

Registration number: SC127074

Towergate Financial (Scotland) Limited

Financial Statements

for the period from 1 January 2014 to 30 June 2015

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Towergate Financial (Scotland) Limited

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Towergate Financial (Scotland) Limited

Strategic report for the period from 1 January 2014 to 30 June 2015

The director presents his strategic report for the period from 1 January 2014 to 30 June 2015 for Towergate Financial (Scotland) Limited ("the Company"). The strategic report provides a review of the business for the financial period and describes how the director manages risks. The report outlines the developments and performance of the Company during the financial period, the position at the end of the period and discusses the main trends and factors that could affect the future. The Company is part of the Sentry Holdings Limited Group ("the Group"). Whilst Sentry Holdings Limited is the ultimate parent company, the directors of its subsidiary TIG Topco Limited ("TIG Topco") manage the Group's operations on a daily basis.

Principal activities and business review

The principal activity of the Company was the provision of insurance intermediary services. All of the trading assets of the Company were sold on 16 March 2015 and the Company ceased to trade from that date.

The results for the Company show turnover of £1,752,894 (2013: £1,530,787) and loss on ordinary activities before taxation of £10,794,529 (2013: £100,949) for the period. At 30 June 2015 the Company had net liabilities of £10,061,521 (2013: net assets £731,381). The Accounting policy note on page 11 sets out the reasons why the director believes that the preparation of the financial statements on the non-going concern basis is appropriate.

The Company has recognised a provision of £8,701,038 in respect of future obligations to pay redress costs associated with independent file reviews in relation to past advice given to customers on Unregulated Collective Investment Schemes (UCIS), and a provision of £1,177,431 for costs associated with the winding-down of the Company's operations as a result of the disposal of its trading assets. These provisions are the primary cause of the loss recognised in the period and are explained in note 12, "Provisions for liabilities and charges".

Business objectives and outlook

The Company has disposed of all its trading assets and has ceased to trade. The business operations will be run-off in an orderly manner and any remaining obligations settled in due course. It is the director's intention to ultimately wind-up the Company.

Key performance indicators

The directors of TIG Topco manage the Group's operation on a divisional basis. For this reason, the Company's director believes 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, is discussed in the Group's annual report.

Principal risks and uncertainties

Group restructuring

On 2 April 2015 control of the Company 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). There is a risk associated with the cost of debt which could impact other companies within the Group.

As a result of these transactions, in April 2015, the Company became part of a new group, Sentry Holdings Limited (the "Group") with Highbridge Principal Strategies LLC as the majority shareholder.

Towergate Financial (Scotland) Limited
Strategic report for the period from 1 January 2014 to 30 June 2015

Risk management

The Company 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.

The principal risks and their mitigation are as follows:

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

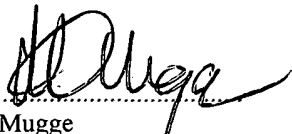
There is the risk of losses arising from inadequate or failed internal processes or systems, from personnel and / or from external events. These are mitigated by having an Enterprise Risk Management Framework in place, which is owned by the Group Risk Officer. The framework requires all risks to have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

The Company's business depends on the ability of employees to process transactions using secure information systems. The capacity to service customers depends on storing, retrieving, processing and managing information. Interruption or loss of information processing capabilities through loss of stored data, the failure of computer equipment or software systems, a telecommunications failure or other disruption could have a material adverse effect on business, results of operations and financial condition. To mitigate these risks the Company has certain disaster recovery procedures in place and insurance to protect against such contingencies.

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 14 April 2016 and signed on its behalf by:


.....
M Mugge
Director

Towergate Financial (Scotland) Limited
Director's Report for the period from 1 January 2014 to 30 June 2015

The director presents his report and the financial statements for the period from 1 January 2014 to 30 June 2015.

Directors of the Company

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

S Egan (resigned 17 September 2015)

M S Hodges (resigned 17 October 2014)

The following director was appointed after the period end:

M Mugge (appointed 17 September 2015)

Dividends

The director does not recommend a final dividend payment to be made in respect of the financial period ended 30 June 2015 (2013: £Nil).

Political and charitable donations

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

Going concern

The financial statements of the Company set out on pages 8 to 24 have been prepared on a non-going concern basis. The Company disposed of its trading operations on 16 March 2015, and consequently, the financial statements have been prepared on a non-going concern basis.

Post balance sheet event

On 8 March 2016, the board of Towergate Insurance Limited (an intermediate parent company) approved a contribution of capital of £15,000,000 to the Company. The need for additional capital resulted from the requirement to ensure that the Company had adequate financial resources as a result of the provision recognised in relation to UCIS (see note 12). This UCIS provision was recognised due to further information becoming available which allowed the Company to make a reasonable estimate of its ultimate liability for redress payments regarding past advice provided on UCIS. The UCIS provision has been recognised in the financial statements as at 30 June 2015 as an adjusting post balance sheet event. The capital contribution has been treated as a non-adjusting post balance sheet item. The capital contribution will enable the Company to meet its applicable regulatory capital requirements.

Director's 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 auditor is aware of that information. The director confirms that there is no relevant information that he knows of and of which he knows the auditor is unaware.

Towergate Financial (Scotland) Limited
Director's Report for the period from 1 January 2014 to 30 June 2015

Reappointment of auditors

During the period KPMG Audit Plc resigned and KPMG LLP was appointed as statutory auditors of the Company on 26 March 2015.

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 14 April 2016 and signed on its behalf by:



.....
M Mugge
Director

150 St Vincent Street
Glasgow
Scotland
G2 5NE

Towergate Financial (Scotland) 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.

As explained in note 1, the director does not believe that it is appropriate to prepare these financial statements on a going concern basis.

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

We have audited the financial statements of Towergate Financial (Scotland) Limited for the period from 1 January 2014 to 30 June 2015, set out on pages 8 to 24. 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 5, 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 30 June 2015 and of its loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - non-going concern basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note.

Opinion on other matter prescribed by the Companies Act 2006

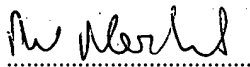
In our opinion the information given in the strategic report and the director's report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Philip Merchant (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

191 West George Street
Glasgow
G2 2LJ

14 April 2016
Date:.....

Towergate Financial (Scotland) Limited
Profit and loss account for the period from 1 January 2014 to 30 June 2015

		1 January 2014 to 30 June 2015	Year ended 31 December 2013
	Note	£	£
Turnover		1,752,894	1,530,787
Administrative expenses		<u>(12,078,291)</u>	<u>(1,631,745)</u>
Operating loss	2	(10,325,397)	(100,958)
Exceptional loss on sale of operations	3	(469,454)	-
Other interest receivable and similar income	6	<u>322</u>	<u>9</u>
Loss on ordinary activities before taxation		(10,794,529)	(100,949)
Tax on loss on ordinary activities	7	<u>1,627</u>	<u>(58,223)</u>
Loss for the financial period	14	<u><u>(10,792,902)</u></u>	<u><u>(159,172)</u></u>

Turnover and operating loss for the period derive wholly from discontinued operations.

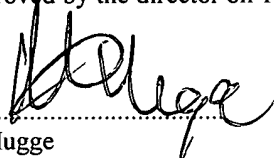
The Company has no recognised gains or losses for the period other than the results above.

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

Towergate Financial (Scotland) Limited
(Registration number: SC127074)
Balance sheet as at 30 June 2015

		30 June 2015	31 December
	Note	£	2013 £
Fixed assets			
Intangible assets	8	-	88,768
Tangible assets	9	-	14,408
		<u>-</u>	<u>103,176</u>
Current assets			
Debtors	10	616,617	2,326,493
Cash at bank and in hand		174,472	215,416
		791,089	2,541,909
Creditors: Amounts falling due within one year	11	(1,217,673)	(1,913,704)
Net current (liabilities)/assets		(426,584)	628,205
Total assets less current liabilities		(426,584)	731,381
Provisions for liabilities and charges	12	(9,634,937)	-
Net (liabilities)/assets		<u>(10,061,521)</u>	<u>731,381</u>
Capital and reserves			
Called up share capital	13	45,000	45,000
Profit and loss account	14	(10,106,521)	686,381
Shareholder's (deficit)/funds		<u>(10,061,521)</u>	<u>731,381</u>

Approved by the director on 14 April 2016


M Mugge
Director

The notes on pages 11 to 24 form an integral part of these financial statements.

Towergate Financial (Scotland) Limited
Reconciliation of movement in shareholder's funds as at 30 June 2015

	30 June 2015	31 December
	£	2013 £
Loss attributable to the shareholder's of the Company	<u>(10,792,902)</u>	<u>(159,172)</u>
Shareholder's funds at start of period	<u>731,381</u>	<u>890,553</u>
Shareholder's (deficit)/funds at end of period	<u><u>(10,061,521)</u></u>	<u><u>731,381</u></u>

The notes on pages 11 to 24 form an integral part of these financial statements.

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

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 on a break up basis.

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.

Going concern

The Company disposed of its trade and assets on 16 March 2015, and consequently, the financial statements have been prepared on a non-going concern basis. The assets have been recorded on a break up basis rather than in accordance with the historical cost convention. Amounts have been provided in relation to the costs associated with the winding-down of the Company's operations (see note 12).

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.

Goodwill

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 business combinations in respect of acquisitions since 1 January 1998 was capitalised.

Amortisation

Amortisation was provided on intangible fixed assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Goodwill	Straight line over 20 years
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Property, plant and equipment

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

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

Depreciation

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

Computer equipment	25% per annum on a straight line basis
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Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

Impairment of fixed assets

The carrying amounts 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 amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units. An income-generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. In addition a provision for run-off costs has been recognised as a result of the Company's decision to discontinue its trading activities and to wind-down its operations.

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 and the deferred income taxes relate to the same taxation authority which permits the Company to make a single net payment.

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

Post retirement benefits

The company operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

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 loss

Arrived at after charging:

	1 January 2014 to 30 June 2015	Year ended 31 December 2013
	£	£
Depreciation of owned assets	13,643	20,947
Amortisation of intangible fixed assets	5,754	4,932
Auditor's remuneration - audit of these financial statements	22,320	14,880
UCIS provision costs	8,701,038	-
Run-off provision costs	<u>837,512</u>	<u>-</u>

The Company made an operating loss due to the provision for UCIS costs (£8,701,038) and the provision for costs associated with the run-off of the Company's operations (£837,512) as disclosed in note 12.

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 Sentry Holdings Limited, being the largest Group in which the results of the Company are consolidated.

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

3 Exceptional loss on sale of operations

	1 January 2014 to 30 June 2015	Year ended 31 December 2013
	£	£
Loss on sale of operations	<u>469,454</u>	<u>-</u>

On 16 March 2015, the Company sold its trading business to Palatine Private Equity for a consideration of £152,599. This disposal together with the termination of operations associated with the trading assets, generated an exceptional loss of £469,454, as follows:

Consideration received	152,599
Net assets transferred	(140,812)
Run-off provision for FCA levies and PII premiums	(339,919)
Transaction costs	(47,500)
Goodwill disposal	(83,014)
Other asset write-offs	(10,808)
Total exceptional loss on sale of operations	<u>(469,454)</u>

4 Staff costs

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

	1 January 2014 to 30 June 2015	Year ended 31 December 2013
	No.	No.
Management	1	1
Administration and support	8	9
Sales	<u>10</u>	<u>10</u>
	<u>19</u>	<u>20</u>

The aggregate payroll costs were as follows:

	1 January 2014 to 30 June 2015	Year ended 31 December 2013
	£	£
Wages and salaries	993,670	893,973
Social security costs	104,519	87,940
Other pension schemes	<u>32,012</u>	<u>26,800</u>
	<u>1,130,201</u>	<u>1,008,713</u>

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

5 Directors' remuneration

The directors' remuneration for the period was as follows:

	1 January 2014 to 30 June 2015	Year ended 31 December 2013
	£	£
Remuneration	-	90,747
Contributions paid to money purchase schemes	-	4,042
	<u>-</u>	<u>94,789</u>

During the period the number of directors who were receiving benefits and share incentives was as follows:

	1 January 2014 to 30 June 2015	Year ended 31 December 2013
	No.	No.
Accruing benefits under money purchase pension scheme	<u>-</u>	<u>1</u>

In respect of the highest paid director:

	1 January 2014 to 30 June 2015	Year ended 31 December 2013
	£	£
Remuneration	-	90,747
Company contributions to money purchase pension schemes	<u>-</u>	<u>4,042</u>

The emoluments of Messrs Hodges and Egan were paid by other Group companies, which make no recharge to the Company. These directors were directors of TIG Topco and 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 TIG Topco.

6 Other interest receivable and similar income

	1 January 2014 to 30 June 2015	Year ended 31 December 2013
	£	£
Bank interest receivable	<u>322</u>	<u>9</u>

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

7 Taxation

Tax on loss on ordinary activities

	1 January 2014 to 30 June 2015	Year ended 31 December 2013
	£	£
Current tax		
Corporation tax charge/(credit)	-	(22,719)
Adjustments in respect of previous years	<u>5,240</u>	<u>(9,222)</u>
UK Corporation tax	5,240	(31,941)
Deferred tax		
Origination and reversal of timing differences	<u>(6,867)</u>	<u>90,164</u>
Total tax on loss on ordinary activities	<u><u>(1,627)</u></u>	<u><u>58,223</u></u>

Factors affecting current tax charge for the year

The tax on ordinary activities for the period is higher than the standard rate of corporation tax in the UK (2013 - lower than the standard rate of corporation tax in the UK) of 21.16% (2013 - 23.25%).

The differences are reconciled below:

	1 January 2014 to 30 June 2015	Year ended 31 December 2013
	£	£
Loss on ordinary activities before tax	<u>(10,794,529)</u>	<u>(100,949)</u>
Corporation tax at standard rate	(2,284,446)	(23,471)
Capital allowances in excess of depreciation	2,888	517
Expenses not deductible for tax purposes	1,841,699	235
Adjustment for prior periods	5,240	(9,222)
Non utilisation of tax losses	539,210	-
Exceptional loss on termination of business	<u>(99,351)</u>	<u>-</u>
Total current tax	<u><u>5,240</u></u>	<u><u>(31,941)</u></u>

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly.

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

8 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2014	98,632
Disposals	<u>(98,632)</u>
At 30 June 2015	<u>-</u>
Amortisation	
At 1 January 2014	9,864
Charge for the year	5,754
Eliminated on disposals	<u>(15,618)</u>
At 30 June 2015	<u>-</u>
Net book value	
At 30 June 2015	<u>-</u>
At 31 December 2013	<u><u>88,768</u></u>

Goodwill relates to the following; Nicholson portfolio, purchased in 2011 for £98,631 and FSALB portfolio, purchased in 2011 for £1

The Company disposed of all of its trading assets on 16 March 2015. Consequently, the carrying value of goodwill has been reduced to nil.

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

9 Tangible fixed assets

	Computer £
Cost	
At 1 January 2014	87,880
Additions	8,666
Disposals	<u>(96,546)</u>
At 30 June 2015	<u>-</u>
Depreciation	
At 1 January 2014	73,472
Charge for the year	13,643
Eliminated on disposals	<u>(87,115)</u>
At 30 June 2015	<u>-</u>
Net book value	
At 30 June 2015	<u>-</u>
At 31 December 2013	<u><u>14,408</u></u>

10 Debtors

	30 June 2015	31 December 2013
	£	£
Trade debtors	-	49,885
Amounts owed by Group undertakings	511,519	2,189,043
Other debtors	105,098	63,603
Deferred tax	-	14,180
Prepayments and accrued income	<u>-</u>	<u>9,782</u>
	<u><u>616,617</u></u>	<u><u>2,326,493</u></u>

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

11 Creditors: Amounts falling due within one year

	30 June 2015	31 December 2013
	£	£
Amounts owed to Group undertakings	1,217,673	1,643,255
Other taxes and social security	-	16,333
Other creditors	-	78,724
Accruals and deferred income	-	145,392
Deferred consideration payable	-	30,000
	<u>1,217,673</u>	<u>1,913,704</u>

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

12 Provisions for liabilities and charges

	UCIS provision £	Run-off provision £	Total £
At 1 January 2014	-	-	-
Charged to the profit and loss account	8,701,038	1,177,431	9,878,469
Utilised during the period	-	(243,532)	(243,532)
At 30 June 2015	<u>8,701,038</u>	<u>933,899</u>	<u>9,634,937</u>

UCIS provision

The UCIS provision represents management's best estimate of the Company's liability in relation to these costs. The provision has been calculated using an external valuation of the liability. This valuation is based on actual experience and uses a calculation of average redress costs, taking into account customer contact and response rates, and allows for the deduction of income distributions and surrender values from capital losses. This valuation will be replaced by an internal estimation process using the most up-to-date redress payment experience and will be re-assessed on a quarterly basis during future periods. No allowance has been made for possible insurance recoveries on the basis that there is insufficient basis to provide an estimate of the likely amounts.

Run-off provision

The Company disposed of its business assets and ceased to trade on 16 March 2015. As a consequence the financial statements have been prepared on a break-up basis, and amounts have been provided in relation to the costs associated with the winding-down of the Company's operations.

These costs comprise of professional fees and legal fees that will be incurred by the Company and have been quantified by using management's best estimate of the known costs that will be incurred in the period up to the point that the Company is wound-up. The total amount charged to administrative expenses in the profit and loss account in relation to these items is £837,512 as disclosed in note 2. In addition, the run-off provision includes amounts charged in relation to levies from the Financial Conduct Authority and professional indemnity insurance premiums. The total amount charged to exceptional loss on sale of operations in the profit and loss account in relation to these items is £339,919 as disclosed in note 3.

It is management's expectation that substantially all of the costs included within the UCIS and run-off provisions will be incurred before 31 December 2017.

13 Share capital

Allotted, called up and fully paid shares

	No.	30 June 2015 £	No.	31 December 2013 £
Ordinary Shares of £1 each	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

14 Reserves

	Profit and loss account £
At 1 January 2014	686,381
Loss for the period	<u>(10,792,902)</u>
At 30 June 2015	<u><u>(10,106,521)</u></u>

15 Pension schemes

Defined contribution pension scheme

During the period the Company operated a defined contribution pension scheme. The Company's obligations under the scheme ceased on 16 March 2015 when the scheme was transferred from the Company to Palatine Private Equity.

The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £32,012 (2013 - £26,800).

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

16 Contingent liabilities

Enhanced Transfer Values (ETV)

The Company is in discussion with the Financial Conduct Authority (FCA) about past advice provided by the Company on ETV. The independent file reviews for the investigation are ongoing. Customer contact, which will be a key factor in determining the extent of the Company's redress obligation, commenced in 2015 and is expected to be phased over the next two years. Payment of redress is expected to occur over similar periods of time once customers have been contacted and the redress methodology has been approved by the FCA. Material payments are expected to commence in 2016.

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

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

The foregoing does not include any recoveries that may be available either from third parties or under the Company's insurance arrangements, both of which the Company continues to pursue although the ultimate extent and timing of any recovery remains uncertain.

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

17 Related party transactions

	30 June 2015		31 December 2013	
	Paid to / (received from)	Outstanding at period end	Paid to / (received from)	Outstanding at year end
	£'000	£'000	£'000	£'000
Towergate Underwriting Group Limited	364,240	(219,786)	634	(584,026)
Towergate Financial (West) Limited	6,201	105,337	4,455	99,136
Towergate Financial (Edinburgh) Limited	-	(287,696)	-	(287,696)
Towergate Financial (Group) Limited	(1,343,228)	402,724	(63,699)	1,745,952
Towergate Financial (East) Limited	283	(122,783)	(1,804)	(123,066)
Towergate Financial (North) Holdings Limited	-	(755)	-	(755)
Towergate Financial (West) Holdings Limited	-	(733)	-	(733)
Towergate Financial (North) Limited	(2,614)	(11,360)	(5,995)	(8,746)
Towergate Financial (Scotland) Holdings Limited	-	1,724	-	1,724
Towergate Financial (London) Limited	1,734	1,734	-	-
Moray Firth Insurance Brokers Limited	117	-	(117)	(117)
Towergate Insurance Limited	63,555	(574,561)	(61,699)	(638,116)
Towergate Finance Plc	(342,232)	-	(107,768)	342,232

Towergate Financial (Scotland) Limited
Notes to the financial statements for the period ended 30 June 2015

18 Control

On 2 April 2015, Highbridge Principal Strategies LLC became the Group's majority shareholder when its investment in Sentry Holdings Limited (incorporated in Jersey) acquired a direct interest in TIG Topco Limited (incorporated in Jersey) and its subsidiaries. At 30 June 2015, the ultimate parent company was Sentry Holdings Limited.

These consolidated financial statements are available upon request from:

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN

19 Post balance sheet events

On 8 March 2016, the board of Towergate Insurance Limited (an intermediate parent company) approved a contribution of capital of £15,000,000 to the Company. The need for additional capital resulted from the requirement to ensure the Company had adequate financial resources as a result of the provision recognised in relation to UCIS (see note 12). This UCIS provision was recognised due to further information becoming available which allowed the Company to make a reasonable estimate of its ultimate liability for redress payments regarding past advice provided on UCIS. The UCIS provision has been recognised in the financial statements as at 30 June 2015 as an adjusting post balance sheet event. The capital contribution has been treated as a non-adjusting post balance sheet item. The capital contribution will enable the Company to meet its applicable regulatory capital requirements.