

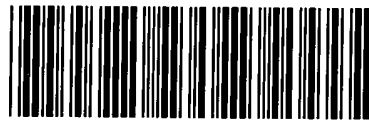
Registered number: 05866203

## **LYCETTS HOLDINGS LIMITED**

### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**LYCETTS HOLDINGS LIMITED**

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**COMPANY INFORMATION**

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<b>DIRECTORS</b>	M C J Hews A C Keate I G Campbell A J Titchener
<b>COMPANY SECRETARY</b>	R J Hall
<b>REGISTERED NUMBER</b>	05866203
<b>REGISTERED OFFICE</b>	Milburn House Dean Street NE1 1PP
<b>INDEPENDENT AUDITOR</b>	Deloitte LLP Statutory Auditors London

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**LYCETTS HOLDINGS LIMITED**

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## **LYCETTS HOLDINGS LIMITED**

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

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#### **INTRODUCTION**

Throughout the year the group continued to carry on the business of an insurance broker and Independent Financial Adviser.

The group operates from offices throughout the UK.

#### **BUSINESS REVIEW**

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

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

We continue to live and work in an environment where regulation of our work dictates many of our actions. The Insurance Act 2015 became effective during 2016 and continued to help our clients and professional contacts understand the impact of this new Act and the implications to all involved. Regulation continues to increase and our work in 2017 included preparation for the Insurance Distribution Directive ("IDD") and the General Data Protection Regulation ("GDPR") which will come into force in 2018. Throughout 2017 our TCF credentials remained to the fore along with our customer service orientated culture. The long term aim is to be the most trusted specialist adviser in our core segments. Linked to this is our ongoing training programme. Lycetts are committed to achieving Chartered Insurer status during 2018 for the whole company to join our Cliverton, Financial Services and Commercial divisions who already hold this status.

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

##### **Competitive risks**

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

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

##### **Legislative risks**

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

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## LYCETTS HOLDINGS LIMITED

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### GROUP STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

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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 risk

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 the Ecclesiastical Insurance Group and ultimately the Allchurches Trust Limited.

#### Credit risk

The company is exposed to credit risk where it extends credit to clients. This risk is managed by ensuring that payments are received from clients before payment is made to the relevant insurer. Where payment is not received the company can mitigate the risk through discussion with the client 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 plc and therefore has access to the financial resources of the wider Ecclesiastical Insurance Group plc. 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 withdraws from a market in which the company operates. 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 any particular insurer.

#### Reputational risk

The company is subject to reputational risk arising from a reduction in trust by clients 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 £20.567m (2016 - £19.894m) reflecting the businesses continued strong performance in a competitive market.

The group's operating profit decreased from £1.920m to £0.997m reflecting the continued significant investment in people and IT resources.

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## LYCETTS HOLDINGS LIMITED

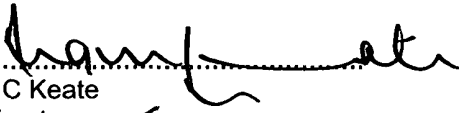
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The group's staff costs increased from £11.926m to £12.749m reflecting the investment referred to above.

### FUTURE DEVELOPMENTS

The group is looking for further growth and will continue its investment in new business initiatives, additional staff and further IT development. We opened our new office in Berwick St. Leonard in January 2018. Over the next 12-24 months the group intends to continue the work on IT systems to provide a standardised IT platform across all 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 28 March 2018 and signed on its behalf.

  
.....  
A C Keate  
Director

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## LYCETTS HOLDINGS LIMITED

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

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The directors present their report and the financial statements for the year ended 31 December 2017.

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

#### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £592,976 (2016 - £1,326,597).

During the year dividends amounting to £1,250,000 were paid (2016 - £2,183,718).

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

#### DIRECTORS

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

M C J Hews  
A C Keate  
I G Campbell  
A J Titchener

#### 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.

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

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**LYCETTS HOLDINGS LIMITED**

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

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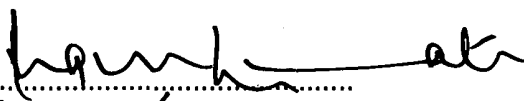
**DISCLOSURE OF INFORMATION TO THE AUDITOR**

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

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

  
.....  
A C Keate  
Director

Date: 28 March 2018



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LYCETTS HOLDINGS LIMITED**

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**Opinion**

In our opinion the financial statements:

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

We have audited the financial statements of Lycetts Holdings Limited (the 'company') which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the company balance sheet;
- the consolidated cash flow statement;
- the reconciliation of net cash flow to movement in net funds
- the consolidated statement of changes in equity
- the company statement of changes in equity
- the accounting policies; and
- the related notes 1 to 27.

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.

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## LYCETTS HOLDINGS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LYCETTS HOLDINGS LIMITED

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#### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LYCETTS HOLDINGS LIMITED

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**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 group 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 group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

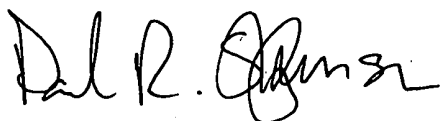
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the group strategic report or the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Paul Stephenson BA FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London  
EC4A 3BZ

28 March 2018

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**LYCETTS HOLDINGS LIMITED**

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

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		2017	2016
	Note	£	£
<b>TURNOVER</b>	1,2	<b>20,567,227</b>	19,894,012
Administrative expenses – continuing		<b><u>(19,590,358)</u></b>	<b><u>(17,974,277)</u></b>
<b>OPERATING PROFIT</b>	3	<b>976,869</b>	1,919,735
Interest receivable and similar income		<b>26,020</b>	37,025
Interest payable and similar charges	7	<b>(92)</b>	(3,834)
Other finance charges	8	<b><u>(116,000)</u></b>	<b><u>(79,000)</u></b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>886,797</b>	1,873,926
Tax on profit on ordinary activities	9	<b><u>(293,821)</u></b>	<b><u>(547,329)</u></b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	18	<b><u><u>592,976</u></u></b>	<b><u><u>1,326,597</u></u></b>

All amounts relate to continuing operations.

The notes on pages 17 to 35 form part of these financial statements.

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**LYCETTS HOLDINGS LIMITED**

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

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		2017	2016
	Note	£	£
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>592,976</b>	<b>1,326,597</b>
Actuarial loss related to pension scheme	24	<b>(168,000)</b>	<b>(2,975,000)</b>
Actual return on assets less interest	24	<b>558,000</b>	<b>724,000</b>
Tax relating to components of comprehensive income	24	<b>(69,155)</b>	<b>383,480</b>
<b>TOTAL COMPREHENSIVE INCOME RELATING TO THE YEAR</b>		<b><u>913,821</u></b>	<b><u>(540,923)</u></b>

The notes on pages 17 to 35 form part of these financial statements.

**LYCETTS HOLDINGS LIMITED**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2017**

		2017		2016	
	Note	£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	10		1,023,736		1,560,084
Tangible assets	11		<u>795,147</u>		<u>804,888</u>
			1,818,883		2,364,972
<b>CURRENT ASSETS</b>					
Debtors	13	7,731,036		7,673,279	
Cash at bank		<u>15,354,290</u>		<u>16,033,168</u>	
		23,085,326		23,706,447	
<b>CREDITORS:</b> amounts falling due within one year	14	<u>(15,487,772)</u>		<u>(16,064,803)</u>	
<b>NET CURRENT ASSETS</b>			<u>7,597,554</u>		<u>7,641,644</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			9,416,437		10,006,616
<b>CREDITORS:</b> amounts falling due after more than one year	15	(38,885)		(38,885)	
Provisions for liabilities	24	<u>(4,178,000)</u>		<u>(4,432,000)</u>	
<b>NET ASSETS</b>			<u>5,199,552</u>		<u>5,535,731</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	27,422		27,422	
Share premium account	18	1,618,286		1,618,286	
Capital redemption reserve	18	1,133		1,133	
Other reserves	18	3,599,243		3,599,243	
Profit and loss account	18	<u>(46,532)</u>		<u>289,647</u>	
<b>TOTAL CAPITAL EMPLOYED</b>	19		<u>5,199,552</u>		<u>5,535,731</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 March 2018

.....  
A C Keate  
Director

.....  
M C J Hews  
Director

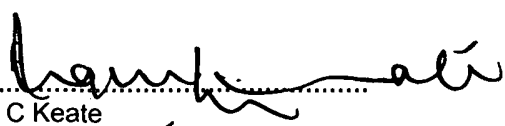
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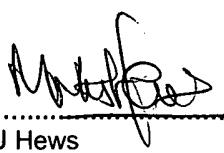
**LYCETTS HOLDINGS LIMITED**

**COMPANY BALANCE SHEET  
AS AT 31 DECEMBER 2017**

	Note	£	2017 £	£	2016 £
<b>FIXED ASSETS</b>					
Intangible assets	10		-		-
Tangible assets	11		434,627		447,699
Investments	12		<u>5,242,201</u>		<u>5,242,101</u>
			5,676,828		5,689,800
<b>CURRENT ASSETS</b>					
Debtors	13	3,250		3,250	
Cash at bank		<u>82,733</u>		<u>82,923</u>	
		85,983		86,173	
<b>CREDITORS:</b> amounts falling due within one year	14	<u>(389,443)</u>		<u>(399,776)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(303,460)</u>		<u>(313,603)</u>
<b>NET ASSETS</b>			<u>5,373,368</u>		<u>5,376,197</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		27,422		27,422
Share premium account	18		5,212,653		5,212,653
Profit and loss account	18		<u>133,293</u>		<u>136,122</u>
<b>TOTAL CAPITAL EMPLOYED</b>	19		<u>5,373,368</u>		<u>5,376,197</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 March 2018.

  
A C Keate  
Director

  
M C J Hews  
Director

The notes on pages 17 to 35 form part of these financial statements.

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**LYCETTS HOLDINGS LIMITED**

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**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Note	2017 £	2016 £
Net cash flow from operating activities	21	1,507,193	3,394,959
Returns on investments and servicing of finance	22	25,928	33,191
Taxation		(521,047)	(501,453)
Capital expenditure and financial investment	22	(440,952)	(368,045)
Equity dividends paid		(1,250,000)	(2,183,718)
		<hr/>	<hr/>
<b>(DECREASE) / INCREASE IN CASH IN THE YEAR</b>		<b><u>(678,878)</u></b>	<b><u>374,934</u></b>

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	2017 £	2016 £
(Decrease) / increase in cash in the year	(678,878)	374,934
	<hr/>	<hr/>
<b>MOVEMENT IN NET FUNDS IN THE YEAR</b>	<b>(678,878)</b>	<b>374,934</b>
Net funds at 1 January 2017	<u>16,033,168</u>	<u>15,658,234</u>
	<hr/>	<hr/>
<b>NET FUNDS AT 31 DECEMBER 2017</b>	<b><u>15,354,290</u></b>	<b><u>16,033,168</u></b>

The notes on pages 16 to 35 form part of these financial statements.



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**LYCETTS HOLDINGS LIMITED**

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

	<b>Called-up share capital £</b>	<b>Share Premium Account £</b>	<b>Capital Redemption Reserve £</b>	<b>Other Reserves £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>At 1 January 2016</b>	27,422	1,618,286	1,133	3,599,243	3,014,288	8,260,372
Profit for the financial year	-	-	-	-	1,326,597	1,326,597
Remeasurement of net defined benefit liability	-	-	-	-	(2,975,000)	(2,975,000)
Actual return on assets less interest	-	-	-	-	724,000	724,000
Tax relating to items of other comprehensive income	-	-	-	-	383,480	383,480
<b>Total comprehensive income</b>	-	-	-	-	(540,923)	(540,923)
Dividends paid on equity shares	-	-	-	-	(2,183,718)	(2,183,718)
<b>At 31 December 2016</b>	27,422	1,618,286	1,133	3,599,243	289,647	5,535,731
Profit for the financial year	-	-	-	-	592,976	592,976
Remeasurement of net defined benefit liability	-	-	-	-	(168,000)	(168,000)
Actual return on assets less interest	-	-	-	-	558,000	558,000
Tax relating to items of other comprehensive income	-	-	-	-	(69,155)	(69,155)
<b>Total comprehensive income</b>	-	-	-	-	913,821	913,821
Dividends paid on equity shares	-	-	-	-	(1,250,000)	(1,250,000)
<b>At 31 December 2017</b>	<u>27,422</u>	<u>1,618,286</u>	<u>1,133</u>	<u>3,599,243</u>	<u>(46,532)</u>	<u>5,199,552</u>

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**LYCETTS HOLDINGS LIMITED**

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

	<b>Called-up share capital £</b>	<b>Share Premium Account £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>At 1 January 2016</b>	27,422	5,212,653	194,039	5,434,114
Profit for the financial year	-	-	2,125,801	2,125,801
<b>Total comprehensive income</b>	-	-	2,125,801	2,125,801
Dividends paid on equity shares	-	-	(2,183,718)	(2,183,718)
<b>At 31 December 2016</b>	27,422	5,212,653	136,122	5,376,197
Profit for the financial year	-	-	1,247,171	1,247,171
<b>Total comprehensive income</b>	-	-	1,247,171	1,247,171
Dividends paid on equity shares	-	-	(1,250,000)	(1,250,000)
<b>At 31 December 2017</b>	<u>27,422</u>	<u>5,212,653</u>	<u>133,293</u>	<u>5,373,368</u>

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## LYCETTS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 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 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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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.

**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 2017**

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**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 similarly spread on a straight line basis over the lease term.

**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 2017**

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**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***

There are no 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 actuaries. 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.

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**LYCETTS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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. OPERATING PROFIT**

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

	2017 £	2016 £
Amortisation - intangible fixed assets	791,903	799,100
Depreciation of tangible fixed assets:	204,210	209,141
Operating lease rentals:		
- other operating leases	531,125	520,933
Difference on foreign exchange	<u>14,053</u>	<u>(77,913)</u>

**4. AUDITOR'S REMUNERATION**

	2017 £	2016 £
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	7,000	7,000
Total fees payable to the company's auditor and their associates in respect of:		
The auditing of accounts of associates of the company	49,000	41,000
Audit-related assurance services	<u>37,490</u>	<u>30,000</u>

**5. STAFF COSTS**

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

	2017 £	2016 £
Wages and salaries	10,850,339	10,170,335
Social security costs	1,130,792	1,054,584
Other pension costs (Note 24)	<u>767,747</u>	<u>701,315</u>

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**LYCETTS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	<b>12,748,878</b>	<b>11,926,234</b>
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The average monthly number of employees, including the directors, during the year was as follows:

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
Brokerage & management	<u><b>257</b></u>	<u><b>244</b></u>

**6. DIRECTORS' REMUNERATION**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Emoluments	<b>268,870</b>	<b>275,374</b>
Company contributions to money purchase scheme	<b>5,200</b>	<b>5,143</b>
Company contributions to defined benefit pension scheme	<b>29,675</b>	<b>28,952</b>
	<u><b>303,745</b></u>	<u><b>309,469</b></u>

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £268,879 (2016 - £275,375).

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

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

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



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**LYCETTS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**8. OTHER FINANCE CHARGES**

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

**9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	2017 £	2016 £
The tax charge comprises;		
<b>CURRENT TAX ON PROFIT ON ORDINARY ACTIVITIES</b> (see note below)		
UK corporation tax charge on profit for the year	323,692	592,529
Adjustments in respect of prior years	(27,368)	-
	<u>296,324</u>	<u>592,529</u>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	21,535	(45,200)
Effect of FRS 102 timing differences	(24,038)	-
	<u>(2,503)</u>	<u>(45,200)</u>
<b>TOTAL DEFERRED TAX</b> (see note 16)	<u>(2,503)</u>	<u>(45,200)</u>
<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<u>293,821</u>	<u>547,329</u>

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

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

The tax assessed for the year is lower than (2016 - *lower than*) the standard rate of corporation tax in the UK of 20% (2016 – 20.25%). The differences are explained below:

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**LYCETTS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	2017 £	2016 £
Profit on ordinary activities before tax	<u>886,797</u>	<u>1,873,926</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20.25%)	170,708	374,785
<b>EFFECTS OF:</b>		
Non-tax deductible amortisation of goodwill and impairment	132,918	135,778
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	18,272	24,925
Other differences leading to an increase in the tax charge	-	11,841
Effect of change of rate of deferred taxation	(709)	-
Adjustments in respect of prior years	(27,368)	-
<b>TAX CHARGE FOR THE YEAR</b> (see note above)	<u>293,821</u>	<u>547,329</u>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

The group has estimated tax losses of £NIL (2016 - £NIL) available for carry forward against future taxable profits.

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**LYCETTS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**10. INTANGIBLE FIXED ASSETS**

<b>GROUP</b>	<b>Software £</b>	<b>Goodwill £</b>	<b>Total £</b>
<b>COST</b>			
At 1 January 2017	483,648	12,920,319	13,403,967
Additions	<u>246,483</u>	<u>-</u>	<u>246,483</u>
At 31 December 2017	<u>730,131</u>	<u>12,920,319</u>	<u>13,650,450</u>
<b>DEPRECIATION</b>			
At 1 January 2017	286,406	11,557,477	11,843,883
Charge for the year	<u>101,410</u>	<u>681,421</u>	<u>782,831</u>
At 31 December 2017	<u>387,816</u>	<u>12,238,898</u>	<u>12,626,714</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<u>342,315</u>	<u>681,421</u>	<u>1,023,736</u>
At 31 December 2016	<u>197,242</u>	<u>1,362,842</u>	<u>1,560,084</u>
		<b>Goodwill</b>	
<b>COMPANY</b>			<b>£</b>
<b>COST</b>			
At 1 January 2017 and 31 December 2017			<u>4,872,214</u>
<b>AMORTISATION</b>			
At 1 January and 31 December 2017			<u>4,872,214</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017			<u>-</u>
At 31 December 2016			<u>-</u>

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**LYCETTS HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**11. TANGIBLE FIXED ASSETS**

<b>GROUP</b>	<b>Freehold property £</b>	<b>Short term leasehold Property £</b>	<b>Motor vehicles £</b>
<b>COST</b>			
At 1 January 2017	653,582	173,023	64,659
Additions	-	33,481	-
At 31 December 2017	<u>653,582</u>	<u>206,504</u>	<u>64,659</u>
<b>DEPRECIATION</b>			
At 1 January 2017	205,883	114,610	42,000
Charge for the year	<u>13,072</u>	<u>20,204</u>	<u>16,147</u>
At 31 December 2017	<u>218,955</u>	<u>134,814</u>	<u>58,147</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<u>434,627</u>	<u>71,690</u>	<u>6,512</u>
At 31 December 2016	<u>447,699</u>	<u>58,413</u>	<u>22,659</u>

<b>GROUP</b>	<b>Office equipment £</b>	<b>Computer equipment £</b>	<b>Total £</b>
<b>COST</b>			
At 1 January 2017	433,050	897,663	2,221,977
Additions	<u>50,485</u>	<u>110,503</u>	<u>194,469</u>
At 31 December 2017	<u>483,535</u>	<u>1,008,166</u>	<u>2,416,446</u>
<b>DEPRECIATION</b>			
At 1 January 2017	307,263	747,333	1,417,089
Charge for the year	<u>52,932</u>	<u>101,855</u>	<u>204,210</u>
At 31 December 2017	<u>360,195</u>	<u>849,188</u>	<u>1,621,299</u>
<b>NET BOOK VALUE</b>			
At 31 December 2017	<u>123,340</u>	<u>158,978</u>	<u>795,147</u>
At 31 December 2016	<u>125,787</u>	<u>150,330</u>	<u>804,888</u>

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**LYCETTS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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<b>COMPANY</b>	<b>Freehold property £</b>
<b>COST</b>	
At 1 January and 31 December 2017	<u>653,582</u>
<b>DEPRECIATION</b>	
At 1 January 2017	205,883
Charge for the year	<u>13,072</u>
At 31 December 2017	<u>218,955</u>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>434,627</u>
At 31 December 2016	<u>447,699</u>

**12. FIXED ASSET INVESTMENTS****SUBSIDIARY UNDERTAKINGS**

The following were subsidiary undertakings of the group:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>
Lycett, Browne-Swinburne & Douglass Limited	Ordinary	100%
Lycetts Financial Services Limited	Ordinary	100%
Lycetts Risk Management Services Limited	Ordinary	100%
Farmers & Mercantile Insurance Brokers Limited	Ordinary	100%

<b>Name</b>	<b>Business</b>	<b>Registered office</b>
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
Lycetts Risk Management Services	Risk Management services	England and Wales
Farmers & Mercantile Insurance Brokers Limited	Insurance broker	England and Wales

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**LYCETTS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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<b>COMPANY</b>	<b>Investments in subsidiary companies £</b>
At 1 January	9,897,717
Additions	<u>100</u>
At 31 December 2017	9,897,817
<b>IMPAIRMENT</b>	
At 1 January and 31 December 2017	<u>4,655,616</u>
<b>NET BOOK VALUE</b>	
At 31 December 2017	<u>5,242,201</u>
At 31 December 2016	<u>5,242,101</u>

**13. DEBTORS**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	6,519,871	6,319,324	-	-
Other debtors	33,676	10,670	-	-
Prepayments and accrued income	353,223	452,368	3,250	3,250
Deferred tax asset (see note 16)	824,266	890,917	-	-
	<u>7,731,036</u>	<u>7,673,279</u>	<u>3,250</u>	<u>3,250</u>

**LYCETTS HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	12,483,455	12,907,062	-	-
Amounts owed to group undertakings	60,529	-	372,518	385,292
Corporation tax	37,868	323,182	4,925	2,484
Other taxation and social security	359,128	304,545	-	-
Accruals and deferred income	2,542,957	2,530,014	12,000	12,000
Other creditors	3,835	-	-	-
	<b>15,487,772</b>	<b>16,064,803</b>	<b>389,443</b>	<b>399,776</b>

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

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Accruals and deferred income	<b>38,885</b>	<b>38,885</b>	-	-

**16. DEFERRED TAXATION**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At beginning of year	890,917	453,880	-	-
Released during/(charge for) the year (P&L)	2,503	53,557	-	-
Released during / (charge for) the year (Comprehensive income)	(69,155)	383,480	-	-
At end of year	<b>824,265</b>	<b>890,917</b>	-	-

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**LYCETTS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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The deferred taxation balance is made up as follows:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Short term timing differences	<b>2,603</b>	<b>34,213</b>	-	-
Taxation deferred by capital allowances	<b>83,201</b>	<b>73,126</b>	-	-
Pension liability	<b>738,462</b>	<b>783,578</b>	-	-
	<b>824,266</b>	<b>890,917</b>	-	-

**17. SHARE CAPITAL**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
2,742,210- Ordinary shares of £0.01 each	<b>27,422</b>	<b>27,422</b>

**18. 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.

**19. 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 profit for the year dealt with in the accounts of the company was £1,247,171 (2016 - £2,125,801).



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**LYCETTS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**20. DIVIDENDS**

	2017 £	2016 £
Dividends paid on equity capital	<u>1,250,000</u>	<u>2,183,718</u>

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

**21. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2017 £	2016 £
Profit before interest and taxation	976,869	1,919,735
Amortisation of intangible fixed assets	782,831	799,100
Depreciation of tangible fixed assets	204,210	209,141
Increase in debtors	(57,757)	(371,260)
(Decrease) / increase in creditors	(349,805)	445,745
Non cash movements	(49,155)	392,498

<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<u><b>1,507,193</b></u>	<u><b>3,394,959</b></u>
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**22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2017 £	2016 £
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Interest received	26,020	37,025
Interest paid	(92)	(3,834)

<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<u><b>25,928</b></u>	<u><b>33,191</b></u>
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	2017 £	2016 £
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Purchase of intangible fixed assets	(246,483)	(216,701)
Purchase of tangible fixed assets	(194,469)	(151,344)
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	<u><b>(440,952)</b></u>	<u><b>(368,045)</b></u>

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**LYCETTS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**23. ANALYSIS OF CHANGES IN NET FUNDS**

	1 January 2017 £	Cash flow £	31 December 2017 £
Cash at bank and in hand	16,033,168	(678,878)	15,354,290
<b>NET FUNDS</b>	<b><u>16,033,168</u></b>	<b><u>(678,878)</u></b>	<b><u>15,354,290</u></b>

**24. 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 £448,039 (2016 - £379,645). As at 31 December 2017 £nil (2016 - £nil) 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 2001 renewal.

The Trustees are required to carry out an actuarial valuation every three years. The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustees as at 1 January 2015. This was updated to 31 December 2017 by a qualified independent actuary, under the terms set out by Financial Reporting Standard No 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Following the last valuation, the group 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 group agreed to pay an additional £87,400 per annum for 12 years beginning in 2016. The group therefore expects to pay around £305,000 to the Scheme during the accounting year beginning 1 January 2018.

The amounts recognised in the balance sheet are as follows:

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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The amounts recognised in profit or loss are as follows:

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

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

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

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

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

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

The group expects to contribute £305,000 to its defined benefit pension scheme in 2018.

# LYCETTS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The fair value of the Scheme assets were;

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

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

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

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

	2017	2016
Retiring today		
Males	22.4	22.7
Females	24.1	24.3
Retiring in 20 years		
Males	24.2	24.9
Females	25.3	25.1

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

Defined benefit pension schemes

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

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## LYCETTS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 25. OPERATING LEASE COMMITMENTS

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

GROUP	Land and buildings	
	2017	2016
	£	£
EXPIRY DATE:		
Not later than one year	13,586	31,057
Later than one year and not later than five years	286,069	290,454
Later than 5 years	<u>161,957</u>	<u>161,957</u>

#### 26. 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.

#### 27. 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
Lycetts Risk Management Services Limited	England and Wales	100	Risk management services
Farmers & Mercantile Insurance Brokers Limited	England and Wales	100	Insurance broking

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