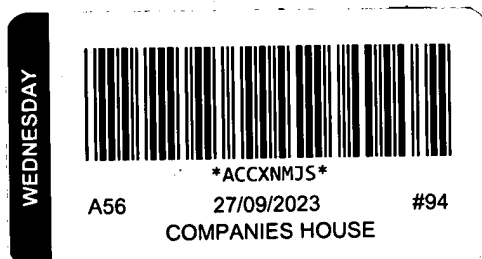


LANCASHIRE INSURANCE MARKETING SERVICES LIMITED

Financial Statements For the year ended 31 December 2022

Registered in England and Wales number 05586830



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1. *Journal of the American Medical Association*, 1997; 277: 1039-1043.

Directors' report

The directors present their report and the audited financial statements for Lancashire Insurance Marketing Services Limited, registered company number 5586830 ("LIMSL" or "the Company") for the year ended 31 December 2022.

Principal activity

The Company is a Financial Conduct Authority authorised insurance intermediary providing marketing services to Lancashire Insurance Company Limited ("LICL"), a Bermudian insurer. The directors consider that this will continue unchanged into the foreseeable future.

Directors' interests

The present directors and those who served during the year ended 31 December 2022 are as follows:

J Cadman
R Worsley
J Flude

None of the directors has any financial interest in the Company. The interests of the directors in Lancashire Holdings Limited ("LHL") or its subsidiaries are disclosed in note 5 and in the financial statements of Lancashire Insurance Company (UK) Limited ("LUK").

Payment policy

It is company policy to pay creditors when they fall due for payment. Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions.

Employees

The Company has no employees and has not had any employees during the year under review. Disclosures relating to employees may be found in the financial statements of Lancashire Insurance Services Limited ("LISL").

Directors' and officers' liability insurance

The Company has maintained insurance to cover directors' and officers' liability as defined by section 236(6) of the Companies Act 2006 as amended.

Principal risks and uncertainties

The Company's expenses are recharged to Group companies under service level agreements and therefore the Company is not exposed to significant business risks underlying its financial results.

The principal financial risk and uncertainty facing the Company is liquidity risk, although this is not considered to be significant. The Company has exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet short term cash flow requirements. The inability to meet short term cash flow requirements is dependent on other companies within the Lancashire Group. Details of the liquidity risk of the Lancashire Group can be found in the financial statements of LHL.

Statement of disclosure of information to auditor

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- he or she has taken all the steps that ought to have been taken in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK-adopted international 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 estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Directors' report

Directors' report continued

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



L. Byrne

Company Secretary

29 March 2023

Business review

For the year ended 31 December 2022, the Company made a gross profit of \$9,230 (2021: \$62,115) after taking into account service fee income of \$276,342 (2021: \$949,467), service fee expense of \$240,326 (2021: \$882,862) and general and administrative costs of \$26,786 (2021: \$4,490).

Service fee income is charged to LICL for the provision of marketing services and includes costs incurred directly by the company and the service fee expense recharged to the company from LISL for the provision of physical infrastructure and associated support services. These services are provided in accordance with arm's length service agreements.

The reduction in service fee income in the year is mainly as a result of the reduction in the service fee recharge from LISL.

After taking into account foreign exchange gains, the Company made a net profit before tax of \$18,800 (2021: \$62,608) and a net profit after tax of \$11,136 (2021: \$56,800).

The effective tax rate for the year ended 31 December 2022 is 40.8% (2021: 9.3%), largely due to expense permanent differences.

Statement in accordance with section 172(1) Companies Act 2006

The Board of Directors consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its sole member and small number of stakeholders during the year ended 31 December 2022.

It is crucial to the Company's success that it positively engages with its key stakeholders such as brokers and service providers to provide a suitable service to LICL underwriters to enable them to provide the necessary insurance policies that are important to their clients in seeking to protect them and their business from risk events.

The Company also recognises the importance of an open and constructive relationship with government agencies and regulators and has developed a range of internal procedures and processes to establish a robust operating platform to ensure compliance with legal requirements and regulatory rules and standards.

Dividends

No interim dividend was paid during 2022 (2021: \$nil). The directors do not recommend the payment of a final dividend.

By order of the Board



L Byrne

Company Secretary

29 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANCASHIRE INSURANCE MARKETING SERVICES LIMITED

Opinion

We have audited the financial statements of Lancashire Insurance Marketing Services Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Shareholder's Equity, and Statement of Cash Flow and related notes, including the accounting policies.

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 UK-adopted international accounting standards; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company has simple revenue streams with limited complexity around revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

Independent auditor's report

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included: those posted by individuals who do not frequently post journals, those posted with descriptions containing key words or phrases, those posted to unusual accounts including those related to cash, consolidation journals and post-closing journals meeting certain criteria.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

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 (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, employment law, and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors, and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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 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.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 4 and 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's member, 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 member 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.



Rajan Thakrar (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL

29 March 2023

Statement of comprehensive income

For the year ended 31 December 2022

	Note	2022	2021
		\$	\$
Service fee income	2, 14	276,342	949,467
Service fee expense	3, 14	(240,326)	(882,862)
Administrative expenses		(26,786)	(4,490)
Gross profit		9,230	62,115
Interest receivable and similar income		37	8
Unrealised foreign exchange gains		9,533	485
Profit before tax	4	18,800	62,608
Tax charge	7	(7,664)	(5,808)
Profit attributable to equity shareholder		11,136	56,800

Statement of financial position

As at 31 December 2022

	Note	2022	2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	12	226,738	240,938
Trade and other receivables	13	1,058,347	820,841
Deferred tax asset	9b	8,908	10,014
Total assets		1,293,993	1,071,793
Liabilities			
Current liabilities			
Accrued expenses		7,478	15,687
Trade and other payables	8	445,344	222,248
Corporation tax liability	9a	3,604	7,427
Total liabilities		456,426	245,362
Net assets		837,567	826,431
Shareholder's equity			
Share capital	10	88,415	88,415
Contributed surplus	11	440,718	440,718
Retained earnings		308,434	297,298
Total shareholder's equity attributable to equity shareholder		837,567	826,431

Approved by the Board and signed on its behalf by:



J Flude

Director

29 March 2023

Statement of changes in shareholder's equity

For the year ending 31 December 2022

	Share capital	Contributed surplus	Retained profit	Total
	\$	\$	\$	\$
Balance at 31 December 2020	88,415	440,718	240,498	769,631
Total comprehensive income for the year	—	—	56,800	56,800
Balance at 31 December 2021	88,415	440,718	297,298	826,431
Total comprehensive income for the year	—	—	11,136	11,136
Balance at 31 December 2022	88,415	440,718	308,434	837,567

Statement of cash flows

For the year ended 31 December 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Profit before tax		18,800	62,608
Adjustments for:			
Foreign exchange (losses)/gains		(9,533)	(485)
Interest receivable		(37)	(8)
Changes in operational assets and liabilities:			
Trade and other receivables	13	(247,873)	73,268
Trade and other payables	8	245,849	(139,512)
Accrued expenses		(8,209)	2,675
Net cash flows from operating activities		(1,003)	(1,454)
Cash flows from investing activities			
Interest received		37	8
Net cash flows from investing activities		37	8
Net increase in cash and cash equivalents		(966)	(1,446)
Cash and cash equivalents at beginning of year		240,938	243,178
Effect of exchange rate fluctuations on cash and cash equivalents		(13,234)	(794)
Cash and cash equivalents at end of year	12	226,738	240,938

Accounting policies

For the year ended 31 December 2022

The Company is a limited liability company incorporated and domiciled in the United Kingdom (UK).

The principal accounting policies adopted in the preparation of these financial statements are set out below.

a) Basis of preparation

The financial statements are prepared on a going concern basis in accordance with UK adopted International Accounting Standards and applicable law. The Directors have performed an assessment of the Company's ability to continue as a going concern.

The Company's financial forecast reflects the outcome that the Directors consider most likely, based on the information available at the date of signing these financial statements.

The following factors were also considered as part of the going concern assessment:

- The Company is forecast to be able to meet future obligations as all its costs are recharged to LICL, largely at a mark-up.
- LICL's ability to continue as a going concern has been assessed by its directors using severe but plausible scenarios. The directors have concluded that the Company will continue in the foreseeable future as a going concern. LICL is regulated by the BMA and has an A (excellent) credit rating from A M Best.
- Under the terms of the service agreements the recipient of the services provided by LIMSL can be requested on a quarterly basis to pre fund for those services, based on an estimate of expected expenses.
- The Company's debtors and creditors are almost all with Group companies. The directors have considered the recoverability of these balances and are satisfied that they will be settled.
- The Company only holds cash and cash equivalents and therefore holds only liquid assets and bears no investment valuation risk.

Based on the going concern assessment performed as at 31 December 2022, the Directors consider there to be no material uncertainties that may cast significant doubt over the Company's ability to continue to operate as a going concern. The Directors have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future, a period of at least twelve months from the date of signing these financial statements.

All amounts are shown in United States dollars ("U.S.") dollars.

The statement of financial position is presented in order of descending liquidity.

b) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported and disclosed amounts at the statement of financial position date and the reported and disclosed amounts of revenues and expenses during the reporting period. Actual results may differ materially from the estimates made.

c) Foreign currency translation

The functional currency for the Company is U.S. dollars. The Company's financial statements are presented in U.S. dollars. Items included in the financial statements of the Company are measured using the functional currency, which is the currency of the primary economic environment in which operations are conducted.

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies are translated at year end exchange rates. The resulting exchange differences on translation are recorded in the statement of comprehensive income. Non-monetary assets and liabilities carried at historical cost denominated in a foreign currency are translated at historic rates.

d) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value added tax, rebates and discounts.

- I. Sales of services are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided.
- II. Interest income is recognised on a time proportion basis using applicable interest rates.

e) Impairment of non-financial assets

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Accounting policies

For the year ended 31 December 2022

g) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost and include cash at bank.

Interest income earned on cash and cash equivalents is recognised on the effective interest rate method. The carrying value of accrued interest income approximates fair value due to its short term nature.

h) Taxation

Income tax expense represents the sum of the tax currently payable and any deferred tax. The tax payable or receivable is calculated based on taxable profits or losses for the period. Taxable profits or losses for the period can differ from that reported in the statement of comprehensive income due to certain items which are not tax deductible or which are deferred to subsequent periods.

Deferred tax is recognised on temporary differences between the assets and liabilities in the statement of financial position and their tax base. Deferred tax assets or liabilities are accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

i) Share capital

The Company is regulated by the Financial Conduct Authority and complies with prescribed minimum capital requirements.

Notes to the accounts

For the year ended 31 December 2022

1. RISK DISCLOSURES

The Company is exposed to currency risk to the extent its assets are denominated in different currencies from its liabilities. The Company monitors its currency position monthly and buys or sells currency in order to match its non U.S. dollar exposure enabling this risk to be mitigated.

The Company does not have significant exposure to liquidity and credit risk due to the short term nature of the financial assets and liabilities on its statement of financial position. The carrying amount of financial assets and liabilities approximates to their fair value due to the short term nature of the commitments.

At present all excess funds are held in cash and cash equivalents and the Company is therefore not subject to investment valuation risks.

2. SERVICE FEE INCOME

	2022	2021
	\$	\$
Service fee income - LICL	276,342	949,467

3. SERVICE FEE EXPENSE

	2022	2021
	\$	\$
Service fee expense - LISL	240,326	882,862

4. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	2022	2021
	\$	\$
Audit of financial statements	27,749	(2,486)

5. REMUNERATION OF DIRECTORS

The directors of the Company did not receive any remuneration in respect of services to the Company.

The interests of R Worsley, J Flude and J Cadman in LHL are disclosed in the financial statements of LUK.

6. EMPLOYEE INFORMATION

The Company has no employees.

7. TAX

a. Tax charged to statement of comprehensive income

	2022	2021
	\$	\$
Corporation tax payable	(8,076)	(11,895)
Adjustments in relation to prior year group relief	1,517	6,354
Deferred tax charge	763	—
Impact of tax rate change	—	1,584
Adjustments in relation to prior year deferred tax	(1,868)	(1,851)
Tax charge	(7,664)	(5,808)

Notes to the accounts

For the year ended 31 December 2022

b. Tax reconciliation

The tax on the Company's profit before tax differs from the amount that would arise using the tax rate in the United Kingdom as follows:

	2022	2021
	\$	\$
Net profit before tax	18,800	62,608
Tax charge calculated at 19% (2021: 19%)	(3,572)	(11,895)
Other expense permanent differences	(3,741)	—
Adjustment in relation to prior year	(351)	4,503
Tax rate change adjustment	—	1,584
Tax charge for the year at an effective rate of 40.8% (2021: 9.3%)	(7,664)	(5,808)

8. TRADE AND OTHER PAYABLES

	2022	2021
	\$	\$
Payable within one year:		
Amount owed to LUK	208,651	193,720
Amount owed to LHL	14,525	15,441
Amount owed to LIHUK ⁽¹⁾	227	254
Amount owed to C98 ⁽²⁾	11,459	12,833
Amount owed to LISL	207,680	—
Amount owed to LMSL ⁽³⁾	2,802	—
	445,344	222,248

(1) Lancashire Insurance Holdings (UK) Limited

(2) Cathedral Capital (1998) Limited

(3) LCM Marketing Services Limited

9. TAX ASSETS AND LIABILITIES

a. Corporation tax

	2022	2021
	\$	\$
Corporation Tax (Receivable)/Payable	(4,472)	7,427
Group relief payable - LISL	8,076	—
	3,604	7,427

b. Deferred tax asset

	2022	2021
	\$	\$
Timing difference on capital allowances	8,908	10,014

Although the Company transferred all of its fixed assets to LISL in January 2010, for tax purposes, a balance remains in the general pool for leasehold improvements following the disposal, for future capital allowances.

Changes to the UK main rate of corporation tax have been enacted under the Finance Act 2021 increasing the tax rate to 25% from 19%, effective 1 April 2023. As at 31 December 2022, this has resulted in the recognition of deferred tax assets and liabilities at 25% on items where the tax reversal is expected to take effect on or after 1 April 2023, with a related tax credit of \$nil (2021: \$1,584).

Deferred tax assets are recognised to the extent that realisation of the related tax benefit through future taxable profits is likely.

Notes to the accounts

For the year ended 31 December 2022

10. ORDINARY SHARE CAPITAL

Details of the Company's ordinary share capital are as follows:

Authorised ordinary shares of £1 each	Number	£	
As at 31 December 2022 and 2021	50,000	50,000	
Allocated, called up and fully paid	Number	£	\$
As at 31 December 2022 and 2021	50,000	50,000	88,415

11. OTHER RESERVES

	2022	2021
	\$	\$
Contributed surplus	440,718	440,718

The Company is regulated by the Financial Conduct Authority. It must maintain a minimum capital of the higher of £5,000 or 2.5% of annual income. At 31 December 2022 the minimum capital the Company needed to hold was £5,735 (\$6,909 at a rate of exchange £1: \$1.20). At 31 December 2021 the minimum capital the Company needed to hold was £17,594 (\$23,737 at a rate of exchange £1: \$1.35).

12. CASH AND CASH EQUIVALENTS

	2022	2021
	\$	\$
Cash at bank	226,738	240,938

Cash and cash equivalents are carried in the statement of financial position at amortised cost and include cash at bank.

13. TRADE AND OTHER RECEIVABLES

	2022	2021
	\$	\$
Receivable within one year:		
Amounts due from LIDL	1,058,347	782,004
Amounts due from LISL	—	32,222
Amounts due from LMSL	—	6,615
	1,058,347	820,841

14. RELATED PARTY TRANSACTIONS

a. Service arrangement – LISL

LISL is a service Company set up to provide all employee contracts of service for the UK company directors and employees, in addition to holding operating leases to rent office accommodation on behalf of the Company.

Under the service arrangement with LISL, LISL provides the Company with staff and other support services to enable the Company to provide marketing services in respect of business which is underwritten by LIDL. The Company pays for the cost of these services, at cost.

The cost of the service arrangements is shown in the statement of comprehensive income as service fee expense and is disclosed in note 3. Amounts receivable or payable for this service are shown in note 8 or 13.

b. Service arrangement – LIDL

Under the service arrangement with LIDL, the Company provides marketing services to LIDL in respect of insurance business. LIDL pays LMSL for the cost of all services plus an additional amount of 7%, except for the recharge of the cost of any warrants and options which are charged at cost.

The service fee income for this arrangement is shown in the statement of comprehensive income as service fee income and is disclosed in note 2. Amounts receivable or payable for this service are shown in note 8 or 13.

Notes to the accounts

For the year ended 31 December 2022

15. ULTIMATE HOLDING COMPANY

The Company's parent and ultimate holding company is Lancashire Holdings Limited, a company incorporated in Bermuda and whose registered office is Power House, 7 Par-La-Ville Road, Hamilton, HM 11, Bermuda.

Financial statements may be obtained from the registered office or viewed on Lancashire Holdings Limited's website at www.lancashiregroup.com.