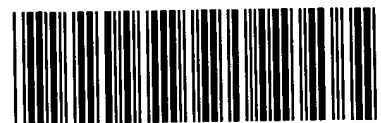


LYCETTS HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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LYCETTS HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS

M C J Hews
K S Jones (resigned 10 September 2015)
A C Keate
E R Nicholl (resigned 15 May 2015)
E G Creasy (appointed 25 February 2015)
I G Campbell (appointed 10 September 2015)

COMPANY SECRETARY R J Hall

REGISTERED NUMBER 05866203

REGISTERED OFFICE Milburn House
Dean Street
NE1 1PP

INDEPENDENT AUDITOR Deloitte LLP
Chartered Accountants & Statutory Auditors
London

LYCETTS HOLDINGS LIMITED

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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

INTRODUCTION

Throughout the year the group continued to carry on the business of an insurance broker, and pensions and other financial services consultant.

The group operates from offices throughout the UK. During the year the branch in Dublin was closed.

BUSINESS REVIEW

During 2015 we have made progress on a number of business objectives. These include;

- The decision to migrate all our general insurance IT systems across onto one platform
- We opened an office in Sedbury
- Four more members of staff became Chartered Insurers
- Cliverton renewals transacted online

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 and therefore good compliance is key to the operation of our businesses. Over the next 12 months we will see the introduction of amongst other things the Insurance Act and a new Lloyds/FCA complaints reporting regime. No doubt there will be many other changes which influence our day to day working.

Throughout 2015 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 and four individuals became ACII qualified last year. Lycetts are committed to achieving Chartered Insurer and Adviser status for the whole group.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive risks

With the world's economies recovering slowly from, or remaining in recession, only a small improvement in the company's trading conditions is forecast in the current financial year. 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 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 even, 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.

LYCETTS HOLDINGS LIMITED

GROUP STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

Financial risks

The company's main area of risk is liquidity risk. Liquidity risk is the risk that an entity 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 group's key performance indicators for the period were turnover, operating profit and staff costs.

During the year the group's turnover was £18.9m (2014 - £19.3m) reflecting the continued competition in the market.

The group's operating profit decreased marginally from £1.998m to £1.990m in line with the decrease in turnover.

The group's staff costs decreased from £11.36m to £11.28m reflecting the underlying business performance.


FUTURE DEVELOPMENTS

The group is looking for further growth and will continue its investment in New Business initiatives, additional staff and further IT development. Over the next 12-24 months the group intends to standardise IT systems across all

LYCETTS HOLDINGS LIMITED

its businesses to provide enhanced management and business information to support its growth strategy. The overall aim is to support the Ecclesiastical Insurance group's objective of becoming the most trusted financial services group.

This report was approved by the board on 21 April 2016 and signed on its behalf.


.....
A C Keate
Director

LYCETTS HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015. These accounts have been presented in accordance with FRS 102 which represents a change in UK GAAP. Further details are included in note 29 of these accounts.

Details of principle risks and uncertainties and future prospects are included in the Strategic Report.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the group strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 the group and of the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,285,723 (2014 - £1,609,192).

The directors do not propose the payment of a dividend (2014 - £nil). During the year no dividends were paid (2014 - £4,669,375).

DIRECTORS

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

M C J Hews

K S Jones (resigned 10 September 2015)

A C Keate

E R Nicholl (resigned 15 May 2015)

E G Creasy (appointed 25 February 2015)

I G Campbell (appointed 10 September 2015)

LYCETTS HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

DISCLOSURE OF INFORMATION TO 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

AUDITOR

The auditor, Deloitte LLP, was appointed in the year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



.....
A C Keate
Director

Date: 21 April 2016

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LYCETTS HOLDINGS LIMITED

We have audited the financial statements of Lycetts Holdings Limited for the year ended 31 December 2015, which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Comprehensive Income, the Consolidated Balance Sheet, the Company Balance sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

LYCETTS HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LYCETTS HOLDINGS LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Paul Stephenson BA FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London

21 April 2016

LYCETTS HOLDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015**

		2015	2014
	Note	£	(as restated see note 29) £
TURNOVER: group and share of joint ventures	1,2		
Continuing operations		18,928,073	19,334,256
Discontinued operations		86,848	-
Joint ventures' discontinued operations		<u>-</u>	<u>163,000</u>
		19,014,921	19,497,256
Less: share of joint ventures' turnover		<u>-</u>	<u>(163,000)</u>
GROUP TURNOVER		<u>19,014,921</u>	<u>19,334,256</u>
Administrative expenses – continuing		(17,044,173)	(17,421,683)
Administrative expenses – discontinued		(42,908)	-
Other operating income	3	<u>61,710</u>	<u>187,500</u>
OPERATING PROFIT	4	1,989,550	2,100,073
Share of operating loss in joint ventures		<u>-</u>	<u>(102,000)</u>
TOTAL OPERATING PROFIT		1,989,550	1,998,073
(Loss) / profit on disposal of investments		(34,327)	86,400
Interest receivable and similar income		47,340	73,483
Interest payable and similar charges	8	(5,285)	(1,003)
Other finance income	9	<u>(113,000)</u>	<u>45,000</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,884,278	2,201,953
Tax on profit on ordinary activities	10	<u>(598,555)</u>	<u>(592,761)</u>
PROFIT FOR THE FINANCIAL YEAR	19	<u>1,285,723</u>	<u>1,609,192</u>

The notes on pages 16 to 36 form part of these financial statements.

LYCETTS HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

		2015	2014
	Note	£	(as restated see note 29) £
PROFIT FOR THE FINANCIAL YEAR		1,285,723	1,609,192
Actuarial gain / (loss) related to pension scheme	25	1,237,000	(3,503,000)
Actual return on assets less interest		(238,000)	57,000
Tax relating to components of comprehensive income	25	<u>(233,863)</u>	<u>680,890</u>
TOTAL COMPREHENSIVE INCOME RELATING TO THE YEAR		<u><u>2,050,860</u></u>	<u><u>(1,155,918)</u></u>

The notes on pages 16 to 36 form part of these financial statements.

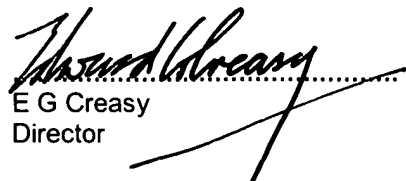
LYCETTS HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

			2015	2014 (as restated see note 29)
	Note	£	£	£
FIXED ASSETS				
Intangible assets	11		2,142,483	3,040,767
Tangible assets	12		862,685	963,542
			3,005,168	4,004,309
CURRENT ASSETS				
Debtors	14	7,302,019	8,249,589	
Cash at bank		<u>15,658,234</u>	<u>12,913,176</u>	
		22,960,253	21,162,765	
CREDITORS: amounts falling due within one year	15	<u>(15,573,182)</u>	<u>(15,784,986)</u>	
NET CURRENT ASSETS			<u>7,387,071</u>	<u>5,377,779</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			10,392,239	9,382,088
CREDITORS: amounts falling due after more than one year	16	<u>(34,867)</u>	<u>(128,976)</u>	
Provisions for liabilities	25	<u>(2,097,000)</u>	<u>(3,043,600)</u>	
NET ASSETS			<u>8,260,372</u>	<u>6,209,512</u>
CAPITAL AND RESERVES				
Called up share capital	18	27,422	27,422	
Share premium account	19	1,618,286	1,618,286	
Capital redemption reserve	19	1,133	1,133	
Other reserves	19	3,599,243	3,599,243	
Profit and loss account	19	<u>3,014,288</u>	<u>963,428</u>	
TOTAL CAPITAL EMPLOYED	20	<u>8,260,372</u>	<u>6,209,512</u>	

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 April 2016


A C Keate
Director


E G Creasy
Director

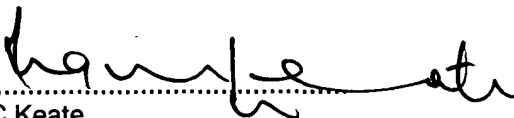
The notes on pages 16 to 36 form part of these financial statements.


LYCETTS HOLDINGS LIMITED

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015**

	Note	£	2015 £	£	2014 £
FIXED ASSETS					
Intangible assets	11		54,734		273,657
Tangible assets	12		460,771		473,843
Investments	13		<u>5,242,101</u>		<u>6,827,786</u>
			5,757,606		7,575,286
CURRENT ASSETS					
Debtors	14	3,250		3,250	
Investments		-		30,002	
Cash at bank		<u>73,263</u>		<u>66,477</u>	
		76,513		99,729	
CREDITORS: amounts falling due within one year	15	<u>(400,005)</u>		<u>(2,035,540)</u>	
NET CURRENT LIABILITIES			<u>(323,492)</u>		<u>(1,935,811)</u>
NET ASSETS			<u>5,434,114</u>		<u>5,639,475</u>
CAPITAL AND RESERVES					
Called up share capital	18		27,422		27,422
Share premium account	19		5,212,653		5,212,653
Profit and loss account	19		<u>194,039</u>		<u>399,400</u>
TOTAL CAPITAL EMPLOYED	20		<u>5,434,114</u>		<u>5,639,475</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 April 2016


A C Keate
Director


E G Creasy
Director

The notes on pages 16 to 36 form part of these financial statements.

LYCETTS HOLDINGS LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	2014 £
Net cash flow from operating activities	22	3,219,676	3,362,930
Returns on investments and servicing of finance	23	42,055	72,480
Taxation		(392,876)	(914,959)
Capital expenditure and financial investment	23	(123,797)	(350,941)
Acquisitions and disposals	23	-	(1,764,643)
Equity dividends paid		-	(4,669,375)
CASH INFLOW /(OUTFLOW) BEFORE FINANCING		2,745,058	(4,264,508)
Financing	23	-	(12,907)
INCREASE / (DECREASE) IN CASH IN THE YEAR		2,745,058	(4,277,415)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015 £	2014 £
Increase / (decrease) in cash in the year	2,745,058	(4,277,415)
Cash outflow from decrease in debt and lease financing	-	12,907
MOVEMENT IN NET FUNDS IN THE YEAR	2,745,058	(4,264,508)
Net funds at 1 January 2015	12,913,176	17,177,684
NET FUNDS AT 31 DECEMBER 2015	15,658,234	12,913,176

The notes on pages 14 to 35 form part of these financial statements.

LYCETTS HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015**

	Called-up share capital £	Share Premium Account £	Capital Redemption Reserve £	Other Reserves £	Profit and loss account £	Total £
At 31 December 2013 as previously stated	27,422	1,618,286	1,133	3,599,243	6,807,961	12,054,045
Changes on transition to FRS 102 (see note 29)	-	-	-	-	(19,240)	(19,240)
At 1 January 2014 as restated	27,422	1,618,286	1,133	3,599,243	6,788,721	12,034,805
Profit for the financial year	-	-	-	-	1,609,192	1,609,192
Remeasurement of net defined benefit liability	-	-	-	-	(3,503,000)	(3,503,000)
Actual return on assets less interest	-	-	-	-	57,000	57,000
Tax relating to items of other comprehensive income	-	-	-	-	680,890	680,890
Total comprehensive income	-	-	-	-	(1,155,918)	(1,155,918)
Dividends paid on equity shares	-	-	-	-	(4,669,375)	(4,669,375)
At 31 December 2014	27,422	1,618,286	1,133	3,599,243	963,428	6,209,512
Profit for the financial year	-	-	-	-	1,285,723	1,285,723
Remeasurement of net defined benefit liability	-	-	-	-	1,237,000	1,237,000
Actual return on assets less interest	-	-	-	-	(238,000)	(238,000)
Tax relating to items of other comprehensive income	-	-	-	-	(233,863)	(233,863)
Total comprehensive income	-	-	-	-	2,050,860	2,050,860
Dividends paid on equity shares	-	-	-	-	-	-
At 31 December 2015	<u>27,422</u>	<u>1,618,286</u>	<u>1,133</u>	<u>3,599,243</u>	<u>3,014,288</u>	<u>8,260,372</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2015**

	Called-up share capital £	Share Premium Account £	Profit and loss account £	Total £
At 31 December 2013 as previously stated	27,422	5,212,653	(140,128)	5,099,947
Changes on transition to FRS 102 (see note 29)	-	-	-	-
At 1 January 2014 as restated	27,422	5,212,653	(140,128)	5,099,947
Profit for the financial year	-	-	5,208,903	5,208,903
Total comprehensive income	-	-	5,208,903	5,208,903
Dividends paid on equity shares	-	-	(4,669,375)	(4,669,375)
At 31 December 2014	27,422	5,212,653	399,400	5,639,475
Loss for the financial year	-	-	(205,361)	(205,361)
Total comprehensive income	-	-	(205,361)	(205,361)
Dividends paid on equity shares	-	-	-	-
At 31 December 2015	<u>27,422</u>	<u>5,212,653</u>	<u>194,039</u>	<u>5,434,114</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

Lycetts Holdings 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 director's report on pages 5 and 6.

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 prior year financial statements were restated for adjustments on adoption of FRS 102 in the current year. For more information see note 29.

The Group'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 directors' report also describes the financial position of the company.

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

1.2 BASIS OF CONSOLIDATION

The financial statements consolidate the accounts of Lycetts Holdings Limited and all of its subsidiary undertakings ('subsidiaries').

The results of subsidiaries acquired during the year are included from the effective date of acquisition.

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

1.3 TURNOVER

It is impracticable to devise accounting policies which consistently match revenues from brokerage with the related expenses. Accordingly, the following bases are adopted:

a. Turnover - brokerage

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

b. Pensions and other financial services activity

Turnover comprises revenue recognised in respect of commission and fees.

Credit is taken for commission when the commission is earned. Credit is taken for fees earned as they are raised.

c. Bloodstock agency

Turnover comprises commissions and fees recognised at the point of supply of the service.

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.

Intangible assets include computer software which is amortised over 4 years.

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:

Freehold property	-	2% on a straight line basis
Short term leasehold property	-	over the period of the lease
Motor vehicles	-	25% on a straight line basis
Fixtures & fittings	-	20% on a straight line basis
Office equipment	-	10% on a straight line basis
Computer equipment	-	20% and 25% on straight line basis

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

(i) **Subsidiary undertakings**

Investments in subsidiaries are valued at cost less provision for impairment. Investments intended to be held for at least more than one year are classified as fixed. All other investments are classified as current.

(ii) **Joint venture undertakings**

Investments in joint ventures are stated at the company's share of net assets. The company's share of the profits or losses of the joint ventures is included in the profit and loss account using the equity accounting basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1.7 LEASING AND HIRE PURCHASE

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

1.8 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 recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.9 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.

1.10 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.

1.11 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1.12 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 directors' 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 group's business activities is provided within the group strategic review. In addition, the group strategic review discloses the group's principal risks and uncertainties, including exposure to competitive, legislative and financial risk. The group 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 group is well placed to manage its business risks successfully and continue in existence for the foreseeable future.

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.

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.

LYCETTS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

2. TURNOVER

The whole of the turnover and profit before taxation is attributable to the group's principal activities, that of being an insurance broker, pensions and other financial services consultant and bloodstock agent, and is wholly attributable to the UK and Ireland.

3. OTHER OPERATING INCOME

	2015 £	2014 £
Income from disposal of operations	<u>61,710</u>	<u>187,500</u>

4. OPERATING PROFIT

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

	2015 £	2014 £
Amortisation - intangible fixed assets	900,343	1,033,110
Depreciation of tangible fixed assets:	218,744	224,910
Operating lease rentals:		
- other operating leases	530,445	430,755
Difference on foreign exchange	<u>17,601</u>	<u>(7,720)</u>

5. AUDITOR'S REMUNERATION

	2015 £	2014 £
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	5,000	5,500
Fees payable to the company's auditor and their associates in respect of:		
The auditing of accounts of associates of the company	40,000	41,165
Audit-related assurance services	5,000	14,475
Taxation compliance services	<u>-</u>	<u>6,100</u>
	2015 £	2014 £
Fees payable to the company's auditor and its associates in connection with the company's pension scheme(s) in respect of:		
The auditing of accounts of the scheme(s)	-	2,850
All non-audit services not included above	<u>-</u>	<u>350</u>

Prior year figures relate to the company's previous auditors who have remained auditors for the company's pension scheme.

LYCETTS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

6. STAFF COSTS

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

	2015 £	2014 £
Wages and salaries	9,803,010	9,680,470
Social security costs	812,870	1,033,097
Other pension costs (Note 25)	659,812	646,246
	<u>11,275,692</u>	<u>11,359,813</u>

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

	2015 No.	2014 No.
Brokerage & management	<u>238</u>	<u>241</u>

7. DIRECTORS' REMUNERATION

	2015 £	2014 £
Emoluments	312,420	318,213
Company contributions to defined benefit pension scheme	31,724	31,724
	<u>344,144</u>	<u>349,937</u>

During the year retirement benefits were accruing to 1 director (2014 - 1) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to 1 director (2014 - 1) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £272,587 (2014 - £287,635).

3 directors of the company perform duties in respect of other group companies and were remunerated by those companies.

LYCETTS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

8. FINANCE CHARGES

	2015 £	2014 £
On bank loans and overdrafts	-	462
On finance leases and hire purchase contracts	5,285	541
	<u>5,285</u>	<u>1,003</u>

9. OTHER FINANCE INCOME

	2015 £	2014 £
Expected return on pension scheme assets	396,000	630,000
Interest on pension scheme liabilities	(509,000)	(585,000)
	<u>(113,000)</u>	<u>45,000</u>

10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2015 £	2014 £
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The tax charge comprises;

CURRENT TAX ON PROFIT ON ORDINARY ACTIVITIES (see note below)

UK corporation tax charge on profit for the year	620,473	701,231
Adjustments in respect of prior periods	-	(88,640)
	<u>620,473</u>	<u>612,591</u>
Share of joint ventures' current tax	-	(22,000)
	<u>620,473</u>	<u>590,591</u>

TOTAL CURRENT TAX**DEFERRED TAX**

Origination and reversal of timing differences	(21,918)	(10,568)
Effect of FRS17 timing differences	-	12,738
	<u>(21,918)</u>	<u>2,170</u>
TOTAL DEFERRED TAX (see note 17)	<u>(21,918)</u>	<u>2,170</u>
TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>598,555</u>	<u>592,761</u>

LYCETTS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

A change in the UK standard rate of corporation tax from 21% to 20% became effective from 1 April 2015. Where appropriate, current tax has been provided at the blended rate of 20.25% (2014: 21.5%). A further reduction in the rate of corporation tax to 19% will become effective from April 2017, reducing again to 18% effective from April 2020. Deferred tax has been provided at the rate of 20% (2014: 20%).

The tax assessed for the year is higher than (2014 - *higher than*) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	<u>1,884,278</u>	<u>2,201,953</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	381,566	473,420
EFFECTS OF:		
Non-tax deductible amortisation of goodwill and impairment	194,293	195,793
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	12,841	32,568
Capital allowances for the year lower than depreciation	-	12,525
Adjustments to tax charge in respect of prior periods	-	(46,148)
Short term timing difference leading to an decrease in taxation	1,425	(493)
Effect of FRS17 timing differences	-	(56,183)
Non-taxable income	-	(18,570)
Other differences leading to an increase in the tax charge	8,430	-
Marginal relief	-	(151)
CURRENT TAX CHARGE FOR THE YEAR (see note above)	<u>598,555</u>	<u>592,761</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The group has estimated tax losses of £NIL (2014 - £NIL) available for carry forward against future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

11. INTANGIBLE FIXED ASSETS

GROUP	Software £	Goodwill £	Total £
COST			
At 1 January 2015	234,524	12,920,319	13,154,843
Additions	<u>32,423</u>	<u>-</u>	<u>32,423</u>
At 31 December 2015	<u>266,947</u>	<u>12,920,319</u>	<u>13,187,266</u>
DEPRECIATION			
At 1 January 2015	193,096	9,920,980	10,114,076
Charge for the year	<u>30,364</u>	<u>900,343</u>	<u>930,707</u>
At 31 December 2015	<u>223,460</u>	<u>10,821,323</u>	<u>11,044,783</u>
NET BOOK VALUE			
At 31 December 2015	<u>43,487</u>	<u>2,098,996</u>	<u>2,142,483</u>
At 31 December 2014	<u>41,428</u>	<u>2,999,339</u>	<u>3,040,767</u>
COMPANY			Goodwill £
COST			
At 1 January 2015 and 31 December 2015			<u>4,872,214</u>
AMORTISATION			
At 1 January 2015			4,598,557
Charge for the year			<u>218,923</u>
At 31 December 2015			<u>4,817,480</u>
NET BOOK VALUE			
At 31 December 2015			<u>54,734</u>
At 31 December 2014			<u>273,657</u>

LYCETTS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

12. TANGIBLE FIXED ASSETS

GROUP	Freehold property £	S/Term Leasehold Property £	Motor vehicles £	Fixtures & fittings £
COST				
At 1 January 2015	653,582	163,332	59,580	802
Additions	-	-	31,602	-
Disposals	-	-	-	(802)
At 31 December 2015	<u>653,582</u>	<u>163,332</u>	<u>91,182</u>	<u>-</u>
DEPRECIATION				
At 1 January 2015	179,739	81,607	14,547	802
Charge for the year	13,132	16,383	25,031	-
On Disposals	-	-	-	(802)
At 31 December 2015	<u>192,871</u>	<u>97,990</u>	<u>39,578</u>	<u>-</u>
NET BOOK VALUE				
At 31 December 2015	<u>460,771</u>	<u>65,342</u>	<u>51,604</u>	<u>-</u>
At 31 December 2014	<u>473,843</u>	<u>81,725</u>	<u>45,033</u>	<u>-</u>

GROUP	Office equipment £	Computer equipment £	Total £
COST			
At 1 January 2015	408,061	754,586	2,039,943
Additions	9,236	50,536	91,374
Disposals	-	(5,882)	(6,684)
At 31 December 2015	<u>417,297</u>	<u>799,240</u>	<u>2,124,633</u>
DEPRECIATION			
At 1 January 2015	233,930	565,776	1,076,401
Charge for the year	49,834	84,012	188,272
On Disposals	-	(1,983)	(2,785)
At 31 December 2015	<u>283,764</u>	<u>647,745</u>	<u>1,261,948</u>
NET BOOK VALUE			
At 31 December 2015	<u>133,533</u>	<u>151,495</u>	<u>862,685</u>
At 31 December 2014	<u>174,131</u>	<u>188,810</u>	<u>963,542</u>

LYCETTS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Freehold property £
COMPANY	
COST	
At 1 January 2015 and 31 December 2015	<u>653,582</u>
DEPRECIATION	
At 1 January 2015	179,739
Charge for the year	<u>13,072</u>
At 31 December 2015	<u>192,811</u>
NET BOOK VALUE	
At 31 December 2015	<u>460,771</u>
At 31 December 2014	<u>473,843</u>

13. FIXED ASSET INVESTMENTS**SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the group:

Name	Class of shares	Holding
Lycett, Browne-Swinburne & Douglass Limited	Ordinary	100%
Lycetts Financial Services Limited	Ordinary	100%
Farmers & Mercantile Insurance Brokers Limited	Ordinary	100%

Name	Business	Registered office
Lycett, Browne-Swinburne & Douglass Limited	Insurance broking	England and Wales
Lycetts Financial Services Limited	Life assurance broker and pensions and other financial consultant	England and Wales
Farmers & Mercantile Insurance Brokers Limited	Insurance broker	England and Wales

LYCETTS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

COMPANY	Investments in subsidiary companies £	Total £
COST OR VALUATION		
At 1 January 2015	10,019,275	10,019,275
Disposals	(121,558)	(121,558)
	<u>9,897,717</u>	<u>9,897,717</u>
At 31 December 2015		
	<u>9,897,717</u>	<u>9,897,717</u>
IMPAIRMENT		
At 1 January 2015 and 31 December 2015	<u>3,191,489</u>	<u>3,191,489</u>
NET BOOK VALUE		
At 31 December 2015	<u>6,706,228</u>	<u>6,706,228</u>
At 31 December 2014	<u>6,827,786</u>	<u>6,827,786</u>

Details of the principal subsidiaries can be found under note number 30. On 27 April 2015 the Company sold its investment in Highflyer Bloodstock Agency Limited for total proceeds amounting to £163,671 which comprised sale proceeds of £1,000 and dividends of £162,671. In the period up to the date of disposal, Highflyer Bloodstock Agency Limited generated turnover of £86,848 and a profit after taxation of £34,326. During the year the following dormant subsidiaries were dissolved:

Lycetts Limited
Hydra House Limited
Lycetts Hamilton Limited
Farmdirect Insurance Services Limited
Farmers & Mercantile Insurance Brokers (York) Limited

14. DEBTORS

	GROUP		COMPANY	
	2015	2014 (as restated see note 29)	2015	2014
	£	£	£	£
Trade debtors	6,435,490	7,038,125	-	-
Amounts owed by group undertakings	-	-	-	-
Other debtors	7,420	7,425	-	-
Prepayments and accrued income	405,229	529,715	3,250	3,250
Deferred tax asset (see note 17)	453,880	674,324	-	-
	<u>7,302,019</u>	<u>8,249,589</u>	<u>3,250</u>	<u>3,250</u>

LYCETTS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	£	£	£	£
Trade creditors	12,648,887	12,836,998	-	-
Amounts owed to group undertakings	-	-	384,004	2,011,436
Corporation tax	277,306	71,627	-	8,104
Other taxation and social security	444,956	442,154	-	-
Other creditors	-	253,323	-	-
Accruals and deferred income	2,202,033	2,180,884	16,001	16,000
	<u>15,573,182</u>	<u>15,784,986</u>	<u>400,005</u>	<u>2,035,540</u>

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	£	£	£	£
Accruals and deferred income	<u>34,867</u>	<u>128,976</u>	<u>-</u>	<u>-</u>

17. DEFERRED TAXATION

	GROUP		COMPANY	
	2015	2014	2015	2014
	£	£	£	£
At beginning of year	674,324	606,756	-	-
Released during/(charge for) the year (P&L)	13,419	10,568	-	-
Released during / (charge for) the year (Comprehensive income)	(233,863)	57,000	-	-
At end of year	<u>453,880</u>	<u>674,324</u>	<u>-</u>	<u>-</u>

LYCETTS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

The deferred taxation balance is made up as follows:

	GROUP		COMPANY	
	2015	2014	2015	2014
	£	£	£	£
Short term timing differences	40,747	35,772	-	-
Taxation deferred by capital allowances	48,660	29,832	-	-
Pension liability	364,473	608,720	-	-
	<u>453,880</u>	<u>674,324</u>	<u>-</u>	<u>-</u>

18. SHARE CAPITAL

	2015	2014
	£	£
ALLOTTED, CALLED UP AND FULLY PAID		
2,742,210- Ordinary shares of £0.01 each	<u>27,422</u>	<u>27,422</u>

19. RESERVES

The share premium reserve contains the premium arising on issue of equity shares.

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

Other reserves is a capital reserve which represents the difference between the cost of acquisition of the minority holding in the subsidiary Lycetts Limited and the net asset value of that minority interest when acquired.

The merger reserve represents the premium on shares issued to shareholders of Hydra House Limited and Carroll Foley Lloyds Limited as part of the consideration for their shares.

20. COMPANY PROFIT AND LOSS ACCOUNT

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account.

The loss for the year dealt with in the accounts of the company was £205,360 (2014 - £5,208,903 profit).

LYCETTS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

21. DIVIDENDS

	2015 £	2014 £
Dividends paid on equity capital	<u>-</u>	<u>4,669,375</u>

The directors do not propose the payment of a dividend (2014 - nil).

22. NET CASH FLOW FROM OPERATING ACTIVITIES

	2015 £	2014 £
Profit before interest and taxation	1,842,223	2,201,953
Amortisation of intangible fixed assets	930,707	1,033,110
Depreciation of tangible fixed assets	188,332	224,910
Loss / (profit) on disposal of tangible fixed assets	3,899	(1,600)
Decrease in debtors	947,570	503,943
Decrease in creditors	(417,483)	(470,386)
(Decrease)/increase in long term creditors	(275,572)	(129,000)
	<u>3,219,676</u>	<u>3,362,930</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES		

23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2015 £	2014 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	47,340	73,483
Interest paid	(5,285)	(462)
Hire purchase interest	-	(541)
	<u>42,055</u>	<u>72,480</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		

LYCETTS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015 £	2014 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of intangible fixed assets	(32,423)	-
Purchase of tangible fixed assets	(91,374)	(352,541)
Sale of tangible fixed assets	-	1,600
	<u> </u>	<u> </u>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	<u>(123,797)</u>	<u>(350,941)</u>

	2015 £	2014 £
ACQUISITIONS AND DISPOSALS		
Purchase of shares in group undertakings	-	(2,161,443)
Sale of share in joint venture	-	396,800
	<u> </u>	<u> </u>
NET CASH INFLOW / (OUTFLOW) FROM ACQUISITIONS AND DISPOSALS	<u>-</u>	<u>(1,764,643)</u>

	2015 £	2014 £
FINANCING		
Repayment of finance leases	<u>-</u>	<u>(12,907)</u>

24. ANALYSIS OF CHANGES IN NET FUNDS

	1 January 2015 £	Cash flow £	31 December 2015 £
Cash at bank and in hand	12,913,176	2,745,058	15,658,234
	<u> </u>	<u> </u>	<u> </u>
NET FUNDS	<u>12,913,176</u>	<u>2,745,058</u>	<u>15,658,234</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

25. PENSION COMMITMENTS

Defined contribution

The group operates several defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension costs charge represents contributions payable by the group to the funds and amounted to £281,812 (2014 - £363,246). As at 31 December 2015 £nil (2014 - £10,331) was owing to the funds.

Defined benefit

The group operates a defined benefit scheme. The scheme was closed to new members subsequent to the 1 January 2011 renewal. A full actuarial valuation is carried out every three years by a qualified independent actuary, with the last valuation being as at 1 January 2012. This was updated to 31 December 2015 by a qualified independent actuary, under the terms set out by Financial Reporting Standard No 17 "Retirement Benefits".

The amounts recognised in the balance sheet are as follows:

	2015 £	2014 £
Present value of funded obligations	(10,644,000)	(14,252,000)
Fair value of scheme assets	<u>8,547,000</u>	<u>11,208,400</u>
Deficit in scheme	<u>(2,097,000)</u>	<u>(3,043,600)</u>

The amounts recognised in profit or loss are as follows:

	2015 £	2014 £
Current service cost	265,000	(258,000)
Net interest	113,000	(15,000)
Administration expenses	<u>33,000</u>	<u>25,000</u>
Total	<u>411,000</u>	<u>(248,000)</u>

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

	2015 £	2014 £
Opening defined benefit obligation	14,252,000	15,209,000
Current service cost - recognised in the profit and loss account	265,000	283,000
Interest cost - recognised in the profit and loss account	509,000	585,000
Actuarial losses/(gains) - recognised in the STRGL	(1,237,000)	3,476,000
Actuarial losses - not recognised in the STRGL	-	27,000
Benefits paid and member contributions	<u>(3,145,000)</u>	<u>(5,328,000)</u>
Closing defined benefit obligation	<u>10,644,000</u>	<u>14,252,000</u>

LYCETTS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

	2015 £	2014 £
Opening fair value of scheme assets	11,208,000	15,467,000
Return on scheme assets - recognised in the profit and loss account	(238,000)	630,000
Contributions by employer - not recognised in the profit and loss account	359,000	412,000
Administration expenses	(33,000)	
Actuarial gains - not recognised in the STRGL	-	27,000
Interest income	396,000	-
Benefits paid and member contributions	(3,145,000)	(5,328,000)
	8,547,000	11,208,000

The cumulative amount of actuarial gains and losses recognised in the consolidated statement of total recognised gains and losses was £5,190,000 (2014 - £3,953,000).

The group expects to contribute £400,000 to its defined benefit pension scheme in 2016.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2015	2014
Equities	55.3%	45.9%
Bonds	20.7%	18.0%
Annuities	17.1%	13.2%
Cash	6.9%	22.8%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2015	2014
Discount rate at 31 December	3.8%	3.7%
Future pension increases	3.0%	3.00%
Rate of increase in directors' salaries	2.5%	2.50%
Rate of increase in staff members' salaries	2.5%	2.50%
Inflation assumption	3.1%	3.10%

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

	2015	2014
Retiring today		
Males	22.9	22.8
Females	24.4	25.2
Retiring in 20 years		
Males	25.0	24.7
Females	25.9	27.0

LYCETTS HOLDINGS LIMITED

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

Defined benefit pension schemes

	2015 £	2014 £	2013 £	2012 £	2011 £
Defined benefit obligation	(10,644,000)	(14,252,000)	(15,209,000)	(14,104,000)	(16,205,000)
Scheme assets	<u>8,547,000</u>	<u>11,208,400</u>	<u>15,467,400</u>	<u>13,952,000</u>	<u>15,787,000</u>
(Deficit)/surplus	<u>(2,097,000)</u>	<u>(3,043,600)</u>	<u>258,400</u>	<u>(152,000)</u>	<u>(418,000)</u>

Total contributions to the scheme of £NIL (2014 - £NIL) have been charged to the consolidated profit and loss account for the year ended 31 December 2015.

26. OPERATING LEASE COMMITMENTS

At 31 December 2015 the group had annual commitments under non-cancellable operating leases as follows:

GROUP	Land and buildings	
	2015 £	2014 £
EXPIRY DATE:		
Within 1 year	21,357	22,943
Between 2 and 5 years	225,695	230,807
After more than 5 years	<u>237,118</u>	<u>230,038</u>

27. RELATED PARTY TRANSACTIONS

Lycetts Holdings Limited owned 40% of the issued share capital of Amlin Plus Limited. On 20 May 2014 Lycetts Holdings Limited disposed of its entire shareholding in Amlin Plus Limited.

All transactions between Amlin Plus Limited and the group were conducted on an arms length basis.

During the period 1 January 2014 to 20 May 2014 the group earned £93,262 of insurance broking income from Amlin Plus Limited. As at 31 December 2014 there were no balances outstanding with Amlin Plus Limited.

LYCETTS HOLDINGS LIMITED

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28. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The group's immediate parent company is Ecclesiastical Insurance Group PLC (EIG) who own 100% of the issued share capital in 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 group is a member which prepares group accounts is that headed by Ecclesiastical Insurance Group PLC. The largest group of which the group 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 group 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.

29. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the company has presented its financial statements under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102 the impact on these accounts is to restate the presentation of balances relating to the defined benefit pension scheme in the consolidated balance sheet. In previous years accounts the deferred tax asset arising on the recognition of the defined benefit liability was netted off against that liability. In accordance with FRS 102 this asset is now shown separately. The impact has been to increase the total assets less current liabilities by £608,720 and increase provisions for liabilities by £608,720. There has been no change to the profit and loss account or equity or the company balance sheet.

Reconciliation of equity

	GROUP	
	At 1 January 2014 £	At 31 December 2014 £
Equity reported under previous UK GAAP	12,054,045	6,236,037
Revision of revenue recognition policies (net of tax)	(19,240)	(26,525)
	<u>12,034,805</u>	<u>6,209,512</u>

The adjustment above relates to a revision in the revenue recognition policy to comply with FRS 102.

LYCETTS HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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Reconciliation of profit for the year ended 31 December 2014

	GROUP
	2014 £
Profit for the financial year under previous UK GAAP	1,646,477
Revision of revenue recognition policies (net of tax)	(7,285)
Revised presentation of pension cost	(30,000)
	<u>1,609,192</u>

In relation to accounting for defined benefit pension schemes, under previous UK GAAP the expected return on defined benefit plan assets was recognised in the profit and loss account. Under FRS 102 the interest income is calculated by reference to the discount rate and does not reflect the expected return on the assets. Prior year figures have been restated.

	2014 £
Reconciliation on transition	
Expected return on assets	(630,000)
Interest income	600,000
	<u>(30,000)</u>
Change in credit to profit and loss account	<u>(30,000)</u>

Under previous UK GAAP, the investment expenses were reflected as a deduction from the expected return on assets and reflected in other finance income. Non-investment expenses were included in the service cost and charged to operating profit. Under FRS 102 non-investment expenses are reflected alongside the current service cost (shown as Administrative expenses) and charged to operating profit. The overall effect on the total charge to profit and loss is nil.

30. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
Lycett, Browne-Swinburne & Douglass Limited	England and Wales	100	Insurance broking
Lycetts Financial Services Limited	England and Wales	100	Life assurance broker and pensions and other financial consultant
Farmers & Mercantile Insurance Brokers Limited	England and Wales	100	Insurance broking