Report & Financial Statements

For the year ended 31 December 2014

Price Forbes & Partners Limited

Registered Number 05734247

PRICE FORBES & PARTNERS LIMITED

CONTENTS

COMPANY INFORMATION AND PROFESSIONAL ADVISORS

DIRECTORS:	M P Donegan S P Fisher (Non Executive Chairman) A G G Forman B J Hurst-Bannister (Non Executive Director) C Newton A C Walkling
REGISTERED OFFICE:	2 Minster Court Mincing Lane London EC3R 7PD
BANKERS:	The Royal Bank of Scotland 280 Bishopsgate London EC2M 4RB
SOLICITORS:	Freshfields 65 Fleet Street London EC4Y 1HS
REGISTERED INDEPENDENT AUDITORS:	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

STRATEGIC REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 31st December 2014.

PRINCIPAL ACTIVITIES

The Company's principal activity during the year continued to be that of acting as a broker in insurance and reinsurance markets. The Company is authorised and regulated by the Financial Conduct Authority.

Review of Business and Developments during the Year

The Company offers bespoke insurance and reinsurance services to its clients through its four trading divisions: Marine, Energy, Non Marine and PNC (Power Nuclear & Construction).

In the year its turnover grew to £53.1m representing growth of 2% over the previous year. The Company had good underlying performances in many of its lines of business but this success was offset by timing on some construction business and less favourable currency exchange rates.

In the latter half of 2014 the Company invested in developing new and strengthening existing lines of business. In particular the Company now offers Accident & Health expertise, a strengthened Specie department and Financial Products. This is in addition to the hires across the existing core businesses. This reinvestment in the business's future and trading in 2014 resulted in a drop in EBITDA of £2.0m to £8.9m. The Company is well placed for growth in 2015.

Net assets grew from £10.0m to £11.5m after declaring a dividend to the Company's parent of £2.75m (2013: £4.5m) and cash resources stood at £14.4m at the year end, up from £13.0m previously.

The key financial performance indicators for the Company are set out below:

	2014 Reported £'m	**2013 Reported £'m**
Turnover	53.1	52.2
Adjusted EBITDA	8.9	10.9
Profit Before Tax	5.8	7.9
Net Assets	11.5	10.0

Adjusted EBITDA excludes the management fee charged by the company's parent relating to the licence of certain intangible assets held by its parent.

The key non-financial performance measure is as follows:

	2014 Reported £'000	**2013 Reported £'000**
Brokerage Per Employee	204.9	216.5

STRATEGIC REPORT (continued)

Principal Risks and Uncertainties

The Company's operating activities are exposed to various financial, legal and regulatory risks. These include the key risk factors summarised below. The Company manages these risks within a Key Risk and Control framework ensuring that they are mitigated where possible.

Legal and Regulatory Risk
The Company is exposed to potential claims and litigation arising out of the ordinary course of business relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied that the Company has adequate insurance to meet such claims and that the level of the deductible is appropriate. However, were the claim experience to deteriorate it could have an adverse effect on the Company's results and reputation.

Financial Risk
The Company is exposed to financial risk through its financial assets and liabilities. The components of financial risk are foreign currency, liquidity, interest rate and counter party credit risk. The extent of the exposure to each of these components varies.

Foreign Currency Risk
The Company's main exposure to foreign currency risk arises from the settlement in foreign currency, principally US Dollars, of brokerage and fees relating to insurance business originating overseas. Transactions denominated in US Dollars form approximately 86% of the Company's revenues. The Company manages this exposure through active treasury management processes, including hedging operations in conjunction with its parent, where appropriate.

Liquidity Risk
Fees and commissions are received and withdrawn from insurance trust accounts based on a client money calculation performed in accordance with the Financial Conduct Authority's client money rules (CASS 5). Insurance and Corporate funds are monitored and maintained so as to enable the Company to meet cash settlement requirements as they fall due. Client money is held with approved banks and cleared funds have to be available before payment is made.

Interest Rate Risk
The prevailing low interest rates means that the extent of any adverse variance on the Company's results is immaterial.

Counter Party Credit Risk
To minimise this risk the Company has a general policy of not funding payment of claims on behalf of insurers or premiums on behalf of its clients. However, the Company has established a strict authorisation policy whereby management may in certain circumstances authorise funding. Consequently, there is not a significant exposure to credit risk deriving from insurers and clients in this respect. At the same time, the Company maintains a Security Committee which monitors the financial condition of insurers and reinsurers through the use of professional rating agency reports on an ongoing basis.

Client money is spread over a number of approved banks with a minimum required credit rating to mitigate the bank counter party exposure.

STRATEGIC REPORT (continued)

Operational Risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud and human error. The Company mitigates these risks through a Key Risks and Controls framework, systems of internal controls, internal audit and compliance functions and other measures such as back-up procedures, contingency planning and insurance.

The Board has ultimate responsibility for the system of internal control maintained by the Company to manage operational, regulatory and financial risks. The Board through the Audit and Risk Committee reviews the effectiveness of internal controls across the Company.

Audit and Risk Committee

In addition to the above, the Audit and Risk Committee monitors both the performance and value for money obtained from the auditors and their independence. Their appointment is kept under regular review.

The Audit and Risk Committee sets and controls the work programme for the internal audit function and reviews the financial statements and the disclosures therein.

Approved by the Board of Directors on 29th April 2015

and signed on behalf of the Board by

M P Donegan
Chief Executive Officer

DIRECTORS' REPORT

Results and Dividends

The Company's profit for the financial year is £4.2m (2013: profit of £5.7m), and an equivalent amount has been transferred to reserves. During the year a dividend of £2.75m (2013: £4.5m) was paid to the Company's parent PFIH Limited.

Financial Risk Management

A review of the Company's principal risks and uncertainties is included in the Strategic Report on pages 2 to 4.

Directors

The directors of the Company who were in office during the year and up to the date of signing were:

M P Donegan
S P Fisher (Non Executive Chairman)
A G G Forman
B J Hurst-Bannister (Non Executive Director)
C Newton
A C Walkling

Directors Indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

Pursuant to Section 487 of the companies act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Disabled employees

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee Involvement

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged. This achieves a common awareness of the financial and economic factors affecting the company and plays a major role in maintaining its competitive positioning and corporate culture. The company encourages the involvement of employees by means of regular staff forums with management.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and applicable law). 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors on 29th April 2015

and signed on behalf of the Board by

M P Donegan
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

PRICE FORBES & PARTNERS LIMITED

Report on the financial statements

Our opinion

In our opinion, Price Forbes & Partners Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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

Price Forbes & Partners Limited's financial statements comprise:

- the balance sheet as at 31 December 2014
- the profit and loss account 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 their preparation is applicable law and United Kingdom Accounting Standards (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 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

PRICE FORBES & PARTNERS 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 & Ireland) ("ISA's (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 Report and Financial Statements 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 or any apparent material misstatements or inconsistencies we consider the implications for our report.

C Clough.

Claire Clough (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
29th April 2015

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
TURNOVER	2	53,066	52,178
Administrative expenses		(47,215)	(44,415)
Other operating income	3	136	164
OPERATING PROFIT	4	5,987	7,927
Interest payable and similar charges	5	(154)	(10)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,833	7,917
Tax on profit on ordinary activities	8	(1,602)	(2,221)
PROFIT FOR THE FINANCIAL YEAR	17	4,231	5,696

All activities derive from continuing operations. There are no gains and losses other than those recognised above, which are calculated on the historical cost basis.

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

Notes from pages 11-22 forms part of the financial statements.

BALANCE SHEET
As at 31 December 2014

	Note		31st December 2014 £'000		31st December 2013 £'000
FIXED ASSETS					
Intangible assets	11		303		-
Tangible assets	12		186		496
CURRENT ASSETS					
Debtors	13	11,853		10,403	
Cash at bank and in hand		14,384		13,011	
		26,237		23,414	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(15,198)		(13,522)	
NET CURRENT ASSETS			11,039		9,892
TOTAL ASSETS LESS CURRENT LIABILITIES			11,528		10,388
PROVISIONS FOR LIABILITIES	15		-		(350)
NET ASSETS			11,528		10,038
CAPITAL AND RESERVES					
Called up share capital	16		6,000		6,000
Profit and loss account	17		4,888		3,407
Other reserves	17		640		631
TOTAL SHAREHOLDERS' FUNDS	17		11,528		10,038

Notes from pages 11-22 forms part of the financial statements.

The financial statements were approved by the board of directors on 29th April 2015 and were signed on its behalf by:

A G G Forman

M P Donegan

Registered Number 05734247

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and UK applicable accounting standards under the historical cost convention.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(b) Turnover

Revenue from brokerage and fees derived from insurance and reinsurance contracts and programmes is recognised at the later of the policy inception date or when the policy placement has been completed. Revenues from binding authorities and treaties are recognised on a periodic basis when the consideration due is confirmed by third parties.

Profit commission, which the company earns on facilities it operates on behalf of insurers, is recognised on either a cash settlement basis or when the amount can be determined and insurers make an irrevocable commitment to pay that amount.

Due to the long term nature of some of the services provided by the Company to its clients, obligations can arise for the performance of post-placement activities. Where these are not covered by additional income, a relevant portion of brokerage is deferred and recognised in the periods in which these activities take place.

Alterations to brokerage income arising from premium adjustments are taken into account as and when such adjustments are made. Adjustment to brokerage has been made where a return of premium and brokerage is made, or may be made, subsequent to the end of the financial year.

(c) Foreign currencies and hedging

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising on translation are taken directly to the profit and loss account.

Exchange differences arising from trading activities are calculated at the prevailing rate and dealt with in the profit and loss account. Profits or losses arising from forward foreign exchange contracts taken out to hedge the currency exposure arising from future income are recognised in the profit and loss account as they are realised.

(d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Leasehold premiums and improvements are amortised on a straight line basis over 5 years or the period of the lease, whichever is the shorter. All other tangible assets are depreciated on the following basis:

- Office fixtures	20.0% per annum straight line basis
- Leasehold improvements	20.0% per annum straight line basis
- Computer hardware	20.0% per annum straight line basis
- Computer software	33.3% per annum straight line basis

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

1. **ACCOUNTING POLICIES (continued)**

(e) Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations shown in creditors.
Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease after adjusting for any rent free period which is apportioned over the period of the lease to the break clause.

(f) Insurance debtors and creditors

The Company acts as an agent in broking the insurable risks of clients and normally is not liable as a principal for premiums due to underwriters, or for claims payable to clients. In recognition of this relationship, the insurance debtors, creditors and cash balances ("fiduciary assets") relating to insurance business are not included as assets and liabilities of the Company itself. Notwithstanding the above policy the Company is entitled to retain the investment income on any cashflows arising from these transactions.

In the ordinary course of insurance broking business, settlement is required to be made with certain market settlement bureaux, insurance intermediaries or insurance companies on the basis of the net balance due to or from them rather than the amount due to or from the individual third parties which it represents.

Net fiduciary assets representing brokerage earned by the Company and not taken to its own funds is included in the balance sheet debtors as an amount falling due within one year.

(g) Pensions

The Company participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company, in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund during the year.

(h) Cash flow statement

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 1 from presenting a cash flow statement on the grounds that consolidated group financial statements are prepared by the parent undertaking PFIH Limited.

(i) Other operating income

Other operating income is accounted for on an accruals basis.

(j) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

(k) Share-based payments

The share option and restrictive stock programme allows employees to acquire shares of the parent company. The fair value of options and restricted stock granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value is measured using an option pricing model, taking into account the terms and conditions upon which the options and restricted stock were granted. The amount recognised as an expense is adjusted to reflect the actual number that vest except where variations are due only to share prices not achieving the threshold for vesting.

(l) Related party disclosures

As the Company is a wholly owned subsidiary of PFIH Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of PFIH Limited, within which this Company is included, can be obtained from the address given in note 23.

(m) Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

2. TURNOVER

All turnover and profit before tax arises from insurance broking activities with premiums placed, in the main, with Lloyd's and UK based insurance and reinsurance companies.

	2014 £'000	2013 £'000
Turnover by location of client is split as follows:		
United Kingdom	3,807	4,532
Continental Europe	2,602	1,869
North America	28,501	26,469
Other	18,156	19,308
	53,066	52,178

3. OTHER OPERATING INCOME

	2014 £'000	2013 £'000
Bank interest receivable	136	164
	136	164

Income earned on monies held as an integral part of the operations of the Company is disclosed within operating income.

4. OPERATING PROFIT

	2014 £'000	2013 £'000
Operating profit is stated after charging:		
Depreciation of tangible assets (note 12)	387	477
Amounts receivable by the auditors and their associates in respect of:		
Fees payable to the company's auditors for the audit of the Company	73	73
Fees payable to the company's auditors and their associates for other services including:		
Audit-related assurance services	15	15
Tax compliance services	10	8
Tax advisory services	34	6
Total fees payable to the company's auditors	**132**	**102**
Rentals under operating lease - land and buildings	742	742

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £'000	2013 £'000
On intercompany loans	154	8
Other	-	2
	154	10

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

6. EMPLOYEES AND STAFF COSTS

The monthly average number of persons employed by the Company, which includes directors, was:

	2014 Number	2013 Number
Broking and underwriting services	204	186
Claims	22	20
Finance and administration	24	26
Management	9	9
	259	241

The costs incurred in respect of employees were:

	2014 £'000	2013 £'000
Wages and salaries	27,346	25,579
Social security costs	2,627	2,307
Other pension costs	2,674	2,392
	32,647	30,278

7. DIRECTORS

Remuneration of directors of the Company included in staff cost was as follows:

	2014 £'000	2013 £'000
Emoluments payable	1,802	3,152
Company contributions payable to defined contribution pension scheme	47	187

	2014 Number	2013 Number
Number of directors who are members of defined contribution scheme	4	8
Number of directors who exercised options/restricted stock	-	3

In respect of highest paid director:

	2014 £'000	2013 £'000
Emoluments	807	548
Company contributions payable to defined contribution pension scheme	7	42

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2014 £'000	2013 £'000
(a) Analysis of charge for the year		
UK corporation tax on profits of the year	1,594	2,181
Adjustments in respect of prior years	5	118
Charge as in (b) below	1,599	2,299
Deferred taxation (note 9)	3	(78)
Tax charge for the year	1,602	2,221

The tax assessed for the year is higher (2013: higher) than the standard rate of corporation tax in the UK 21.5% (2013 23.25%)

	2014 £'000	2013 £'000
(b) Factors affecting tax charge for year		
Profit on ordinary activities before tax	5,833	7,917
Profit on ordinary activities multiplied by standard rates of corporation tax in the UK 21.50% (2013 23.25%)	1,254	1,841
Effect of:		
Expenses not deductible for tax purposes	244	219
Share-based remuneration	(1)	(18)
Depreciation in excess of capital allowances	35	68
Other timing differences	62	71
Adjustments in respect of prior years	5	118
Charge as in (a) above	1,599	2,299

The Budget on 19 March 2014 announced that the UK corporation tax rate will reduce to 20% by 1 April 2015. A reduction in the rate from 21% to 20% will take effect from 1 April 2015. This rate was substantively enacted by Finance Act 2014 on 17th July 2014.

9. DEFERRED TAX ASSET

Deferred tax asset represents:	2014 £'000	2013 £'000
Accelerated depreciation	116	87
Pension accrual	52	-
Dilapidations	-	74
Share-based remuneration	2	20
Bonuses	24	16
As at 31 December	194	197
Deferred Tax (debit)/credit to profit and loss account for the year	(3)	78

The Budget on 19 March 2014 announced that the UK corporation tax rate will reduce to 20% by 1 April 2015. A reduction in the rate from 21% to 20% will take effect from 1 April 2015. This rate was substantively enacted by Finance Act 2014 on 17th July 2014. The deferred tax balances have therefore been re-measured using this rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

10. DIVIDENDS

	2014 £'000	2013 £'000
Interim paid for current year 4.6p per share (2013 - 7.5p)	2,750	4,500
	2,750	4,500

11. INTANGIBLE ASSETS

	2014 £'000	2013 £'000
Cost		
Brought Forward	-	-
Additions	308	-
	308	-
Accumulated Amortisation		
Brought Forward	-	-
Charge for the year	5	-
	5	-
Net Book Value	303	-

The intangible asset represents acquisition costs for books of business which will transfer in 2015.

The amortisation basis on the intangible is straight line over five years and reflects the expected useful economic life of the asset.

12. TANGIBLE ASSETS

	Leasehold Improvements £'000	Office Fixtures £'000	Computer Hardware £'000	Computer Software £'000	Total £'000
COST					
Brought Forward	1,863	570	575	705	3,713
Additions	-	77	-	-	77
At 31 December 2014	1,863	647	575	705	3,790
ACCUMULATED DEPRECIATION					
Brought Forward	1,477	531	528	681	3,217
Charge for the year	310	31	22	24	387
At 31 December 2014	1,787	562	550	705	3,604
NET BOOK VALUE					
At 31 December 2014	76	85	25	-	186
At 31 December 2013	386	39	47	24	496

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

13. DEBTORS

	2014 £'000	2013 £'000
Due within one year:		
Net fiduciary assets (note 21)	9,472	8,750
Other debtors	1,158	485
Deferred tax asset (note 9)	194	197
Prepayments and accrued income	1,029	971
	11,853	10,403

14. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Other Creditors including taxation and social security	1,624	1,720
Amounts owed to group undertaking	5,881	3,092
Accruals and deferred income	7,693	8,710
	15,198	13,522

15. PROVISIONS FOR LIABILITIES

	Errors & Omissions £'000	Dilapidations £'000	Total £'000
Balance Brought Forward	-	350	350
Release for the year	-	(350)	(350)
At 31 December 2014	-	-	-

Provisions are made up of two components;

- The Company is subject to claims and litigation in the ordinary course of business resulting principally from alleged errors and omissions. Although all claims are strenuously defended, a charge is made within the accounts, net of any anticipated insurance recoveries, in respect of provisions made for potential liabilities including expenses that are deemed more likely than not to arise in respect of potential claims and litigation notified to the Company at the date of these financial statements. Claims may arise several years after the original events which could be the subject of dispute. At the end of 2014 no provision was required.

- The Company recognises a provision for the estimated cost for dilapidations that may become payable under the terms of current leasehold property contracts at the end of the lease. The costs are accrued over the life of the lease being reassessed each year. The Company has renewed its leases in 2015 on terms whereby at the end of 2014 no provision was required.

16. CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
Allotted, called up and fully paid		
60,000,000 (2013: 60,000,000) ordinary shares of 10p each	6,000	6,000

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Called up Share capital £'000	Profit and loss account £'000	Other Reserves £'000	Total share-holders' funds £'000
Balance Brought Forward	6,000	3,407	631	10,038
Profit for the financial year	-	4,231	-	4,231
Share options charge	-	-	9	9
Dividends paid for current year	-	(2,750)	-	(2,750)
At 31 December 2014	6,000	4,888	640	11,528
At 31 December 2013	6,000	3,407	631	10,038

18. (a) Operating lease commitments

In 2015 the Company has signed new lease agreements and has committed to making the following payments during this period in respect of non-cancellable operating leases which expire:

	Land and buildings 2014 £'000	Land and buildings 2013 £'000
Within one year	-	-
Two to five years	-	1,066
Over five years	781	-

(b) Off-balance sheet arrangements

The Company is an original guarantor for the revolving credit facility between the Parent company and the Royal Bank of Scotland Plc. Further details of these loans are given in the parent company's financial statements. At the year end there was no drawdown on the revolving credit facility.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

19. CONTINGENT LIABILITIES

(i) The Company is subject to potential claims and litigation arising out of the ordinary course of business. Any such claims are vigorously defended. On the facts known to the directors, the directors do not believe that any material losses will be incurred.

(ii) The Company acts as an agent on behalf of clients and insurers in placing insurance. It uses sound credit and collection practices to minimise the amount of credit outstanding and the potential contingent liability in respect of premium due to insurers which may become irrecoverable.

20. PENSION COMMITMENT

The Company operates a defined contribution pension scheme on a money purchase basis for all the employees. The scheme funds are administered independently of the company's finances. The Company's contributions are charged to the profit and loss account in the year in which they are made and are set out in note 6 above. At 31 December 2014 £258,950 (2013 - nil) was owed to the scheme.

21. INSURANCE BALANCES

Insurance balances are shown net of Insurance creditors and NST bank balances, which are summarised as follows:

	2014 £'000	2013 £'000
Gross insurance debtors	161,047	151,667
Fiduciary cash balance	41,298	35,647
Gross insurance creditors	(192,873)	(178,564)
Net fiduciary assets (note 13)	9,472	8,750

The net fiduciary assets represent the brokerage earned by the Company and not taken to its own funds. Brokerage is drawn when a client money calculation is performed.

22. SHARE INCENTIVE PLANS

PFIH Limited, the ultimate parent company of Price Forbes & Partners Limited, operated a Share Incentive Plan, the PFIH Limited Enterprise Management Incentive Scheme, under which share options have been granted to employees of the Company which on exercise are equity settled. PFIH Limited also grants restricted stock.

The vesting requirements of the scheme are based on a mixture of years of service and performance targets exercisable at a range of times and prices as disclosed in the following tables. As at 31 December 2014, 180,000 options were outstanding with a maximum term of 3 years and an average of 1.2 years

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

22. SHARE INCENTIVE PLANS (continued)

	2014		2013	
	Number of options 000s	Weighted Average Exercise Price £	Number of options 000s	Weighted Average Exercise Price £
Outstanding at 1 January	305	£0.52	625	£0.40
Granted	-	-	63	£0.90
Exercised	(75)	£0.39	(333)	£0.37
Forfeited or not taken up	(50)	£0.37	(50)	£0.50
Expired	-	-	-	-
Outstanding at 31 December	180	£0.62	305	£0.52

Exercisable options at year end were nil (2013 - 20,000)

The options outstanding at 31 December 2014 had an exercise price of between 50p and £1.

Under FRS 20 this scheme is accounted for as equity settled.

Fair Value of options

Inputs to the Valuation model
The fair values of awards granted under the PFIH Limited Enterprise Management Incentive Scheme have been calculated using the Black-Scholes option pricing model that takes into account the specific features of this Share Incentive Plan. The following principal assumptions were used in the valuation.

	2014	2013
Weighted average exercise price	£0.57	£0.52
Expected dividend	£0.25	£0.25
Expected volatility	20%	18%
Risk-free interest rate	1%	1%
Employee turnover	0%	0%
Expected life (years)	1.2	1.3

Volatility has been based on the comparability of a listed company adjusted for the private company status of PFIH. Based on the above information, a figure of 20% has been used for volatility over the course of the lives of the options.

The directors have assumed at 31 December 2014 that not all non market performance conditions will be achieved. On this basis not all options are expected to vest with employees.

Based on the above assumptions, and after allowing for the effects of the performance criteria, the fair values of the options granted are estimated to be:

	Weighted average fair value
PFIH Limited Enterprise Management Incentive Scheme	£0.54 (2013 - £0.40)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

22. SHARE INCENTIVE PLANS (continued)

A summary of restricted stock unit activity under the plans at 31 December 2014, and changes during the year then ended is presented below

Non vested shares (restricted stock units)

	2014		2013	
	Number of shares 000s	Weighted Average grant date fair value £	Number of shares 000s	Weighted Average grant date fair value £
Outstanding at 1 January	510	£0.40	705	£0.39
Granted	-	-	65	£0.40
Vested	(216)	£0.40	(210)	£0.38
Lapsed	(144)	£0.38	(50)	£0.38
Outstanding at 31 December	150	£0.42	510	£0.40

Expense arising from share-based payments
Based on the above fair values and the company's expectations of employee turnover, the expense arising from share options and restricted stock granted to employees was £9,227 for the period ended 31 December 2014 (2013 - £120,000).

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company and controlling entity is PFIH Limited. Copies of the parent company's financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

PFIH Ltd is the largest and smallest group to consolidate these financial statements for the period.