

**LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**



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**LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

M C J Hews  
A C Keate  
W A Barne  
C J G Cox  
A C H Foster  
S R Harper  
S R Landale  
W R Nicholl  
C D Sadler

**COMPANY SECRETARY** R J Hall

**REGISTERED NUMBER** 00706042

**REGISTERED OFFICE** Milburn House  
Dean Street  
NE1 1PP

**INDEPENDENT AUDITOR** Deloitte LLP  
Statutory Auditors  
London

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**LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

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## **LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **INTRODUCTION**

The company carries on the business of an insurance broker, and is authorised and regulated by the Financial Conduct Authority (FCA).

The company operates from offices throughout the UK.

#### **BUSINESS REVIEW**

We have achieved a huge amount in 2017 across the business. We have invested in our staff and increased the total number employed in the business whilst actively ensuring we act in a fully Treating Customers Fairly ("TCF") and compliant manner. In early 2018 we opened a new office in Berwick St Leonard to enhance our geographic footprint in order to be in a position to further support our clients. We have maintained our regulatory capital base at all times and paid a dividend to our owner in support of the Group objective of providing charitable grants to The Allchurches Trust Limited, our ultimate owner.

Our decision to migrate to one common broking platform is driven by our desire to make day to day working easier and to free up time to spend on what matters most – delivering excellent client service. Working efficiencies will remove some of the unnecessary manual work which we are all required to do.

We continue to live and work in an environment where regulation of our work dictates many of our actions. The Insurance Act 2015 became effective during 2016 and continued to help our clients and professional contacts understand the impact of this new Act and the implications to all involved. Regulation continues to increase and our work in 2017 included preparation for the Insurance Distribution Directive ("IDD") and the General Data Protection Regulation ("GDPR") which will come into force in 2018.

Throughout 2017 our TCF credentials remained to the fore along with our customer service orientated culture. The long term aim is to be the most trusted specialist adviser in our core segments. Linked to this is our ongoing training programme. Lycetts are committed to achieving Chartered Insurer status during 2018 for the whole company to join our Cliverton, Financial Services and Commercial divisions who currently hold this status.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

##### **Competitive risks**

The insurance markets in which the company operates are highly competitive. The company faces competition from other insurance intermediaries within the UK. Some competitors have lower cost bases or other competitive advantages that are not available to the company. The fact that the company runs a highly specialised and diversified business should, however, put it in a strong position to capitalise as the economy finally starts to recover. The United Kingdom's exit from the European single market provides uncertainty over the impact on the UK economy as a whole and the impact on our markets and customers at this point remains unclear until such time as the terms of the exit are agreed.

The company is reliant upon its existing relationships with the insurance markets with which the company places business. The failure, or downgrading, of a key insurer or insurance market would have an impact upon the ability of the company to conduct its business as planned. In order to reduce the impact of any such event, the company has in place controls to ensure it is not overly dependent upon any one insurer or insurance market.

##### **Legislative risks**

The company is governed by a wide range of legislation, including FCA Regulations.

The company takes great care to keep up to date with all new legislation and regulations to ensure that it can maintain its position within the industry.

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## LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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#### Financial risks

The company's main area of risk is liquidity risk. Liquidity risk is the risk that the business will encounter difficulty in meeting financial obligations.

The company aims to mitigate liquidity risk by ensuring it reviews its cash management on a regular basis. The company has access to considerable financial resources due to being a member of a group headed by Allchurches Trust Limited.

#### Credit risk

The company is exposed to credit risk where it extends credit to customers. This risk is managed by ensuring that payments are received from customers before payment is made to the relevant insurer. Where payment is not received the company can mitigate the risk through discussion with the customer and insurer with the ultimate sanction being with the insurer to cancel the policy.

#### Group risk

The company is part of the Ecclesiastical Insurance group and therefore has access to the financial resources of the wider Ecclesiastical Insurance group. The risk of relying on group support is mitigated through ensuring that the company generates positive cashflows from its own operations and is not reliant on external funding, whether from external third parties or group funding. The company's dividend policy ensures that any dividends paid allow for sufficient funding to be retained within the company to fund its own working capital requirements.

#### Concentration risk

The company is at risk of being reliant on a small number of insurers, with the risk that a major insurer withdrawing from a market in which the company operates in. This risk is managed by setting internal limits on the amount of business which is transacted through any particular insurer. This ensures that the company has access to a wide range of markets and does not become over reliant on a particular insurer.

#### Reputational risk

The company is subject to reputational risk arising from a reduction in trust by customers and other stakeholders. The risk is primarily managed through our approach to treating all stakeholders fairly and as reputation is fundamental to our business we will not accept risks that will materially damage our reputation.

#### FINANCIAL KEY PERFORMANCE INDICATORS

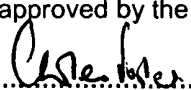
The company's key performance indicators for the period were turnover, operating profit and staff costs.

During the year the company's turnover increased to £14.915m from £14.757m with operating profit decreasing from £1.814m to £0.708m.

The company's profit before taxation decreased from £2.060m to £0.940m reflecting the continuing investment in IT systems, infrastructure and our people.

The company's staff costs increased from £8.835m to £9.296m.

This report was approved by the board on 28 March 2018 and signed on its behalf.

  
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A C H Foster  
Director

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## **LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their report and the financial statements for the year ended 31 December 2017. Further details of the activities during the year can be found in the Strategic Report. These accounts have been presented in accordance with FRS 102.

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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), including FRS 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 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 £834,001 (2016 - £1,689,068).

During the year dividends amounting to £939,412 were paid (2016 - £1,681,643).

The directors do not propose payment of a further dividend as at the date of this report (2016 - £NIL).

#### **DIRECTORS**

The directors who served during the year, and up to the date of this report, were:

M C J Hews  
A C Keate  
W A Barne  
C J G Cox  
A C H Foster  
S R Harper  
S R Landale  
W R Nicholl  
C D Sadler

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**LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**DISCLOSURE OF INFORMATION TO THE AUDITOR**

Each of the persons 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
- that director has taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

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

  
.....  
A C H Foster  
Director

28 March 2018

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Lycett, Browne-Swinburne & Douglass Limited (the 'company') which comprise:

- the profit and loss account;
- the statement of total comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the accounting policies; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We 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**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

**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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the 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.

**Report on other legal and regulatory requirements****Opinions 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.

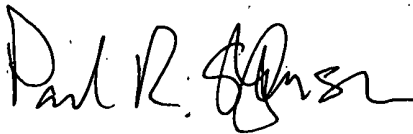
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.



Paul Stephenson BA FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor

London  
EC4A 3BZ

28 March 2018

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**LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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		2017	2016
	Note	£	£
<b>TURNOVER</b>	1,2	<b>14,914,795</b>	<b>14,756,841</b>
Administrative expenses		<b>(14,237,142)</b>	<b>(12,972,833)</b>
Other operating income	3	<u><b>30,000</b></u>	<u><b>30,000</b></u>
<b>OPERATING PROFIT</b>	4	<b>707,653</b>	<b>1,814,008</b>
Interest receivable and similar income		<b>25,682</b>	<b>34,793</b>
Finance charges	8	<b>(92)</b>	<b>(3,834)</b>
Dividends from subsidiary undertaking		<b>322,740</b>	<b>293,815</b>
Other finance charges	9	<u><b>(116,000)</b></u>	<u><b>(79,000)</b></u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>939,983</b>	<b>2,059,782</b>
Tax on profit on ordinary activities	10	<u><b>(105,982)</b></u>	<u><b>(370,714)</b></u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	19	<u><u><b>834,001</b></u></u>	<u><u><b>1,689,068</b></u></u>

All amounts relate to continuing operations.

The notes on pages 15 to 27 form part of these financial statements.

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**LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

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**STATEMENT OF TOTAL COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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		<b>2017</b>	<b>2016</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>834,001</b>	<b>1,689,068</b>
Actuarial loss on defined benefit pension scheme	22	<b>(168,000)</b>	<b>(2,975,000)</b>
Actual return on assets less interest	22	<b>558,000</b>	<b>724,000</b>
Tax relating to components of comprehensive income	22	<b>(69,155)</b>	<b>383,480</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSSES) RELATING TO THE YEAR</b>		<b><u>1,154,846</u></b>	<b><u>(178,452)</u></b>

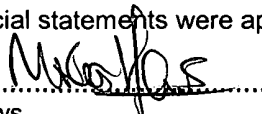
The notes on pages 14 to 27 form part of these financial statements.

**LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2017**

		2017	2016
	Note	£	£
<b>FIXED ASSETS</b>			
Tangible assets	12	272,362	260,442
Intangible assets	11	342,315	197,242
Investments	13	<u>1,000</u>	<u>1,000</u>
		615,677	458,684
<b>CURRENT ASSETS</b>			
Debtors	14	7,909,441	7,633,082
Cash at bank		<u>12,837,034</u>	<u>13,095,348</u>
		20,746,475	20,728,430
<b>CREDITORS:</b> amounts falling due within one year	15	<u>(14,715,952)</u>	<u>(14,502,348)</u>
<b>NET CURRENT ASSETS</b>		<u>6,030,523</u>	<u>6,226,082</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,646,200	6,684,766
<b>CREDITORS:</b> amounts falling due after more than one year	16	(38,885)	(38,885)
Provisions for liabilities	22	<u>(4,178,000)</u>	<u>(4,432,000)</u>
<b>NET ASSETS</b>		<u>2,429,315</u>	<u>2,213,881</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	20,147	20,147
Capital redemption reserve	19	1,133	1,133
Profit and loss account	19	<u>2,408,035</u>	<u>2,192,601</u>
<b>TOTAL CAPITAL EMPLOYED</b>	20	<u>2,429,315</u>	<u>2,213,881</u>

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

  
M C J Hews  
Director

  
A C H Foster  
Director

Date: 28 March 2018

Date: 28 March 2018

The notes on pages 14 to 27 form part of these financial statements.

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**LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called-up share capital £	Capital Redemption Reserve £	Profit and loss account £	Total £
<b>At 1 January 2016</b>	20,147	1,133	4,052,696	4,073,976
Profit for the financial year	-	-	1,689,068	1,689,068
Remeasurement of net defined benefit liability	-	-	(2,251,000)	(2,251,000)
Tax relating to items of other comprehensive income	-	-	383,480	383,480
<b>Total comprehensive income</b>	-	-	(178,452)	(178,452)
Dividends paid on equity shares	-	-	(1,681,643)	(1,681,643)
<b>At 31 December 2016</b>	20,147	1,133	2,192,601	2,213,881
Profit for the financial year	-	-	834,001	834,001
Remeasurement of net defined benefit liability	-	-	390,000	390,000
Tax relating to items of other comprehensive income	-	-	(69,155)	(69,155)
<b>Total comprehensive income</b>	-	-	1,154,846	1,154,846
Dividends paid on equity shares	-	-	(939,412)	(939,412)
<b>At 31 December 2017</b>	20,147	1,133	2,408,035	2,429,315

## **1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and preceding year.

### **1.1 GENERAL INFORMATION ON BASIS OF ACCOUNTING**

Lycett, Browne-Swinburne & Douglass Limited is a company incorporated in the United Kingdom under the Companies Act. The nature of the company's operations and its principal activities are set out in the strategic report on pages 3 and 4.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The functional currency is pounds sterling because that is the currency of the primary economic environment in which the company operates.

### **1.2 CASH FLOW**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 102.

### **1.3 REVENUE AND EXPENSE RECOGNITION**

Turnover

Credit is taken for brokerage on the later of the policy inception date or when the policy placement has been substantially completed or confirmed. Where there is an expectation of future servicing requirements, a proportion of the income may be deferred to cover associated obligations under the policy.

Alterations in brokerage arising from return and additional premiums and adjustments are taken into account as and when these occur.

Fees and income receivable are recognised in the year to which they relate or when they can be measured with reasonable certainty.

### **1.4 INTANGIBLE FIXED ASSETS AND AMORTISATION**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. Purchased goodwill is capitalised at cost. Goodwill is amortised to the profit and loss account over its estimated economic life. The useful economic life of goodwill is, in the opinion of the directors, eight years from the end of the year of acquisition. Provision is made for any impairment. Intangible assets include computer software which is amortised over 4 years.

In accordance with section 35 of FRS 102, section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition to FRS 102.

## 1.5 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Short term leasehold property	-	over the period of the lease
Office equipment	-	10% straight line
Computer equipment	-	20% and 25% straight line

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

## 1.6 INVESTMENTS

Investments held as fixed assets are shown at cost less provision for impairment.

## 1.7 OPERATING LEASES

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

## 1.8 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

## 1.9 FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.



### **1.10 INSURANCE BROKING ASSETS AND LIABILITIES**

Insurance brokers usually act as agents in placing the 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. This recognises that the insurance broker is entitled to retain the investment income on any cashflows arising from these transactions.

Debtors, creditors and cash arising from a transaction between client and insurers (e.g. a premium or a claim) are recorded simultaneously. Consequently, there is a high level of correlation between the totals reported in respect of insurance broking debtors, insurance broking creditors and client cash.

### **1.11 GOING CONCERN**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the directors' report. The strategic report also describes the financial position of the company.

The company meets its day to day working capital requirements through its bank current account. Throughout the year the company maintained a positive cash balance and accordingly does not require any overdraft of loan facilities from third parties.

A review of the company's business activities is provided within the strategic review. In addition, the strategic review discloses the company's principal risks and uncertainties, including exposures to competitive, legislative and financial risk. The company has access to considerable financial resources due to being a member of a group headed by Allchurches Trust Limited. The directors, as a consequence, believe the company is well placed to manage its business risks successfully and continue in existence for the foreseeable future.

### **1.12 PENSIONS**

#### **Defined contribution**

The company operates several defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered pension funds.

Contributions payable to the defined contribution pension schemes are charged to the profit and loss account in the period to which they relate.

#### **Defined benefit**

The company operates a final salary pension scheme which was closed to new members subsequent to the 1 January 2001 renewal. The underlying assets of the pension scheme are invested in managed funds with Legal & General, and also in unit trusts, equities and other approved investments on the advice of the appointed investment manager, UBS Wealth Management (UK) Ltd, in line with the statement of investment principles. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries made triennially to provide retirement benefits based on projected final salaries. Company costs are charged to the profit and loss account so as to spread the costs of pensions over the working lives of employees who are members of the scheme. The scheme is accounted for in line with FRS 102.

### **1.13 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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

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**LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

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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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***Critical judgements in applying the company's accounting policies***

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

***Revenue recognition***

Turnover includes commission and fees receivable and credit is taken for brokerage on the later of the policy inception date or when the policy placement has been substantially completed or confirmed. Where appropriate, the company makes a provision for the cancellation of live policies after the balance sheet date based on previous experience of such events occurring.

***Key sources of estimation uncertainty***

***Defined benefit pension scheme***

The company operates a defined benefit pension scheme for certain employees. Due to the nature of such schemes the ongoing obligation to fund such schemes is based on key assumptions. These assumptions include inflation rates, discount rates, mortality rates and pension increase rates. In determining what rates are appropriate for the company, advice is obtained from independent an actuary. In addition to the work on ensuring the assumptions are appropriate for the provision of appropriate disclosure within these accounts, the company works with the Pension scheme trustees in ensuring that the pension scheme is appropriately funded.

**2. TURNOVER**

The whole of the turnover and profit before taxation is attributable to the company's principal activity that of an insurance broker, and is wholly attributable to the UK and Ireland.

**3. OTHER OPERATING INCOME**

	2017 £	2016 £
Service charges receivable	<u>30,000</u>	<u>30,000</u>

**4. OPERATING PROFIT**

The operating profit is stated after charging / (crediting):

	2017 £	2016 £
Depreciation of tangible fixed assets	132,064	117,984
Depreciation of intangible fixed assets	101,410	62,946
Operating lease rentals	439,421	434,703
Loss / (profit) on foreign exchange	<u>14,053</u>	<u>(77,913)</u>

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**5. AUDITOR'S REMUNERATION**

	2017 £	2016 £
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	29,250	20,400
Fees payable to the company's auditor and their associates in respect of:		
Audit-related assurance services	<u>23,740</u>	<u>19,000</u>

**6. STAFF COSTS**

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

	2017 £	2016 £
Wages and salaries	7,855,970	7,455,988
Social security costs	810,883	776,189
Other pension costs (Note 22)	628,956	602,344
	<u>9,295,809</u>	<u>8,834,521</u>

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

	2017 No.	2016 No.
Brokerage and administration	<u>173</u>	<u>168</u>

**7. DIRECTORS' REMUNERATION**

	2017 £	2016 £
Emoluments	1,323,277	1,371,438
Company contributions to money purchase pension scheme	85,389	82,792
Company contributions to defined benefit pension scheme	97,885	95,706
	<u>1,506,551</u>	<u>1,549,936</u>

The number of Directors who:

	Number	Number
Are members of the defined benefit pension scheme	5	5
Are members of the money purchase scheme	8	8

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**Remuneration of the highest paid director**

	2017 £	2016 £
Emoluments	<u>219,777</u>	<u>220,988</u>

**8. FINANCE CHARGES**

	2017	2016
On finance leases and hire purchase contracts	<u>92</u>	<u>3,834</u>

**9. OTHER FINANCE CHARGES**

	2017 £	2016 £
Interest income on pension scheme assets	258,000	300,000
Interest expense on pension scheme liabilities	(374,000)	(379,000)
	<u>(116,000)</u>	<u>(79,000)</u>

**10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	2017 £	2016 £
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The tax charge comprises:

**CURRENT TAX ON PROFIT ON ORDINARY ACTIVITIES**

UK corporation tax charge	139,098	408,084
Adjustment in respect of prior periods	(28,925)	-

**TOTAL CURRENT TAX**

	<u>110,173</u>	<u>408,084</u>
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**DEFERRED TAX**

Origination and reversal of timing differences	19,847	(22,071)
Effect of FRS17 timing differences	(24,038)	(15,299)

**TOTAL DEFERRED TAX (see note 17)**

	<u>(4,191)</u>	<u>(37,370)</u>
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**TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<u>105,982</u>	<u>370,714</u>
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**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

A change in the UK standard rate of corporation tax from 20% to 19% became effective from 1 April 2017. Where appropriate, current tax has been provided at the blended rate of 19.25% (2016: 20.25%). Deferred tax has been provided at the rate of 17% (2016: 17%).

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the

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UK of 20% (2016 – 20.25%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>939,983</u>	<u>2,059,782</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20.25%)	180,947	411,956
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	16,573	8,392
Dividends from UK companies	(62,127)	(58,763)
Effect of change of rate of deferred tax	(486)	9,129
Adjustment in respect of prior periods	(28,925)	-
	<u>105,982</u>	<u>370,714</u>
<b>CURRENT TAX CHARGE FOR THE YEAR</b> (see note above)	<u>105,982</u>	<u>370,714</u>

**11. INTANGIBLE FIXED ASSETS**

	Software £	Goodwill £	Total £
<b>COST</b>			
At 1 January 2017	483,648	2,733,894	3,217,542
Additions	<u>246,483</u>	-	<u>246,483</u>
At 31 December 2017	<u>730,131</u>	<u>2,733,894</u>	<u>3,464,025</u>
<b>DEPRECIATION</b>			
At 1 January 2017	286,406	2,733,894	3,020,300
Charge for the year	<u>101,410</u>	-	<u>101,410</u>
At 31 December 2017	<u>387,816</u>	<u>2,733,894</u>	<u>3,121,710</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<u>342,315</u>	-	<u>342,315</u>
At 31 December 2016	<u>197,242</u>	-	<u>197,242</u>

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**12. TANGIBLE FIXED ASSETS**

	<b>S/Term Leasehold Property £</b>	<b>Office equipment £</b>	<b>Computer equipment £</b>	<b>Total £</b>
<b>COST</b>				
At 1 January 2017	173,023	200,993	856,723	1,230,739
Additions	<u>33,481</u>	<u>-</u>	<u>110,503</u>	<u>143,984</u>
At 31 December 2017	<u>206,504</u>	<u>200,993</u>	<u>967,226</u>	<u>1,374,723</u>
<b>DEPRECIATION</b>				
At 1 January 2017	114,615	158,031	697,651	970,297
Charge for the year	<u>20,206</u>	<u>10,003</u>	<u>101,855</u>	<u>132,064</u>
At 31 December 2017	<u>134,821</u>	<u>168,034</u>	<u>799,506</u>	<u>1,102,361</u>
<b>NET BOOK VALUE</b>				
At 31 December 2017	<u>71,683</u>	<u>32,959</u>	<u>167,720</u>	<u>272,362</u>
At 31 December 2016	<u>58,408</u>	<u>42,962</u>	<u>159,072</u>	<u>260,442</u>

**13. FIXED ASSET INVESTMENTS**

	<b>Investments in subsidiary companies £</b>
<b>COST OR VALUATION</b>	
At 1 January and 31 December 2017	<u>1,000</u>

**SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>2017 £</b>	<b>2016 £</b>
Lycetts Financial Services Limited	Ordinary	100%	<u>1,000</u>	<u>1,000</u>

<b>Name</b>	<b>Business</b>	<b>Registered office</b>
Lycetts Financial Services Limited	Life insurance broker and pensions and other financial services consultant	in England and Wales

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**14. DEBTORS**

	2017	2016
	£	£
Trade debtors	5,759,433	5,621,558
Amounts owed by group undertakings	960,637	722,438
Other debtors	1,120	1,120
Prepayments and accrued income	309,119	425,206
Corporation tax	81,335	-
Deferred tax asset (see note 17)	797,797	862,760
	<u>7,909,441</u>	<u>7,633,082</u>

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017	2016
	£	£
Trade creditors	10,903,841	11,279,916
Amounts owed to group undertakings	1,588,467	757,914
Corporation tax	-	204,775
Other taxation and social security	217,412	204,822
Accruals and deferred income	2,006,232	2,054,921
	<u>14,715,952</u>	<u>14,502,348</u>

**16. CREDITORS:  
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2017	2016
	£	£
Accruals and deferred income	<u>38,885</u>	<u>38,885</u>

**17. DEFERRED TAX ASSET**

	2017	2016
	£	£
At beginning of year	862,760	441,911
Charged in the year (P&L)	4,192	37,370
Arising on pension revaluation	(69,155)	383,479
	<u>797,797</u>	<u>862,760</u>
At end of year	<u>797,797</u>	<u>862,760</u>

**17. DEFERRED TAX ASSET (continued)**

The deferred tax asset is made up as follows:

	2017	2016
	£	£
Accelerated capital allowances	57,958	52,754
Short term timing differences	1,377	26,428
Pension liability	738,462	783,578
	<u>797,797</u>	<u>862,760</u>

**18. SHARE CAPITAL**

	2017	2016
	£	£
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
2,014,700 Ordinary shares of £0.01 each	<u>20,147</u>	<u>20,147</u>

**19. RESERVES**

The profit and loss account represents cumulative profits and losses net of dividends paid and other adjustments.

The capital reserve represents the premium of redemption of shares.

**20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2017	2016
	£	£
Opening shareholders' funds	2,213,881	4,073,976
Profit for the financial year	834,001	1,689,068
Dividends (Note 21)	(939,412)	(1,681,643)
Other recognised gains and losses during the year	<u>320,845</u>	<u>(1,867,520)</u>
Closing shareholders' funds	<u>2,429,315</u>	<u>2,213,881</u>

**21. DIVIDENDS**



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**LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED**

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	2017	2016
	£	£
Dividends paid on equity capital	<u>939,412</u>	<u>1,681,643</u>

The directors do not propose payment of a further dividend (2016 - £nil).

## **22. PENSION COMMITMENTS**

### **Defined contribution**

The company operates several defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension costs charge represents contributions payable by the company to the funds and amounted to £370,956 (2016 - £333,343). As at 31 December 2017 and 31 December 2016, no contributions were owing to the funds.

### **Defined benefit**

The company operates a defined benefit scheme. The scheme was closed to new members subsequent to the 1 January 2001 renewal.

The Trustees are required to carry out an actuarial valuation every three years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustees as at 1 January 2015. This was updated to 31 December 2017 by a qualified independent actuary, under the terms set out by Financial Reporting Standard No 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Following the last valuation, the Company agreed to pay annual contributions of 32% of members' pensionable salaries each year (less any member contributions) to meet the cost of future service accrual. In respect of the deficit in the Scheme, the Company agreed to pay an additional £87,400 per annum for 12 years beginning in 2016. The Company therefore expects to pay around £305,000 to the Scheme during the accounting year beginning 1 January 2018.

The amounts recognised in the balance sheet are as follows:

	2017	2016
	£	£
Present value of funded obligations	(15,016,000)	(14,284,000)
Fair value of scheme assets	<u>10,838,000</u>	<u>9,852,000</u>
Deficit in scheme	<u>(4,178,000)</u>	<u>(4,432,000)</u>

The amounts recognised in the profit and loss account are as follows:

	2017	2016
	£	£
Current service cost	(258,000)	(269,000)
Administrative expenses	(64,000)	(53,000)
Net Interest	(116,000)	(79,000)
Total	<u>(438,000)</u>	<u>(401,000)</u>

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**22. PENSION COMMITMENTS (continued)**

Pension liabilities are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). The Trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme.

There are three categories of pension scheme members:

- Active members: currently employed by the Company
- Deferred members: former active members of the Company
- Pensioner members: in receipt of pension

Movements in the present value of the defined benefit obligation were as follows:

	2017 £	2016 £
Opening defined benefit obligation	14,284,000	10,644,000
Current service cost - recognised in the profit and loss account	258,000	269,000
Interest cost - recognised in the profit and loss account	374,000	409,000
Actuarial losses - recognised in the STRGL	168,000	2,975,000
Benefits paid and member contributions	<u>(68,000)</u>	<u>(13,000)</u>
Closing defined benefit obligation	<u>15,016,000</u>	<u>14,284,000</u>

Changes in the fair value of scheme assets were as follows:

	2017 £	2016 £
Opening fair value of scheme assets	9,852,000	8,547,000
Return on assets excluding interest income	558,000	724,000
Administration expenses	(64,000)	(53,000)
Interest income	258,000	330,000
Contributions by employer - not recognised in the profit and loss account	302,000	317,000
Benefits paid and member contributions	<u>(68,000)</u>	<u>(13,000)</u>
	<u>10,838,000</u>	<u>9,852,000</u>

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses was £5,301,000 (2016 - £5,691,000).

The fair value of the Scheme assets were;

	2017 £	2016 £
Equities	4,845,000	5,485,000
Bonds	892,000	1,750,000
Cash	3,481,000	967,000
Annuities	1,620,000	1,650,000
	<u>10,838,000</u>	<u>9,852,000</u>

## LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED

### 22. PENSION COMMITMENTS (continued)

	2017 £	2016 £
Interest income	258,000	330,000
Return on assets less interest	558,000	724,000
Total return on assets	<u>816,000</u>	<u>1,054,000</u>

The initial results of the most recent formal actuarial valuation as at 1 January 2015 have been updated to 31 December 2017 by a qualified independent actuary. The assumptions used were as follows:

	2017	2016
Discount rate at 31 December	2.4%	2.6%
RPI inflation	3.1%	3.3%
Future pension increases	3.0%	3.2%
Rate of increase in directors' salaries	2.5%	2.5%
Rate of increase in staff members' salaries	2.5%	2.5%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	2017	2016
Retiring today		
Males	22.4	22.7
Females	24.1	24.3
Retiring in 20 years		
Males	24.2	24.9
Females	25.3	25.8

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2017 £	2016 £	2015 £	2014 £	2013 £
Defined benefit obligation	(15,016,000)	(14,284,000)	(10,644,000)	(14,252,000)	(15,209,000)
Scheme assets	<u>10,838,000</u>	<u>9,852,000</u>	<u>8,547,000</u>	<u>11,208,400</u>	<u>15,467,400</u>
(Deficit)/surplus	<u>(4,178,000)</u>	<u>(4,432,000)</u>	<u>(2,097,000)</u>	<u>(3,043,600)</u>	<u>258,400</u>

### 23. OPERATING LEASE COMMITMENTS

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At 31 December 2017 the company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>EXPIRY DATE:</b>		
Not later than one year	<b>13,586</b>	<b>21,357</b>
Later than one year and not later than five years	<b>194,365</b>	<b>213,924</b>
Later than 5 years	<b><u>161,957</u></b>	<b><u>161,957</u></b>

**24. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company's immediate parent company is Lycetts Holdings Limited. The company's ultimate parent company is Allchurches Trust Limited. Both companies are incorporated in England & Wales.

The smallest group of which the company is a member which prepares group accounts is that headed by Lycetts Holdings Limited. Copies of these accounts can be obtained from Companies House. The largest group of which the company is a member which prepares group accounts is that headed by Allchurches Trust Limited. Copies of the accounts for Allchurches Trust Limited can be obtained from:

Allchurches Trust Limited  
Beaufort House  
Brunswick Road  
Gloucester  
GL1 1JZ

Transactions with certain group undertakings are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard 102 Section 33 on the grounds that the group undertakings that are party to the transactions are wholly owned by Allchurches Trust Limited, either directly or indirectly.