

Registration number: SC127074

Towergate Financial (Scotland) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022



Towergate Financial (Scotland) Limited

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Towergate Financial (Scotland) Limited

Company Information

Directors	D Cougill D C Ross
Company secretary	Ardonagh Corporate Secretary Limited
Registered office	150 St. Vincent Street Glasgow G2 5NE United Kingdom
Auditor	Deloitte LLP Four Brindley place Birmingham B1 2HZ United Kingdom

Towergate Financial (Scotland) Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their Strategic Report for the year ended 31 December 2022 for Towergate Financial (Scotland) 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 performance of the Company during the financial year and its position at the end of the year. The report discusses the developments that have affected the Company and the main trends and factors that could affect its future. The Company was part of The Ardonagh Group Holdings Limited ("the Group")

Principal activities and business review

On 16 March 2015, all of the trading assets of the Company were sold and the Company ceased to trade and entered run-off.

The results for the Company show revenue of £Nil (2021: £Nil) and loss before tax of £4,261 (2021: profit of £329,698) for the year including £Nil (2021: £329,698) enhanced transfer value incomes for the year (see note 4). At 31 December 2022 the Company had net assets of £9,141,748 (2021: £9,146,009).

The set target of the Company was to progress the past business review in relation to historic advice on ETV pension transfers and pay redress to clients where this advice was found to be unsuitable. The review was completed in 2021 with client redress of £Nil (2021: £0.3m) paid.

The going concern note (part of accounting policies) on page 15 sets out the reasons why the directors believe that the preparation of the financial statements on a basis other than that of a going concern is appropriate.

Companies Act s.172 Duty

The Directors of the company consider that they have responsibly and appropriately discharged their duties under the Companies Act 2006 ("S.172 Duties") including their duties to act in a way they consider, in good faith, and would be the most likely to promote the success of the Company for the benefit of its members as a whole and in doing so, have regard to; the likely consequences of any decision in the long-term, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, the desirability of the Company maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company. The day to day Board level governance over the business of Towergate Financial (Scotland) Limited ("the company") is undertaken by the Board of Towergate Financial Group Limited ("Segment Board"), of which the directors of the Company are members.

The Board considers the long-term consequences of its decisions and these are guided by a 5-year business plan, risk appetite and risk framework, which seeks to ensure that the business plan is executed with due regard to our stakeholders and maintaining our high standards of business conduct. Ongoing engagement with our shareholders and bondholders are primarily exercised by the Group Board and a voluntary disclosure of how the Group Board applies the Wates Corporate Governance Principles for Large Private Companies and discharges their s.172 Duties are set out in the Group Annual Report.

Outlook

The business operations are in run-off in an orderly manner and any remaining obligations will continue to be settled. It is the directors' intention to wind-up the Company once the run-off process has completed.

Towergate Financial (Scotland) Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Key performance indicators

The directors consider the key performance indicator for the Company is ensuring its liabilities are settled fairly and expeditiously. Liabilities have remained constant with a balance at year end of £1.2m (2021: £1.2m). The Company set performance targets for the year ahead and the directors monitor progress.

Principal risks and uncertainties

Risk management

The principal risk facing the Company is ensuring timely settlement of its liabilities, which Towergate Financial (Group) Limited oversees as part of its position as a company in the wider Group. The directors believe that the Company has access to financial support to meet projected financial obligations over the coming year. This is based upon cash flow projections over a period of twelve months from the date of approval of the financial statements and Ardonagh Services Limited's present intention to provide ongoing financial support, although the provision of such support is not a legally binding commitment.

As noted in the Outlook section above, the Company's operations are in run-off and the Company is managed on a basis other than that of a going concern.

The principal risks and their mitigation are as follows:

Financial risk

There is the risk of an adverse impact on business value or earnings capacity as well as the risk of inadequate cash flows to meet financial obligations. These risks are mitigated by proactive management of the business plan, by regular monitoring of cash flows against risk appetite and by a focus on debt collection.

The Group has demonstrated its resilience to economic uncertainties and demonstrated operational and financial resilience in response to a downturn in UK business and customer confidence. The Group has sufficient liquidity to withstand a period of potential poor trading resulting from a sustained economic decline, although this has not materialised to date and the Group would respond to income declines by seeking cost savings. The Group had available liquidity of £995.1m at 30 June 2023 and closely monitors available liquidity on an ongoing basis.

Insurance broking is a resilient and defensive market, which has historically had limited impact from past economic or capital market downturns. Ardonagh is highly diversified and not materially exposed to a single carrier, customer or market sector.

Approved by the Board on 19 September 2023 and signed on its behalf by:



D Cougill
Director

Towergate Financial (Scotland) Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their annual report and the audited financial statements for the year ended 31 December 2022.

Directors of the Company

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

D Cougill

D C Ross

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2022 (2021: £Nil).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategic Report within the 'Principal risks and uncertainties' section on page 3.

Future developments

Details of future developments can be found in the Strategic Report within the 'Outlook' section on page 2.

Political donations

The Company has not made any political donations during the year (2021: £Nil).

Going concern

The Company disposed of its trade and assets on 16 March 2015, and is in run-off. As a consequence, the financial statements of the Company have been prepared on a basis other than that of a going concern.

Subsequent events

Details of subsequent events can be found in the Notes to the financial statements within the 'Subsequent events' section on page 23.

Directors' indemnities

All directors of the Company and other fellow group companies benefit from qualifying third party indemnity provisions, subject to the conditions set out in the Companies Act 2006, in place during the financial period and at the date of this report.

Towergate Financial (Scotland) Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Appointment of auditors

The auditor, Deloitte LLP, are deemed to be reappointed under section 487 (2) of the Companies Act 2006.

Approved by the Board on 19 September 2023 and signed on its behalf by:



D Cougill
Director

Towergate Financial (Scotland) Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Towergate Financial (Scotland) Limited

Independent Auditor's Report to the Members of Towergate Financial (Scotland) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Towergate Financial (Scotland) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of going concern. Our opinion is not modified in respect of this matter.

Towergate Financial (Scotland) Limited

Independent Auditor's Report to the Members of Towergate Financial (Scotland) Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

Towergate Financial (Scotland) Limited

Independent Auditor's Report to the Members of Towergate Financial (Scotland) Limited (continued)

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondences with the FCA.

Report on other legal and regulatory requirements

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and the strategic report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report and the strategic report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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;

We have nothing to report in respect of these matters.

Towergate Financial (Scotland) Limited

**Independent Auditor's Report to the Members of Towergate Financial (Scotland) Limited
(continued)**

Use of our report

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.

S. Cumberbatch.

Stewart Cumberbatch, ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP,
Statutory Auditor
Birmingham, United Kingdom
20 September 2023

Towergate Financial (Scotland) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Revenue		-	-
Other income		-	330,798
Revaluation of financial assets	10	<u>(4,261)</u>	<u>(1,100)</u>
Operating (loss)/profit	4	<u>(4,261)</u>	<u>329,698</u>
(Loss)/profit before tax		(4,261)	329,698
Income tax	7	<u>-</u>	<u>-</u>
(Loss)/profit for the year		<u><u>(4,261)</u></u>	<u><u>329,698</u></u>

The above results are derived from discontinued operations. There are no items of other comprehensive income in the current or the prior period.

The notes on pages 14 to 23 form an integral part of these financial statements.

Towergate Financial (Scotland) Limited

(Registration number: SC127074)

Statement of Financial Position as at 31 December 2022

	Note	2022 £	2021 £
Current assets			
Trade and other receivables	8	10,200,043	10,200,043
Cash and cash equivalents	9	174,564	174,564
Investments in financial assets	10	7,352	11,613
		<u>10,381,959</u>	<u>10,386,220</u>
Current liabilities			
Tax liabilities		-	(667)
Trade and other payables	11	(1,240,211)	(1,239,544)
		<u>(1,240,211)</u>	<u>(1,240,211)</u>
Net current assets		<u>9,141,748</u>	<u>9,146,009</u>
Total assets less current liabilities		<u>9,141,748</u>	<u>9,146,009</u>
Net assets		<u>9,141,748</u>	<u>9,146,009</u>
Capital and reserves			
Share capital	12	45,000	45,000
Other reserves		15,000,000	15,000,000
Retained earnings		(5,903,252)	(5,898,991)
Total equity		<u>9,141,748</u>	<u>9,146,009</u>

Approved by the Board and authorized for issue on 19 September 2023 and signed on its behalf by:

Diane Cougill

D Cougill
Director

Towergate Financial (Scotland) Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £	Other reserves £	Retained earnings £	Total £
At 1 January 2022	45,000	15,000,000	(5,898,991)	9,146,009
Loss for the year	-	-	(4,261)	(4,261)
At 31 December 2022	<u>45,000</u>	<u>15,000,000</u>	<u>(5,903,252)</u>	<u>9,141,748</u>

	Share capital £	Other reserves £	Retained earnings £	Total £
At 1 January 2021	45,000	15,000,000	(6,228,689)	8,816,311
Profit for the year	-	-	329,698	329,698
At 31 December 2021	<u>45,000</u>	<u>15,000,000</u>	<u>(5,898,991)</u>	<u>9,146,009</u>

Other reserves includes £15,000,000 of capital contributions from Ardonagh Services Limited, the Company's indirect parent company. The capital contributions were made to ensure that the Company has sufficient regulatory capital to meet the requirement imposed by the FCA.

The notes on pages 14 to 23 form an integral part of these financial statements.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The Company is a private company limited by share capital incorporated and registered in Scotland, United Kingdom under the Companies Act 2006. The details of the Company's registered office address can be found on page 1. The principal business activity of the Company is described in the Strategic Report on page 2.

The financial statements for the year ended 31 December 2022 were authorised for issue by the Board on 19 September 2023 and the Statement of Financial Position was signed on the Board's behalf by D Cougill.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

These financial statements have been prepared under the historical cost convention, as modified to use a different measurement basis where necessary to comply with FRS 101.

No amendments to standards and interpretations that are mandatorily effective for annual periods beginning on 1 January 2022 have had a material effect on the Company's financial statements.

FRS 101 disclosure exemptions

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting standards as adopted by the UK (UK adopted IFRS), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has taken advantage of the following disclosure exemptions under FRS 101 where relevant:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-Based Payments because the arrangement concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the Group;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations which includes among other exemptions the requirement to include a comparative period reconciliation for goodwill;
- the requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a), to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers';
- the requirements of paragraphs 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant and equipment and intangible assets;
- the requirements in paragraph 10(d) of IAS 1 Presentation of Financial Statements to prepare a cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- the requirements in paragraph 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements', which include the need to provide details on capital management;
- the requirements of paragraphs 30 and 31 in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;
- the requirements in paragraphs 17 and 18(a) of IAS 24 'Related Party Disclosures', regarding disclosure of information on key management personnel, and the IAS 24 disclosure on related party transactions entered into between two or more members of a Group, (provided that any subsidiary which is party to the transaction is wholly owned by such a member);
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets' which include disclosure of valuation techniques, assumptions on which projections used in an impairment review are based and a sensitivity analysis thereon; and

Equivalent disclosures are included in the Group's consolidated financial statements, as required by FRS 101 where exemptions have been applied.

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in the Critical accounting judgements and key sources of estimation uncertainty disclosure on page 18.

Going concern

The Company disposed of their trade and assets on 16 March 2015. At 31 December 2022 the Company had net assets of £9,141,748 (2021: £9,146,009). It is the directors' intention to wind up the Company once its liabilities have been settled. Consequently, the financial statements have been prepared on a basis other than that of a going concern. No adjustments arose as a result of ceasing to apply the going concern basis.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Taxation

The tax expense for the period comprises current tax. 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.

Current tax

Current tax is recognised for the amount of tax payable/receivable in respect of the taxable profit/loss for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of taxable temporary differences at the reporting date (except in relation to goodwill or a transaction which is not a business combination and does not affect profit nor taxable profit). Deferred tax assets are only recognised to the extent that it is probable they will be recovered against the reversal of deferred tax liabilities or against future taxable profits. Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and if they relate to income taxes levied by the same taxation authority on the same taxable entity or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

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 recognised directly to equity if it relates to items that are recognised directly to equity.

Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and they are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in Statement of Comprehensive Income.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Derecognition

Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Statement of Comprehensive Income. On derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the Statement of Comprehensive Income, but is transferred to retained earnings.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Classification and subsequent measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through profit or loss (FVTPL)

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification.

Financial assets classified as FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

The Company's Unregulated Collective Investment Scheme ("UCIS") assets are classified as FVTPL. These assets do not meet the IFRS 9 'Financial Instruments' criteria for classification as amortised cost or FVOCI, because their cashflows do not represent solely payments of principal and interest.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition. They would only be reclassified if the Company were to change its business model for managing its financial assets, in which case the affected financial assets would be reclassified following that change.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Impairment of financial assets

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a longer or shorter default criterion is more appropriate.

Write-off policy

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. A write-off constitutes a derecognition event. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the Statement of Comprehensive Income.

The Company's financial liabilities include trade and other payables. Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

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. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. There were no critical judgements used in preparing the financial statements.

There are no critical accounting judgements that would have a significant effect on the amounts recognised in the Company's financial statements or key sources of estimation uncertainty at the Statement of Financial Position date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Operating (loss)/ profit

Arrived at after charging/ (crediting)

	2022	2021
	£	£
ETV provision released	-	(311,928)
Loss on revaluation of financial assets	4,261	1,100
Run-off provision decreased	-	(12,665)
Consultancy and legal fees	-	(6,205)

The audit fee for these financial statements of £11,000 (2021: £5,463) for the audit of this Company was paid by other Group entities for which no recharge was made.

Amounts receivable by the Company's auditor in respect of services to the Company, 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 ultimate parent, The Ardonagh Group Holdings Limited.

5 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 no recharge is made to the Company.

6 Directors' remuneration

The emoluments of all directors are paid by other Group companies, which make no recharge to the Company. These directors were directors of The Ardonagh Group Holdings Limited and/or other fellow subsidiaries. Their total emoluments are included in the consolidated financial statements of The Ardonagh Group Holdings Limited for the year ended 31 December 2022. It is impracticable to determine the proportionate amount of emoluments relating to Towergate Financial (Scotland) Limited.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Income tax

The Company's tax charge is the sum of the total current and deferred tax expense.

	2022 £	2021 £
Current taxation		
UK corporation tax	-	-
Adjustments in respect of prior periods	-	-
Total current taxation	-	-
Deferred taxation		
Origination and reversal of temporary differences	-	-
Adjustments in respect of prior periods	-	-
Effect of tax rate change on opening balance	-	-
Total deferred taxation	-	-
Tax charge/(credit) in the Statement of Comprehensive Income	-	-

The following table reconciles the tax charge calculated at the UK statutory rate on the Company's (loss)/profit before tax with the actual tax charge for the year.

	2022 £	2021 £
(Loss)/profit before tax	(4,261)	329,698
Corporation tax at standard rate of 19% (2021: 19%)	(810)	62,643
Movement in deferred tax not recognised	1,065	262,848
Remeasurement of deferred tax for changes in tax rates	(255)	(325,491)
Total tax charge/(credit)	-	-

The UK Corporation Tax Rate will rise from its current rate of 19% to 25% with effect from April 2023.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Income tax (continued)

Deferred tax

The company did not recognise deferred tax assets as follows. These deferred tax assets have not been recognised in these accounts as it is not expected that the Group's future profitability will be sufficient to utilise them.

	2022	2021
	£	£
Losses	1,357,279	1,356,214
Unrecognised deferred tax assets	<u>1,357,279</u>	<u>1,356,214</u>

8 Trade and other receivables

	2022	2021
	£	£
Trade and other receivables		
Receivables from other Group companies	<u>10,200,043</u>	<u>10,200,043</u>

The directors believe that the intercompany receivables are recoverable. The balances are unsecured, interest free and repayable on demand.

9 Cash and cash equivalents

	2022	2021
	£	£
Own funds - restricted	<u>174,564</u>	<u>174,564</u>

£174,564 (2021: £174,564) of restricted cash is kept in segregated accounts for purposes of solvency and capital adequacy requirements imposed by the FCA.

10 Investments in financial assets

	2022	2021
	£	£
Current financial assets		
Financial assets at fair value through profit and loss	<u>7,352</u>	<u>11,613</u>

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Investments in financial assets (continued)

Financial assets at fair value through profit and loss assets represents Unregulated Collective Investment Scheme (UCIS) recovered assets at their fair value. They are categorised within level 3 of the fair value hierarchy. Where no professional valuation is available, they are recognised at their published net asset value with an appropriate adjustment applied to the published unit price to reflect their illiquid nature and potentially lower net realisable value.

As part of the UCIS redress process the Company was able to acquire, in some cases, illiquid assets held by claimants. These assets are classified as FVTPL and the Company intends to realise their cash value as soon as it is feasible to do so.

11 Trade and other payables

	2022 £	2021 £
Current trade and other payables		
Amounts due to other Group companies	<u>1,240,211</u>	<u>1,239,544</u>

Amounts due to other Group companies are unsecured, interest free and payable on demand.

12 Share capital

Allotted, called up and fully paid shares

	2022 No.	£	2021 No.	£
Ordinary of £1 each	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>

The Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

13 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with a number of related parties. The Company has taken the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries or key management personnel.

Business was also conducted within Ardonagh Group Holdings Limited group of companies. The table below shows the transactions and balances with entities that form part of the Group but are not wholly owned by Ardonagh Group Holdings Limited.

Towergate Financial (Scotland) Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Related party transactions (continued)

	2022	2022	2022	2021	2021	2021
	Paid to	Received from	(Due to) /receivable from at year end	Paid to	Received from	(Due to) / receivable from at year end
	£	£	£	£	£	£
Towergate Financial (Edinburgh) Limited	-	-	(287,696)	-	-	(287,696)
Towergate Financial (Group) Limited	-	-	(728,160)	7,305	-	(728,160)
Ardonagh Insurance Brokers Limited	-	-	(221,564)	-	-	(221,564)
Ardonagh Services Limited	-	-	10,200,043	1,310,934	-	10,200,043
Ardonagh Midco 3 Plc	-	(667)	(2,791)	-	-	(2,124)

14 Parent and ultimate parent undertaking

The immediate parent company of the Company is Towergate Financial (Scotland) Holdings Limited and the ultimate parent company is Tara Topçu Limited.

The Group's majority shareholder and ultimate controlling party at 31 December 2022 is Madison Dearborn Partners LLC. The parent company of the largest group that prepares group financial statements at 31 December 2022 that consolidate the Company is Ardonagh Group Holdings Limited (incorporated in Great Britain, registered office address 2 Minster Court, Mincing Lane, London, EC3R 7PD). The parent company of the smallest group that prepares group financial statements at 31 December 2022 that consolidate the Company is Ardonagh Midco 2 plc (incorporated in Great Britain, registered office address 2 Minster Court, Mincing Lane, London, EC3R 7PD).

Financial statements for Ardonagh Group Holdings Limited and Ardonagh Midco 2 plc are available on request from:

2 Minster Court
Mincing Lane
London
EC3R 7PD

15 Subsequent events

There are no known subsequent events at the point of signing.