Registered number: 00706042

LYCETT, BROWNE-SWINBURNE & DOUGLASS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

COMPANY INFORMATION

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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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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

2018 has been a transformational year for our business in a number of areas all of which are designed to position us strongly for the years ahead.

Our IT systems replacement project is in the final stages of delivery after which all of our business will be administered via a single broking platform. The investment of £2.3m was driven by our determination to be able to deliver excellent client service in the future as well as to remove current unnecessary manual work in order to improve the quality of service we provide to our clients.

During 2018 we were awarded Chartered Insurance Broker status, the insurance industry's gold standard, by the CII. The award recognises only those firms demonstrating the highest standards of professionalism, capability and ethical practice and is a powerful endorsement as well as differentiator enabling us to attract and retain more clients. This achievement is testament to our ambition to be our client's most trusted adviser and the continued professional development of our people – a commitment reflected in exceptional levels of client service, advice and support delivered daily by our broking professionals.

In 2018 TCF remained at the heart of all we do as we continue to live and work in an environment where the regulation of our sector dictates many of our actions. The changes in regulations included the Insurance Distribution Directive ("IDD") and the General Data Protection Regulation ("GDPR"). We ensured we were compliant with these new regulations and that we remain compliant with existing regulations in all areas of our business".

Recruitment, training and development of our staff is critical to our success now and in the future. We have continued to invest in the long term future of our business by recruiting team members who will help develop our business and we in turn invest heavily in them through our training programme. During 2018 we recruited an additional 26 members of staff to help us deliver our growth strategy, our staff completed 7,420 hours of CPD, in addition 15 members of staff passed professional qualifications

We recognise that in the short term reinvestment of our earnings in the business has had a negative effect on our financial performance. However, we remain confident that this investment will deliver benefits in the years ahead as we build on solid foundations for future growth. Whilst investing heavily we have maintained our regulatory capital base at all times and continue to support the Group objective of providing charitable grants to Allchurches Trust Limited, our ultimate owner.

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.

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 £15,868,299 from £15,161,963 with operating loss of £140,267 compared to an operating profit of £954,821 in 2018. The 2018 results reflect a change in accounting policy to recognise profit share receivable from insurers in the year in which it is earned. Our previous policy recognised this income in the period in which it was received. The impact of this change is to increase the operating profit in 2017 by £247,168.

The company's staff costs increased from £9,295,809 to £10,652,683 reflecting the increased investment in additional staff during the year.

This report was approved by the board on 14 March 2019 and signed on its behalf.

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A C H Foster
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018. 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 loss for the year, after taxation, amounted to £168,807 (2017 – profit £1,033,589).

During the year no dividends were paid (2017 - £939,412).

The directors do not propose payment of a further dividend as at the date of this report (2017 - £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

The company has made qualifying third party indemnity provisions for the benefit of its directors which were in place throughout the year and remain in force at the date of this report.

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.

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A C H Foster
Director

14 March 2019

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 2018 and of its loss 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 25.

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. 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

14 March 2019

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	*2017 (as restated) £*
TURNOVER	1,2	**15,868,299**	*15,161,963*
Administrative expenses		**(16,038,566)**	*(14,237,142)*
Other operating income	3	**30,000**	*30,000*
OPERATING PROFIT	4	**140,267**	*954,821*
Interest receivable and similar income		**52,393**	*25,682*
Finance charges	8	**-**	*(92)*
Dividends from subsidiary undertaking		**-**	*322,740*
Other finance charges	9	**(100,000)**	*(116,000)*
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**(187,874)**	*1,187,151*
Tax on (loss) / profit on ordinary activities	10	**19,067**	*(153,562)*
(LOSS) / PROFIT FOR THE FINANCIAL YEAR	19	**(168,807)**	*1,033,589*

All amounts relate to continuing operations.

The notes on pages 15 to 29 form part of these financial statements.

STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
(LOSS) / PROFIT FOR THE FINANCIAL YEAR		**(168,807)**	*1,033,589*
Actuarial loss on defined benefit pension scheme	22	**916,000**	*(168,000)*
Actual return on assets less interest	22	**(642,000)**	*558,000*
Tax relating to components of comprehensive income	22	**(47,830)**	*(69,155)*
TOTAL COMPREHENSIVE INCOME RELATING TO THE YEAR		**57,363**	*1,354,434*

The notes on pages 15 to 29 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	£	2018 £	£	*2017 (As restated)* £
FIXED ASSETS					
Tangible assets	12		**244,277**		*272,362*
Intangible assets	11		**255,319**		*342,315*
Investments	13		**1,000**		*1,000*
			500,596		*615,677*
CURRENT ASSETS					
Debtors	14	**10,682,690**		*8,273,800*	
Cash at bank		**12,563,434**		*12,837,034*	
		23,246,124		*21,110,834*	
CREDITORS: amounts falling due within one year	15	**(16,931,109)**		*(14,787,263)*	
NET CURRENT ASSETS			**6,315,015**		*6,323,571*
TOTAL ASSETS LESS CURRENT LIABILITIES			**6,815,611**		*6,939,248*
CREDITORS: amounts falling due after more than one year	16		**(38,885)**		*(38,885)*
Provisions for liabilities	22		**(3,997,000)**		*(4,178,000)*
NET ASSETS			**2,779,726**		*2,722,363*
CAPITAL AND RESERVES					
Called up share capital	18		**20,147**		*20,147*
Capital redemption reserve	19		**1,133**		*1,133*
Profit and loss account	19		**2,758,446**		*2,701,083*
TOTAL CAPITAL EMPLOYED	20		**2,779,726**		*2,722,363*

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

M C J Hews
Director

Date: 14 March 2019

A C H Foster
Director

Date: 14 March 2019

The notes on pages 15 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called-up share capital £	Capital Redemption Reserve £	Profit and loss account £	Total £
At 31 December 2016 as previously stated	20,147	1,133	2,192,601	2,213,881
Change in accounting policy for income recognition	-	-	93,460	93,460
At 1 January 2017 as restated	20,147	1,133	2,286,061	2,307,341
Profit for the financial year	-	-	1,033,589	1,033,589
Remeasurement of net defined benefit liability	-	-	390,000	390,000
Tax relating to items of other comprehensive income	-	-	(69,155)	(69,155)
Total comprehensive income	-		1,354,434	1,354,434
Dividends paid on equity shares			(939,412)	(939,412)
At 31 December 2017	20,147	1,133	2,701,083	2,722,363
Loss for the financial year	-	-	(168,807)	(168,807)
Remeasurement of net defined benefit liability	-	-	274,000	274,000
Tax relating to items of other comprehensive income	-	-	(47,830)	(47,830)
Total comprehensive income	-	-	57,363	57,363
At 31 December 2018	20,147	1,133	2,758,446	2,779,726

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 to 5.

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 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 an independent 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

	2018 £	*2017 £*
Service charges receivable	30,000	*30,000*

4. OPERATING PROFIT

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

	2018 £	*2017 £*
Depreciation of tangible fixed assets	103,725	*132,064*
Depreciation of intangible fixed assets	128,036	*101,410*
Operating lease rentals	464,572	*439,421*
(Profit) / loss on foreign exchange	(33,562)	*14,053*

5. AUDITOR'S REMUNERATION

	2018 £	*2017 £*
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	**31,500**	*29,250*
Fees payable to the company's auditor and their associates in respect of:		
Audit-related assurance services	**19,500**	*19,000*

6. STAFF COSTS

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

	2018 £	*2017 £*
Wages and salaries	**8,888,195**	*7,855,970*
Social security costs	**729,692**	*810,883*
Other pension costs (Note 22)	**1,034,797**	*628,956*
	10,652,684	*9,295,809*

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

	2018 No.	*2017 No.*
Brokerage and administration	**197**	*173*

7. DIRECTORS' REMUNERATION

	2018 £	*2017 £*
Emoluments	**1,394,156**	*1,323,277*
Company contributions to money purchase pension scheme	**106,547**	*85,389*
Company contributions to defined benefit pension scheme	**100,326**	*97,885*
	1,601,029	*1,506,551*

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

Remuneration of the highest paid director

	2018 £	*2017 £*
Emoluments	274,032	*254,735*

8. FINANCE CHARGES

	2018	*2017*
On finance leases and hire purchase contracts	-	*92*

9. OTHER FINANCE CHARGES

	2018 £	*2017 £*
Interest income on pension scheme assets	261,000	*258,000*
Interest expense on pension scheme liabilities	(361,000)	*(374,000)*
	(100,000)	*(116,000)*

10. TAXATION ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

	2018 £	*2017 (as restated) £*
The tax charge comprises:		
CURRENT TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES		
UK corporation tax charge	7,489	*186,678*
Adjustment in respect of prior periods	-	*(28,925)*
TOTAL CURRENT TAX	7,489	*157,753*
DEFERRED TAX		
Origination and reversal of timing differences	(10,397)	*19,847*
Effect of FRS17 timing differences	(16,159)	*(24,038)*
TOTAL DEFERRED TAX (see note 17)	(26,556)	*(4,191)*
TAX ON PROFIT ON ORDINARY ACTIVITIES	(19,067)	*153,562*

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

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

The tax assessed for the year is lower than *(2017 - lower than)* the standard rate of corporation tax in the UK of 19% *(2017 – 19.25%)*. The differences are explained below:

	2018 £	*2017 (as restated) £*
(Loss) / profit on ordinary activities before tax	**(187,874)**	*1,187,151*
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% *(2017 – 19.25%)*	**(35,697)**	*228,527*
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**15,978**	*16,573*
Dividends from UK companies	**-**	*(62,127)*
Effect of change of rate of deferred tax	**652**	*(486)*
Adjustment in respect of prior periods	**-**	*(28,925)*
CURRENT TAX (CREDIT) / CHARGE FOR THE YEAR (see note above)	**(19,067)**	*153,562*

11. INTANGIBLE FIXED ASSETS

	Software £	Goodwill £	Total £
COST			
At 1 January 2018	730,131	2,733,894	3,464,025
Additions	41,040	-	41,040
At 31 December 2018	771,171	2,733,894	3,505,065
DEPRECIATION			
At 1 January 2018	387,816	2,733,894	3,121,710
Charge for the year	128,036	-	128,036
At 31 December 2018	515,852	2,733,894	3,249,746
NET BOOK VALUE			
At 31 December 2018	255,319	-	255,319
At 31 December 2017	*342,315*	*-*	*342,315*

12. TANGIBLE FIXED ASSETS

	S/Term Leasehold Property £	Office equipment £	Computer equipment £	Total £
COST				
At 1 January 2018	206,504	200,993	967,226	1,374,723
Additions	52,841	12,441	10,358	75,640
At 31 December 2018	259,345	213,434	977,584	1,450,363
DEPRECIATION				
At 1 January 2018	134,821	168,034	799,506	1,102,361
Charge for the year	21,670	9,269	72,786	103,725
At 31 December 2018	156,491	177,303	872,292	1,206,086
NET BOOK VALUE				
At 31 December 2018	102,854	36,131	105,292	244,277
At 31 December 2017	*71,683*	*32,959*	*167,720*	*272,362*

13. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
COST OR VALUATION	
At 1 January and 31 December 2018	1,000

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	2018 £	*2017 £*
Lycetts Financial Services Limited	Ordinary	100%	1,000	*1,000*

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

14. DEBTORS

	2018 £	2017 (as restated) £
Trade debtors	7,678,081	6,123,792
Amounts owed by group undertakings	1,389,005	960,637
Other debtors	1,120	1,120
Prepayments and accrued income	760,859	309,119
Corporation tax	77,102	81,335
Deferred tax asset (see note 17)	776,523	797,797
	10,682,690	8,273,800

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 (as restated) £
Trade creditors	13,069,640	11,066,152
Amounts owed to group undertakings	1,515,752	1,588,467
Other taxation and social security	264,879	217,412
Accruals and deferred income	2,080,838	2,006,232
	16,931,109	14,787,263

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

	2018 £	2017 £
Accruals and deferred income	38,885	38,885

17. DEFERRED TAX ASSET

	2018 £	2017 £
At beginning of year	797,797	862,760
Charged in the year (P&L)	26,556	4,192
Arising on pension revaluation	(47,830)	(69,155)
At end of year	776,523	797,797

17. DEFERRED TAX ASSET (continued)

The deferred tax asset is made up as follows:

	2018	2017
	£	£
Accelerated capital allowances	71,196	57,958
Short term timing differences	10,849	1,377
Pension liability	694,478	738,462
	776,523	797,797

18. SHARE CAPITAL

	2018	2017
	£	£
ALLOTTED, CALLED UP AND FULLY PAID		
2,014,700 Ordinary shares of £0.01 each	20,147	20,147

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

	2018	2017 (as restated)
	£	£
Opening shareholders' funds	2,722,363	2,307,341
(Loss) / profit for the financial year	(168,807)	1,033,589
Dividends (Note 21)	-	(939,412)
Other recognised gains and losses during the year	226,170	320,845
Closing shareholders' funds	2,779,726	2,722,363

21. DIVIDENDS

	2018	2017
	£	£
Dividends paid on equity capital	-	939,412

The directors do not propose payment of a further dividend (2017 - £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 £934,797 (2017 - £641,522). As at 31 December 2018 and 31 December 2017, 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 2018 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 £311,000 to the Scheme during the accounting year beginning 1 January 2019.

The amounts recognised in the balance sheet are as follows:

	2018	2017
	£	£
Present value of funded obligations	(14,543,000)	(15,016,000)
Fair value of scheme assets	10,546,000	10,838,000
Deficit in scheme	(3,997,000)	(4,178,000)

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

	2018	2017
	£	£
Current service cost	(301,000)	(258,000)
Administrative expenses	(56,000)	(64,000)
Net Interest	(100,000)	(116,000)
Total	(457,000)	(438,000)

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:

	2018 £	2017 £
Opening defined benefit obligation	15,016,000	14,284,000
Current service cost - recognised in the profit and loss account	301,000	258,000
Interest cost - recognised in the profit and loss account	361,000	374,000
Actuarial losses - recognised in the STRGL	(916,000)	168,000
Benefits paid and member contributions	(219,000)	(68,000)
Closing defined benefit obligation	14,543,000	15,016,000

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

	2018 £	2017 £
Opening fair value of scheme assets	10,838,000	9,852,000
Return on assets excluding interest income	(642,000)	558,000
Administration expenses	(56,000)	(64,000)
Interest income	261,000	258,000
Contributions by employer - not recognised in the profit and loss account	364,000	302,000
Benefits paid and member contributions	(219,000)	(68,000)
	10,546,000	10,838,000

The fair value of the Scheme assets were;

	2018 £	2017 £
Equities	5,785,000	4,845,000
Bonds	1,025,000	892,000
Cash	2,164,000	3,481,000
Annuities	1,572,000	1,620,000
	10,546,000	10,838,000

22. PENSION COMMITMENTS (continued)

	2018 £	2017 £
Interest income	261,000	258,000
Return on assets less interest	(642,000)	558,000
Total return on assets	(381,000)	816,000

The initial results of the most recent formal actuarial valuation as at 1 January 2015 have been updated to 31 December 2018 by a qualified independent actuary. The assumptions used were as follows:

	2018	2017
Discount rate at 31 December	2.7%	2.4%
RPI inflation	3.1%	3.1%
Future pension increases	3.0%	3.0%
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:

	2018	2017
Retiring today		
Males	22.0	22.5
Females	24.0	24.1
Retiring in 20 years		
Males	23.0	24.3
Females	25.2	25.3

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

Defined benefit pension schemes

	2018 £	2017 £	2016 £	2015 £	2014 £
Defined benefit obligation	(14,543,000)	(15,016,000)	(14,284,000)	(10,644,000)	(14,252,000)
Scheme assets	10,546,000	10,838,000	9,852,000	8,547,000	11,208,400
Deficit	(3,997,000)	(4,178,000)	(4,432,000)	(2,097,000)	(3,043,600)

23. OPERATING LEASE COMMITMENTS

At 31 December 2018 the company had commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2018	*2017*
	£	*£*
EXPIRY DATE:		
Not later than one year	**356,397**	*369,907*
Later than one year and not later than five years	**873,788**	*572,175*
Later than 5 years	**596,585**	*379,393*

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.

25. CHANGE IN ACCOUNTING POLICY

During the year the company changed its accounting policy in respect of the recognition of profit share receivable from insurers. Profit share is now recognised in the year in which it is earned to the extent that is can be measured with reasonable certainty. This has been accounted for as a prior year adjustment with comparative amounts adjusted accordingly.

Reconciliation of profit for the year ended 31 December 2017

	2017
	£
Profit for the financial year as originally stated	834,001
Revision of profit share recognition (net of tax)	199,588
As restated	1,033,589

25. CHANGE IN ACCOUNTING POLICY (continued)

Reconciliation of equity

	At 1 January 2017	At 31 December 2017 £
Equity as originally stated	2,213,881	2,429,315
Revision of profit share recognition (net of tax)	93,460	293,048
As restated	2,307,341	2,722,363