

Company Registration No. 03634112 (England and Wales)

LEXINGTON COMMUNICATIONS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

Approved for issue on behalf of the Board

**6th Floor Kings House
9-10 Haymarket
London
United Kingdom
SW1Y 4BP**

LEXINGTON COMMUNICATIONS LIMITED

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LEXINGTON COMMUNICATIONS LIMITED

COMPANY INFORMATION

Directors	Mr M Craven	
	E S Cook	(Appointed 4 February 2022)
	F Golant	(Appointed 15 August 2022)
	Mr M Derr	(Appointed 15 August 2022)
	Mr B Terrett	(Appointed 15 August 2022)
	Lord D Stevenson	(Appointed 15 August 2022)
	Mr A Hughes	(Appointed 15 August 2022)

Company number 03634112

Registered office 6th Floor Kings House
9-10 Haymarket
London
United Kingdom
SW1Y 4BP

Auditor TC Group
6th Floor Kings House
9-10 Haymarket
London
United Kingdom
SW1Y 4BP

Business address 198 High Holborn
London
WC1V 7BD

LEXINGTON COMMUNICATIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

2022 was a significant year which included the acquisition of the company by kyu Investment UK Limited. This was completed on August 15. It also resulted in the acquisition of Lexington North Limited by Lexington Communications Limited. There is now a single board for both Lexington companies and a unified management team.

The deteriorating, UK economic situation has affected revenues in some sectors, for example property. However, we are not anticipating a significant reduction of fees in public affairs, health or corporate reputation.

Any potential fee pressure as a result of the economic situation will be offset by new services we have developed including data, digital and design. A likely change of government in the UK in 2024 will also produce additional revenue streams for Lexington which has a very capable team able to advise major companies of the impact on their businesses of a change of government.

The growth that we have seen in public affairs and corporate reputation in 2022 is likely to continue into 2023, and we have no reason to think this will not continue to grow in 2024. Healthcare remains a very buoyant sector. Our only barrier to growth is recruitment of the right people.

Principal risks and uncertainties

There are two principal risks to the company's business in 2023 - tighter corporate budgets brought about by recession and shortage of skilled consultants.

There has inevitably been a slowdown in some sectors, but we are not expecting this to be a major factor. However, the board and leadership of the company will continue to monitor this carefully.

We addressed the skilled consultant issue by bringing the recruitment and talent identification function in-house. This has been very successful and we have recruited a number of very good consultants. Also the impact of the economic situation has eased labour market pressures to an extent. This has also reduced pay pressure.

Development and performance

2022 has been a highly successful year for Lexington with significant increases in revenues in health, public affairs and corporate reputation. There were a number of significant senior hires and a reorganisation of the management team.

Key performance indicators

Highlights included:

- Revenues were £10.6 m, an increase of 10.4%
- Headcount rose from an average over the year of 76 from 57
- Operating profit margin was 19.1% compared to 20.4% in 2021.

LEXINGTON COMMUNICATIONS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Prospects for 2023

The board confidently expects revenues and EBIT to continue to grow in excess of 20%. However, in order to continue the long-term development of the company, we are looking to identify new growth opportunities, including new offices in Dubai and possibly in the US. We are also looking at potential acquisition targets to enhance our business offer.

On behalf of the board

Mr M Craven

Director

13 April 2023

LEXINGTON COMMUNICATIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company continued to be that of business consultants.

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £1,800,000. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M Craven	
E S Cook	(Appointed 4 February 2022)
F Golant	(Appointed 15 August 2022)
Mr M Derr	(Appointed 15 August 2022)
Mr B Terrett	(Appointed 15 August 2022)
Lord D Stevenson	(Appointed 15 August 2022)
Mr A Hughes	(Appointed 15 August 2022)

Auditor

The auditor, TC Group, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr M Craven
Director

13 April 2023

LEXINGTON COMMUNICATIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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;
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LEXINGTON COMMUNICATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LEXINGTON COMMUNICATIONS LIMITED

Opinion

We have audited the financial statements of Lexington Communications Limited (the 'company') for the year ended 31 December 2022 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

LEXINGTON COMMUNICATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LEXINGTON COMMUNICATIONS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and its management.

LEXINGTON COMMUNICATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LEXINGTON COMMUNICATIONS LIMITED

Our approach was as follows:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations;
- We considered the legal and regulatory frameworks directly applicable to the financial statements reporting framework (FRS 102 and the Companies Act 2006) and the relevant tax compliance regulations in the UK;
- We considered the nature of the industry, the control environment and business performance, including the key drivers for management's remuneration;
- We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit;
- We considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included: testing manual journals; reviewing the financial statement disclosures and testing to supporting documentation; performing analytical procedures; and enquiring of management, and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-rc>
; This description forms part of our auditor's report.

LEXINGTON COMMUNICATIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LEXINGTON COMMUNICATIONS LIMITED

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

Philip Clark FCCA (Senior Statutory Auditor)
For and on behalf of TC Group

Statutory Auditor

5 May 2023

Office: London

LEXINGTON COMMUNICATIONS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

		Year ended 31 December 2022 £	Period ended 31 December 2021 £
	Notes		
Revenue	3	10,559,532	9,606,139
Cost of sales		(1,186,625)	(769,747)
Gross profit		9,372,907	8,836,392
Administrative expenses		(7,518,015)	(7,108,760)
Other operating income		166,487	230,584
Operating profit	4	2,021,379	1,958,216
Investment income	7	363,758	87,240
Profit before taxation		2,385,137	2,045,456
Tax on profit	8	(410,390)	(398,235)
Profit for the financial year		1,974,747	1,647,221

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 14 to 25 form part of these financial statements

LEXINGTON COMMUNICATIONS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 2022 £	Period ended 2021 £
Profit for the year	1,974,747	1,647,221
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive income for the year	1,974,747	1,647,221
	<hr/>	<hr/>

The notes on pages 14 to 25 form part of these financial statements

LEXINGTON COMMUNICATIONS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	£	£	£	£
Non-current assets					
Property, plant and equipment	10		151,241		177,123
Investments	11		25,502		-
			<u>176,743</u>		<u>177,123</u>
Current assets					
Trade and other receivables	13	3,005,490		2,381,619	
Cash and cash equivalents		<u>2,833,570</u>		<u>2,645,685</u>	
		5,839,060		5,027,304	
Current liabilities	14	<u>(2,211,937)</u>		<u>(1,948,319)</u>	
Net current assets			<u>3,627,123</u>		<u>3,078,985</u>
Total assets less current liabilities			<u>3,803,866</u>		<u>3,256,108</u>
Provisions for liabilities					
Deferred tax liability	15	<u>4,990</u>		<u>4,990</u>	
			<u>(4,990)</u>		<u>(4,990)</u>
Net assets			<u><u>3,798,876</u></u>		<u><u>3,251,118</u></u>
Equity					
Called up share capital	17		270		180
Share premium account			372,921		-
Capital redemption reserve			120		120
Retained earnings			<u>3,425,565</u>		<u>3,250,818</u>
Total equity			<u><u>3,798,876</u></u>		<u><u>3,251,118</u></u>

The financial statements were approved by the board of directors and authorised for issue on 13 April 2023 and are signed on its behalf by:

Mr M Craven
Director

Company Registration No. 03634112

The notes on pages 14 to 25 form part of these financial statements

LEXINGTON COMMUNICATIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

		Share capital	Share premium account	Capital redemption reserve	Retained earnings	Total
	Notes	£	£	£	£	£
Balance at 1 November 2020		276	-	24	7,132,987	7,133,287
Period ended 31 December 2021:						
Profit and total comprehensive income for the period		-	-	-	1,647,221	1,647,221
Dividends	9	-	-	-	(1,095,330)	(1,095,330)
Redemption of shares	17	(96)	-	96	(4,434,060)	(4,434,060)
Balance at 31 December 2021		180	-	120	3,250,818	3,251,118
Year ended 31 December 2022:						
Profit and total comprehensive income for the year		-	-	-	1,974,747	1,974,747
Issue of share capital	17	90	372,921	-	-	373,011
Dividends	9	-	-	-	(1,800,000)	(1,800,000)
Balance at 31 December 2022		270	372,921	120	3,425,565	3,798,876

LEXINGTON COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Lexington Communications Limited is a private company limited by shares incorporated in England and Wales. The registered office is 6th Floor Kings House, 9-10 Haymarket, London, United Kingdom, SW1Y 4BP.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Kyu Investment (UK) Limited. These consolidated financial statements are available from its registered office, 6th Floor, Herbal House, 8 Back Hill, London, England, EC1R 5EN.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Lexington Communications Limited is a wholly owned subsidiary of Kyu Investment (UK) Limited and the results of Lexington Communications Limited are included in the consolidated financial statements of Kyu Investment (UK).

LEXINGTON COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from contracts for the provision of consultancy is recognised in the period to which that consultancy was provided.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over term of lease
Fixtures, fittings & equipment	20% on cost

1.5 Non-current investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Classification of financial liabilities

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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

LEXINGTON COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

LEXINGTON COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

In the opinion of the directors there are no significant judgements or areas of estimation uncertainty.

3 Revenue

	2022	2021
	£	£
Revenue analysed by class of business		
Business consultancy	10,559,532	9,606,139
	<u> </u>	<u> </u>

	2022	2021
	£	£
Other significant revenue		
Interest income	3,758	87,240
Dividends received	360,000	-
	<u> </u>	<u> </u>

	2022	2021
	£	£
Revenue analysed by geographical market		
United Kingdom	10,559,532	9,606,139
	<u> </u>	<u> </u>

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(14,784)	33,486
Fees payable to the company's auditor for the audit of the company's financial statements	10,000	10,000
Depreciation of owned property, plant and equipment	45,502	47,559
Operating lease charges	438,338	492,494
	<u> </u>	<u> </u>

LEXINGTON COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Consultants	71	55
Administration	5	2
Total	76	57

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	5,356,949	4,852,635
Social security costs	618,741	562,864
Pension costs	125,642	117,240
	6,101,332	5,532,739

6 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	629,431	580,806
Company pension contributions to defined contribution schemes	5,813	10,675
	635,244	591,481

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022 £	2021 £
Remuneration for qualifying services	332,795	-

The highest paid director has exercised share options during the year.

LEXINGTON COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7 Investment income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	3,758	87,240
Income from fixed asset investments		
Income from shares in group undertakings	360,000	-
Total income	<u>363,758</u>	<u>87,240</u>

8 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	410,390	398,235

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
Profit before taxation	<u>2,385,137</u>	<u>2,045,456</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	453,176	388,637
Tax effect of expenses that are not deductible in determining taxable profit	21,935	21,694
Tax effect of income not taxable in determining taxable profit	(68,400)	-
Effect of timing differences	3,679	(12,096)
Taxation charge for the year	<u>410,390</u>	<u>398,235</u>

LEXINGTON COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Dividends

	2022	2021
	£	£
Final paid	-	1,095,330
Interim paid	1,800,000	-
	<u>1,800,000</u>	<u>1,095,330</u>

10 Property, plant and equipment

	Leasehold fixtures, fittings & improvements	equipment	Total
	£	£	£
Cost			
At 1 January 2022	187,165	550,101	737,266
Additions	-	19,620	19,620
Disposals	-	(8,014)	(8,014)
	<u>187,165</u>	<u>561,707</u>	<u>748,872</u>
At 31 December 2022	187,165	561,707	748,872
Depreciation and impairment			
At 1 January 2022	153,310	406,833	560,143
Depreciation charged in the year	5,361	40,141	45,502
Eliminated in respect of disposals	-	(8,014)	(8,014)
	<u>158,671</u>	<u>438,960</u>	<u>597,631</u>
At 31 December 2022	158,671	438,960	597,631
Carrying amount			
At 31 December 2022	<u>28,494</u>	<u>122,747</u>	<u>151,241</u>
At 31 December 2021	<u>33,855</u>	<u>143,268</u>	<u>177,123</u>

11 Fixed asset investments

	2022	2021
	£	£
Investments in subsidiaries	25,502	-
	<u>25,502</u>	<u>-</u>

LEXINGTON COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Fixed asset investments **(Continued)**

Movements in non-current investments

	Shares in group undertakings
	£
Cost or valuation	
At 1 January 2022	-
Additions	25,502
	<hr/>
At 31 December 2022	25,502
	<hr/>
Carrying amount	
At 31 December 2022	25,502
	<hr/>
At 31 December 2021	-
	<hr/>

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Lexington North Limited	England and Wales	Ordinary shares	100.00

13 Trade and other receivables

	2022	2021
	£	£
Amounts falling due within one year:		
Trade receivables	2,666,706	2,078,217
Other receivables	5,744	69,076
Prepayments and accrued income	333,040	234,326
	<hr/>	<hr/>
	3,005,490	2,381,619
	<hr/>	<hr/>

LEXINGTON COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14 Current liabilities

	2022	2021
	£	£
Trade payables	176,515	104,747
Corporation tax	117,946	397,523
Other taxation and social security	842,657	820,643
Other payables	63,980	83,355
Accruals and deferred income	1,010,839	542,051
	<u>2,211,937</u>	<u>1,948,319</u>

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities	Liabilities
	2022	2021
	£	£
Balances:		
Accelerated capital allowances	4,990	4,990
	<u>4,990</u>	<u>4,990</u>

There were no deferred tax movements in the year.

16 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	125,642	117,240
	<u>125,642</u>	<u>117,240</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

LEXINGTON COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of 0.1p each	180,120	228,240	180	143
A Ordinary shares of 0.1p each	45,939	47,760	46	37
B Ordinary shares of 0.1p each	44,188	-	44	-
	<u>270,247</u>	<u>276,000</u>	<u>270</u>	<u>180</u>

On 7 February 2022, the company granted 36,890 share options to a number of employees of the company. These options were exercised on 18 August 2022 at a price of £10.11 each.

On 15 August 2022, the company acquired the shares in Lexington North Limited in a share for share exchange. The shareholders of Lexington North Limited received 9,049 A ordinary shares and 44,188 B ordinary shares in Lexington Communications Limited.

18 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	300,000	300,000
Between two and five years	1,025,000	480,000
	<u>1,325,000</u>	<u>780,000</u>

19 Ultimate controlling party

The company's immediate parent company is Kyu Investment Limited, a company registered in the UK. The company's ultimate controlling parent is Hakuhodo DY Holdings, a company registered in Japan.

20 Non-audit services provided by auditor

In common with many businesses of our size and nature we use our auditor to assist with our corporation tax compliance and the preparation of the financial statements.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.