year	**15,921,900**	16,162,281

The notes on pages 18 to 35 form part of these financial statements.

1. General information

Kelliher Insurance Group Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is given on the company information page. The nature of the Group's operations and principal activity are the provision of insurance intermediary and risk related services regulated by the Financial Conduct Authority.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 (see note 3).

The company's functional and presentational currency is GBP. This is also the presentational currency of the Group and the functional and presentational currency of all subsidiaries.

Parent company disclosure exemptions

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

- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as the reconciliation for the company and the Parent Company would be identical; and

- No statement of cash flows has been presented for the Parent Company.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2015.

Therefore, the Group continues to recognise a merger reserve which arose on a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

2. Accounting policies (continued)

2.3 Going concern

During the year the Group made a profit after tax of £778k (2020 - £738k). The Group's statement of financial position improved its net assets position from £6,430k to £6,896k.

As noted in the strategic report, the directors have considered the potential impact of COVID-19 on the business. Based on the re-forecasts prepared, the directors are satisfied that notwithstanding the uncertainty surrounding the overall socio-economic impact of the virus, this does not give rise to a material uncertainty surrounding the ability of the company to continue in operation and meet its liabilities as they fall due for payment in the foreseeable future.

The Directors confirm that the Ukrainian war has had no discernible impact on trading.

This basis, the directors are satisfied that the company will have adequate resources to continuation for the foreseeable future. Accordingly these financial statements have been prepared on a going concern basis.

2.4 Turnover

Turnover consists principally of net brokerage, commissions and fee income arising on insurance policies.

Brokerage received or receivable that do not require the company to render further services are recognised as revenue on the effective commencement or renewal dates of the related policies.

Fee income in relation to insurance broking, is recognised to the extent that the company has obtained the right to consideration through its performance, this is typically when new business has placed or renewals have been negotiated.

Overrider commission is recognised when it is capable of reliable measurement.

2.5 Assets and liabilities relating to insurance transactions

The Group acts as agent in placing the insurance business of its clients and generally the Group is not liable as principal for amounts arising from such transactions. The Group is entitled to retain any investment income arising from the cash flows attributable to these transactions and have therefore included debtors, creditors and cash balances relating to insurance transactions within the assets and liabilities of the Group. Debtor balances included in respect of insurance transactions are not an indication of credit risks.

Trade and other debtors and creditors are recognised at amortised cost less any impairment losses in the case of debtors. Impairment losses are the difference between the carrying amount of the assets and the best estimate of the amount that would be received for the asset if it were to be sold. Impairment losses and their reversals are recognised immediately in the consolidated statement of comprehensive income.

2. Accounting policies (continued)

2.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the consolidated statement of comprehensive income over its useful economic life.

Goodwill is being amortised to 'administrative expenses' over periods ranging from 10 to 15 years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Software development	-	Straight line over 3 years

2.7 Tangible fixed assets

Tangible fixed assets under the cost model 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.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation 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:

Leasehold improvements	- Over the term of the lease
Plant and equipment, fixtures and fittings	- 16.67% - 20% per annum
Motor vehicles	- 20% per annum
Computer equipment	- 33.33% per annum

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2. Accounting policies (continued)

2.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is an indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.9 Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.10 Interest payable and similar expenses

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Valuation of fixed asset investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

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

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.15 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2. Accounting policies (continued)

2.16 Holiday pay accrual

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

2.17 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the Group operate and generate taxable income.

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

- 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent 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 tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.19 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether there are indicators of impairment of the Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

- Intangible fixed assets (see note 13)

  Intangible 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 on the number of factors. Residual value assessments consider issues such as future market conditions, the remaining useful life of the asset and projected disposal values.

- Tangible fixed assets (see note 14)

  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 on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Key sources of estimation uncertainty:

- Recoverability of debtors

  Recoverability of debtors is considered and, where necessary, a provision is recognised to reflect balances that management do not think will be recovered.

- Impairment of investments

  Judgements are required in assessing the recoverable value of the company's investments. Where indications of impairment exist the company reviews the carrying value of its investments for impairment based on their recoverable value, being the higher of the investments value in use and fair value less costs to sell.

4. Turnover

All turnover relates to the principal activity of the Group and arose from the placement of insurance contracts that were concluded in the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	**187,362**	171,414
Amortisation of intangible fixed assets	**218,816**	439,184
Other operating lease rentals	**636,187**	623,850
Loss on sale of tangible fixed assets	**-**	157,887

6. Exceptional items

	2021 £	2020 £
Investment in Jatco Cell	**132,733**	-

Kerry London Limited costs incurred on activities in relation to the setup of European operations via Jatco Cell subsidiary.

7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**90,700**	86,780

Fees payable to the Group's auditor and its associates in respect of:

	2021 £	2020 £
The auditing of accounts of subsidiaries of the Group pursuant to legislation	**79,134**	78,780
Taxation compliance services	**16,945**	16,850
Audit-related assurance services	**20,543**	20,140
Non audit services	**10,580**	10,580
	127,202	126,350

8. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Brokers and client service staff	**67**	71
Administration	**65**	63
Directors	**11**	11
	143	145

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	**2,035,193**	1,659,071
Directors' pension costs	**88,477**	53,446
	2,123,670	1,712,517

During the year retirement benefits accruing to directors in respect of defined contribution pension contributions amounted to £31,090 (2020 - Nil).

The highest paid director received remuneration of £342,839 (2020 - £362,126).

Only directors are considered to be key management personnel.

10. Interest receivable

	2021 £	2020 £
Other interest receivable	**19,493**	41,446

11. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	**38,255**	58,206

12. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	**285,353**	248,790
Adjustments in respect of previous periods	**(2,609)**	(35,806)
Total current tax	**282,744**	212,984
Deferred tax		
Origination and reversal of timing differences	**(12,554)**	(4,658)
Total deferred tax	**(12,554)**	(4,658)
Taxation on profit on ordinary activities	**270,190**	208,326

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	**1,047,725**	946,039
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%)	**199,068**	179,751
Effects of:		
Fixed asset differences	**2,190**	6,170
Expenses not deductible for tax purposes	**56,207**	50,598
Adjustments to tax charge in respect of prior periods	**(2,609)**	(35,806)
Adjustment in respect of prior periods (deferred tax)	**3,203**	(259)
Remeasurement of deferred tax for changes in tax rates	**(40,073)**	7,935
Movement in deferred tax not recognised	**52,204**	(63)
Total tax charge for the year	**270,190**	208,326

12. Taxation (continued)

Factors that may affect future tax charges

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate was not substantively enacted at the year end, deferred tax has been calculated based on the prevailing rate of 19%. The estimated impact of the new 25% rate on the deferred tax liability is immaterial.

13. Intangible assets

Group

	Software development £	Goodwill £	Goodwill on consolidation £	Total £
Cost				
At 1 January 2021	**1,582,531**	**3,239,545**	**4,299,958**	**9,122,034**
Additions	**90,638**	**-**	**-**	**90,638**
At 31 December 2021	**1,673,169**	**3,239,545**	**4,299,958**	**9,212,672**
Amortisation				
At 1 January 2021	**1,224,969**	**3,239,545**	**4,299,958**	**8,764,472**
Charge for the year	**218,816**	**-**	**-**	**218,816**
At 31 December 2021	**1,443,785**	**3,239,545**	**4,299,958**	**8,983,288**
Net book value				
At 31 December 2021	**229,384**	**-**	**-**	**229,384**
At 31 December 2020	357,562	-	-	357,562

14. Tangible fixed assets

Group

	Leasehold improvements £	Fixtures, fittings, plant and equipment £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2021	151,314	957,361	903,647	24,899	2,037,221
Additions	-	780	50,870	-	51,650
At 31 December 2021	151,314	958,141	954,517	24,899	2,088,871
Depreciation					
At 1 January 2021	132,302	799,153	716,423	2,490	1,650,368
Charge for the year	9,881	61,019	111,482	4,980	187,362
At 31 December 2021	142,183	860,172	827,905	7,470	1,837,730
Net book value					
At 31 December 2021	9,131	97,969	126,612	17,429	251,141
At 31 December 2020	19,012	158,208	187,224	22,409	386,853

15. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 January 2021	**6,561,517**
Additions	**26,126**
At 31 December 2021	**6,587,643**
Net book value	
At 31 December 2021	**6,587,643**
At 31 December 2020	6,561,517

Subsidiary undertakings

The following were subsidiary undertakings of the company at 31 December 2021:

Name	Principal activity	Class of shares	Holding
Kerry London Limited	Insurance brokers	Ordinary	100%
Trade Direct Insurance Services Limited	Insurance brokers	Ordinary	100%
Kerry London Europe Holdings Limited	Insurance brokers	Ordinary	100%

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Holbrook Insurance Brokers Limited	Dormant company	Ordinary	100%
Jatco Cell	Insurance brokers	Ordinary	100%

The registered office for Kerry London Limited, Trade Direct Insurance Services Limited and Holbrook Insurance Brokers Limited is 2nd Floor John Stow House, 18 Bevis Marks, London, EC3A 7JB.

The registered office for Kerry London Europe Holdings Limited is Elite Business Centre, Trejqa Ta Box Box, Msida, MSD 1840, Malta.

The registered office of Jatco Cell is The Reed Centre, Blue Harbour, Ta'Xbiex Seafront, Ta'Xbiex XBX 1027, Malta.

16. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Insurance debtors	**19,288,173**	13,386,859	**-**	-
Amounts owed by group undertakings	**-**	-	**700,000**	702,032
Other debtors	**550,525**	570,057	**297,962**	150,465
Prepayments and accrued income	**655,379**	559,630	**-**	-
	20,494,077	14,516,546	**997,962**	852,497

Included within amounts owed by group undertakings is an unsecured £700,000 (2020 - £700,000) subordinated loan to Kerry London Limited (due after more than one year) at an interest rate of base rate plus 2%. All other amounts owed by group undertakings are interest free and repayable on demand

17. Cash and cash equivalents

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Cash at bank and in hand	**15,921,900**	16,162,281	**154,648**	769,076

Included in cash at bank and in hand is £10,704,906 (2020 - £10,207,269) which represents client monies held on behalf of clients and insurers.

18. Creditors: amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Bank loans	**-**	596,297	**-**	596,297
Insurance creditors	**26,794,666**	21,419,003	**-**	-
Amounts owed to group undertakings	**-**	-	**5,251,135**	4,300,058
Corporation tax	**376,657**	333,520	**80**	80
Other taxation and social security	**244,330**	246,912	**-**	-
Other creditors	**2,168,183**	1,572,678	**593,816**	445,334
Accruals and deferred income	**365,438**	359,832	**-**	34,254
	29,949,274	24,528,242	**5,845,031**	5,376,023

See note 19 for further details regarding bank loans.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

19. Creditors: amounts falling due after more than one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts falling due 1-2 years				
Bank loans	-	402,323	-	402,323

The bank facilities were renewed in September 2018 and a loan of £2.345m was agreed at a rate of 2.85% plus LIBOR until 14 September 2022. The bank loans are secured by way of a fixed and floating charge over the assets of the Group and company.

20. Financial instruments

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Financial assets				
Financial assets measured at amortised cost through profit or loss	**35,760,460**	30,119,196	**1,152,610**	1,621,573
Financial liabilities				
Financial liabilities held at amortised cost through profit or loss	**29,328,287**	(24,350,131)	**(5,844,951)**	(5,778,266)

Group financial assets measured at amortised cost comprise insurance and other debtors, accrued income and cash and cash equivalents. Company financial assets further include amounts owed by group undertakings.

Group financial liabilities measured at amortised cost comprise bank borrowings, insurance and other creditors and accrued expenses. Company financial liabilities further include amounts owed by group undertakings.

21. Deferred taxation

Group

	2021 £	2020 £
At beginning of year	**(63,050)**	(67,708)
Charged to income statement	**12,295**	4,658
At end of year	**(50,755)**	(63,050)

The provision for deferred taxation is made up as follows:

	Group 2021 £	Group 2020 £
Accelerated capital allowances	**(62,872)**	(81,848)
Short term timing differences	**12,117**	18,798
	(50,755)	(63,050)

22. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
1,366,000 ordinary shares of £1.00 each	**1,366,000**	1,366,000
975 ordinary B1 shares of £1.00 each	**975**	975
975 ordinary B2 shares of £1.00 each	**975**	975
(250) Own shares held shares of £1.00 each	**(250)**	(250)
	1,367,700	1,367,700

22. Share capital (continued)

The ordinary shares are non-redeemable, with full rights to vote and capital on a distribution.

The ordinary B1 and B2 shares are non-redeemable, with no rights to vote, and a right to a share in return of capital in excess of £2,350,000. The ordinary B1 and B2 shares were issued at par for cash consideration. Under the provisions of the articles of association, payments would be due to holders of the B1 and B2 shares if certain performance criteria are met. The amount of any payments arising and the performance criteria are set out in the company's articles of association. The performance criteria are based upon a minimum growth factor in the consolidated groups equity value between 31 December 2017 and 31 December 2020.

No provision has been made for such payment on the grounds that the performance criteria have not been met at 31 December 2020. As the performance criteria were not met no payment is due to the holders of the B1 and B2 shares. Under the provisions of the articles of association, as a consequence of the performance criteria not being met, the B1 and B2 shares were converted to deferred shares on 1 July 2021.

On sale, liquidation, winding up or other return of capital the proceeds would equate to £1 in aggregate to the holders of deferred shares and thereafter the holders of deferred shares would have no right to participate in the residual value of the business.

In a previous year, a holder of 250 £1 B2 shares left the business. Accordingly the company acquired those shares from the shareholder at PAR value. These shares have not been cancelled and are recognised as Treasury shares as at 31 December 2021 and are presented as such as a deduction of share capital.

23. Reserves

Merger Reserve

Merger reserve arose from the Group reorganisation in 2008 that resulted in Kerry London Limited joining the Group and represents the difference between the nominal value of the shares issued and shares acquired.

Retained earnings

Represents cumulative profits or losses, net of dividends paid and other adjustments.

24. Contingent liabilities

The company has entered into a cross guarantee with other group undertakings in respect of certain group bank borrowings totalling £Nil at 31 December 2021 (2020 - £1.005m). The bank facilities were renewed in September 2018 and a loan of £2.345m was agreed at a rate of 2.85% plus LIBOR until 14 September 2022.

25. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £379,428 (2020 - £393,856). Contribution totalling £48,468 (2020 - £97,573) were payable to fund at the reporting date.

26. Commitments under operating leases

At 31 December 2021 the group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £
Not later than 1 year	**558,930**	611,430
Later than 1 year and not later than 5 years	**658,494**	1,217,425
	1,217,424	1,828,855

The company had no commitments under non-cancellable operating leases as at the reporting date.

27. Related party and transactions with directors

Related parties

In accordance with the exemption stated under paragraph 33.1A of the Financial Reporting Standard 102, transactions with all wholly owned subsidiaries of the company have not been disclosed.

Transactions with directors

During the year interim dividends of £0.192 per ordinary share totalling £Nil (2020 - £50,000), and final dividends of £0.227 per ordinary share totalling £310,000, (2020 - £212,000) were paid to P J Kelliher.

Details of directors remuneration are presented in note 9.

During the year the Group conducted the following transactions which were on a non-arm's length basis as no interest was charged.

As at 31 December 2021 P J Kelliher had a loan balance with the Group which showed a net amount of £227,482 due from the Group (2020 - £294,869). Management considers all the remaining transactions with directors to have been conducted on arm's length basis.

28. Controlling party

The ultimate controlling party of the company and group is P J Kelliher by virtue of his majority shareholding.