

Registered Number: 1741892 England

SWINTON (HOLDINGS) LIMITED
Annual Report and Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2016

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DIRECTORS:

P P J Forget
D R Harding
B Lefebvre
G Normand
D Salvy
S Whittaker

COMPANY SECRETARY:

A F Wilson

REGISTERED OFFICE:

Swinton House
6 Great Marlborough Street
Manchester
M1 5SW

INDEPENDENT AUDITORS:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

BANKERS:

Lloyds Bank plc
City Office
11-15 Monument Street
London
EC2V 9JA

COMPANY NUMBER:

1741892 England

BACKGROUND

Swinton (Holdings) Limited (the "Group") is an insurance intermediary that offers a range of insurance products from a panel of UK insurers covering car, bike, home, commercial, taxi and caravan insurance, plus services such as breakdown and home emergency cover. The Group operates an omni-channel distribution model via a national branch network, the internet and a number of UK contact centres & specialist units.

REVIEW OF PERFORMANCE

During the year the Group continued with its 'Simplify and Focus' strategy. This resulted in the sale of the Group's Open & Direct branded Northern Ireland business, which was deemed to be the best option for balancing the needs of our customers and the business. Other strategic changes in 2016 included the replacement of the core broking platform, launch of new simplified products and further re-shaping of the Distribution network.

The Group's key financial and other performance indicators during the year were as follows:

	2016 £'000	2015 £'000	Change %
Turnover	222,769	265,388	-16%
Operating profit	14,949	21,090	-29%
Profit for the financial year	11,493	15,852	-27%
Total equity	157,297	152,211	3%
Total number of trading branches and call centres*	214	368	-42%
Number of live policies (includes add on products)*	2.1 million	2.7 million	-22%
Number of live core policies*	1.5 million	2.0 million	-25%

* numbers provided are as at 31 December

The market continued to remain very competitive in 2016, with lower volumes being the main driver of a 16% reduction in turnover, as consumers continue to move away from the traditional offline sales channels to the more price competitive online channels. Sales were also temporarily impacted by the launch of new simplified products and the migration to the replacement core broking platform as the Group implemented its Simplify and Focus strategy.

However the reduction in turnover was largely offset by significant operational cost savings despite incurring a number of one off costs in implementing the Group's ongoing strategy. These included increased consultancy and redundancy costs, costs incurred in negotiating the early exit of an ongoing contract and the reduction in the carrying value of internally developed IT systems.

Operating profit was boosted by the profit recognised on sale of the Northern Ireland business of £6.6m and on the sale of the Head Office building and car park of £4.6m. Overall, operating profit reduced by 29% from 2015.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are classed as financial, strategic, conduct and regulatory and operational risks.

Financial Risks

The Group manages liquidity risk through regular cash flow forecasts and monitoring.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

During the year, the company terminated its external borrowing facilities which had provided a securitised financing facility of £160 million, plus an uncommitted overdraft facility of £30 million. The company continues to benefit from the £35m loan facility available from a parent undertaking which has a remaining term of 18 months from the reporting date.

In accordance with the Financial Reporting Council's 'Going Concern and Liquidity Risk: Guidance for Directors', the directors have considered the adequacy of the Group's borrowing facilities, and performed sensitivity analysis around the Group's future compliance with its borrowing. Having performed this assessment of the Group's liquidity and going concern position, the directors consider that there are no material uncertainties that may cast doubt about the Group's ability to continue as a going concern.

The Group provides credit to customers in connection with the arrangement of insurance contracts. Group policies are aimed at minimising exposure to losses arising from customers defaulting under these credit arrangements. The Group actively monitors overdue debt and has procedures in place to minimise exposure in the event of default. Credit facilities are only offered to customers for the payment of insurance policies arranged by the Group. Under these arrangements the Group retains the right to set off any returned premium due from the insurer on cancellation of a policy against the original loan.

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to ensure an optimal cost of capital. The amount of capital currently held far exceeds the minimum regulatory requirement.

Strategic Risks

The Group operates in a highly competitive market which has changed in structure substantially over recent years with the entry of many major retailers, a reduction in the number of small brokers and the further development of internet trading.

The Group is actively addressing these business challenges through the Simplify and Focus strategy to remove complexity, reduce costs and deliver excellent customer service and value. Central to this is the completion of the replacement of the core broking system together with improved customer centric business processes.

Conduct and Regulatory Risks

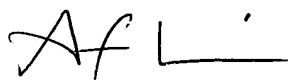
The Group falls under the regulatory regime of the Financial Conduct Authority (FCA) and must meet the operational, financial and reporting requirements of that Authority. These include capital adequacy (the requirement being a minimum of 5% of prior year income) and other financial requirements together with a range of customer facing obligations under the general requirement of 'Treating Customers Fairly'.

The Group has a Risk and Compliance function which has established and oversees a Compliance Framework and liaises with the FCA on regulatory matters.

Operational risks

Like most businesses, implementation of our strategy relies on a sufficient number of suitably skilled people, operation of compliant processes and technology which is fit for purpose. The Group has established processes and procedures for managing such operational risks. Assurance on the effectiveness of controls is gained from the work performed by financial and operational audit teams.

By Order of the Board



A F Wilson
Company Secretary
25 April 2017

The directors submit their report and the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Group's principal activities during the year continued to be operating as an insurance intermediary.

DIRECTORS

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

P P J Forget
D R Harding
B Lefebvre
G Normand
D Salvy
S Whittaker

RESULTS AND DIVIDEND

The results for the year are set out in the consolidated statement of comprehensive income on page 10. The directors declared and paid dividends of £7,933,000 in the year (2015: £7,837,000).

FUTURE DEVELOPMENTS

The focus for 2017 is to continue with the migration away from the legacy sales systems. The next 12 months will see significant investment by the Group, with particular focus around data and analytics and digital, in order to drive the online business channel. This will enable the Company to operate more effectively and efficiently thereby providing a solid platform for the future, enabling a sustainable distribution model under continued competition and increased regulatory pressures.

GOING CONCERN

The Directors believe that the Group is well placed to manage the risks facing it. After making enquiries, the Directors are satisfied that the Group has adequate resources for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

DISABLED EMPLOYEES

Disabled persons, when they apply for jobs, are offered equal opportunity and, if appointed, they are provided with training, career progression and promotion within the scope of their aptitude and abilities. Training or re-training is also provided, wherever possible, for employees who become disabled during their employment by the Group.

EMPLOYEE INVOLVEMENT

The Group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and takes steps to keep them informed of the factors affecting the performance of the Group. Employees have access to the Group's intranet site and a monthly briefing process exists to ensure effective internal communications and to provide a vehicle for employees' feedback and contributions.

RISK MANAGEMENT

All of Swinton's employees are responsible for risk management, with ultimate responsibility resting with the Board. Responsibility and accountability for managing risk is shared across all business units and the Risk Committee (a sub-committee of the Swinton Group Limited Board) has oversight responsibilities.

A risk management policy has been put in place which sets out the structure for the governance and oversight of risk and summarises the principles for the management of risks within the Group. The policy is supplemented by a risk management framework which provides detailed guidance for the identification, measurement, monitoring and reporting of risks.

The Group faces a range of risks which have the potential to impact on financial performance or the achievement of strategic business objectives. The framework has been in place throughout the financial year and up to the date that these financial statements were approved.

Monitoring of risk is carried out and assurance gained through financial, operational, compliance and quality based auditing. Significant failures are reported to the Risk Committee and the Board. The Risk Committee monitors remedial action as part of its wider remit to oversee the internal control environment.

The principal risks and uncertainties facing the Group are discussed in detail in the strategic report.

RESEARCH AND DEVELOPMENT

The Group undertakes research and development activities in relation to software and systems development although this activity has reduced significantly during the year in line with the Group's decision to replace the in-house developed core sales systems with a third party broking platform.

CHARITABLE DONATIONS

The Group made donations of £19,419 (2015: £32,446) to a number of charities during the year.

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The ultimate parent company has purchased insurance to indemnify the Group's directors against liability in respect of proceedings brought by third parties, against them in their capacity as a director, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in place during the financial year and remained in force as at the date of approving the directors' report.

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 prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom 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 Group and the Company and of the profit or loss of the Group and 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 United Kingdom Accounting Standards, comprising FRS 102, 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow directors and the Group's auditors, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

By Order of the Board



A F Wilson
Company Secretary
25 April 2017

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
OF SWINTON (HOLDINGS) LIMITED**

Report on the financial statements

Our opinion

In our opinion, Swinton (Holdings) Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company Statements of Financial Position as at 31 December 2016;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters 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 Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
OF SWINTON (HOLDINGS) LIMITED (CONTINUED)**

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

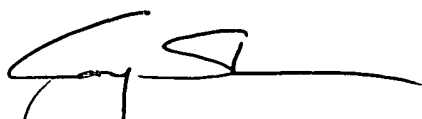
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.



Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

25 April 2017

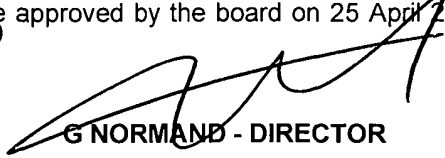
	Note	2016 £'000 Continuing operations	2016 £'000 Discontinued operations	2016 £'000 Total	2015 £'000 Continuing operations	2015 £'000 Discontinued operations	2015 £'000 Total
TURNOVER	6	222,061	708	222,769	256,219	9,169	265,388
Administrative expenses		(213,725)	(701)	(214,426)	(236,190)	(8,108)	(244,298)
Profit on disposal of operations		-	6,606	6,606	-	-	-
OPERATING PROFIT	7	8,336	6,613	14,949	20,029	1,061	21,090
Interest receivable and similar income	10	94	-	94	504	-	504
Interest payable and similar charges	11	(1,956)	-	(1,956)	(3,373)	-	(3,373)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,474	6,613	13,087	17,160	1,061	18,221
Tax on profit on ordinary activities	12	(1,502)	(92)	(1,594)	(1,893)	(476)	(2,369)
PROFIT FOR THE FINANCIAL YEAR		4,972	6,521	11,493	15,267	585	15,852
OTHER COMPREHENSIVE INCOME/(EXPENSE):							
Cash flow hedges							
- change in value of hedging instrument	23	20	-	20	13	-	13
Unrealised (loss)/gain on revaluation of properties	14	(2)	-	(2)	561	-	561
Total tax on components of other comprehensive income	12	1,508	-	1,508	(36)	-	(36)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		1,526	-	1,526	538	-	538
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,498	6,521	13,019	15,805	585	16,390

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the Company for the year was £6,846,000 (2015: £7,394,000)

		Group		Company	
		As at 31 December		As at 31 December	
	Note	2016	2015	2016	2015
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	13	20,293	33,660	-	-
Tangible assets	14	25,372	38,161	-	-
Investments	15	3	3	199,178	199,178
		<u>45,668</u>	<u>71,824</u>	<u>199,178</u>	<u>199,178</u>
CURRENT ASSETS					
Debtors: amounts falling due within one year	16	162,990	190,310	-	-
Debtors: amounts falling due after more than one year	16	45,294	49,486	-	-
Cash at bank and in hand		24,024	1,359	-	4,835
		<u>232,308</u>	<u>241,155</u>	<u>-</u>	<u>4,835</u>
CREDITORS: Amounts falling due within one year	17	(99,922)	(144,266)	(57,886)	(61,634)
NET CURRENT ASSETS / (LIABILITIES)		<u>132,386</u>	<u>96,889</u>	<u>(57,886)</u>	<u>(56,799)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>178,054</u>	<u>168,713</u>	<u>141,292</u>	<u>142,379</u>
CREDITORS: Amounts falling due after more than one year	18	(10,000)	(10,000)	(10,000)	(10,000)
PROVISIONS FOR LIABILITIES	20	(10,757)	(6,502)	-	-
NET ASSETS		<u>157,297</u>	<u>152,211</u>	<u>131,292</u>	<u>132,379</u>
CAPITAL AND RESERVES					
Called up share capital	22	23,059	23,059	23,059	23,059
Revaluation reserve		2,729	8,713	-	-
Special reserve	23	1,208	1,208	74,639	74,639
Hedge reserve	23	-	(20)	-	-
Capital contribution reserve	23	30,613	30,613	30,613	30,613
Retained earnings		99,688	88,638	2,981	4,068
TOTAL EQUITY		<u>157,297</u>	<u>152,211</u>	<u>131,292</u>	<u>132,379</u>

The financial statements on pages 10 to 37 were approved by the board on 25 April 2017 and signed on their behalf by:


D R HARDING - DIRECTOR


G NORMAND - DIRECTOR

	Called up share capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balances as at 1 January 2015	23,059	8,368	31,791	80,440	143,658
Profit for the financial year	-	-	-	15,852	15,852
Other comprehensive income for the year	-	528	10	-	538
Total comprehensive income for the year	-	528	10	15,852	16,390
Transfer	-	(183)	-	183	-
Dividends	-	-	-	(7,837)	(7,837)
Balance as at 31 December 2015	23,059	8,713	31,801	88,638	152,211

	Called up share capital	Revaluation reserve	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balances as at 1 January 2016	23,059	8,713	31,801	88,638	152,211
Profit for the financial year	-	-	-	11,493	11,493
Other comprehensive income for the year	-	1,506	20	-	1,526
Total comprehensive income for the year	-	1,506	20	11,493	13,019
Transfer	-	(7,490)	-	7,490	-
Dividends	-	-	-	(7,933)	(7,933)
Balance as at 31 December 2016	23,059	2,729	31,821	99,688	157,297

	Called up share capital	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balances as at 1 January 2015	23,059	105,252	4,511	132,822
Profit for the financial year	-	-	7,394	7,394
Total comprehensive income for the year	-	-	7,394	7,394
Dividends	-	-	(7,837)	(7,837)
Balance as at 31 December 2015	23,059	105,252	4,068	132,379

	Called up share capital	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balances as at 1 January 2016	23,059	105,252	4,068	132,379
Profit for the financial year	-	-	6,846	6,846
Total comprehensive income for the year	-	-	6,846	6,846
Dividends	-	-	(7,933)	(7,933)
Balance as at 31 December 2016	23,059	105,252	2,981	131,292

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Net cash from operating activities	24	50,637		109,807	
Taxation paid		(1,282)		(2,305)	
Net cash generated from operating activities			49,355		107,502
Cash flow from investing activities					
Purchase of tangible assets	14	(4,158)		(2,156)	
Proceeds from disposals of tangible assets		13,481		723	
Proceeds from sale of operations		7,951		-	
Internally generated / purchased intangible software	13	(11,189)		(5,169)	
Purchase of goodwill	13	17		(348)	
Interest received	10	94		504	
Net cash generated from/(used in) investing activities			6,196		(6,446)
Cash flow from financing activities					
Repayment of borrowings		(22,963)		(80,206)	
Interest paid		(1,956)		(3,545)	
Dividends paid	33	(7,933)		(7,837)	
Net cash used in financing activities			(32,852)		(91,588)
Net increase in cash and cash equivalents	25		22,699		9,468
Cash outflow from repayment of borrowings	25		22,963		80,206
Cash and cash equivalents at the beginning of the year	25		(31,947)		(121,621)
Cash and cash equivalents at the end of the year	25		13,715		(31,947)

1) GENERAL INFORMATION

Swinton (Holdings) Limited (the 'Group') is an insurance intermediary that offers a range of insurance products from a panel of UK insurers covering car, bike, home, commercial, taxi and caravan insurance, plus services such as breakdown and home emergency cover.

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is 6 Great Marlborough Street, Manchester, M1 5SW.

2) STATEMENT OF COMPLIANCE

The Group and individual Company financial statements of Swinton (Holdings) Limited have been prepared in compliance with United Kingdom Accounting Standards, including the Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), and the Companies Act 2006.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

4) STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies, which have been applied consistently throughout the year, is set out below:

a) Basis of Preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

b) Going concern

The Directors believe that the Group is well placed to manage the risks facing it. After making enquiries, the Directors are satisfied that the Group has adequate resources for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

c) Basis of consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiary undertakings drawn up to 31 December 2016 and are based on consistent accounting policies. Intra-company balances and any unrealised gains and losses or income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements. The Group profit and loss account includes the results of acquired entities from the date of acquisition using the acquisition method of accounting. The purchase consideration has been allocated to the assets and liabilities on the basis of fair values at the date of acquisition.

4) STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

d) Revenue recognition

Commission income is recognised at the point that the Group has fulfilled its obligations to the insurer through the arrangement of an underlying insurance policy, being at the date the underlying policy takes effect. Finance fees charged for the provision of credit to customers are recognised over the credit period to which they relate on an effective interest rate basis approximated by the sum of digit basis. Other fee income is recognised at the point of sale when the Group has fulfilled its obligations to customers through the arrangement of the underlying insurance policy.

The amount of income recognised in relation to monthly policies is calculated as the present value of expected cash flows over the expected life of the product taking into consideration past experience and management's best estimate of any associated risks. This is revised as more evidence is obtained relating to the expected cancellation profile and potential persistency of products. The discounted commission receivable recognised takes into account the expected cash flows over either a five, three or one year period from the reporting date, depending on the product, or whether there is sufficient historic information to be able to estimate future persistency. This is a change in accounting estimate for certain products, where previously, the discounted commission receivable was recognised over a three year period from the balance sheet date and is now recognised over a one year period from the balance sheet date.

The unwind of the discount rate which arises on the calculation of the present value of expected cash flows, is recognised within turnover, except for the element relating to the risk free time value of money, which is recognised within other finance income. The discounted commission receivable is recognised within prepayments and accrued income.

Other income streams are recognised in the period to which they relate.

e) Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

The Group operates a defined contribution scheme, which is a stakeholder scheme, covering the majority of its employees. The funds are administered independently of the Group's finances. Once the contributions have been paid, the Group has no further obligations. The charge to the profit and loss account comprises the total contributions payable to the scheme in the financial year.

f) Taxation

The charge for current tax is based on the results for the period after making allowance for non-assessable or disallowable items. It is calculated using rates of tax that have been enacted at the reporting date.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

4) STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

g) Business combinations and goodwill

Goodwill, being the difference between the fair value of the assets acquired and the purchase consideration, is capitalised and amortised on a straight line basis over the useful life, estimated for each acquisition by the directors in the range between 5 and 10 years. It is reviewed for impairment at the end of the first full year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill acquired prior to 1 January 1998 has been taken directly to reserves. The profit or loss on the disposal or termination of a business acquired prior to this date includes goodwill previously taken directly to reserves.

h) Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives of between 2 and 5 years.

Amortisation is charged to the profit and loss account.

Where factors, such as technological advancement or changes in market price indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

i) Tangible Assets

i) Cost or valuation

Short leasehold property and equipment, furniture and vehicles are included at cost, which includes the original purchase price of the asset and any costs attributable to bringing the asset to its working condition for its intended use. Interests in freehold and long leasehold properties are stated at valuation. All freehold and long leasehold properties are valued by independent professionally qualified valuers at least once every three years, with valuations in the intervening years being performed by the Group's qualified surveyors. The basis of valuation is fair value. Surpluses or deficits arising on valuation are taken directly to the revaluation reserve. Where there is a material diminution in value of a freehold or long leasehold property, as a result of consumption of economic benefit, such a diminution is recognised in the profit and loss account in the year in which it occurs or is first perceived.

4) STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

i) Tangible Assets (continued)

ii) Depreciation

Freehold and long leasehold properties, the majority of which are operated as retail outlets within the Group, are maintained to a high standard. As a result, the directors are of the opinion that the residual values, estimated at the date of acquisition or subsequent valuation, are such that depreciation is not significant. Accordingly, freehold and long leasehold properties are not depreciated. Annual impairment reviews are performed on these assets.

The costs of maintenance and repair of freehold and long leasehold property are charged through the profit and loss account as they arise. Improvements to these properties are capitalised and written off over their estimated useful life.

Depreciation is provided so as to write off the cost of all other tangible fixed assets over their expected useful economic lives, which are estimated to be:

- | | |
|-------------------------------------|-------------------------|
| • Short leasehold property | The period of the lease |
| • Equipment, furniture and vehicles | 3-10 years |

iii) Disposals of Freehold and Long Leasehold Property

The difference between net proceeds and net carrying amount is dealt with through the profit and loss account. Any amount in the revaluation reserve relating to the property is transferred to the profit and loss reserve.

j) Investments

Investments are valued at cost less any provision for impairment.

k) Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks, and bank overdrafts. Bank overdrafts are shown within bank loans and overdrafts in current liabilities. Amounts which are ring-fenced and held for the benefit of customers in client money accounts are excluded from the group's assets as they are not available for the benefit of the group.

m) Asset backed securitisation financing

In the prior year, asset backed securitisation financing was secured on certain insurance debtors which were subject to instalment collection arrangements. Such debtor balances were held on balance sheet as, despite their sale to a Special Purpose Entity, the Group retained the associated risks and rewards of the receivables. The receivables were disclosed within debtors falling due within one year and the financing liability was disclosed within creditors falling due within one year.

n) Research and development

Research expenditure is charged to the profit and loss account in the year incurred. Development expenditure is charged to the profit and loss account unless it meets the relevant criteria for capitalisation. When the recognition criteria have been met any further development expenditure is capitalised as an intangible asset.

4) STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

o) Provisions and contingencies

i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring;

The Group provides for future costs associated with properties which it has ceased to use and is unlikely to re-occupy. This provision encompasses all net rent and other outgoings based on an estimate of the length of time properties will continue to be vacant.

ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

p) Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

4) STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

p) Financial instruments (continued)

ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Hedging arrangements

The Group applies hedge accounting for transactions entered into to manage the cash flow exposure of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating borrowings.

Changes in the fair values of derivatives designated as cash flow hedges and which are effective are recognised in equity. Any ineffectiveness in the hedging relationship is recognised in the income statement. The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends.

q) Share capital

Ordinary shares are included in equity. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

r) Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

s) Related party transactions

The Group discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

5) CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical judgements in applying the entity's accounting policies

- i) Consolidation – In 2015, the Group consolidated the results of Marlborough Receivables Limited on the basis that, although not wholly owned, the company was controlled by the Group. Marlborough Receivables Limited is a Special Purpose Entity that provided a loan facility to the Group through the sale of the Group's receivables to it. The risks and rewards of the receivables were not transferred to Marlborough Receivables Limited but remained within the Group. The Group decided on the level of funding provided by the SPV, within the available funding limit. However, the loan facility was terminated during 2016 and hence the Group is no longer deemed to control Marlborough Receivables Limited.

b) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

ii) Impairment of debtors

The Group makes an estimate of the recoverable value of insurance and other debtors. When assessing impairment of insurance and other debtors, management considers factors including the ageing profile of debtors and historical experience.

iii) Provisions

Provision is made, where necessary, for refund amounts due to customers and amounts relating to costs associated with vacant property and redundancies. These provisions require managements best estimates of any costs that are expected to be incurred based on legislative and contractual requirements.

iv) Impairment of intangible assets and goodwill

The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the cash generating units. This requires key estimations of future cash flows and appropriate discount rates.

5) CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

v) Valuation of monthly products

At each reporting date, the monthly products portfolio is valued based on the present value of expected cash flows, taking into consideration past experience and management's best estimate of any associated risks. This is revised as more evidence is obtained relating to the expected cancellation profile and potential persistency of products.

In arriving at the present value of the monthly products portfolio a number of estimations are made. These include i) the future level of persistency, i.e. the level of cancellations which are expected over either a one, three or five year period and are based on historic levels of cancellations and revised as more evidence becomes available related to the historic cancellation profile and persistency of products; ii) the discount rate used in the calculation of the net present value includes a risk premium to reflect the inherent uncertainty related to customer behaviour which could be impacted by pricing changes, regulatory matters or competitor products and which may result in a change in persistency from historic levels.

6) TURNOVER

Turnover on ordinary activities represents insurance commissions and fees receivable from the sale of insurance policies in the UK, credit income, claims income and net property and ground rents receivable.

	2016 £'000	2015 £'000
Insurance commission and fees	165,736	197,275
Credit income	43,359	49,916
Claims income	11,917	16,415
Other	1,757	1,782
	<u>222,769</u>	<u>265,388</u>

7) OPERATING PROFIT

		2016 £'000	2015 £'000
Operating profit is stated after charging/(crediting):			
Staff costs	9	95,429	119,787
Restructuring expense	20	10,683	6,882
Impairment of trade receivables		12,313	19,985
Amortisation of intangible assets	13	20,309	17,153
Impairment of intangible assets	13	-	7,685
Depreciation of tangible assets	14	5,394	6,958
Impairment of tangible fixed assets	14	810	-
(Profit)/loss on disposal of fixed assets		(2,740)	561
Loss on disposal of intangible assets		36	-
Auditors' remuneration	8	343	433
Operating lease charges		6,491	7,808

During the prior year the Group acquired the trade and assets of a number of businesses. It is the Group's policy to fully integrate these businesses into the existing activities of the Group. All business acquired was transferred into existing operations during that financial year. As a result of this the Directors do not consider it practicable to separately analyse the contribution of acquisitions to turnover and operating profit.

8) AUDITORS' REMUNERATION

The remuneration of the auditors is further analysed as follows:

	2016 £'000	2015 £'000
Fees payable to the Group's auditors for the audit of the Company's annual financial statements	8	8
Fees payable to the Group's auditors and its associates for other services:		
– The audit of the Group's subsidiaries pursuant to legislation	270	272
– Tax services	4	-
– Other services	4	81
Auditors' Remuneration excluding VAT	286	361
Value Added Tax	57	72
Total amounts paid to auditors and charged to the profit and loss account	343	433

9) DIRECTORS AND EMPLOYEE INFORMATION

	2016 £'000	2015 £'000
Directors' remuneration:		
Aggregate emoluments	860	1,014
Compensation for loss of office	-	258
Company contributions paid to pension schemes	68	44
	928	1,316

	2016 Number	2015 Number
Members of money purchase pension schemes	2	5

	2016 £'000	2015 £'000
The amounts in respect of the highest paid director are as follows:		
Emoluments	450	464
Company contributions paid to pension schemes	55	33

Company contributions in respect of the highest paid director are paid into pension schemes of a parent undertaking.

9. DIRECTORS AND EMPLOYEE INFORMATION (Continued)

	2016 £'000	2015 £'000
Staff costs comprise:		
Wages and salaries	84,567	106,255
Social security costs	7,364	9,385
Other pension costs	3,498	4,147
	<u>95,429</u>	<u>119,787</u>
Compensation payable to key management personnel	<u>2,671</u>	<u>3,171</u>
	2016 Number	2015 Number
The average monthly number of employees during the year was:		
Sales	2,314	2,774
Other operational	272	379
Support	504	613
	<u>3,090</u>	<u>3,766</u>

10) INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Bank interest receivable	41	25
Other interest receivable	2	5
Other finance income	51	474
	<u>94</u>	<u>504</u>

11) INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Interest payable on overdrafts and bank loans	1,333	2,188
Interest payable to Group undertakings	601	1,185
Other Interest	22	-
	<u>1,956</u>	<u>3,373</u>

12) TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Tax expenses included in profit or loss

	2016 £'000	2015 £'000
<i>Current tax:</i>		
UK corporation tax at 20% (2015: 20.25%)	3,713	6,761
Adjustments in respect of prior years	154	(7,239)
Total current tax	3,867	(478)
<i>Deferred tax:</i>		
Short term timing differences	(207)	243
Accelerated capital allowances	(1,789)	(1,660)
Adjustments in respect of prior years	(277)	4,248
Impact of change in tax rate (see note 12 (d))	-	16
Total deferred tax (see note 12(e))	(2,273)	2,847
Tax on profit on ordinary activities	1,594	2,369

(b) Tax expense included in other comprehensive income

Deferred tax		
- Origination and reversal of timing differences	(1,508)	36
Total tax (credit)/debit included in other comprehensive income	(1,508)	36

(c) Reconciliation of tax charge for the year:

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK.

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	13,087	18,221
Profit on ordinary activities multiplied by standard tax rate in the UK of 20% (2015: 20.25%)	2,617	3,690
Tax effect of expenses not deductible for tax purposes:		
- Goodwill amortisation	844	1,129
- Other	308	377
Capital gains offset by group capital losses	(2,175)	-
Impact of change in tax rate	-	17
Tax credit re EBT settlement	-	(2,844)
Total tax charge for the year (see note 12(a))	1,594	2,369

12 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(d) Factors affecting current and future tax charges

During the prior year, the relevant deferred tax balances were re-measured as a result of the reductions in the UK main corporation tax rate, which were substantively enacted in that year. The UK corporation tax rate during the year was 20% and is reduced to 19% with effect from 1 April 2017 and to 17% from 1 April 2020. Deferred tax balances were measured based on the tax rates that are expected to apply when the asset is realised.

As a result of these reductions in the UK corporation tax rate, the Group's profits for this financial year are taxed at an effective rate of 20% compared to 20.25% in the prior year, and they will be taxed at an effective rate of 19.25% in the 2017 financial year.

In accordance with accounting standards, the deferred tax arising from capital allowances and other short term timing differences has been recognised in the financial statements during the year, due to evidence that they will reverse and that the related benefit will crystallise.

(e) Deferred tax

	Recognised Asset at 31 December 2015 £'000	Adjustments In Respect of Prior Years £'000	Current Year Credit £'000	Recognised Asset at 31 December 2016 £'000
Deferred taxation represents:				
Capital allowances	1,540	(143)	1,789	3,186
Short term timing differences	456	420	207	1,083
Revaluation of properties	(1,932)	-	1,508	(424)
	<u>64</u>	<u>277</u>	<u>3,504</u>	<u>3,845</u>

The recognised deferred tax asset of £ 3,845,000 (2015: £64,000) is included within other debtors.

13) INTANGIBLE ASSETS

	Purchased Goodwill £'000	Computer Software £'000	Total £'000
Cost			
At 1 January 2016	199,868	42,727	242,595
Additions	(17)	11,189	11,172
Disposals	(13,980)	(104)	(14,084)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	185,871	53,812	239,683
	<hr/>	<hr/>	<hr/>
Accumulated amortisation and impairment			
At 1 January 2016	179,134	29,801	208,935
Charge for the year	7,808	12,501	20,309
Disposals	(9,786)	(68)	(9,854)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	177,156	42,234	219,390
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2016	8,715	11,578	20,293
	<hr/>	<hr/>	<hr/>
At 31 December 2015	20,734	12,926	33,660
	<hr/>	<hr/>	<hr/>

During the prior year, the carrying value of internally generated software was written down by £7,685,000 to reflect its future use in light of the implementation of a third party IT platform during 2016. The remaining net book value of the software of £8,316,000 has been written down in 2016.

14) TANGIBLE ASSETS

GROUP	Freehold Property £'000	Long Leasehold Property £'000	Short Leasehold Property £'000	Equipment Furniture & Vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2016	17,811	2,853	394	91,108	112,166
Additions	-	-	-	4,158	4,158
Disposals	(6,529)	(1,833)	(12)	(8,362)	(16,736)
Revaluation	7	(9)	-	-	(2)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	11,289	1,011	382	86,904	99,586
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At valuation	11,289	1,011	-	-	12,300
At cost	-	-	382	86,904	87,286
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	11,289	1,011	382	86,904	99,586
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation					
At 1 January 2016	-	-	393	73,612	74,005
Charge for the year	-	-	1	5,393	5,394
Impairment	-	-	-	810	810
Disposals	-	-	(12)	(5,983)	(5,995)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	-	-	382	73,832	74,214
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2016	11,289	1,011	-	13,072	25,372
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	17,811	2,853	1	17,496	38,161
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Freehold and long leasehold properties to the value of £12,300,000 (2015: £20,664,000) were valued at 31 December 2016 by Weatherall Green & Smith North Ltd trading as Sanderson Weatherall, Chartered Surveyors and Property Consultants at an open market value, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The historical cost of freehold and long leasehold property at 31 December 2016 amounted to £9,148,000 (2015: £10,020,000).

15) INVESTMENTS

GROUP	Unlisted Investment £'000	Total £'000
At 1 January 2016 and 31 December 2016	3	3
COMPANY	Ordinary shares £'000	Total £'000
In subsidiary undertakings at cost		
At 1 January 2016 and 31 December 2016	199,178	199,178

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Details of subsidiary undertakings at 31 December 2016 are shown in note 31.

16) DEBTORS

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Debtors: amounts falling due within one year				
Insurance debtors	128,242	163,619	-	-
Amounts owed by a fellow subsidiary undertakings	394	509	-	-
Amounts owed by subsidiary undertakings	-	-	-	4,873
Other debtors	7,536	2,001	-	-
Prepayments and accrued income	26,818	24,181	-	-
	<u>162,990</u>	<u>190,310</u>	<u>-</u>	<u>4,873</u>
Debtors: amounts falling due after more than one year				
Prepayments and accrued income	45,294	49,486	-	-
	<u>45,294</u>	<u>49,486</u>	<u>-</u>	<u>-</u>
Total debtors	<u>208,284</u>	<u>239,796</u>	<u>-</u>	<u>4,873</u>

Insurance debtors amounting to £Nil (2015: £158,355,000), which are subject to monthly collection arrangements, have been securitised (note 19).

Included within total prepayments and accrued income is £62,386,000 (2015: £60,910,000) in relation to amounts receivable in respect of monthly policies. The income in relation to monthly products is recognised at the point of sale, based on the present value of expected cash flows, taking into consideration past experience and management's best estimate of any associated risks.

17) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bank loans and overdrafts (note 19)	309	343	-	-
Asset backed securitisation financing (note 19)	-	22,649	-	-
Trade payables	1,721	1,300	-	-
Insurance creditors	68,199	97,920	-	-
Amounts owed to fellow subsidiary undertakings	151	288	151	288
Amounts owed to subsidiary undertakings	-	-	57,735	61,346
Corporation tax	3,222	636	-	-
Other taxation and social security	2,168	3,898	-	-
Other creditors	4,895	1,452	-	-
Accruals and deferred income	19,257	15,780	-	-
	<u>99,922</u>	<u>144,266</u>	<u>57,886</u>	<u>61,634</u>

Included in insurance creditors is £10,462,000 (2015: £18,577,000) due to fellow group undertakings. Insurance creditors also includes £4,523,000 (2015: £7,956,000) relating to policies that have been transacted with the customer in advance of the year end, but where the amount is not contractually due to the insurer until after the year end.

18) CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Wholly repayable within 5 years: Amounts owed to fellow subsidiary undertaking	10,000	10,000	10,000	10,000
	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

19) BANK LOANS AND OVERDRAFTS

GROUP	2016 £'000	2015 £'000
Bank loans and overdrafts	309	343
Asset backed securitisation financing	-	22,649
Loan from group undertaking	10,000	10,000
	<hr/>	<hr/>
Total bank loans and overdrafts	10,309	32,992
	<hr/>	<hr/>
Amounts falling due:		
In one year or less	309	23,306
Less: issue costs	-	(314)
	<hr/>	<hr/>
	309	22,992
	<hr/>	<hr/>
After more than one year	10,000	10,000
	<hr/>	<hr/>
	10,309	32,992
	<hr/>	<hr/>

Bank and other borrowings include £Nil (2015: £22,649,000) of asset backed securitised financing, secured on certain instalment debtors disclosed in insurance debtors. The facility which provided a securitised financing facility of £160,000,000 plus an uncommitted overdraft facility of £30,000,000, was terminated during the year.

The loan from group undertaking is drawn down under a £35m facility, repayable by 30 June 2018 and is unsecured.

20) PROVISIONS FOR LIABILITIES

GROUP	Restructuring Provision £'000	Other Provisions £'000	Total £'000
At 1 January 2016	4,360	2,142	6,502
Charge to profit and loss account	10,683	1,986	12,669
Utilised during the year	(7,612)	(802)	(8,414)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	7,431	3,326	10,757
	<hr/>	<hr/>	<hr/>

Included within the restructuring provision are amounts relating to the costs associated with vacant property and redundancy provisions. Other provisions include £541,000 (2015: £1,044,000) for the potential cost of refunds to customers. In arriving at the level of provision, estimates have been made regarding the number of customers who may be affected, the cost of the relevant insurance policies and the potential costs of administering any required refunds. It has been assumed that substantially all amounts which may become payable will be settled during 2017. The remaining provision relates largely to professional indemnity claims of £1,399,000 (2015: £1,066,000) and onerous contracts £1,355,000 (2015: £Nil).

21) FINANCIAL INSTRUMENTS

GROUP

The Group has the following financial instruments:

	2016 £'000	2015 £'000
Financial assets measured at amortised cost:		
- Insurance debtors	128,242	163,619
- Amounts owed by fellow subsidiary undertaking	394	509
- Other debtors	3,692	1,938
- Accrued income	62,386	60,910
	<u>194,714</u>	<u>226,976</u>
Financial liabilities at fair value through profit and loss		
- Derivative financial instruments	-	(24)
Financial liabilities measured at amortised cost:		
- Bank loans and overdrafts	(309)	(343)
- Asset backed securitisation financing	-	(22,649)
- Insurance creditors	(68,199)	(97,920)
- Trade creditors	(1,721)	(1,300)
- Amounts owed to fellow subsidiary undertaking	(10,151)	(10,288)
- Accruals	(16,889)	(12,455)
- Other creditors	(4,895)	(1,452)
	<u>(102,164)</u>	<u>(146,407)</u>

The Insurance debtors comparative figure for 2015 has been restated from £187,927,000 to bring it in line with the current year figure. This is due to an element of unearned finance figure being included in the prior year which is not consistent with the measurement at amortised cost required in the disclosure and presented in the statement of financial position.

Derivative financial instruments – interest rate swaps

The Group had entered into an interest rate swap to receive interest at LIBOR and to pay interest at a fixed rate of 0.83%. The swap was based on a principal amount of £10,000,000 and matured on 31 December 2016.

The instrument was used to hedge against the Group's exposure to interest rate movements on the asset backed securitisation financing. The fair value of the interest rate swap liability is £Nil (2015: liability £24,000).

21) FINANCIAL INSTRUMENTS (continued)

COMPANY

The Company has the following financial instruments:

	2016 £'000	2015 £'000
Financial liabilities measured at amortised cost:		
- Amounts owed to fellow subsidiary undertakings	(10,151)	(10,288)
- Amounts owed to subsidiary undertakings	(57,735)	(61,346)
	<u>(67,886)</u>	<u>(71,634)</u>

22) CALLED UP SHARE CAPITAL

GROUP & COMPANY	2016 £'000	2016 Number	2015 £'000	2015 Number
Allotted, and fully paid				
Ordinary Shares of 10p each	23,049	230,488,994	23,049	230,488,994
'C' Ordinary Shares of 0.5p each	9	1,950,000	9	1,950,000
'D' Ordinary Shares of 0.5p each	1	150,000	1	150,000
	<u>23,059</u>	<u>232,588,994</u>	<u>23,059</u>	<u>232,588,994</u>

23) OTHER RESERVES

GROUP	Capital contribution reserve	Special Reserve	Hedge reserve	Total
	£'000	£'000	£'000	£'000
At 1 January 2016	30,613	1,208	(20)	31,801
Net hedging gain	-	-	20	20
	<u>30,613</u>	<u>1,208</u>	<u>-</u>	<u>31,821</u>
At 31 December 2016	30,613	1,208	-	31,821

23) OTHER RESERVES (continued)

COMPANY	Capital contribution reserve	Special reserve	Total
	£'000	£'000	£'000
At 1 January and 31 December 2016	30,613	74,639	105,252

24) RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

GROUP	2016 £'000	2015 £'000
Operating profit	14,949	21,090
Depreciation charge	5,394	6,958
Impairment of tangible fixed assets	810	-
Amortisation charge	20,309	17,153
Impairment of intangible assets	-	7,685
(Profit)/loss on disposal of fixed assets	(2,740)	561
Loss on disposal of intangible assets	36	-
Profit on disposal of operations	(6,606)	-
Decrease in debtors	33,412	34,442
(Decrease)/increase in creditors	(19,182)	22,411
Increase/(decrease) in provisions	4,255	(493)
Net cash from operating activities	50,637	109,807

25) ANALYSIS OF NET (DEBT)/FUNDS

GROUP	At 1 January 2016 £'000	Cash flows £'000	At 31 December 2016 £'000
Cash at hand and in bank	1,359	22,665	24,024
Overdrafts	(343)	34	(309)
	1,016	22,699	23,715
Debt due within one year	(22,963)	22,963	-
Debt due after one year	(10,000)	-	(10,000)
Net (debt)/funds	(31,947)	45,662	13,715

26) CAPITAL COMMITMENTS

	2016 £'000	2015 £'000
At the reporting date, the Group had capital expenditure commitments as follows:		
Contracted for but not provided in the financial statements	80	570

27) OPERATING LEASE COMMITMENTS

The Group has the following future minimum lease payments under non-cancellable operating leases as follows:

	2016 £'000	2015 £'000
Not later than one year	1,452	1,006
Between 1-5 years	6,944	11,568
Later than 5 years	28,060	7,309
	<u>36,456</u>	<u>19,883</u>

28) CONTINGENT LIABILITIES

The Company is a guarantor of the loans of a subsidiary undertaking. The total amount outstanding on these facilities at 31 December 2016 was £Nil (2015: £27,029,000).

29) RELATED PARTY TRANSACTIONS

The Company is exempt from disclosing related party transactions with other group companies that are wholly owned within the group. There are no other related party transactions to disclose.

30) PROFIT ON DISPOSAL OF OPERATIONS

On 31 January 2016, the Group completed the sale of its Northern Ireland operations, resulting in the disposal of goodwill with a carrying value of £4,194,000 and net liabilities of £2,849,000. The Group received a net cash consideration of £7,951,000

31) DETAILS OF SUBSIDIARY COMPANIES

Details of principal subsidiary undertakings, which are registered in England and Wales, are:

Name	Principal Activity	Group interest in ordinary share capital %
Swinton Group Limited	Insurance intermediary	100.0
Swinton Properties Limited	Property management	100.0
Equity Broking Management Limited	Dormant	*100.0
Equity Insurance Brokers Limited	Dormant	*100.0
Rockford Group Limited	Dormant	100.0
Rockford Insurance Brokers Limited	Dormant	*100.0
Fairfield Insurance Services Limited	Dormant	100.0
Andinsure Limited	Dormant	100.0
Its4me Limited	Dormant	100.0
Colonnade Insurance Brokers	Dormant	*100.0
Walmsleys Insurance Brokers Limited	Dormant	100.0
Le Mans Holdings Limited	Intermediate holding company	100.0

* Indirect ownership

32) ACQUISITIONS

During 2015, the Company acquired the trade and assets of a number of businesses which in aggregate gave rise to goodwill of £348,000. There were no such acquisitions in 2016, however there was an adjustment to the consideration of a 2015 acquisition, resulting in an adjustment to goodwill of (£17,000).

33) DIVIDENDS

	2016 £'000	2015 £'000
Equity dividends paid on ordinary shares of 10p each:		
Dividend of £3.44p (2015: 3.40p) per share	7,933	7,837

34) ULTIMATE PARENT GROUP & CONTROLLING PARTY

Swinton (Holdings) Limited is a member of Covéa Group. It is a wholly owned subsidiary of MMA Holdings UK plc, a company registered in England and Wales.

MMA Holdings UK Plc is a wholly-owned subsidiary of Covéa Cooperations, a company registered in France. Covéa Cooperations is controlled by MMA IARD Assurances Mutuelles, MMA Vie Assurances Mutuelles, DAS Assurances Mutuelles, La Garantie Mutuelle des Fonctionnaires, Assurances Mutuelles de France, MAAF Assurances, and MAAF Santé. These companies own all the share capital and control 100% of the voting rights of Covéa Cooperations, are registered in France and are affiliated to Covéa Sgam.

Covéa Sgam prepares the consolidated financial statements of the Covéa Group, copies of which can be obtained from MMA Holdings UK plc, Norman Place, Reading RG1 8DA.