

LEXHAM INSURANCE CONSULTANTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Whitings LLP
Chartered Accountants
Greenwood House
Greenwood Court
Skyliner Way
Bury St Edmunds
Suffolk
IP32 7GY

LEXHAM INSURANCE CONSULTANTS LIMITED

COMPANY INFORMATION

Directors	R K Ironmonger M R Price J S Miller A J Goodson
Company secretary	M J Bradbury
Registered number	03897329
Registered office	Gilray Road Diss Norfolk IP22 4NG
Independent auditors	Whitings LLP Chartered Accountants & Registered Auditor Greenwood House Greenwood Court Skyliner Way Bury St Edmunds Suffolk IP32 7GY

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Introduction

The company is an Insurance Broker, and has provided specialist motor insurance for 22 years.

Business review

During the year the company's turnover increased by 15% over 2020, thereby growing by 33%

since 2019, the last year not impacted by COVID and lockdowns. This rate of growth is expected to continue in 2022.

The company has shown resilience in the face of the challenges and disruption presented by the pandemic

and throughout has continued to fully service the need of its customers whilst also enabling staff to work from home when required, successfully minimising risk to all and in particular those more vulnerable.

Looking ahead, the company will continue to invest and innovate, in products, R&D and infrastructure,

with the aim of providing the very best outcomes to customers as well as staff and other stakeholders.

This will lead to the company seeking and moving to larger, local and modernised premises in 2023,

with key aims to improve facilities for staff whilst being more energy efficient.

Principal risks and uncertainties

The directors are constantly reviewing business risks and uncertainty, with the primary risks identified as being factors that impact the profitability of the company, such as competitor activity and premium ratings, and those that adversely impact the insurance loss ratio, such as large claims.

The directors believe that through robust processes, close monitoring of competitor activity and claims performance and loss ratio, to ensure the right actions can be taken with speed and agility, that this risk is adequately mitigated.

Following the pandemic there has been notable restriction in the labour market with adequate staffing becoming more difficult to source. To manage this the company has invested in staff training and general wellbeing to maximise staff retention. The company is also looking to develop its apprenticeship offering.

Development and performance

The company continues to invest in research and development with the aim of improving outcomes for customers and improving efficiency. The directors expect to further increase R&D expenditure in 2022 in order to ensure the business can grow.

Key performance indicators

Important key performance indicators are those that measure turnover, profit before tax and staff retention. Turnover was up 15% on 2020 and profit margin has been maintained at 15%. Employee turnover, which has been adversely impacted by the pandemic, has improved in 2021 to 28% from 36% in 2020.

This report was approved by the board on 30 September 2022 and signed on its behalf.

R K Ironmonger
Director

**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' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £1,201,187 (2020 - £1,069,113).

The directors have made dividend payments totalling £147,808 (2020 - £107,000)

Directors

The directors who served during the year were:

R K Ironmonger
M R Price (appointed 4 January 2021)
J S Miller (appointed 4 January 2021)
A J Goodson (appointed 4 January 2021)

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

LEXHAM INSURANCE CONSULTANTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Whittings 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.

R K Ironmonger

Director

Date: 30 September 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEXHAM INSURANCE CONSULTANTS LIMITED

Opinion

We have audited the financial statements of Lexham Insurance Consultants Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEXHAM INSURANCE CONSULTANTS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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.

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 or 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 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 Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEXHAM INSURANCE CONSULTANTS LIMITED (CONTINUED)

Auditors' 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 Auditors' 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. 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:

- Enquiry of management around actual and potential litigation and claims;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, and reviewing accounting estimates for bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEXHAM INSURANCE CONSULTANTS LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.

Christopher Ridgeon (Senior Statutory Auditor)

for and on behalf of

Whitings LLP

Chartered Accountants

Registered Auditor

Greenwood House

Greenwood Court

Skyliner Way

Bury St Edmunds

Suffolk

IP32 7GY

30 September 2022

LEXHAM INSURANCE CONSULTANTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover	4	10,287,034	8,933,836
Cost of sales		(5,167,636)	(5,225,765)
Gross profit		5,119,398	3,708,071
Administrative expenses		(3,688,076)	(2,507,903)
Other operating income	5	114,326	153,753
Operating profit		1,545,648	1,353,921
Interest receivable and similar income	9	309	3,170
Interest payable and similar expenses	10	(7,109)	(16,245)
Profit before tax		1,538,848	1,340,846
Tax on profit	11	(337,661)	(271,733)
Profit for the financial year		1,201,187	1,069,113
Other comprehensive income for the year			
Share based payments		176,460	-
Other comprehensive income for the year		176,460	-
Total comprehensive income for the year		1,377,647	1,069,113

The notes on pages 15 to 30 form part of these financial statements.

LEXHAM INSURANCE CONSULTANTS LIMITED
REGISTERED NUMBER: 03897329

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	13	167,785	441,345
		<u>167,785</u>	<u>441,345</u>
Current assets			
Debtors: amounts falling due within one year	14	4,260,853	3,116,728
Cash at bank and in hand	15	2,226,271	2,283,204
		<u>6,487,124</u>	<u>5,399,932</u>
Creditors: amounts falling due within one year	16	(3,179,953)	(2,555,873)
Net current assets		<u>3,307,171</u>	<u>2,844,059</u>
Total assets less current liabilities		<u>3,474,956</u>	<u>3,285,404</u>
Creditors: amounts falling due after more than one year	17	(13,622)	(113,187)
Provisions for liabilities			
Deferred tax	20	-	(10,740)
		<u>-</u>	<u>(10,740)</u>
Net assets		<u><u>3,461,334</u></u>	<u><u>3,161,477</u></u>

LEXHAM INSURANCE CONSULTANTS LIMITED
REGISTERED NUMBER: 03897329

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Capital and reserves			
Called up share capital	21	2,620	2,750
Share premium account	22	599,898	-
Capital redemption reserve	22	500	250
Other reserves	22	176,460	-
Profit and loss account	22	2,681,856	3,158,477
		<u>3,461,334</u>	<u>3,161,477</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 September 2022.

R K Ironmonger

Director

The notes on pages 15 to 30 form part of these financial statements.

LEXHAM INSURANCE CONSULTANTS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £	Share premium account £	Capital redemption reserve £	Other reserve £	Profit and loss account £	Total equity £
At 1 January 2020	2,750	-	250	-	2,196,364	2,199,364
Comprehensive income for the year	-	-	-	-	1,069,113	1,069,113
Profit for the year						
Dividends: Equity capital	-	-	-	-	(107,000)	(107,000)
At 1 January 2021	2,750	-	250	-	3,158,477	3,161,477
Comprehensive income for the year	-	-	-	-	1,201,187	1,201,187
Profit for the year						
Share based payments	-	-	-	176,460	-	176,460
Dividends: Equity capital	-	-	-	-	(147,808)	(147,808)
Purchase of own shares	-	-	250	-	(1,530,000)	(1,529,750)
Shares issued during the year	120	599,898	-	-	-	600,018
Shares redeemed during the year	(250)	-	-	-	-	(250)
At 31 December 2021	<u>2,620</u>	<u>599,898</u>	<u>500</u>	<u>176,460</u>	<u>2,681,856</u>	<u>3,461,334</u>

The notes on pages 15 to 30 form part of these financial statements.

LEXHAM INSURANCE CONSULTANTS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	1,201,187	1,069,113
Adjustments for:		
Depreciation of tangible assets	122,454	158,119
Loss on disposal of tangible assets	(103,621)	(25,000)
Government grants	(45,737)	(79,939)
Interest paid	7,109	16,245
Interest received	(309)	(3,170)
Corporation tax received/(paid)	(278,241)	271,736
(Increase) in debtors	(413,696)	(264,961)
(Increase) in amounts owed by associates	(725,148)	(13,992)
Increase in creditors	593,082	667,842
Share based payment	176,460	-
Taxation charge	337,661	(198,364)
Net cash generated from operating activities	871,201	1,597,629
Cash flows from investing activities		
Purchase of tangible fixed assets	(35,823)	(151,124)
Sale of tangible fixed assets	290,550	25,000
Government grants received	45,737	79,939
Interest received	309	3,170
HP interest paid	(7,109)	(10,261)
Net cash from investing activities	293,664	(53,276)
Cash flows from financing activities		
Issue of ordinary shares	600,018	-
Purchase of ordinary shares	(1,530,000)	-
Repayment of loans	-	(185,381)
Repayment of/new finance leases	(144,008)	(11,461)
Dividends paid	(147,808)	(107,000)
Interest paid	-	(5,984)
Net cash used in financing activities	(1,221,798)	(309,826)

LEXHAM INSURANCE CONSULTANTS LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Net (decrease)/increase in cash and cash equivalents	(56,933)	1,234,527
Cash and cash equivalents at beginning of year	2,283,204	1,048,677
Cash and cash equivalents at the end of year	<u>2,226,271</u>	<u>2,283,204</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,226,271	2,283,204
	<u>2,226,271</u>	<u>2,283,204</u>

The notes on pages 15 to 30 form part of these financial statements.

LEXHAM INSURANCE CONSULTANTS LIMITED

ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2021

	At 1 January 2021 £	Cash flows £	At 31 December 2021 £
Cash at bank and in hand	2,283,204	(56,933)	2,226,271
Debt due within 1 year	-	-	-
Finance leases	(167,971)	144,007	(23,964)
	<u>2,115,233</u>	<u>87,074</u>	<u>2,202,307</u>

The notes on pages 15 to 30 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information

The company is a private company limited by shares and is incorporated in England. The address of its registered office is Gilray Road, Diss, Norfolk, IP22 4NG.

The company's principal activity is insurance brokers.

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 management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The directors consider it appropriate to prepare the financial statements on a going concern basis. Whilst COVID 19 has had a significant impact on the UK and global economy, the company has taken action to mitigate the risks and has continued to trade profitably. The directors therefore consider that there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Turnover consists of commissions receivable from underwriters for insurance policies written during the year and commission arising from credit arrangement facilities supplied to insurance clients during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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.

Depreciation is provided on the following bases:

Short-term leasehold property	- 10% on cost
Motor vehicles	- 25% on cost
Fixtures and fittings	- 20% on cost
Office equipment	- 25% on cost

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.

2.5 Insurance broking debtors and creditors

Insurance brokers usually act as agents in placing insurable risks of their clients with insurers and, as such, generally are not liable as Principals for amounts arising from such transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities because they provide the insurance broker with access to future economic benefits and, as such, meet the definitions of assets and liabilities.

2.6 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 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 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 Company's cash management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2.9 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.11 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest 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.

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.14 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.15 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.16 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company 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 Company in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

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 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 operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, 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 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Useful economic lives of tangible assets:-

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the asset.

ii) Impairment of debtors:-

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

4. Turnover

The whole of the turnover is attributable to the company's principal activity.

All turnover arose within the United Kingdom.

5. Other operating income

	2021 £	2020 £
Marketing income	14,189	3,814
Government grants receivable	45,737	79,939
Management charge	54,400	70,000
	<u>114,326</u>	<u>153,753</u>

6. Auditors' remuneration

Fees payable to the Company's auditor for the audit of the Company's annual financial statements totalled £11,500 (2020 - 11,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	3,896,089	3,362,938
Social security costs	344,776	318,717
Cost of defined contribution scheme	95,557	55,402
	<u>4,336,422</u>	<u>3,737,057</u>

The average monthly number of employees, including directors, during the year was 123 (2020 - 118).

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	585,221	31,304
Company contributions to defined contribution pension schemes	33,957	-
	<u>619,178</u>	<u>31,304</u>

During the year retirement benefits were accruing to 3 directors (2020 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £268,675 (2020 - £35,889).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £31,319 (2020 - £NIL).

9. Interest receivable

	2021 £	2020 £
Bank interest receivable	309	3,170
	<u>309</u>	<u>3,170</u>

LEXHAM INSURANCE CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	-	5,984
Finance leases and hire purchase contracts	7,109	10,261
	<u>7,109</u>	<u>16,245</u>

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	353,685	278,243
	<u>353,685</u>	<u>278,243</u>
Total current tax	<u>353,685</u>	<u>278,243</u>
Deferred tax		
Origination and reversal of timing differences	(16,024)	(6,510)
Total deferred tax	<u>(16,024)</u>	<u>(6,510)</u>
Taxation on profit on ordinary activities	<u>337,661</u>	<u>271,733</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Taxation (continued)

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% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>1,538,848</u>	<u>1,340,846</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	292,381	254,761
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	45,421	16,030
Capital allowances for year in excess of depreciation	15,883	7,452
Short term timing difference leading to an increase (decrease) in taxation	(16,024)	(6,510)
Total tax charge for the year	<u>337,661</u>	<u>271,733</u>

Future increases to the UK corporation tax rates were substantively enacted to increase the main rate of corporation tax from 19% to a rate between 19% and 25% with effect from 1 April 2023. The deferred tax liabilities do reflect these rates.

12. Dividends

	2021 £	2020 £
Dividends paid on A shares	147,808	107,000
	<u>147,808</u>	<u>107,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Tangible fixed assets

	Short-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation					
At 1 January 2021	58,508	362,491	71,556	255,880	748,435
Additions	-	-	3,352	32,471	35,823
Disposals	-	(229,975)	-	(131,064)	(361,039)
At 31 December 2021	58,508	132,516	74,908	157,287	423,219
Depreciation					
At 1 January 2021	6,796	143,184	35,548	121,562	307,090
Charge for the year on owned assets	5,851	59,857	13,390	43,356	122,454
Disposals	-	(108,578)	-	(65,532)	(174,110)
At 31 December 2021	12,647	94,463	48,938	99,386	255,434
Net book value					
At 31 December 2021	45,861	38,053	25,970	57,901	167,785
At 31 December 2020	51,712	219,306	36,008	134,318	441,344

LEXHAM INSURANCE CONSULTANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2021 £	2020 £
Motor vehicles	36,877	206,359
	<u>36,877</u>	<u>206,359</u>

14. Debtors

	2021 £	2020 £
Trade debtors	364,392	524,973
Amounts owed by joint ventures and associated undertakings	2,790,025	2,064,877
Other debtors	787,714	170,385
Prepayments and accrued income	313,438	356,493
Deferred taxation	5,284	-
	<u>4,260,853</u>	<u>3,116,728</u>

15. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	2,226,271	2,283,204
	<u>2,226,271</u>	<u>2,283,204</u>

LEXHAM INSURANCE CONSULTANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	2,220,671	1,794,219
Corporation tax	353,685	278,243
Other taxation and social security	83,242	74,523
Obligations under finance lease and hire purchase contracts	10,342	54,784
Other creditors	512,013	354,104
	<u>3,179,953</u>	<u>2,555,873</u>

Trade creditors of £1,572,986 (2020 - £1,115,998) are secured on assets.

17. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Net obligations under finance leases and hire purchase contracts	13,622	113,187
	<u>13,622</u>	<u>113,187</u>

Obligations under finance leases and hire purchase contracts are secured against the assets to which they relate.

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	11,227	54,784
Between 1-5 years	14,034	57,908
Over 5 years	-	55,279
	<u>25,261</u>	<u>167,971</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

19. Financial instruments

	2021 £	2020 £
Financial assets		
Financial assets measured at fair value through profit or loss	<u>6,168,402</u>	<u>5,043,439</u>
Financial liabilities		
Other financial liabilities measured at fair value through profit or loss	<u>2,732,684</u>	<u>2,148,323</u>
Financial assets measured at fair value through profit or loss comprise trade debtors, other debtors, amounts owed by joint ventures and associated undertakings and cash at bank.		
Other financial liabilities measured at fair value through profit or loss comprise trade creditor and other creditors.		

20. Deferred taxation

	2021 £	2020 £
At beginning of year	(10,740)	(17,250)
Charged to profit or loss	16,024	6,510
At end of year	<u>5,284</u>	<u>(10,740)</u>
The deferred taxation balance is made up as follows:		
	2021 £	2020 £
Accelerated capital allowances	5,284	(10,740)
	<u>5,284</u>	<u>(10,740)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

21. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
60,200 (2020 - 75,000) Ordinary A shares of £0.01 each	602	750
2,000 (2020 - 2,000) Ordinary B non-voting shares of £1 each	2,000	2,000
15,300 (2020 - £nil) Ordinary C shares of £0.001 each	15	-
3,000 (2020 - £nil) Ordinary D shares of £0.001 each	3	-
	<u>2,620</u>	<u>2,750</u>

During the year Ordinary A shares were converted from nominal value of £1 to a nominal value of £0.01.

102 Ordinary A shares were issued for a consideration of £600,000 during the year.

Ordinary A shares are non-redeemable, with rights to vote and participate in dividends and distributions of capital (including on a winding up).

Ordinary B shares are non-redeemable, with no rights to vote or participate in dividends. The shares entitle the holder to a fixed proportion of any distributions of capital (including on a winding up).

Ordinary C shares are non-redeemable, with no rights to vote at a general meeting and no rights to receive dividends. There is a right to share in capital above threshold of £4,000,000.

Ordinary D shares are non-redeemable, with no rights to vote at a general meeting and no rights to receive dividends or a share of distributions. There is a right to share in capital in excess of the threshold of £10,000,000.

22. Reserves

Share premium account

The share premium account represents the amount paid for shares in excess of the shares nominal value.

Capital redemption reserve

The capital redemption reserve represents the nominal value of the company's ordinary shares purchased back in the current and prior periods.

Other reserve

The other reserve relates to an undistributable reserve for share based payments vested in the period.

Profit and loss account

The profit and loss account includes all current and prior period profits and losses less dividends declared and paid, and amounts paid for the company's own shares in the current and prior periods.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

23. Share based payments

The company operates a share option scheme for executives.

All options lapse after a period of 10 years and are forfeited if an employee leaves the company and does not exercise the options vested within a specified period.

Details of options are shown below.

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Granted during the year	0.4	3,000		-
Outstanding at the end of the year	0.4	3,000		-

At the balance sheet date 3,000 options had vested.

The fair value of equity-settled share options was estimated at the date of grant and rate per share agreed with HMRC.

The expense recognised for share based payments was:-

	2021 £	2020 £
Equity-settled schemes	176,460	-
	176,460	-

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £95,557 (2020 - £55,402). Contributions totalling £nil (2020 - £nil) were payable to the fund at the balance sheet date and are included in creditors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

25. Commitments under operating leases

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

	2021 £	2020 £
Not later than 1 year	173,008	162,801
Later than 1 year and not later than 5 years	492,458	520,444
Later than 5 years	170,135	265,524
	<u>835,601</u>	<u>948,769</u>

26. Transactions with directors

During the year, advances were made to the directors totalling £172,482 (2020 - £153,000) and dividends of £147,808 (2020 - £107,000) were paid. The balances outstanding at the year end were £151,580 (2020 - £153,000) which are included in other debtors. The maximum balances outstanding in aggregate during the year was £187,609 (2020 - £216,750).

Other loans were made in the year totalling £600,000, and are included in other debtors.

The advances have been made on an interest-free basis, repayable to the company on demand.

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