Rural Insurance Group Limited

Annual Report and Financial Statements

for the year ended 31 March 2016

Company Registration No. 2207611

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Officers and Advisers

Directors	Mr I J Barclay Mr M P Smith Mr L D Harvey Mrs M L Leighton (appointed 27/11/2015) Mr C A Nathan (appointed 08/04/2016)
Secretary	Mr J C Orton
Principal bankers	HSBC Bank Plc 33 Park Row Leeds LS1 1LD
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central House 29 Wellington Street Leeds LS1 4DL
Tax advisors	Rawlinson & Hunter 6 New Street Square New Fetter Lane London EC4A 3AQ
Registered office	The Hamlet Hornbeam Park Harrogate North Yorkshire HG2 8RE
Company registration number	2207611
Parent Company	The immediate parent company is PBS Holdings Limited and the ultimate parent company is Primary Group Limited.

Strategic Report for the year ended 31 March 2016

Principal activity

The company's principal activities are that of an insurance underwriting agent.

Review of the business

The results for the company as set on page 10 show a profit on ordinary activities before taxation of £1,068,804 (2015: £191,509) and operating profit of £1,026,550 (2015: £120,437). Total equity of the company shows a surplus of £1,773,288 (2015: £842,162).

The Company has transitioned to Financial Reporting Standard 102 ("FRS 102") with a transition date of 1 April 2014 and these are the first financial statements to be produced under FRS 102. Details of the transition to FRS 102 are disclosed in note 22.

Future outlook

The company remains confident that the business will continue to produce profitable returns from new and existing business streams.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by directors delegated with the appropriate responsibilities. Compliance with regulation, legal and ethical standards is a high priority for the company.

The Senior management team holds regular review meetings to review and report back to the Board on all risk related issues.

Principal risks arising from the competitive market place are:

- severe economic downturn;
- changes to the regulatory environment;
- entrance of significant competitors in our core markets;
- continued downward pressure on underwriting margins and a low interest rate environment; and
- current risk carriers terminate or significantly reduce capacity.

Financial Risk Management

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are amounts due from insurers and insurance intermediaries.

The company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Such risks are subject to regular review. Management assesses the creditworthiness of all insurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. Each account is closely monitored by the credit control function.

Strategic Report for the year ended 31 March 2016 (continued)

Financial Risk Management (continued)

Liquidity risk
Liquidity risk is the risk that cash may not be available to pay obligations when due. The primary liquidity risk of the company is the obligation to pay insurers. All insurance related monies are held in non-statutory trust accounts for the sole benefit of the relevant insurers. Regular forecasts are performed to ensure that the company maintains an appropriate level of liquidity.

Interest rate risk
Interest rate risk arises primarily from borrowing from group companies. The company monitors interest rates on a monthly basis and reviews the materiality of the impact of any changes.

The company has also sourced external financing for a period of 2 years at a rate of 3.75% per annum over LIBOR. There is a risk that the LIBOR rate will increase and affect the cost of borrowing to the company. This is monitored to review the materiality of the impact of any changes.

Key performance indicators
Financial key performance indicators include gross written premium, gross margin, expense ratio and net margin. These are monitored on a regular basis by the company and form part of the monthly reporting cycle.

	Year ended 31 March 2016	Year ended 31 March 2015
Gross Premiums	**£41,249,714**	£37,385,258
Profit	**£931,126**	£128,502
Expense Ratio	**14.94%**	15.14%
Gross Margin	**17.43%**	15.47%
Net Margin	**2.26%**	0.34%

There has been an increase in Gross premiums written for 2016 to £41,249,714 (2015 £37,385,258) as a result of improved trading. The net turnover this has generated for the business, in terms of commission and fees is £7,190,059 (2015 £5,782,149), an increase of 24.35%. Overall net margin has increased from 0.34% to 2.26% due to the business choosing to target good business risks and appointing key personnel to proactively drive the business. Admin expenses increased to £6,163,509 (2015 £5,661,712) as the business invested in the new IT infrastructure and deliver the restructure to allow Rural to be standalone.

Approved by the Board and signed on its behalf by:

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Mrs M L Leighton
Director

Date: 30 September 2016

Directors' Report for the year ended 31 March 2016

The directors present their report and the audited financial statements for the year ended 31 March 2016.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 March 2016 (year ended 31 March 2015: £nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Mr I J Barclay	
Mr M P Smith	
Mr L D Harvey	
Mr P J Hubbard	(resigned 29/02/2016)
Mr R M Gill	(resigned 27/11/2015)
Mrs M L Leighton	(appointed 27/11/2015)
Mr C A Nathan	(appointed 08/04/2016)

Qualifying third-party indemnity provisions

The directors are protected by an indemnity insurance provision as defined by Section 234 of the Companies Act 2006. The indemnity cover has been in place for the last and current financial year.

Employees

The company's employees represent a wide variety of skills and abilities. The directors endeavour to provide training, safe and pleasant working conditions, good communication and teamwork, and a sense of pride and purpose that enables each individual to flourish. Recruitment and promotion is undertaken without prejudice to age, sex or race and, in particular, the company recognises the contribution which can be made by disabled employees and gives them consideration for employment equal to that of the able-bodied, taking account of job requirements and the practical accommodations which can be made.

Statement of disclosure of information to auditors

Each director at the date of approval of this report confirmed that there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Report for the year ended 31 March 2016 (continued)

Independent auditors

The company has elected to dispense with the requirement to hold an Annual General Meeting and reappoint auditors annually. Accordingly, PricewaterhouseCoopers LLP, having indicated their willingness to do so, will continue as the company's auditors.

Approved by the Board and signed on its behalf by:

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Mrs M L Leighton
Director

Date: 30 September 2016

Statement of directors' responsibilities for the year ended 31 March 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards comprising of the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102) and the Companies Act 2006).

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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;.
- notify it's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Rural Insurance Group Limited

Report on the financial statements

Our opinion

In our opinion, Rural Insurance Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Rural Insurance Group Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Gary Shaw (Senior Statutory Auditor)
for ~~and on~~ behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

Date: 30 September 2016

Statement of Comprehensive Income for the year ended 31 March 2016

	Note	**Year ended 31 March 2016 £**	Year ended 31 March 2015 £
Turnover	4	**7,190,059**	5,782,149
Administrative expenses		**(6,163,509)**	(5,661,712)
Operating profit	5	**1,026,550**	120,437
Interest receivable and similar income	7	**49,351**	76,767
Interest payable and similar charges	8	**(7,097)**	(5,695)
Profit on ordinary activities before taxation		**1,068,804**	191,509
Tax on profit on ordinary activities	9	**(137,678)**	(63,007)
Profit for the financial year		**931,126**	128,502

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

The company has no comprehensive income other than those included in the results above, and therefore no separate statement of total comprehensive income has been presented.

Statement of Financial Position as at 31 March 2016

	Note	**Year ended 31 March 2016 £**	Year ended 31 March 2015 £
Fixed assets			
Intangible assets	11	**843,979**	420,823
Tangible assets	10	**555,500**	193,862
		1,399,479	614,685
Current assets			
Debtors	12	**4,670,319**	3,256,686
Cash at bank and in hand	13	**518,574**	305,824
		5,188,893	3,562,510
Creditors: amounts falling due within one year	14	**(4,246,478)**	(2,974,664)
Net current assets		**942,415**	587,846
Total assets less current liabilities		**2,341,894**	1,202,531
Creditors: amounts falling due after more than one year	15	**(568,606)**	(360,369)
Net assets		**1,773,288**	842,162
Capital and reserves			
Called up share capital		**1,000**	1,000
Retained Earnings		**1,772,288**	841,162
Total Equity		**1,773,288**	842,162

The notes to the financial statements on pages 13 to 23 form an integral part of these financial statements and where approved by the Board of Directors ...30 September 2016... and signed on its behalf by:

....

Mrs M L Leighton
Director

Rural Insurance Group Limited
Company registration number: 2207611

Statement of Changes in Equity for the year ending 31st March 2016

	Called up share capital £	Retained Earnings £	Total Equity £
Balance as at 1 April 2014	1,000	712,660	713,660
Profit for the Financial Year		128,502	128,502
Other comprehensive Income for the year	-	-	-
Total comprehensive income for the year	-	128,502	128,502
Dividends	-	-	-
Total transactions with owners, recognised directly in equity	-	128,502	128,502
Balance as at 31 March 2015	1,000	841,162	842,162
Balance as at 1 April 2015	**1,000**	**841,162**	**842,162**
Profit for the Financial Year	-	**931,126**	**931,126**
Other comprehensive Income for the year	-	-	-
Total comprehensive income for the year	-	**931,126**	**931,126**
Balance as at 31 March 2016	**1,000**	**1,772,288**	**1,773,288**

Approved by the Board of Directors ..30 September 2016... and signed on its behalf by:

....

Mrs M L Leighton
Director

Rural Insurance Group Limited
Company registration number: 2207611

Notes to the Financial Statements for the year ended 31 March 2016

1. General Information

Rural Insurance Group Limited ("the Company") operated as an insurance underwriting agent. The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is The Hamlet, Hornbeam Park, Harrogate.

2. Statement of Compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

These financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value and applied consistently.

Insurance Balances
Insurance balances, being amounts receivable from policyholders in respect of net written premiums ("NWP") and payable to the insurer and insurance monies held in designated insurance money accounts are only recognised to the extent that the company retains the risks and rewards of ownership. Following consideration by management, amounts receivable from the policy holder in respect of net written premiums ('NWP') and payable to the insurer are not included as an asset or liability as they do not meet the criteria for recognition of a financial asset or liability. In addition insurance monies held in designated insurance money accounts are not recognised on the balance sheet as the Group is not legally entitled to these funds.

Turnover
The company generates revenue principally from commissions and fees associated with operating as an insurance underwriting agent. Revenues from brokerage, commissions and fees from insurance intermediary businesses are recognised when notification of the policy sale has been received.

Profit or volume based commission, which is received periodically, is recognised when the amount can be measured with reasonable certainty.

Where there is an expectation of future servicing requirements for the policies in force an element of income is deferred to cover the estimated fair value of the associated contractual obligation.

Foreign currencies
Monetary assets and liabilities in foreign currencies are expressed in sterling at exchange rates ruling at the balance sheet date. Income and expenses in foreign currencies are translated into sterling at either rates of exchange ruling at the date on which the transactions occur or at the average rate of exchange during the period where this is a suitable approximation. Any exchange differences arising on transactions in foreign currencies during the period are dealt with through the profit and loss account.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

3. Accounting policies (continued)

Depreciation
Tangible fixed assets are written off on a straight line basis over their estimated useful lives being; Computer Equipment & Fixtures; 4 years, Leasehold Improvements; period of the lease.

Operating Leases
Rentals payable under operating leases, which are those in which a significant proportion of the risks and rewards of ownership are retained by the lessor, are charged on a straight-line basis over the term of the lease.

Assets held under finance leases, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over the shorter of their useful lives and the lease term. The capital elements of the related lease obligations are included in the liabilities. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease.

Taxation
Taxation for the period comprises current and deferred tax recognised in the reporting period. Current or deferred taxation assets and liabilities are not discounted.

(i) Current Tax
Current tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(ii) Deferred Tax
Deferred tax is recognized on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Cash flow statement and related party
The company is a subsidiary of Rural & Commercial Holdings Limited and is included in the consolidated financial statements of Rural & Commercial Holdings Limited, which prepares accounts that are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Primary Group Limited group or investors of Primary Group Limited.

Pensions
The company operates non-contributory defined contribution grouped personal pension plans covering the majority of permanent employees where subsidiaries have elected to participate. The assets of the plans are held separately from those of the group in independently administered funds for individual members of staff. The plans are funded by contributions that are charged to the profit and loss account as incurred in accordance with the employment contract of each director or employee.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

4. Turnover

All turnover and profit before tax is derived from the company's principal activities of an underwriting agency carried on in the UK.

5. Operating profit

Operating profit is stated after charging:

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Fees payable to group undertaking	**931,754**	2,395,644
Auditor's remuneration	**27,100**	20,000
Amortisation & Depreciation of owned assets	**105,066**	73,057
Operating lease payment - land & buildings	**48,570**	57,120

6. Information regarding directors and employees

Emoluments for five (2015: five) directors were paid by the company for the year as follows:

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Emoluments	**431,802**	311,951
Contributions to money purchase pension schemes	**31,006**	26,267
Total emoluments	**462,808**	338,218

The emoluments of the highest paid director included in the amounts shown are:

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Emoluments	**269,385**	170,320
Contributions to money purchase schemes	**20,614**	18,274
Total emoluments	**289,999**	188,594

Employee costs for the company were as follows:

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Wages and salaries	**2,882,687**	1,848,213
Social security	**263,966**	188,913
Other pension costs	**163,824**	90,867
	3,310,477	2,127,993

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

6. Information regarding directors and employees (continued)

The average monthly number of persons employed by the company (including directors) during the year was as follows:

	Year ended 31 March 2016	Year ended 31 March 2015
	No.	No.
	81	61

7. Interest receivable and similar income

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Loan interest receivable	**42,853**	65,529
Bank interest receivable	**6,498**	11,238
	49,351	76,767

8. Interest payable and similar charges

	Year ended 31 March 2016	Year ended 31 March 2015
	£	£
Interest payable on bank loan	**3,492**	-
Interest payable on finance leases	**3,605**	5,695
	7,097	5,695

9. Tax on profit on ordinary activities

(a) Analysis of current year tax charge/(credit)

	Year ended 31 March 2016	Year ended 31 March 2015
Current tax: Based on the profit for the year at 20% (2015: 21%)	**£**	£
Group relief and similar payments	**8,444**	13,760
Adjustments in respect of prior years	**-**	1,379
Current tax charge for the year	**8,444**	15,139
Deferred tax:		
Deferred tax charge/(credit) for the year (Note 9d)	**119,544**	30,730
Adjustments in respect of prior years (Note 9d)	**(4,456)**	17,139
Adjustments due to change in tax rate (Note 9d)	**14,146**	-
Total tax charge/(credit) for the year (Note 9b)	**137,678**	63,008

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

9. Tax on profit on ordinary activities (continued)

(b) Factors affecting current tax charge/(credit) for the year:

The tax assessed on the profit on ordinary activities for the year ended 31 March 2016 differs (2015: differs) from the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are reconciled below:

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Profit on ordinary activities before tax	**1,068,804**	191,509
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	**213,761**	40,217
Effects of:		
Expenses not deductible for tax purposes	**4,589**	5,810
Income not taxable	**(90,362)**	-
Adjustment to tax in respect of prior periods - group relief	**-**	1,379
Adjustment to tax in respect of prior periods - deferred tax	**(4,456)**	17,139
Remeasurement of deferred tax - change in UK tax rate	**14,146**	(1,537)
Total tax charge / (credit) for the period (note 9 (a))	**137,678**	63,008

(c) Tax rate change

The tax rate for the current period is lower than the prior period due to changes in the main UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Further reductions to the UK Corporation tax rates were substantively enacted as part of the Finance (No 2) Act 2015. These reduce the main rate to 19% from 1 April 2017 and 18% from 1 April 2020. Finance Bill 2016 has proposed a further reduction to 17% in respect of the financial year beginning 1 April 2020. This latest reduction had not been substantively enacted at the balance sheet date.

The deferred tax assets and liabilities reflect the above rates that had been substantively enacted at the balance sheet date.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

9. Tax on profit on ordinary activities (continued)

(d) Deferred tax asset

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Accelerated capital allowances	**20,696**	63,863
Carried forward tax losses	**106,615**	192,681
Deferred tax asset as at 31 March	**127,311**	256,544
Deferred tax asset at the start of the year	**256,544**	304,413
Deferred tax (charge)/credit in profit and loss account for the year (Note 9a)	**(119,544)**	(30,730)
Adjustments in respect of prior years	**4,456**	(17,139)
Rate change impact	**(14,146)**	-
Deferred tax asset at the end of the year (Note 9)	**127,310**	256,544

The company has made a profit before tax this year and is expected to continue to make taxable profits going forward.

Deferred tax assets have been recognised to the extent that they are deemed more likely than not to be recovered, based on forecasts of future taxable profits, resulting in an asset of £127,310 (2015: £256,544) recognised at 18% (2015: £256,544 at 20%) in respect of depreciation in excess of capital allowances and carried forward tax losses.

The net deferred tax asset is expected to reduce by £12,000 in the year to 31 March 2017 as a result of the anticipated use of tax losses of £119,000 against a forecasted taxable profit which will be offset by an anticipated increase in the accelerated capital allowance deferred tax asset following the transfer of assets from a group undertaking.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

10. Tangible fixed assets

	Computer Equipment & Fixtures	Total
Cost	**£**	**£**
As at 1 April 2015	251,098	251,098
Additions	436,155	436,155
Disposals/write offs	(20,269)	(20,269)
As at 31 March 2016	666,984	666,985
Accumulated depreciation		
As at 1 April 2015	57,236	57,236
Charge for the year	74,516	74,516
Disposals/write offs	(20,268)	(20,268)
As at 31 March 2016	111,484	111,484
Net book value		
As at 31 March 2015	193,862	193,862
As at 31 March 2016	555,500	555,500

Included in the above are assets held under finance lease, with a net book value of £84,427 (2015: £115,785). Depreciation charged in the period relating to these assets was £33,771..

11. Intangible fixed assets

	Software	Total
Cost	**£**	**£**
As at 1 April 2015	**486,485**	**486,485**
Additions	**453,706**	**453,706**
Disposals/write offs	**(39,802)**	**(39,802)**
As at 31 March 2016	**900,389**	**900,389**
Accumulated depreciation		
As at 1 April 2015	**65,662**	**65,662**
Charge for the year	**30,550**	**30,550**
Disposals/write offs	**(39,802)**	**(39,802)**
As at 31 March 2016	**56,410**	**56,410**
Net book value		
As at 31 March 2015	**420,823**	**420,823**
As at 31 March 2016	**843,979**	**843,979**

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

12. Debtors

	31 March 2016 £	31 March 2015 £
Insurance debtors	**495,386**	249,059
Amounts owed by group undertakings	**2,218,270**	1,460,381
Other debtors	-	-
Deferred tax asset (Note 9d)	**127,310**	256,544
Prepayments and accrued income	**1,829,353**	1,290,702
	4,670,319	3,256,686

The insurance debtors amount noted above is after the FRS 102 de-recognition of financial assets and liabilities, and represents that amount of commission income outstanding. A full transition note is included within these Statutory Accounts.

13. Cash at bank and in hand

The cash at bank and in hand balance of £518,574 (2015: £305,824), represents an amount of commission income collected and office account cash.

£1,676,405 (2015: £2,000,104) is held in designated underwriter accounts under risk transfer agreements with the relevant insurers and the cash legally cannot be used for any other purpose than settlement of claims to policy holders, pay premiums to underwriters and commissions and other income to group undertakings. These balances have not been recognised on the Statement of Financial Position in full due to their nature as they do not meet the criteria for recognition of a financial asset under FRS 102.

14. Creditors: amounts falling due within one year

	31 March 2016 £	31 March 2015 £
Bank Loan	**500,000**	-
Insurance creditors	-	-
Trade creditors	**177,459**	22,879
Finance lease	**21,963**	25,216
Other creditors (includes tax)	**2,835,094**	1,436,667
Accruals and deferred income	**711,962**	1,489,902
	4,246,478	2,974,664

The insurance creditors amount is after the FRS 102 derecognition of financial assets and liabilities, a full transition note is included within these Statutory Accounts.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

15. Creditors: amounts falling due after more than one year

	31 March 2016	31 March 2015
	£	£
Bank Loan	**500,000**	-
Finance lease	**68,606**	90,569
Accruals and deferred income	-	269,800
	568,606	360,369

16. Finance lease

Future minimum payments under finance leases are as follows:

	31 March 2016	31 Marxh 2015
	£	£
Within one year	**27,334**	34,168
In more than one year, but not more than five years	**75,170**	102,504
Total gross payments	**102,504**	136,672
Less finance charges included above	**(11,935)**	(20,887)
	90,569	115,785

17. Bank loans

	Company	
	31 March 2016	31 March 2015
	£	£
Due within one year or on demand	**500,000**	-
Due between one and two years	**500,000**	-
	1,000,000	-

A bank loan of £1,000,000 was secured with Clydesdale Bank plc on 2 March 2016. Interest is accrued on a monthly basis at LIBOR plus 3.75%. The loan is secured by fixed and floating charges as noted under Clause 2 of the lodged debenture.

18. Pension commitments

The group operates non-contributory defined contribution grouped personal pension plans. The assets of the plans are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the company to the plans and the amount contributed during the year to the 31 March 2016 was £163,824 (2015: £90,867).

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

19. Commitments under operating leases

As at 31 March the company had annual land and buildings operating lease commitments as follows:

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Operating leases which expire;		
In less than 1 year	**50,738**	57,120
Between 2 – 5 years	**405,900**	-
Later than 5 years	**482,006**	-
	938,644	57,120

20. Related party disclosures

As permitted under FRS 102, paragraph 33.1A, transactions between group companies which are wholly owned have not been disclosed.

21. Ultimate Holding Company

The immediate parent undertaking is PBS Holdings Limited.

The ultimate parent undertaking and controlling party is R&H Trust Co. Ltd. as trustee for two trusts established in the Cayman Islands for the benefit of Mr P James and his family.

Primary Group Limited, incorporated in Bermuda, is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2016.

Rural & Commercial Holdings Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements.

22. Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. There are no changes to the Rural Insurance Group Limited Financial Statements as a result of the transition to FRS 102, other than a holiday pay accrual in the year ended 31 March 2016 of £21,000.

FRS 102 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. This has resulted in the company recognising a liability for holiday pay of £21,000 on transition to FRS 102. Previously holiday pay accruals were not recognised and were not charged to the profit and loss account as they were paid. In the year to 31 March 2015 no additional liability has been noted, due to the lower number of employees in the company resulting in an immaterial accrual.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

22. Transition to FRS 102 (continued)

In addition to the holiday pay accrual, the following adjustments have arisen which have had no effect on net equity or profit and loss account, but which have affected the presentation of these items on the balance sheet. These are:

(a) Computer Software with a net book value of £420,823 as at 31st March 2015 has been reclassified from tangible to intangible assets as required under FRS102. This has no effect on the company's net assets or on the profit for the year, except that the previous depreciation charge is now described as amortisation.

(b) Derecognition of financial assets and liabilities. FRS102 indicates that as the Company is acting as an intermediary between the insured and the insurer with full risk transfer in place, there is only a requirement to disclose the net commission due. In the following table the transition from the 2015 Statutory Accounts to the current position is noted. The accounting notes also note the overall position for insurance debtors, creditors and cash.

Statement of Financial Position as at 31 March 2016	At 31 March 2016			At 31 March 2015		
	As previously stated	Effect of Transition	FRS 102 (as restated)	As previously stated	Effect of Transition	FRS 102 (as restated)
	£			£		
Fixed assets						
Intangible assets	843,979	0	843,979	420,823	0	420,823
Tangible assets	555,500	0	555,500	193,862	0	193,862
	1,399,479	0	1,399,479	614,685	0	614,685
Current assets						
Debtors	12,636,082	-7,965,763	4,670,319	7,469,585	-4,212,899	3,256,686
Cash at bank and in hand	2,138,264	-1,619,690	518,574	2,275,184	-1,969,360	305,824
	14,774,346	-9,585,453	5,188,893	9,744,769	-6,182,259	3,562,510
Creditors: amounts falling due within one year	-13,831,931	9,585,453	-4,246,478	-9,156,923	6,182,259	-2,974,664
Net current assets	942,415	0	942,415	587,846	0	587,846
Total assets less current liabilities	2,341,894	0	2,341,894	1,202,531	0	1,202,531
Creditors: amounts falling due after more than one year	-568,606	0	-568,606	-360,369	0	-360,369
Net assets	1,773,288	0	1,773,288	842,162	0	842,162
Capital and reserves						
Called up share capital	1,000	0	1,000	1,000	0	1,000
Retained Earnings	1,772,288	0	1,772,288	841,162	0	841,162
Total Equity	1,773,288	0	1,773,288	842,162	0	842,162