

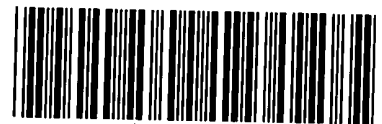
Registration number: SC127074

Towergate Financial (Scotland) Limited

Annual Report and Financial Statements

for the Period from 1 July 2015 to 31 December 2016

WEDNESDAY



L6FVQODF

LD2

27/09/2017

#317

COMPANIES HOUSE

Towergate Financial (Scotland) Limited

Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 5
Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements	6
Independent Auditor's Report to the members of Towergate Financial (Scotland) Limited	7 to 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 to 31

Towergate Financial (Scotland) Limited

Company Information

Directors	M S Mugge D C Ross A Erotocritou
Company secretary	J A Gregory
Registered office	150 St. Vincent Street Glasgow G2 5NE
Auditor	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

Towergate Financial (Scotland) Limited

Strategic Report for the Period from 1 July 2015 to 31 December 2016

The directors present their strategic report for the period from 1 July 2015 to 31 December 2016 for Towergate Financial (Scotland) Limited ("the Company"). The strategic report provides a review of the business for the financial period and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial period, the position at the end of the period and discusses the main trends and factors that could affect the future. The Company is part of the Sentry Holdings Limited Group ("the Group" or "Towergate"). Whilst Sentry Holdings Limited is the ultimate parent company, the directors of its subsidiary The Ardonagh Group Limited (formerly known as TIG Topco Limited) manage the Group's operations on a daily basis.

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 (18 month period to 30 June 2015: £1.8m) and profit before tax of £4.6m (18 months period to 30 June 2015: loss before tax of £10.8m) for the period. At 31 December 2016 the Company had net assets of £9.6m (30 June 2015: net liabilities £10.1m). The accounting policies note on page 12 sets out the reasons why the directors believe that the preparation of the financial statements on the non-going concern basis is appropriate.

During the year, the Company received £15.0m (2015: £Nil) of capital contributions from Towergate Insurance Limited, its indirect parent company, which had an impact on its financial position when compared to the prior year.

The Company has transitioned to Financial Reporting Standard 101 ("FRS 101 Reduced Disclosure Framework") with a conversion date of 1 January 2014. As required by IFRS 1 "First-time adoption of IFRS", the Company has applied the relevant accounting policies in place on 31 December 2016 to all periods presented. The Company has taken advantage of the disclosure exemptions allowed under this standard. A summary of the recognition and remeasurement adjustments arising on the adoption of FRS 101 can be found in note 22.

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 its liabilities are settled fairly and expeditiously. The Company set performance targets for the year ahead and the directors of Towergate Financial (Group) Limited, an indirect parent company, monitor progress, recognising that the Company are dependent upon the continued financial support of the Towergate Insurance Limited (a fellow Group subsidiary company).

Towergate Financial (Scotland) Limited

Strategic Report for the Period from 1 July 2015 to 31 December 2016

Principal risks and uncertainties

The principal risk facing the Company is ensuring timely settlement of its liabilities, which it oversees as part of its position as a company in the wider Towergate 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 Towergate Insurance 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 the Company's operations are in run-off and the Company is managed on a non-going concern basis.

The principal risks and their mitigation are as follows:

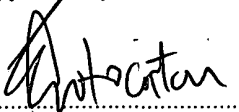
Liquidity risk

Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance.

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. This risk is mitigated by a proactive relationship with the Financial Conduct Authority ("FCA"), a dedicated compliance function, and a compliance monitoring programme.

Approved by the Board on 26 July 2017 and signed on its behalf by:



.....
A Erotocritou
Director

Towergate Financial (Scotland) Limited

Directors' Report for the Period from 1 July 2015 to 31 December 2016

The directors present their report and the financial statements for the period from 1 July 2015 to 31 December 2016.

Directors of the Company

The directors, who held office during the period, were as follows:

M S Mugge (appointed 17 September 2015)

D C Ross (appointed 20 December 2016)

S Egan (resigned 17 September 2015)

The following director was appointed after the period end:

A Erotocritou (appointed 15 March 2017)

Dividends

The Company has significant retained losses therefore the directors do not recommend a final dividend payment to be made in respect of the financial period ended 31 December 2016 (18 month period to 30 June 2015: £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 period (18 month period to 30 June 2015: £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. The Company is dependent upon the ongoing financial support of Towergate Insurance Limited.

Directors' liabilities

All directors 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 auditor

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.

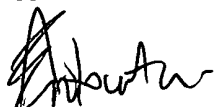
Towergate Financial (Scotland) Limited

Directors' Report for the Period from 1 July 2015 to 31 December 2016

Reappointment of auditor

The auditors KPMG LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 26 July 2017 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 applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. 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 FRS 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 apply them consistently;
- make judgements 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 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.

As explained in note 2, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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

We have audited the financial statements of Towergate Financial (Scotland) Limited for the period from 1 July 2015 to 31 December 2016, set out on pages 9 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements (set out on page 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its result for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements which explains that the financial statements have not been prepared on a going concern basis for the reasons set out in that note.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

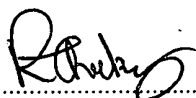
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.



.....
Rajan Thakrar (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

26 July 2017

Towergate Financial (Scotland) Limited

Statement of Comprehensive Income for the Period from 1 July 2015 to 31 December 2016

	Note	1 July 2015 to 31 December 2016 £	1 January 2014 to 30 June 2015 £
Turnover	- 4	-	1,752,894
Amortisation and other amounts written off intangibles	12	-	(6,099)
Administrative expenses		<u>4,627,208</u>	<u>(12,054,702)</u>
Operating profit/(loss)	5	4,627,208	(10,307,907)
Exceptional loss on disposal of operations	6	(2,716)	(475,208)
Finance income	7	<u>-</u>	<u>322</u>
Profit/(loss) before tax		4,624,492	(10,782,793)
Income tax expense	10	<u>-</u>	<u>(720)</u>
Total comprehensive profit/(loss) for the period		<u><u>4,624,492</u></u>	<u><u>(10,783,513)</u></u>

The above results were derived from discontinued operations.

The notes on pages 12 to 31 form an integral part of these financial statements.


Towergate Financial (Scotland) Limited

(Registration number: SC127074)

Statement of Financial Position as at 31 December 2016

	Note	31 December 2016 £	30 June 2015 £
Assets			
Current assets			
Trade and other receivables	13	10,166,661	616,617
Cash and cash equivalents	14	157,653	174,472
Other current financial assets	15	155,396	-
		<u>10,479,710</u>	<u>791,089</u>
Equity and liabilities			
Equity			
Called up share capital	16	45,000	45,000
Other reserves		15,000,000	-
Retained losses		(5,482,029)	(10,106,521)
		<u>9,562,971</u>	<u>(10,061,521)</u>
Current liabilities			
Trade and other payables	17	510,193	1,217,673
Provisions	18	406,546	9,634,937
		<u>916,739</u>	<u>10,852,610</u>
Total equity and liabilities		<u>10,479,710</u>	<u>791,089</u>

Approved by the Board on 26 July 2017 and signed on its behalf by:



A Erotocritou
Director

Towergate Financial (Scotland) Limited

Statement of Changes in Equity for the Period from 1 July 2015 to 31 December 2016

	Share capital £	Other reserves £	Retained losses £	Total £
At 1 July 2015	45,000	-	(10,106,521)	(10,061,521)
Total comprehensive income	-	-	4,624,492	4,624,492
Capital contribution	-	15,000,000	-	15,000,000
At 31 December 2016	<u>45,000</u>	<u>15,000,000</u>	<u>(5,482,029)</u>	<u>9,562,971</u>

During the period, the Company received £15,000,000 of capital contributions from Towergate Insurance Limited, its indirect parent company. The capital contributions were made to ensure that the Company has sufficient regulatory capital to meet the requirement imposed by the FCA.

	Share capital £	Other reserves £	Retained losses £	Total £
At 1 January 2014	45,000	-	676,992	721,992
Total comprehensive loss	-	-	(10,783,513)	(10,783,513)
At 30 June 2015	<u>45,000</u>	<u>-</u>	<u>(10,106,521)</u>	<u>(10,061,521)</u>

The notes on pages 12 to 31 form an integral part of these financial statements.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

1 Authorisation of financial statements

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom. These financial statements for the period ended 31 December 2016 were authorised for issue by the Board on 26 July 2017 and the statement of financial position was signed on the Board's behalf by A Erotocritou.

2 Accounting policies

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. The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

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 adopted FRS 101 for the first time.

In the transition to FRS 101, the Company has applied IFRS 1 with assets and liabilities measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 22.

On the first-time adoption of FRS 101, the entity has applied paragraphs 6 to 33 of IFRS 1 except for the requirements of paragraphs 6 and 21 to present an opening statement of financial position at the date of transition.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

2 Accounting policies (continued)

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 and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;
- (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;
- (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.

Judgments 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 judgement and key sources of estimation uncertainty disclosure on page 16.

Going concern

The Company disposed of its trade and assets on 16 March 2015 and is in run-off. It is the directors' intention to wind up the Company once its liabilities have been settled. As a consequence, the financial statements have been prepared on a non-going concern basis. A provision has been made for future operating costs expected to be incurred up to the date that the Company is wound up. As explained in the Risk Management paragraph in the Directors Report on page 3, the Company relies on Towergate Insurance Limited for financial support.

The book values of the Company's assets and liabilities are deemed to be a reasonable approximation of fair value due to their short term nature.

Revenue recognition

In the period ended 30 June 2015, turnover represented gross commission and fee income receivable in the normal course of business less an estimate of the amount of indemnity commission liable to be clawed back as a result of the cancellation of policies, and sales to external customers at invoiced amounts.

Tax

The tax expense for the period comprises current 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.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

2 Accounting policies (continued)

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.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current taxable profit.

Property, plant and equipment

Prior to disposal, property, plant and equipment was stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The carrying values of property, plant and equipment were reviewed for impairment if events or changes in circumstances indicated the carrying value may not be recoverable, and were written down immediately to their recoverable amount. Useful lives and residual values were reviewed annually and where adjustments were required these were made prospectively. An item of property, plant and equipment was derecognised upon disposal or when no future economic benefits were expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset was included in the income statement in the period of derecognition.

The cost of property, plant and equipment included directly attributable incremental costs incurred in their acquisition and installation.

Intangible assets

Goodwill

Prior to disposal, goodwill arising on the acquisition of an entity represented the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill was initially recognised as an asset at cost and was subsequently measured at cost less any accumulated impairment losses. Goodwill was held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill was not subject to amortisation but was tested for impairment.

Computer software

Prior to disposal, acquired computer software licences existed either through business combinations when they were separable or were purchased separately and were capitalised on the basis of the costs incurred to acquire them. Their fair value was calculated by using the net book value acquired. These costs were amortised on a straight line basis over their estimated useful lives of four years.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

2 Accounting policies (continued)

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 at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Financial assets

Financial assets are initially measured at fair value plus directly attributable transaction costs. The Company's financial assets include cash, trade and other receivables and other current financial assets. The subsequent measurement of financial assets depends on their classification:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, dispute, default or delinquency in payments are considered indicators that the receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

Held to maturity financial assets are deposits held at banks with a maturity date of greater than three months from the reporting date.

Available for sale financial assets held by the Company can all be categorised as unlisted investments; these investments are held at fair value unless a fair value cannot be accurately determined in which case they are held at cost less any provision for impairment. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities

Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables. The subsequent measurement of financial liabilities depends on their classification.

Changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 July 2015 have had a material effect on the financial statements.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

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:

Unregulated Collective Investment Schemes (UCIS) provision

Amounts have been provided for in respect of future obligations to pay redress costs and professional costs associated with independent file reviews in relation to past advice given to customers on Unregulated Collective Investment Schemes (UCIS).

The UCIS provision represents management's best estimate of the Company's liability in relation to these costs. This estimate is based on actual experience and uses a calculation of average redress costs, taking into account customer contact and response rates, and allows for the deduction of income distributions and surrender values from capital losses. This initial valuation was undertaken by an independent third party and has been re-assessed on a regular basis using the most up-to-date redress payment experience. No allowance has been made for possible insurance recoveries on the basis that there is insufficient basis to provide an estimate of the likely amounts.

It is management's expectation that substantially all the costs will be settled during 2017.

Run-off provision

Amounts have been provided for the costs of the winding down of 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 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) contingent liability

A contingent liability has been disclosed in relation to future obligations to pay redress costs and professional costs associated with independent file reviews in relation to past advice given to customers on ETV. Given the number of material uncertainties that exist around ETV redress, it is not yet possible to make a reliable estimate of the Company's ultimate liability.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

4 Turnover

The analysis of the Company's turnover for the period of discontinued operations is as follows:

	1 July 2015 to 31 December 2016 £	1 January 2014 to 30 June 2015 £
Commission and fees	-	1,750,607
Other income	-	2,287
	-	1,752,894
	-	1,752,894

Turnover consists entirely of sales made in the United Kingdom.

The prior period reports income for the 18 month period ended 30 June 2015. With effect from 16 March 2015, the Company sold its trade and assets and ceased to trade from this date therefore turnover for the 18 month period to 31 December 2016 is £Nil.

5 Operating profit/(loss)

Arrived at after (crediting) /charging

	1 July 2015 to 31 December 2016 £	1 January 2014 to 30 June 2015 £
Depreciation expense	-	7,545
Amortisation expense	-	6,099
Auditor's remuneration: audit of these financial statements	-	22,320
Run-off provision costs	-	837,512
UCIS (reversal) / provision costs	(4,089,715)	8,701,038
Consultancy and legal fees	(537,493)	796,410
	-	796,410
	-	796,410

In the current period, calculations of the specific UCIS compensation liabilities at customer level were completed and the provision was reassessed using this information. This has resulted in £4.1m being released (2015: £ 8.7m charged) to the statement of comprehensive income. In 2015 a provision for legal and professional costs associated with the run-off of the Company's operations of £0.8m was established. These provisions are explained in note 18.

The audit fee of £4,660 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, Sentry Holdings Limited.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

6 Exceptional loss on sale of operations

On 16 March 2015, the Company sold its trading business to Palatine Private Equity for a consideration of £152,599. This disposal together with the termination of operations associated with the trading asset, generated an exceptional loss of £475,208. There were some additional items associated with the sale during the period to 31 December 2016 resulting in a further loss of £2,716.

	1 July 2015 to 31 December 2016 £	1 January 2014 to 30 June 2015 £
Loss on sale of operations	<u>(2,716)</u>	<u>(475,208)</u>

Details of loss on sale

		£
Consideration received	-	152,599
Net assets transferred	-	(140,812)
Transaction costs	(2,716)	(47,500)
Run-off provision for FCA levies and PII premiums	-	(339,919)
Other asset write-offs	-	(10,808)
Goodwill impairment	-	(88,768)
Total exceptional loss on sale of operations	<u>(2,716)</u>	<u>(475,208)</u>

7 Finance income

	1 July 2015 to 31 December 2016 £	1 January 2014 to 30 June 2015 £
Interest income on bank deposits	<u>-</u>	<u>322</u>

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	1 July 2015 to 31 December 2016 £	1 January 2014 to 30 June 2015 £
Wages and salaries	-	981,934
Social security costs	-	104,519
Pension costs, defined contribution scheme	-	32,012
	<u>-</u>	<u>1,118,465</u>

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

8 Staff costs (continued)

The average number of persons employed by the Company (including directors) during the period, analysed by category was as follows:

	31 December 2016 No.	30 June 2015 No.
Administration	-	8
Sales	-	10
Management	-	1
	<u>-</u>	<u>19</u>

9 Directors' remuneration

The emoluments of all directors are paid by other Group companies, which make no recharge to the Company. The directors serving during the year are directors of The Ardonagh Group Limited and/or fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Their total emoluments are included in the consolidated financial statements of The Ardonagh Group Limited.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

10 Income tax

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

	1 July 2015 to 31 December 2016 £	1 January 2014 to 30 June 2015 £
Current taxation		
UK corporation tax adjustment to prior periods	-	5,240
Deferred taxation		
Arising from origination and reversal of temporary differences	-	(4,520)
Tax expense in the statement of comprehensive income	<u>-</u>	<u>720</u>

The tax for the period is lower than the standard rate of corporation tax in the UK (18 month period to 30 June 2015: higher than the standard rate of corporation tax in the UK) of 20% (18 month period to 30 June 2015: 21.16%).

The differences are reconciled below:

	1 July 2015 to 31 December 2016 £	1 January 2014 to 30 June 2015 £
Profit/(loss) before tax	<u>4,624,492</u>	<u>(10,782,793)</u>
Corporation tax at standard rate	924,898	(2,281,639)
Increase in current tax from adjustment for prior periods	-	4,916
Increase from effect of capital allowances depreciation	-	2,888
Increase from effect of revenues exempt from taxation	2,347	-
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	-	1,841,699
Increase from tax losses for which no deferred tax asset was recognised	917,889	-
Unrecognised tax loss or credit	-	539,210
Deferred tax credit from unrecognised temporary difference from a prior period	-	(6,867)
Deferred tax credit relating to changes in tax rates or laws	-	(136)
Movements in provisions	(1,845,677)	-
Exceptional gain/(loss) on termination of business	<u>543</u>	<u>(99,351)</u>
Total tax charge	<u>-</u>	<u>720</u>

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

10 Income tax (continued)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016.

11 Property, plant and equipment

	Computer hardware £
Cost or valuation	
At 1 January 2014	57,510
Additions	6,426
Disposals	<u>(63,936)</u>
At 30 June 2015	<u>-</u>
At 1 July 2015	<u>-</u>
At 31 December 2016	<u>-</u>
Depreciation	
At 1 January 2014	50,450
Charge for period	7,545
Eliminated on disposal	<u>(57,995)</u>
At 30 June 2015	<u>-</u>
At 1 July 2015	<u>-</u>
At 31 December 2016	<u>-</u>
Carrying amount	
At 31 December 2016	<u><u>-</u></u>
At 30 June 2015	<u><u>-</u></u>
At 1 January 2014	<u><u>7,060</u></u>

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

12 Intangible assets

	Goodwill £	Software £	Total £
Cost or valuation			
At 1 January 2014	98,632	30,370	129,002
Additions	-	2,241	2,241
Disposals	(98,632)	(32,611)	(131,243)
At 30 June 2015	-	-	-
At 1 July 2015	-	-	-
At 31 December 2016	-	-	-
Amortisation			
At 1 January 2014	9,864	23,022	32,886
Amortisation charge	-	6,099	6,099
Amortisation eliminated on disposals	(9,864)	(29,121)	(38,985)
At 30 June 2015	-	-	-
At 1 July 2015	-	-	-
At 31 December 2016	-	-	-
Carrying amount			
At 31 December 2016	-	-	-
At 30 June 2015	-	-	-
At 1 January 2014	88,768	7,348	96,116

13 Trade and other receivables

	31 December 2016 £	30 June 2015 £
Receivables from related parties	9,896,661	511,519
Other receivables	270,000	105,098
Total current trade and other receivables	10,166,661	616,617

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

14 Cash and cash equivalents

	31 December 2016	30 June 2015
	£	£
Cash at bank	<u>157,653</u>	<u>174,472</u>

Cash at bank includes £105,099 (2015: £105,099) of restricted cash in relation to the disposal of the Towergate Financial business. This is held in segregated accounts as requested by the FCA for the purpose of ensuring funds are available for the Company to make claims settlements, and £52,554 (2015: £69,393) of restricted cash kept in segregated accounts for purposes of solvency and capital adequacy requirements imposed by the FCA. Pursuant to the FCA's Threshold Condition 2.4, applicable to the insurance broking industry, the money is held in the segregated accounts for the purpose of ensuring funds are available to pay any costs and expenses necessary to achieve an orderly wind down of the Towergate Financial business. The amount of cash required to be held is determined by management and agreed by the FCA.

15 Other current financial assets

	31 December 2016	30 June 2015
	£	£
Current financial assets		
Held to maturity financial assets	122,360	-
Available for sale financial assets	<u>33,036</u>	<u>-</u>
	<u>155,396</u>	<u>-</u>

Held to maturity financial assets represent cash placed on 12 month fixed term deposits during 2016. The cash placed on deposit represents restricted own funds.

In 2015, all of the Company's restricted funds were held within the cash and cash equivalents (see note 14), however in 2016 due to the nature of the fixed term deposits these balances no longer met the definition of cash and cash equivalents and are shown separately within current assets on the statement of financial position.

Available for sale financial assets represents UCIS recovered assets at their fair value, see note 18. 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.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

16 Share capital

Allotted, called up and fully paid shares

	31 December 2016		30 June 2015	
	No.	£	No.	£
Ordinary of £1 each	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>

17 Trade and other payables

	31 December 2016 £	30 June 2015 £
Current trade and other payables		
Amounts due to related parties	509,261	1,217,673
Other taxes	<u>932</u>	<u>-</u>
	<u><u>510,193</u></u>	<u><u>1,217,673</u></u>

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

18 Provisions

	Run-off £	UCIS £	Total £
At 1 July 2015	933,899	8,701,038	9,634,937
Provisions used	(691,631)	(4,447,045)	(5,138,676)
Unused provision reversed	-	(4,089,715)	(4,089,715)
At 31 December 2016	<u>242,268</u>	<u>164,278</u>	<u>406,546</u>
Current liabilities	<u>242,268</u>	<u>164,278</u>	<u>406,546</u>

UCIS provision- provides for the obligation to pay redress costs in relation to past advice given to customers on UCIS. It represents management's best estimate of the Company's liability in relation to these costs. This estimate is based on actual experience and uses a calculation of average redress costs, taking into account customer contact and response rates and allows for the deduction of income distributions and surrender values from capital losses. The provision is re-assessed on a quarterly basis. No allowance has been made for possible insurance recoveries on the basis that there is insufficient information to provide an estimate of the likely amounts. It is management's expectation that substantially all of the costs provided for will be incurred during 2017.

As part of the Company's UCIS redress process it may be possible in some instances for the Company to acquire the illiquid assets held by claimants; where this happens the Company will attempt to realise the value of the assets to partially offset its costs in relation to the UCIS redress process. This will be subject to agreement with individual claimants and as such the extent of the opportunity remains uncertain. During the period the Company recovered assets with an estimated fair value of £33,036.

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. It is management's expectation that substantially all of the costs provided for will be incurred by 31 December 2018.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

19 Contingent liabilities

Enhanced Transfer Values (ETV)

The Company remains in discussion with the FCA about past advice provided by the Company on ETV. Independent file reviews have been shared with the FCA.

In August 2016, the FCA announced that it intended to consult in autumn 2016 to update the methodology used to calculate the levels of redress due in cases of unsuitable advice on transfers from defined benefit occupational pension schemes (DB) to personal pensions. The FCA announcement stated that “it would not expect it to be fair for the firm to attempt to settle the complaint on a ‘full and final’ basis until the outcome of the consultation is known”. In March 2017 the FCA issued the consultation paper. There will now be a consultation period of at least three months whilst responses to the paper are collated and considered by the FCA. Until the consultation has completed, around the end of Q2 2017, the FCA has halted all customer redress.

Payment of redress is expected to occur once customers have been contacted and the redress methodology has been approved by the FCA. Redress payments are expected to start in 2018.

Given the number of uncertainties that continue to exist, it is not yet possible to make a reliable estimate of the company's ultimate ETV related liability. However, purely for the purposes of developing business plans and cash flow projections for the Company, it has adopted a range of £3.0m to £5.0m in potential redress costs, excluding costs and expenses. This range is consistent with previous disclosures.

This internal range is derived from a set of assumptions based on currently available information. As explained above, in view of these uncertainties all assumptions are subject to change and the Company can give no assurances as to whether its ultimate liability will be within this range or not. The ultimate liability for ETV may, therefore, be materially different.

As there is a material difference between the upper and lower levels of the redress range, an acknowledgement that the ultimate liability may fall significantly outside this range and conclusions from the FCA consultation are outstanding the Company is recognising the potential ETV redress costs as a contingent liability at 31 December 2016.

Recoveries

Recoveries may be possible for ETV, either from third parties or under the company's insurance arrangements, both of which the Company continues to pursue, although the ultimate extent and timing of any recovery remains uncertain.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

20 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with a number of related parties within the Sentry Holdings Limited group of companies. The Company has taken the exemptions under FRS

101 not to disclose transactions with key management personnel.

The table below shows the transactions and balances with entities that form part of the group but are not wholly owned by Sentry Holdings Limited:

	31 December 2016	31 December 2016	31 December 2016 (Due to) /receivable from at year end	30 June 2015	30 June 2015	30 June 2015 (Due to) /receivable from at year end
	Paid to £	Received from £	£	Paid to £	Received from £	£
Towergate Financial (London) Limited	-	1,734	-	1,734	-	1,734
Towergate Financial (West) Limited	-	105,337	-	6,201	-	105,337
Towergate Financial (Edinburgh) Limited	-	-	(287,696)	-	-	(287,696)
Towergate Financial (North) Limited	-	11,360	-	-	2,614	11,360
Towergate Financial (East) Limited	122,783	-	-	283	-	(122,783)
Towergate Financial (Scotland) Holdings Limited	-	1,724	-	-	-	1,724
Towergate Financial (West) Holdings Limited	733	-	-	-	-	(733)
Towergate Financial (Group) Limited	-	402,724	-	-	1,343,228	402,724
Towergate Underwriting Group Limited	-	1,779	(221,565)	364,240	-	(219,786)

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

20 Related party transactions (continued)

Towergate Insurance Limited	10,471,222	-	9,896,661	63,555	-	(574,561)
Moray Firth Insurance Brokers Limited	-	-	-	117	-	-
Towergate Finance Plc	-	-	-	-	342,232	-

21 Ultimate parent company

On 2 April 2015, HPS Investment Partners LLC, formerly known as Highbridge Principal Strategies LLC became the Group's majority shareholder when its investment in Sentry Holdings Limited (incorporated in Jersey, registered office 22 Grenville Street, St Helier, Jersey, JE4 8PX) acquired a direct interest in The Ardonagh Group Limited (incorporated in Jersey, registered office address, 47 Esplanade, St Helier, Jersey, JE1 0BD) and indirect interests in Towergate Insurance Limited and its subsidiaries. At 31 December 2016, the ultimate parent company was Sentry Holdings Limited. Sentry Holdings Limited is the largest group in which the results are consolidated. These financial statement are available upon request from:

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

22 Transition to FRS 101

Balance sheet at 1 January 2014

	As originally reported £	Reclassification £	Remeasurement £	As restated £
Intangible assets	88,768	7,348	-	96,116
Tangible fixed assets	14,408	(7,348)	-	7,060
Deferred tax assets	-	14,180	2,347	16,527
	<u>103,176</u>	<u>14,180</u>	<u>2,347</u>	<u>119,703</u>
Current assets				
Debtors	2,326,493	(14,180)	-	2,312,313
Cash at bank and in hand	215,416	-	-	215,416
	<u>2,541,909</u>	<u>(14,180)</u>	<u>-</u>	<u>2,527,729</u>
Creditors: Amounts falling due within one year	<u>(1,913,704)</u>	<u>-</u>	<u>(11,736)</u>	<u>(1,925,440)</u>
Net current assets	<u>628,205</u>	<u>(14,180)</u>	<u>(11,736)</u>	<u>602,289</u>
Net assets	<u>731,381</u>	<u>-</u>	<u>(9,389)</u>	<u>721,992</u>
Capital and reserves				
Share capital presented as equity	(45,000)	-	-	(45,000)
Profit and loss account	<u>(686,381)</u>	<u>-</u>	<u>9,389</u>	<u>(676,992)</u>
Shareholders' funds	<u>(731,381)</u>	<u>-</u>	<u>9,389</u>	<u>(721,992)</u>

Adjustments shown in the above table during the transition from UK GAAP to FRS 101 consist of (i) reclassification of computer software from tangible assets to intangible assets of £7,348, (ii) reclassification of deferred tax asset from current assets to non current assets of £14,180, (iii) remeasurement of holiday pay accrual of £11,736 and (iv) remeasurement of deferred tax of £2,347.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

22 Transition to FRS 101 (continued)

Balance sheet at 30 June 2015

	As originally reported £	Reclassification £	Remeasurement £	As restated £
Current assets				
Debtors	616,617	-	-	616,617
Cash at bank and in hand	<u>174,472</u>	<u>-</u>	<u>-</u>	<u>174,472</u>
	791,089	-	-	791,089
Creditors: Amounts falling due within one year	<u>(1,217,673)</u>	<u>-</u>	<u>-</u>	<u>(1,217,673)</u>
Total assets less current liabilities	(426,584)	-	-	(426,584)
Provisions for liabilities	<u>(9,634,937)</u>	<u>-</u>	<u>-</u>	<u>(9,634,937)</u>
Net liabilities	<u>(10,061,521)</u>	<u>-</u>	<u>-</u>	<u>(10,061,521)</u>
Capital and reserves				
Share capital presented as equity	(45,000)	-	-	(45,000)
Profit and loss account	<u>10,106,521</u>	<u>-</u>	<u>-</u>	<u>10,106,521</u>
Shareholders' deficit	<u>10,061,521</u>	<u>-</u>	<u>-</u>	<u>10,061,521</u>

The net effect of 2014 and 2015 accumulated adjustments on balance sheet during the transition from UK GAAP to FRS 101 is £Nil.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Period from 1 July 2015 to 31 December 2016

22 Transition to FRS 101 (continued)

Profit and loss account for the financial period from 1 January 2014 to 30 June 2015

	As originally reported £	Reclassification £	Remeasurement £	As restated £
Turnover	1,752,894	-	-	1,752,894
Amortisation and other amounts written off intangibles	(5,754)	(6,099)	5,754	(6,099)
Administrative expenses	<u>(12,072,537)</u>	<u>6,099</u>	<u>11,736</u>	<u>(12,054,702)</u>
Operating loss	<u>(10,325,397)</u>	<u>-</u>	<u>17,490</u>	<u>(10,307,907)</u>
Exceptional loss on disposal of operations	(469,454)	-	(5,754)	(475,208)
Other interest receivable and similar income	<u>322</u>	<u>-</u>	<u>-</u>	<u>322</u>
	<u>(469,132)</u>	<u>-</u>	<u>(5,754)</u>	<u>(474,886)</u>
Loss before tax	(10,794,529)	-	11,736	(10,782,793)
Tax on profit on ordinary activities	<u>1,627</u>	<u>-</u>	<u>(2,347)</u>	<u>(720)</u>
Loss for the financial period	<u><u>(10,792,902)</u></u>	<u><u>-</u></u>	<u><u>9,389</u></u>	<u><u>(10,783,513)</u></u>

Adjustments shown in the above table during the transition from UK GAAP to FRS 101 consist of (i) reclassification of computer software amortisation of £6,099, (ii) remeasurement of amortisation of £5,754, (iii) remeasurement of losses calculated on disposal of portfolio in relation to goodwill amortisation of £5,754, (iv) remeasurement of holiday pay accrual of £11,736 and (v) remeasurement of deferred tax of £2,347.