

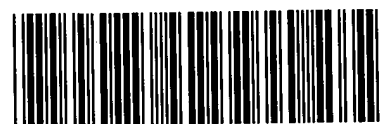
Registration number: 06108332

HS 428 Limited

Financial Statements

for the year ended 31 December 2014

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HS 428 Limited

Strategic report for the year ended 31 December 2014

The director presents his strategic report for the year ended 31 December 2014 for HS 428 Limited ("the Company"). The strategic report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. The Company is part of the Towergate Insurance Limited Group ("the Group").

Principal activities and business review

The principal activity of the Company is the provision of insurance intermediary services, although the Company is closed to new business so that the underlying books of the business are expected to decline year on year. This is reflected in the decrease in turnover this year.

The results for the Company show turnover of £95,506 (2013: £110,251) and profit on ordinary activities before taxation of £96,699 (2013: £150,625) for the year. At 31 December 2014 the Company had net assets of £1,646,906 (2013: £1,570,731).

Outlook

The directors do not expect there to be any changes in the nature of the business in 2015.

Key performance indicators

The directors of Towergate Insurance Limited manage the Group's operation on a divisional basis. For this reason, the Company's directors believe that a separate analysis for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Group which includes this Company as a member of the paymentshield division, is discussed in the Group's annual report. Financial key performance indicators relevant to the Company are commission and fees income as a percentage of premium.

HS 428 Limited

Strategic report for the year ended 31 December 2014

Principal risks and uncertainties

Group restructuring

On 2 April 2015 control of the Group changed as a consequence of the financial restructuring of the senior secured creditors and senior unsecured creditors of Towergate Finance plc (a former intermediate parent company). As part of this, TIG Finco plc acquired the Group for consideration of £735m made up of (i) the issue of £425m of senior secured notes by TIG Finco plc, and (ii) the issue of new shares in TIG Topco Limited, TIG Finco plc's indirect parent company, valued at £310m.

As a result of these transactions, in April 2015, the Group and its subsidiaries became part of a new group with Highbridge Principal Strategies LLC as the majority shareholder.

As part of the restructuring, additional capital of £122m was received by the Group through the issue by TIG Topco Limited of new shares for £50m and the issue by TIG Finco plc of £75m of super senior secured notes at a discount of £3m. This capital was raised to provide liquidity to the Group and specifically to fund (i) the costs of the restructuring of £42m; (ii) Long Term Incentive Plans which became payable following the restructuring of £30m; (iii) retention bonuses of £8m; and (iv) minority interest buy outs of £2m.

Risk management

The Group has a comprehensive strategy for the identification, mitigation and management of risk. A wide ranging assessment of business risks has been undertaken resulting in the compilation of a risk register. The risk register is subject to discussion at regular Risk Management Committee meetings and the Company's ongoing risk management ensures there is appropriate reporting from the business which will highlight changes in risk profile to the Risk Management Committee. The risks are managed and monitored to be within the agreed risk appetite. If a risk exceeds appetite, management actions will be put in place to bring it within appetite.

Strategic and Commercial Risk

There are risks of changes to the competitive and / or economic environment. This is mitigated by a robust strategy and planning process, regular monitoring of economic and competitive environment and diversification of product lines and channels.

Financial Risk

There is the risk of adverse impact on business value or earning capacity as well as risk of inadequate cash flow to meet financial obligations. This risk is mitigated by proactive management of the business plan, regular monitoring of cash flows against risk appetite.

Operational Risk

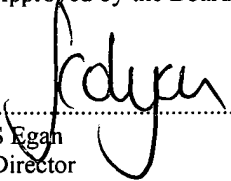
There is the risk of losses arising from inadequate or failed internal processes or systems, from personnel and / or from external events. These are mitigated by having an Enterprise Risk Management Framework in place, which is owned by the Group Risk Officer. The framework requires all risks to have owners, and these owners have appropriate controls in place which are regularly monitored and significant changes to the risk escalated as required.

HS 428 Limited
Strategic report for the year ended 31 December 2014

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, a dedicated compliance function, and a compliance monitoring programme. Furthermore, there is a control framework that has been rolled out and embedded within the culture throughout the Company to reduce the risk of errors and non compliance.

Approved by the Board on 13/7/2015 and signed on its behalf by:


.....
S Egan
Director

HS 428 Limited
Director's Report for the year ended 31 December 2014

The director presents his report and the financial statements for the year ended 31 December 2014.

Directors of the Company

The directors who held office during the year were as follows:

S Egan

M S Hodges (resigned 17 October 2014)

T D Johnson (resigned 30 June 2014)

Dividends

The director does not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2014 (2013: £Nil).

Political and charitable donations

The Company made charitable donations of £Nil (2013: £Nil) and political donations of £Nil (2013: £Nil) during the year.

Going concern

The financial statements of the Company set out on pages 9 to 17 have been prepared on a going concern basis. The directors believe the going concern basis to be appropriate following their assessment of the Company's financial position and its ability to meet its obligations as and when they fall due. Further details of this assessment can be found in note 1 to these financial statements.

Post balance sheet event

The Group has undergone a financial restructuring which completed in April 2015 of which this company is a guarantor, details of this restructuring are included in note 13.

Directors liabilities

The director benefits from qualifying third-party indemnity provisions in place during the financial period and at the date of this report.

Disclosure of information to the auditors

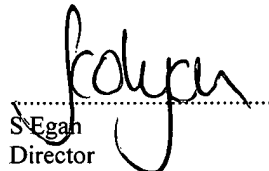
The director has taken steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The director confirms that there is no relevant information that he knows of and of which he knows the auditors are unaware.

HS 428 Limited
Director's Report for the year ended 31 December 2014

Reappointment of auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

Approved by the Board on 13/7/2015 and signed on its behalf by:


S Egan
Director

Paymentshield House
Wight Moss Way
Sittingbourne Road
Southport
Merseyside
PR8 4HQ

HS 428 Limited

Statement of director's responsibilities

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the director must not approve the financial statements unless he is 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 director is 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of HS 428 Limited

We have audited the financial statements of HS 428 Limited for the year ended 31 December 2014, set out on pages 9 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 director's responsibilities set out on page 6, the director is 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 web-site 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 2014 and of its profit for the year 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of HS 428 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.

L. Pomeroy

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

1 St Peter's Square
Manchester
M2 3AE

Date: 13/7/2015

HS 428 Limited
Profit and loss account for the year ended 31 December 2014

	Note	2014 £	2013 £
Turnover		<u>95,506</u>	<u>110,251</u>
Operating profit	2	95,506	110,251
Other interest receivable and similar income	5	<u>1,193</u>	<u>40,374</u>
Profit on ordinary activities before taxation		96,699	150,625
Tax on profit on ordinary activities	6	<u>(20,524)</u>	<u>(35,020)</u>
Profit for the financial year	10	<u><u>76,175</u></u>	<u><u>115,605</u></u>

Turnover and operating profit derive wholly from continuing operations.

The Company has no recognised gains or losses for the year other than the results above.

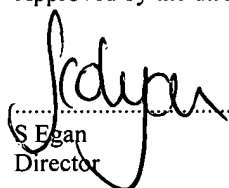
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 12 to 17 form an integral part of these financial statements.

HS 428 Limited
(Registration number: 06108332)
Balance sheet as at 31 December 2014

	Note	2014 £	2013 £
Current assets			
Debtors	7	1,667,430	1,710,432
Creditors: Amounts falling due within one year	8	<u>(20,524)</u>	<u>(139,701)</u>
Net assets		<u>1,646,906</u>	<u>1,570,731</u>
Capital and reserves			
Called up share capital	9	2	2
Profit and loss account	10	<u>1,646,904</u>	<u>1,570,729</u>
Shareholder's funds		<u>1,646,906</u>	<u>1,570,731</u>

Approved by the director on ...13/7/2015...


 S Egan
 Director

HS 428 Limited
Reconciliation of movement in shareholder's funds as at 31 December 2014

	2014 £	2013 £
Profit attributable to the shareholder's of the Company	<u>76,175</u>	<u>115,605</u>
Shareholder's funds at 1 January	<u>1,570,731</u>	<u>1,455,126</u>
Shareholder's funds at 31 December	<u><u>1,646,906</u></u>	<u><u>1,570,731</u></u>

HS 428 Limited
Notes to the financial statements for the year ended 31 December 2014

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom (UK Generally Accepted Accounting Practice) and under historical cost accounting rules.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly-owned subsidiary of Towergate Insurance 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 Towergate Insurance Limited, within which the Company is included, can be obtained from the address given in note 12.

Going concern

The financial statements of the Company set out on pages 9 to 17 have been prepared on a going concern basis. The directors believe the going concern basis to be appropriate following their assessment of the Company's financial position and its ability to meet its obligations as and when they fall due as described below.

At 31 December 2014 the Company had net assets of £1,646,906 (2013: £1,570,731) and net current assets of £1,646,906 (2013: £1,570,731). The net assets include an amount owed by group undertakings of £1,667,430 (2013: £1,710,432) and an amount due to group undertakings of £Nil (2013: £104,681).

In reaching their view on preparation of the Company's financial statements on a going concern basis, the directors have therefore considered significant uncertainties facing the Group that existed at the balance sheet date of 31 December 2014 and subsequent actions and developments in the period up to the date of approval of these financial statements.

The uncertainties that existed at the balance sheet date were disclosed on 19 November 2014 in the consolidated financial statements of Towergate Holdings II Limited, an intermediate parent company in the Group, for the period ended 30 September 2014. Those consolidated financial statements highlighted uncertainties over that group's operational cash flow and liquidity requirements and respective management actions, some of which required the agreement of third parties, the successful renegotiation of that group's financial covenant attaching to a fully drawn £85.0m revolving credit facility and the quantum, timing and recoveries of customer redress payments relating to advice given by the Group's Towergate Financial businesses.

On 2 April 2015 control of the Group changed as a consequence of the financial restructuring of the senior secured creditors and senior unsecured creditors of Towergate Finance plc (an intermediate parent company in the Group). As part of this, TIG Finco plc acquired the Group for consideration of £735.0m and additional capital was made available of £122.0m through the issue by TIG Topco Limited of new shares for £50.0m and the issue by TIF Finco plc of £75.0m of super senior secured notes at a discount of £3.0m. This capital was raised to provide liquidity and to fund the costs of the restructuring of £82.0m.

HS 428 Limited

Notes to the financial statements for the year ended 31 December 2014

At the date of approval of these financial statements, on the basis of cash flow forecasts prepared under the new structure, the directors believe that this restructuring removes the uncertainties highlighted over the Group's operational cash flow and liquidity requirements. In addition, the £85.0m revolving credit facility has been repaid in full removing the financial covenant obligations faced by the Group.

The Group sold the Towergate Financial Group of businesses on 16 March 2015. As part of the sale the potential liabilities in relation to the advice given on the sale of Enhanced Transfer Values and Unregulated Collective Investment Schemes remain with the Group. Given the number of material uncertainties that continue to exist, it is not yet possible to make a reliable estimate of the Group's ultimate liability in connection with these investigations. However, purely for the purposes of developing business plans and cash flow projections for the Group, a range of £65.0m to £85.0m has been adopted as a potential redress cost, excluding expenses. No provision has been recognised in this Company for the redress costs or expenses for the past business review as the issue relates to the Towergate Financial Group of businesses only.

On the basis of their assessment of the Company's financial position and of the Group's ability to continue to provide such support as might be required, the Company's directors have a reasonable expectation that the Company will be able 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.

Turnover

(a) Commission and fees

Revenue includes commission and fees receivable at the later of policy inception date or when the policy placement has been completed and confirmed. To the extent that the Company is contractually obliged to provide services after this date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts to ensure that revenue appropriately reflects the cost of fulfilment of these obligations. The Company also makes a provision for the cancellation of live policies after the balance sheet date based on previous experience of the volume of these.

(b) Trading deals and profit commission arrangements

Profit sharing arrangements, fees for the provision of payment instalment plans and other contingent and non-contingent trading deals with third parties are recognised over the life of the relevant arrangement or when they can be measured with reasonable certainty. Trading deal income includes contributions to marketing or product development, volume payments and profit commissions receivable.

Taxation

The tax expense for the period comprises current and deferred tax. Income 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. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

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 income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority which permits the Company to make a single net payment.

HS 428 Limited
Notes to the financial statements for the year ended 31 December 2014

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.

2 Operating profit

Arrived at after charging:

	2014	2013
	£	£
Auditors remuneration - audit of the financial statements	<u>-</u>	<u>-</u>

In the current year the audit fee has been borne by another company within the Group, which has made no recharge to the Company.

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, 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 Towergate Insurance Limited, being the largest Group in which the results of the Company are consolidated.

3 Staff costs

The Company had no employees in the current year or the preceding year. All administration is performed by employees of the Group, for which the costs are borne in other group companies who make no recharge to the Company.

4 Directors' remuneration

The emoluments of Messrs Hodges, Egan and Johnson were paid by other Group companies, which make no recharge to the Company. These directors are / were directors of the ultimate parent company and / or a number of 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 financial statements of the ultimate parent company.

5 Other interest receivable and similar income

	2014	2013
	£	£
Other interest receivable	<u>1,193</u>	<u>40,374</u>

HS 428 Limited
Notes to the financial statements for the year ended 31 December 2014

6 Taxation

Tax on profit on ordinary activities

	2014 £	2013 £
Current tax		
Corporation tax charge	<u>20,524</u>	<u>35,020</u>

Factors affecting current tax charge for the year

The tax on profit on ordinary activities for the year is the same as as the standard rate of corporation tax in the UK (2013 - the same as the standard rate of corporation tax in the UK) of 21.49% (2013 - 23.25%).

The differences are reconciled below:

	2014 £	2013 £
Profit on ordinary activities before tax	<u>96,699</u>	<u>150,625</u>
Corporation tax at standard rate	20,781	35,020
Group relief nil paid	<u>(257)</u>	<u>-</u>
Total current tax	<u>20,524</u>	<u>35,020</u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) was substantively enacted on 2 July 2013, and a further reduction to 20% (effective from 1 April 2015) was also substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

7 Debtors

	2014 £	2013 £
Amounts owed by Group undertakings	<u>1,667,430</u>	<u>1,710,432</u>

8 Creditors: Amounts falling due within one year

	2014 £	2013 £
Amounts owed to Group undertakings	-	104,681
Corporation tax	<u>20,524</u>	<u>35,020</u>
	<u>20,524</u>	<u>139,701</u>

HS 428 Limited
Notes to the financial statements for the year ended 31 December 2014

9 Share capital

Allotted, called up and fully paid shares

	No.	2014 £	No.	2013 £
Ordinary Shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

10 Reserves

	Profit and loss account £
At 1 January 2014	1,570,729
Profit for the year	<u>76,175</u>
At 31 December 2014	<u>1,646,904</u>

11 Related party transactions

The Company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the Group.

12 Control

At the balance sheet date the ultimate parent company of the Company was Towergate PartnershipCo Limited. As part of the restructuring on 2 April 2015, as discussed in the accounting policies, the ultimate holding company of the Group is now Sentry Holdings Limited and the parent company of the largest Group in which the results of the Company will be consolidated is TIG TopCo Limited.

At 31 December 2014 the parent company of the largest Group in which the results of the Company were consolidated was Towergate Insurance Limited.

These consolidated financial statements are available upon request from:

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN

HS 428 Limited
Notes to the financial statements for the year ended 31 December 2014

13 Post balance sheet events

On 2 April 2015 the Group completed a financial restructuring in relation to the senior secured creditors and senior unsecured creditors of Towergate Finance plc, a former intermediate parent company. As part of these arrangements TIG Finco plc (a newly formed holding company) acquired the Group for consideration of £735.0m made up of the issue of £425.0m of Senior Secured Notes by TIG Finco plc and the issue of new shares in TIG Finco plc's indirect parent company, TIG Topco Limited, valued at £310.0m. The impact on the Group of this restructuring is to change the debt being guaranteed by this Group.

As a result of these arrangements, in April 2015 funds controlled or managed by Highbridge Principal Strategies LLC became the Group's majority shareholder.

As part of the financial restructuring, additional capital of £122.0m was received by the Group through the issue by TIG Topco Limited of new shares for £50.0m and the issue by TIG Finco plc of £75.0m of Super Senior Secured Notes at a discount of £3.0m. The additional funds, which have been passed to the Group through a loan arrangement, provide liquidity to the Group and have enabled it to fund the restructuring costs of £42.0m, the vesting of long term incentive plans which have crystallised (or will in the future crystallise as a result of the restructuring) of £30.0m, retention bonuses of £8.0m and minority interest buy outs of £2.0m.