

Registration number: SC127074

Towergate Financial (Scotland) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2018



Towergate Financial (Scotland) Limited

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Towergate Financial (Scotland) Limited

Company Information

Directors	D C Ross A Erotocritou
Company secretary	D Clarke
Registered office	150 St. Vincent Street Glasgow G2 5NE
Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ

Towergate Financial (Scotland) Limited

Strategic Report for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018 for Towergate Financial (Scotland) Limited ("the Company"). The strategic report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. The Company is part of The Ardonagh Group Limited ("the Group").

Principal activities and business review

On 16 March 2015, all of the trading assets of the Company were sold and the Company ceased to trade. The Company does not trade and is in run-off.

The results for the Company show turnover of £Nil (2017: £Nil) and profit before tax of £0.3m (2017: loss £3.2m) for the year. At 31 December 2018 the Company had net assets of £6.6m (2017: £6.6m).

A provision of £2.3m in respect of redress payments for historic Enhanced Transfer Value ("ETV")-advice is unchanged since the prior period.

The going concern note (part of accounting policies) on page 14, sets out the reasons why the directors believe that the preparation of the financial statements on the non-going concern basis is appropriate.

Outlook

The business operations are in run-off in an orderly manner and any remaining obligations will continue to be settled. It is the directors' intention to wind-up the Company once the run-off process has completed.

Key performance indicators

The directors consider the key performance indicator for the Company is ensuring its liabilities are settled fairly and expeditiously. The Company set performance targets for the year ahead and the directors monitor progress, recognising that the Company is dependent upon the continued financial support of Ardonagh Services Limited (formerly known as Towergate Insurance Limited), a fellow Group subsidiary.

Principal risks and uncertainties

Risk management

The principal risk facing the Company is ensuring timely settlement of its liabilities, most significantly its ETV provision of £2.3m, which Towergate Financial (Group) Limited oversees as part of its position as a company in the wider Group. The directors believe that the Company has access to financial support to meet projected financial obligations over the coming year. This is based upon cash flow projections over a period of twelve months from the date of approval of the accounts and Ardonagh Services Limited's present intention to provide ongoing financial support, although the provision of such support is not a legally binding commitment.

As noted in the Outlook section above, the Company's operations are in run-off and the Company is managed on a non-going concern basis.

Towergate Financial (Scotland) Limited

Strategic Report for the Year Ended 31 December 2018

The principal risks and their mitigation are as follows:

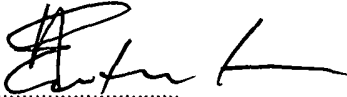
Liquidity risk

Group Treasury monitors rolling forecasts of the Company's liquidity requirements. Such forecasting takes into consideration the Company's dependency on financial support from Ardonagh Services Limited.

Regulatory and legal risk

This is the risk of regulatory sanctions, material financial loss or loss to reputation suffered as a result of non compliance with laws, regulations and applicable administrative provisions.

Approved by the Board on 22 August 2019 and signed on its behalf by:



.....
A Erotocritou
Director

Towergate Financial (Scotland) Limited

Directors' Report for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors of the Company

The directors, who held office during the year and up to the date of signing, were as follows:

D C Ross

A Erotocritou

M S Mugge (resigned 2 March 2018)

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2018 (2017: £Nil).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Risk management' section on page 2.

Future developments

Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 2.

Political donations

The Company has not made any political donations during the year (2017: £Nil).

Going concern

The Company disposed of its trade and assets on 16 March 2015, and is in run-off. As a consequence, the financial statements of the Company have been prepared on a non-going concern basis.

Directors' liabilities

All directors of the company and other fellow group companies benefit from qualifying third party indemnity provisions, subject to the conditions set out in the Companies Act 2006, in place during the financial period and at the date of this report. In certain circumstances, the Company can indemnify directors, in accordance with its Articles of Association, against costs incurred in the defence of legal proceedings brought against them by virtue of their office. Directors' and officers' liability insurance cover remains in place to protect all directors and senior managers.

Disclosure of information to the auditors

Each director has taken steps that they 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. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Towergate Financial (Scotland) Limited

Directors' Report for the Year Ended 31 December 2018

Appointment of auditors

During the year ended 31 December 2018, a formal tender process took place for the Company, led by The Ardonagh Group Limited Audit Committee. As a result of this tender process the Audit Committee recommended, and The Ardonagh Group Board approved on behalf of the Company, the proposed appointment of Deloitte LLP as an external auditor for the financial year ending 31 December 2018. The auditors, Deloitte LLP, are deemed to be reappointed under section 487 (2) of the Companies Act 2006.

Approved by the Board on 22 August 2018 and signed on its behalf by:



A Erotocritou
Director

150 St. Vincent Street
Glasgow
G2 5NE

Towergate Financial (Scotland) Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with the applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Towergate Financial (Scotland) Limited

Independent Auditor's Report to the Members of Towergate Financial (Scotland) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Towergate Financial (Scotland) Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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 Financial Reporting Council's (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.

Emphasis of matter - Financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Towergate Financial (Scotland) Limited

Independent Auditor's Report to the Members of Towergate Financial (Scotland) Limited

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 FRC's website at www.frc.org.uk/auditorsresponsibilities.

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.

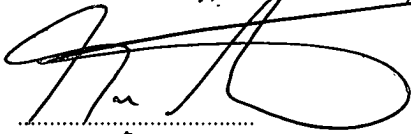
Towergate Financial (Scotland) Limited

Independent Auditor's Report to the Members of Towergate Financial (Scotland) Limited

We have nothing to report in respect of these matters.

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.



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Mark McQuham (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date: 22 August 2019 .

Towergate Financial (Scotland) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover		-	-
Administrative expenses		<u>252,788</u>	<u>(3,179,974)</u>
Operating profit/(loss)	4	252,788	(3,179,974)
Finance income		<u>3,274</u>	<u>-</u>
Profit/(loss) before tax		256,062	(3,179,974)
Income tax (expense)/credit	7	<u>(179,473)</u>	<u>178,851</u>
Total comprehensive income/(loss) for the year		<u><u>76,589</u></u>	<u><u>(3,001,123)</u></u>

The above results were derived from discontinued operations.

The notes on pages 13 to 23 form an integral part of these financial statements.

Towergate Financial (Scotland) Limited

(Registration number: SC127074)

Statement of Financial Position as at 31 December 2018

	Note	2018 £	2017 £
Assets			
Current assets			
Trade and other receivables	8	8,889,111	9,067,994
Cash and cash equivalents	9	1,449,066	1,147,327
Other current financial assets	10	19,495	22,730
		<u>10,357,672</u>	<u>10,238,051</u>
Equity and liabilities			
Equity			
Called up share capital	11	45,000	45,000
Other reserves		15,000,000	15,000,000
Retained losses		<u>(8,406,563)</u>	<u>(8,483,152)</u>
		<u>6,638,437</u>	<u>6,561,848</u>
Current liabilities			
Income tax liability		590	-
Trade and other payables	12	1,244,760	1,018,944
Provisions	13	<u>2,473,885</u>	<u>2,657,259</u>
		<u>3,719,235</u>	<u>3,676,203</u>
Total equity and liabilities		<u>10,357,672</u>	<u>10,238,051</u>

Approved by the Board on 22 August 2019 and signed on its behalf by:



.....
A Erotocritou
Director

The notes on pages 13 to 23 form an integral part of these financial statements.

Towergate Financial (Scotland) Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Note	Share capital £	Other reserves £	Retained losses £	Total £
At 1 January 2018	11	45,000	15,000,000	(8,483,152)	6,561,848
Total comprehensive income		-	-	76,589	76,589
At 31 December 2018		45,000	15,000,000	(8,406,563)	6,638,437

	Note	Share capital £	Other reserves £	Retained losses £	Total £
At 1 January 2017	11	45,000	15,000,000	(5,482,029)	9,562,971
Total comprehensive loss		-	-	(3,001,123)	(3,001,123)
At 31 December 2017		45,000	15,000,000	(8,483,152)	6,561,848

The notes on pages 13 to 23 form an integral part of these financial statements.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Authorisation of financial statements

The Company is a private company limited by share capital incorporated and registered in Scotland, United Kingdom. The address of the registered office can be found on page 1. The principal business activities of the Company are described in the Strategic Report on page 2. These financial statements for the year ended 31 December 2018 were authorised for issue by the board on 22 August 2019 and the statement of financial position was signed on the board's behalf by A. C. ROTCHER

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with FRS 101 Reduced Disclosure Framework.

These financial statements have been prepared on a break up basis and under the historical cost convention, as modified by the revaluation of financial assets and liabilities measured at fair value. The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

IFRS 9, IFRS 15 and other new standards are applicable for financial reporting periods starting on 1 January 2018 or later. These new standards did not have a material impact on the Company.

Summary of disclosure exemptions

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has taken advantage of the following disclosure exemptions under FRS 101 where relevant:

- (a) the requirements of IFRS 7 'Financial Instruments: Disclosures';
- (b) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant & equipment and intangible assets;
- (c) the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- (d) the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;
- (e) the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

(f) the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;

Equivalent disclosures are included in the Group's consolidated financial statements as required by FRS 101 where exemptions have been applied.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the Critical accounting policies and estimates disclosure on page 17.

Going concern

The Company disposed of their trade and assets on 16 March 2015. At 31 December 2018 the Company had net assets of £6.6m (2017: £6.6m). It is the directors' intention to wind up the Company once its liabilities have been settled. Consequently, the financial statements have been prepared on a non-going concern basis. As explained in the Risk Management paragraph in the Strategic Report on page 2, the Company relies on Ardonagh Services Limited for financial support.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

In addition, the provision for run-off costs has been recognised as a result of the Company's decision to discontinue its trading activities and to wind-down its operations.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured initially at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Financial liabilities

Financial liabilities are initially measured at fair value plus directly attributable transaction costs. The Company's financial liabilities include trade and other payable. Trade and other payables represent amounts due to related parties. They are initially recognised at fair value and are subsequently measured at amortised cost.

Financial assets

Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- Amortised cost less impairment;
- Fair value through other comprehensive income ("FVTOCI"); or
- Fair value through profit or loss ("FVTPL").

All recognised financial assets are subsequently measured in their entirety at either amortised cost less impairment or fair value, depending on the classification of the financial assets.

Financial assets classified as amortised cost

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The Company's financial assets measured at amortised cost include trade and other receivables and cash and cash equivalents.

These assets are held within a business model whose objective is to collect the contractual cash flows, and have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Thus, such assets are subsequently measured and carried at amortised cost in the Statement of Financial Position. The Company's trade receivables do not have a significant financing component and as such their transaction (invoiced) price is considered to be their amortised cost.

Financial assets classified as FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment as at FVTOCI on initial recognition.
- Debt instruments (including receivables) that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss to the extent they are not part of a designated hedging relationship. Interest earned on assets mandatorily required to be measured at FVTPL is recognised using a contractual interest rate. Dividend income from equity instruments measured at FVTPL is recognised in profit or loss as part of investment income when the right to payment has been established (provided that it is probable that the economic benefits will flow to the Company and that the amount of income can be measured reliably). This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

The Company's Unregulated Collective Investment Scheme (UCIS) assets are classified as FVTPL. These assets do not meet the IFRS 9 'Financial Instruments' criteria for classification as amortised cost or FVOCI, because their cashflows do not represent solely payments of principal and interest. In the current year, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as being measured at FVTPL.

Financial assets impairment

Impairment of financial assets

The Company assesses, on a forward-looking basis, the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVTOCI. The Company recognises a loss allowance for such losses at each reporting date.

The Company recognises lifetime ECL for loans and trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables, including the time value of money where appropriate. Scalar factors are typically based on GDP and unemployment rate forecasts.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if; i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

All cash and cash equivalents are assessed to have low credit risk at each reporting date as they are held with reputable banks and financial institution counterparties with, wherever possible, a minimum single A credit rating from both Moody's and S&P. The Company measures the loss allowance for such assets at an amount equal to 12 months ECL.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

2 Accounting policies (continued)

ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period:

The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

Run-off provision

Amounts have been provided for the costs of winding down the activities of the Company. The cost includes professional and legal fees; levies from the FCA and professional indemnity insurance premiums.

The provision was calculated based on management's best estimate of the projections of the current monthly cost levels over the anticipated future period for which the costs will be incurred.

Enhanced Transfer Values (ETV)

The ETV provision represents management's best estimate of the Company's liability in relation to these costs. In previous years the Company has disclosed its potential liability in relation to these costs as a contingent liability, given that there were a number of uncertainties around the population and redress calculation.

The Company has now conducted a client contact programme which has enabled the ETV population to be refined, the FCA has recently published revised guidance on the calculation of redress and file reviews have been commenced; albeit this work is at a very early stage. This has enabled the Company to recognise a provision in relation to ETV liabilities for the current year end.

The provision will be reviewed and if necessary updated during the course of the redress programme as the Company gains experience of actual redress payments. (Further information can be seen in note 13).

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

4 Operating profit/(loss)

Arrived at after (crediting) /charging

	2018	2017
	£	£
ETV provision costs	-	2,303,000
UCIS provision reversal	-	(68,331)
Run-off provision costs	36,021	316,703
Consultancy and legal fees	<u>(288,809)</u>	<u>628,603</u>

The audit fee of £4,284 (2017: £4,200) for the audit of this Company was paid by other Group entities for which no recharge was made.

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, The Ardonagh Group Limited.

5 Finance income and finance cost

	2018	2017
	£	£
Finance income		
Interest income on bank deposits	<u>3,274</u>	<u>-</u>
Finance costs		
Total finance costs	<u>-</u>	<u>-</u>
Net finance income	<u>3,274</u>	<u>-</u>

6 Directors' remuneration

Directors emoluments of £Nil (2017: £75,000) for services provided to this Company have been paid by other Group entities, which make no recharge to the Company.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

7 Income tax

Tax charged/(credited) in the statement of comprehensive income

	2018 £	2017 £
Current taxation		
UK corporation tax	622	(178,851)
UK corporation tax adjustment to prior periods	178,851	-
	179,473	(178,851)

The differences are reconciled below:

	2018 £	2017 £
Profit/(loss) before tax	256,062	(3,179,974)
Corporation tax at standard rate	48,652	(612,036)
(Decrease)/increase from tax losses for which no deferred tax asset was recognised	(42,974)	382,621
Adjustment to tax charge in respect of prior periods	178,851	-
Deferred tax (credit)/expense relating to changes in tax rates or laws	(5,056)	50,564
Total tax charge/(credit)	179,473	(178,851)

The Company had a potential deferred tax asset of £1.3m (2017: £1.4m) in relation to tax losses and their timing differences of £7.9m (2017: £8.2m). No deferred tax asset has been recognised in these accounts as the company is not expected to generate future taxable profits.

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This reduction, from the existing rate of 19%, will reduce the Company's future current tax charge / credit accordingly.

8 Trade and other receivables

	2018 £	2017 £
Receivables from other group companies	8,889,111	9,067,994
Total current trade and other receivables	8,889,111	9,067,994

The receivables from other group companies are unsecured, interest free and repayable on demand.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

9 Cash and cash equivalents

	2018	2017
	£	£
Cash at bank	<u>1,449,066</u>	<u>1,147,327</u>

Cash at bank includes £1,274,502 (2017: £972,763) of restricted cash relating to the disposal of the Towergate Financial business, recoveries from professional indemnity insurers and UCIS asset sales. This is held in segregated accounts as requested by the FCA.

£174,564 (2017: £174,564) of restricted cash is kept in segregated accounts for purposes of solvency and capital adequacy requirements imposed by the FCA.

10 Other current financial assets

The financial assets at fair value through profit and loss are comprised of unlisted investments.

	2018	2017
	£	£
Current financial assets		
Financial assets at fair value through profit and loss	<u>19,495</u>	<u>22,730</u>

Financial assets at fair value through profit and loss assets represents UCIS recovered assets at their fair value. They are categorised within level 2 of the fair value hierarchy. Where no professional valuation is available, they are recognised at their published net asset value with an appropriate adjustment applied to the published unit price to reflect their illiquid nature and potentially lower net realisable value.

11 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No.	£	No.	£
Ordinary of £1 each	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

12 Trade and other payables

	2018	2017
	£	£
Current trade and other payables		
Amounts due to other group companies	<u>1,244,760</u>	<u>1,018,944</u>

The balances above are interest free, unsecured and repayable on demand.

13 Provisions

	Run-off	ETV	Total
	£	£	£
At 1 January 2018	354,259	2,303,000	2,657,259
Increase in provision	36,022	-	36,022
Provisions used	<u>(219,396)</u>	<u>-</u>	<u>(219,396)</u>
At 31 December 2018	<u>170,885</u>	<u>2,303,000</u>	<u>2,473,885</u>
Current liabilities	<u>170,885</u>	<u>2,303,000</u>	<u>2,473,885</u>

Run-off provision

Provides for costs associated with the winding-down of the Company's operations. These costs comprised of professional fees, legal fees, levies charged by the FCA and professional indemnity premiums. During 2018 a provision of £0.04m has been recognised in the Statement of Comprehensive Income for the year. It is management's expectation that substantially all of the costs provided for will be incurred by 31 December 2019.

Enhanced Transfer Values (ETV)

As previously reported the Company has obligations to make redress payments in respect of historic pension transfer advice ("ETV"). The ETV business ceased in 2014 and the Company ceased trading in March 2015 following a trade and asset sale of its remaining activities.

Since the Company's financial statements for the period ended 31 December 2016, a client contact programme has enabled the ETV population to be refined, the FCA has published revised guidance on the calculation of redress, and file reviews have commenced. In light of these developments management has now established a provision of £2.3 million representing the current estimate of the redress liabilities that will fall due.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

13 Provisions (continued)

In establishing this provision, the Directors have taken into account that the redress programme is at an early stage and there remains uncertainty regarding the ultimate cost, which may therefore differ materially from the present estimate. Specifically:

(i) the Directors obtained independent actuarial advice on a sample of cases to assist in estimating the average cost per redress case. In extrapolating the results to the entire population, the advisers have identified a +/- 20% risk of variation to the outcome; and

(ii) there remains uncertainty regarding the number of cases within the population where advice is determined to be unsuitable and the actual outcome may vary from management's present estimate, which has been based on a sample of cases reviewed to date. In arriving at the estimate of the population judged unsuitable management has taken into account the findings of a number of case reviews carried out by independent specialists. The redress programme is at an early stage and any variation in suitability rates will lead to an equal percentage change in the estimated provision.

Other sources of uncertainty, whilst considered less material, may include changes in economic inputs over the period of the redress programme, potential variances in redress methodology and any future changes in the ETV population.

The redress programme is currently expected to commence in Q2 2019 and last up to 24 months. As it progresses the results of case reviews will be used to further inform and update the provision as required.

The estimated cost and expenses of the review activities have been revised to £0.2 million and have been provided for separately within the "run-off" provision.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

14 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with a number of related parties. The Company has taken the exemption under FRS 101 not to disclose transactions with key management personnel.

Business was also conducted, on an arm's length basis, within The Ardonagh Group Limited group of companies. The table below shows the transactions and balances with entities that form part of the group.

	2018	2018	2018	2017	2017	2017
			(Due to) /receivable			(Due to) /receivable
	Paid to	Received from	at year end	Paid to	Received from	at year end
	£	£	£	£	£	£
Towergate Financial (Edinburgh) Limited	-	-	(287,696)	-	-	(287,696)
Towergate Financial (Group) Limited	-	225,816	(735,500)	-	509,684	(509,684)
Towergate Underwriting Group Limited	-	-	(221,564)	-	-	(221,564)
Ardonagh Services Limited (formerly Towergate Insurance Limited)	-	-	8,889,143	-	1,007,518	8,889,143

15 Parent and ultimate parent undertaking

The Group's majority shareholder and controlling party is HPS Investment Partners LLC. At 31 December 2018, the ultimate parent company was The Ardonagh Group Limited (incorporated in Jersey, registered office address 44 Esplanade, St Helier, Jersey, JE4 9WG). The Ardonagh Group Limited is the largest group in which the results are consolidated. The parent company of the smallest group, which includes the Company and for which group accounts are prepared, is Ardonagh Midco 3 Plc, a company incorporated in Great Britain. Financial statements for The Ardonagh Group Limited and Ardonagh Midco 3 Plc are available on request from:

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