

**Towergate Financial (Scotland)  
Limited**

**Directors' report and financial  
statements**

Registered number SC127074

For the year ended 31 December 2012

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## **Directors' Report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2012.

### **Principal activities and business review**

The results for Towergate Financial (Scotland) Limited ("the Company") show a pre-tax profit of £23,704 (2011: £109,584) for the year and turnover of £1,930,785 (2011: £2,025,228). The Company has net assets of £890,553 (2011: £672,172).

The principal activity of the company during the period was the provision of independent financial advice.

Discussion on the consolidated results of Towergate Partnershipco Limited group of companies ("the Group"), which includes the Company, can be found in the Chairman's Statement and the Operating and Financial Review in the Group's annual report which does not form part of this report.

### **Principal risks and uncertainties**

The principal risks and uncertainties are now integrated with the principal risks of the Towergate Partnershipco Limited group and are not managed separately. Accordingly, the principal risks and uncertainties of Towergate Partnershipco Limited, which include those of the Company, are discussed in the Group's annual report which does not form part of this report.

### **Key performance indicators**

The directors of Towergate Partnershipco Limited manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Towergate Financial (Scotland) Limited. The development, performance and position of Towergate Partnershipco Limited, which includes the Company, is discussed in the Group's annual report which does not form part of this report.

### **Political and charitable contributions**

The Company made charitable contributions of £nil (2011: £nil) and political contributions of £nil (2011: £nil) during the year.

### **Proposed dividend**

No dividends were paid or proposed during the year (2011: £nil).

## **Directors' Report** *(continued)*

### **Directors**

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

PG Cullum <i>(non-executive)</i>	<i>resigned</i>	<i>4 February 2013</i>
AC Homer <i>(non-executive)</i>	<i>resigned</i>	<i>4 February 2013</i>
IWJ Patrick	<i>resigned</i>	<i>31 March 2012</i>
S Egan	<i>appointed</i>	<i>19 April 2012</i>
D Saulter	<i>resigned</i>	<i>08 August 2012</i>
G Donnelly		
AM Hardie	<i>resigned</i>	<i>10 February 2012</i>
MS Hodges	<i>appointed</i>	<i>24 August 2012</i>

### **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 the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be appointed and KPMG Audit Plc will therefore continue in office.

By order of the board

  
S Egan  
Director  
11 September 2013

## **Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements**

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

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

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Towergate Financial (Scotland) Limited**

We have audited the financial statements of Towergate Financial (Scotland) Limited for the year ended 31 December 2012 set out on pages 5 to 14. 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on 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 2012 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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.



**Philip Merchant (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants  
191 West George Street  
Glasgow  
G2 2LJ

11 September 2013

**Profit and loss account**  
*for the year ended 31 December 2012*

	<i>Note</i>	<b>2012</b> £	2011 £
<b>Turnover</b>	2	<b>1,930,785</b>	2,025,228
Administrative expenses		<b>(1,907,095)</b>	(1,916,276)
<b>Operating profit</b>		<b>23,690</b>	108,952
Interest receivable and similar income	6	<b>14</b>	632
<b>Profit on ordinary activities before taxation</b>	3	<b>23,704</b>	109,584
Tax on profit on ordinary activities	7	<b>194,677</b>	148,486
<b>Profit for the financial year</b>	14	<b>218,381</b>	258,070

The Company has no recognised gains or losses other than the profits and losses shown above and therefore no separate statement of total recognised gains and losses has been presented.

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 7 to 14 form part of these financial statements.

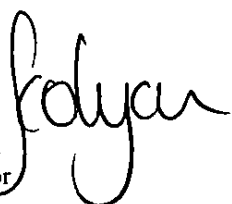
**Balance sheet**  
*at 31 December 2012*

	Note	2012 £	2011 £
<b>Fixed assets</b>			
Intangible assets	8	93,700	98,632
Tangible assets	9	34,066	85,961
		<u>127,766</u>	<u>184,593</u>
<b>Current assets</b>			
Debtors	10	2,282,531	2,168,026
Cash at bank and in hand		473,193	604,573
		<u>2,755,724</u>	<u>2,772,599</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(1,992,937)</u>	<u>(2,255,020)</u>
<b>Net current assets</b>		<u>762,787</u>	<u>517,579</u>
<b>Total assets less current liabilities</b>		<u>890,553</u>	<u>702,172</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>-</u>	<u>(30,000)</u>
<b>Net assets</b>		<u>890,553</u>	<u>672,172</u>
<b>Capital and reserves</b>			
Called up share capital	13	45,000	45,000
Profit and loss account	14	845,553	627,172
<b>Shareholders' funds</b>	15	<u>890,553</u>	<u>672,172</u>

The notes on pages 7 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on 11 September 2013 and were signed on its behalf by:

S Egan  
Director





## **Notes**

*(forming part of the financial statements)*

### **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.

#### ***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.

The amendment to FRS 8 Related Party Disclosures has the effect that only wholly-owned subsidiaries are exempt from disclosure of intragroup transactions.

#### ***Going concern***

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.

#### ***Intangibles***

Intangibles comprise of purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on acquisition which is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. This is taken as twenty years.

#### ***Fixed assets and depreciation***

Depreciation is provided by the Company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Furniture & equipment	- 20% per annum
Fixtures and fittings	- 15% per annum
Computer equipment	- 25% per annum

#### ***Impairment of fixed assets and goodwill***

The carrying value of the company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying value of an asset or its income generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

#### ***Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### ***Post retirement benefits***

Towergate Partnershipco Limited and the Company operate defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

#### ***Taxation***

The charge for taxation is based on the profit for the period and takes into account taxation deferred. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

## Notes (continued)

### 1 Accounting policies (continued)

#### Turnover

Turnover represents gross commission and fee income receivable in the normal course of business less an estimate of the amount of indemnity commission liable to be clawed back as a result of the cancellation of policies, and sales to external customers at invoiced amounts

### 2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

### 3 Profit on ordinary activities before taxation

	2012 £	2011 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditor's remuneration:		
- Audit of these financial statements	10,944	11,145
Depreciation and other amounts written off tangible assets		
- Owned	27,778	30,199
Amortisation of goodwill	4,932	-
Loss/(Profit) on disposal of fixed assets	9,205	(6,709)

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 the Company's parent, Towergate Partnershipco Limited.

### 4 Remuneration of directors

	2012 £	2011 £
<b>Total remuneration of all directors not paid by other group companies</b>		
Directors' emoluments	229,005	292,315
Company contributions to money purchase pension schemes	5,200	10,830
	<hr/> 234,205 <hr/>	<hr/> 303,145 <hr/>

	2012 £	2011 £
<b>Remuneration of highest paid director</b>		
Directors' emoluments	229,005	182,474
Company contributions to money purchase pension schemes	5,200	4,400
	<hr/> 234,205 <hr/>	<hr/> 186,874 <hr/>

The emoluments of Messrs Cullum, Homer, Patrick, Egan, Hodges and Saulter are paid by other group companies, which makes no recharge to the Company. All seven directors are 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.

One director accrued retirement benefits in money purchase schemes during the current year (2011: two).

## **Notes** *(continued)*

### **5 Staff numbers and costs**

The average number of persons employed by the Company during the year, analysed by category, was as follows:

	Number of employees 2012	Number of employees 2011
Administration	23	29

The aggregate payroll costs of these persons were as follows:

	2012 £	2011 £
Wages and salaries	1,090,587	1,124,887
Social security costs	102,144	115,005
Other pension costs	32,526	32,911
	<u>1,225,257</u>	<u>1,272,803</u>

### **6 Interest receivable and similar income**

	2012 £	2011 £
Bank interest	14	17
Other interest	-	615
	<u>14</u>	<u>632</u>

## Notes (continued)

### 7 Taxation

#### *Analysis of credit in period:*

	2012 £	2012 £	2011 £	2011 £
<i>UK corporation tax</i>				
Current tax on profit for the year	9,393		27,981	
Adjustments in respect of prior year	(99,726)		(176,467)	
	<hr/>		<hr/>	
Total current tax		(90,333)		(148,486)
<i>Deferred tax</i>				
Origination/reversal of timing differences	(1,979)		-	
Adjustments in respect of prior year	(102,365)		-	
	<hr/>		<hr/>	
		(104,344)		-
		<hr/>		<hr/>
Tax on profit on ordinary activities		(194,677)		(148,486)
		<hr/>		<hr/>

#### *Factors affecting the tax charge for the current year*

The current tax credit for the year is higher (2011: higher) than the standard rate of corporation tax in the UK 24.5% (2011: 26.5%). The differences are explained below.

	2012 £	2011 £
Profit on ordinary activities before tax	23,704	109,584
	<hr/>	<hr/>
Current tax at 24.5% (2011: 26.5%)	5,808	29,039
Expenses not deductible for tax purposes	269	1,022
Amortisation	1,208	-
Depreciation in excess of capital allowances	(147)	(2,080)
Loss on asset disposal	2,255	-
Adjustment to tax charge in respect of previous periods	(99,726)	(176,467)
	<hr/>	<hr/>
Current tax charge for the year	(90,333)	(148,486)
	<hr/>	<hr/>

The Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

## Notes (continued)

### 8 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At beginning and end of year	98,632
<b>Amortisation</b>	
At beginning of year	-
Charge for the year	4,932
At end of period	4,932
<b>Net book value</b>	
At 31 December 2012	93,700
At 31 December 2011	98,632

### 9 Tangible fixed assets

	Furniture and equipment £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>				
At beginning of year	42,226	13,274	135,199	190,699
Additions	-	-	4,403	4,403
Inter company transfer	(6,685)	(8,359)	(22,754)	(37,798)
Disposals	(35,541)	(4,915)	(30,258)	(70,714)
At 31 December 2012	-	-	86,590	86,590
<b>Depreciation</b>				
At beginning of year	39,251	3,683	61,804	104,738
Charge for year	747	984	26,046	27,777
Inter company transfer	(4,509)	(2,952)	(11,021)	(18,482)
Disposals	(35,489)	(1,715)	(24,305)	(61,509)
At 31 December 2012	-	-	52,524	52,524
<b>Net book value</b>				
At 31 December 2012	-	-	34,066	34,066
At 31 December 2011	2,975	9,591	73,395	85,961

## Notes (continued)

### 10 Debtors

	2012 £	2011 £
Trade debtors in relation to insurance transactions	86,212	52,877
Amounts owed by group undertakings	1,906,056	1,952,029
Prepayments and accrued income	44,421	41,876
Other debtors	122,048	121,244
Deferred tax asset (see below)	104,344	-
Corporation tax	19,450	-
	<hr/> 2,282,531 <hr/>	<hr/> 2,168,026 <hr/>

The elements of deferred tax are as follows:

	2012 £	2011 £
Accelerated capital allowances	16,477	-
Losses	87,867	-
	<hr/> 104,344 <hr/>	<hr/> - <hr/>

### 11 Creditors: amounts falling due within one year

	2012 £	2011 £
Amounts owed to group undertakings	1,619,273	1,895,561
Corporation tax	-	27,981
Taxation and social security	26,223	23,698
Deferred consideration	50,000	40,000
Other creditors	7,735	3,028
Accruals and deferred income	289,706	264,752
	<hr/> 1,992,937 <hr/>	<hr/> 2,255,020 <hr/>

The deferred consideration arose due to the purchase of the Nicholson Finance portfolio. Deferred consideration is payable based upon the performance of the acquired business for the 6 to 18 months subsequent to completion.

## Notes (continued)

### 12 Creditors: amounts falling due after one year

	2012 £	2011 £
Deferred consideration	-	30,000
	<u>-</u>	<u>30,000</u>

### 13 Called up share capital

	2012 £	2011 £
<i>Allotted, called up and fully paid</i> 45,000 Ordinary shares of £1 each	45,000	45,000
	<u>45,000</u>	<u>45,000</u>

### 14 Reserves

	Profit and loss account £
At beginning of year	627,172
Profit for the financial year	218,381
	<u>845,553</u>
At end of year	<u>845,553</u>

### 15 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Profit for the financial year	218,381	258,070
	<u>218,381</u>	<u>258,070</u>
Net increase in shareholders' funds	218,381	258,070
Shareholders' funds at beginning of year	672,172	414,102
	<u>890,553</u>	<u>672,172</u>
Shareholders' funds at end of year	<u>890,553</u>	<u>672,172</u>

### 16 Pension scheme

The pension charge for the year represents contributions payable to a group personal pension plan.

The pension cost charge for the period amounted to £32,526 (2011: £32,911). No amounts were owed by or to the Company at the accounting period end, nor at the end of the previous year.

## **Notes (continued)**

### **17 Ultimate parent company and controlling party**

The Company's immediate parent company is Towergate Financial (Scotland) Holdings Limited and ultimate parent company is Towergate Partnershipco Limited. The immediate parent company is incorporated in Scotland and ultimate parent company incorporated in England and Wales.

The consolidated financial statements of Towergate Partnershipco Limited are available to the public and may be obtained from:

Towergate House  
Eclipse Park  
Sittingbourne Road  
Maidstone  
Kent ME14 3EN

### **18 Related party disclosures**

The Company conducted business, on an arms length basis, with Towergate Financial (Group) Limited, which is a fellow group undertaking. The amounts charged by the Company during the year totalled £15,388 (2011: £1,552,407) of which a debtor balance of £1,809,651 (2011: £1,825,039) was outstanding at year end.

The Company conducted business, on an arms length basis, with Towergate Financial (West) Limited, which is a fellow subsidiary. The amounts charged by the Company during the year totalled £30,585 (2011: £122,668) of which a debtor balance of £94,681 (2011: £125,266) was outstanding at year end.

The Company conducted business, on an arms length basis, with Towergate Financial (Edinburgh) Limited, which is a fellow subsidiary. The amounts received by the Company during the year totalled £nil (2011: £295,557) of which a creditor balance of £287,696 (2011: £287,696) was outstanding at year end.

The Company conducted business, on an arms length basis, with Towergate Financial (East) Limited, which is a fellow subsidiary. The amounts received by the Company during the year totalled £73,399 (2011: £59,482) of which a creditor balance of £121,262 (2011: £85,521) was outstanding at year end.

The Company conducted business, on an arms length basis, with Towergate Financial (North) Holdings Limited, which is a fellow subsidiary. The amounts received by the Company during the year totalled £nil (2011: £nil) of which a creditor balance of £755 (2011: £755) was outstanding at year end.

The Company conducted business, on an arms length basis, with Towergate Financial (West) Holdings Limited, which is a fellow subsidiary. The amounts received by the Company during the year totalled £nil (2011: £nil) of which a creditor balance of £733 (2011: £733) was outstanding at year end.

The Company conducted business, on an arms length basis, with Towergate Financial (North) Limited, which is a fellow subsidiary. The amounts received by the Company during the year totalled £2,105 (2011: £646) of which a creditor balance of £2,751 (2011: £646) was outstanding at year end.