

Registration number: 02696420

Morgan Law Limited

Financial Statements

for the period from 1 January 2014 to 30 December 2014

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Morgan Law Limited

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Morgan Law Limited

Strategic report for the period from 1 January 2014 to 30 December 2014

The director presents his strategic report for the period from 1 January 2014 to 30 December 2014 for Morgan Law Limited ("the Company"). The strategic report provides a review of the business for the financial period and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial period, the position at the end of the period and discusses the main trends and factors that could affect the future. The Company is part of the Towergate Insurance Limited Group ("the Group").

Principal activities and business review

The principal activity of the Company is the provision of insurance services.

The results for the Company show turnover of £2,815,489 (2013: £2,715,938) and profit on ordinary activities before taxation of £1,161,645 (2013: £1,138,052) for the period. At 30 December 2014 the Company had net assets of £2,534,685 (2013: £1,687,677).

Business objectives

The Company continues to emphasise the fundamental importance of putting customers first. The Company has developed policies and processes with the aim of treating every customer fairly and consistently. This includes endeavouring to provide them with the best products, advice and service, which can build loyalty and advocacy, which in turn will strengthen reputation and support profits. Serving customers well involves dealing with complaints promptly and effectively, having high standards around underwriting and pricing, and taking a customer-focused approach to sales and marketing. The development of a strong customer base assists in developing income growth which is another objective of the business. The Company aims to both increase retention rates and attract new customers.

The Company also aspires to create a high performance culture, creating excellent customer service through highly engaged employees. The Company aims to attract, develop and promote the best talent and to create a supportive environment in which every employee continuously learns and develops. The Company's culture and competitive remuneration packages enables it to attract and retain key staff. This will also be achieved by creating a shared understanding of the Company's strategic goals and objectives, building the capability of managers and leaders to manage performance and by every employee having the knowledge, skill and capability to perform their role.

Outlook

The Company will continue to focus on retention of customers through enhanced customer contact and gaining new business through targeted marketing campaigns.

Key performance indicators

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

Non financial key performance indicators include staffing levels which decreased by 7% throughout the period. The Company actively encourages all employees to become involved in Group affairs and is also keen to encourage two-way communications on relevant business issues. This is achieved through regular employee meetings and presentations by senior management and is supported by a Group-wide communication plan. Further discussions on employee matters can be found in the directors' report.

Morgan Law Limited
Strategic report for the period from 1 January 2014 to 30 December 2014

Principal risks and uncertainties

Group restructuring

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

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

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

Risk management

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

The principal risks and their mitigation are as follows:

Strategic and Commercial Risk

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

Financial Risk

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

Operational Risk

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

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

Morgan Law Limited
Strategic report for the period from 1 January 2014 to 30 December 2014


Regulatory and Legal Risk

This is the risk of regulatory sanctions, material financial loss or loss to reputation suffered as a result of non compliance with laws, regulations and applicable administrative provisions. This risk is mitigated by a proactive relationship with the Financial Conduct Authority, a dedicated compliance function, and a compliance monitoring programme. Furthermore, there is a control framework that has been rolled out and embedded within the culture throughout the Company to reduce the risk of errors and non compliance.

Volatility in premiums and insurance market cycle

The Company derives most of its revenue from commissions and fees for underwriting and broking services. Its commissions are generally based on insurance premiums, which are cyclical in nature and may vary widely based on market conditions. A significant reduction in commissions, along with general volatility or declines in premiums, could have a material adverse effect on the results of operations and the Company's financial condition. This risk is mitigated by ensuring that the Company has a range of products and by diversifying its portfolio. This should reduce the effect of a cycle on one specific class of business.

Approved by the Board on 30 September 2015 and signed on its behalf by:


.....
M Mugge
Director

Morgan Law Limited
Director's Report for the period from 1 January 2014 to 30 December 2014

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

Directors of the Company

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

S Egan (resigned 14 September 2015)

M P Rea (resigned 16 April 2015)

M S Hodges (resigned 17 October 2014)

D J Bruce (resigned 17 January 2014)

The following director was appointed after the period end:

M Mugge (appointed 11 September 2015)

Dividends

The director does not recommend a final dividend payment to be made in respect of the financial period ended 30 December 2014 (2013: £Nil).

Political and charitable donations

The Company made charitable donations of £700 (2013: £600) and political donations of £Nil (2013: £Nil) during the period.

Employment of disabled persons

The Company's policy is to recruit disabled workers for those vacancies that they have the appropriate skills and technical ability to perform. Once employed, a career plan is developed to ensure that suitable opportunities exist for each disabled person. Employees who become disabled during their working life will be retrained if necessary and wherever possible will be given help with any necessary rehabilitation and training. The Company is prepared to modify procedures or equipment, wherever practicable, so that full use can be made of an individual's abilities.

Employee involvement

Employees are key to the Company's success, so an appropriate remuneration package is offered which rewards an individual's performance and contribution to the organisation. The Company is also keen to encourage individual's personal development to ensure that they have the skills required to undertake their role.

Going concern

The financial statements of the Company set out on pages 9 to 27 have been prepared on a going concern basis. The directors believe the going concern basis to be appropriate following their assessment of the Company's financial position and its ability to meet its obligations as and when they fall due. Further details of this assessment can be found in note 1 to these financial statements.

Post balance sheet events

The Group has undergone a financial restructuring which completed in April 2015 of which this company is a guarantor, details of this restructuring are included in note 21.

The director notes that after the balance sheet date, the director has taken a decision to divisionalise this company as of 31 October 2015. As of that date, the company will cease to trade. Its trade and net assets will be sold to Towergate Underwriting Group Limited, a fellow group subsidiary.

Morgan Law Limited
Director's Report for the period from 1 January 2014 to 30 December 2014

Directors liabilities

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

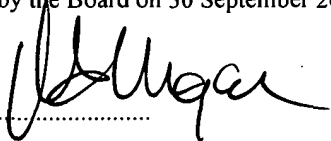
Disclosure of information to the auditors

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

Reappointment of auditors

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

Approved by the Board on 30 September 2015 and signed on its behalf by:



.....
M Mugge
Director

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN

Morgan Law Limited

Statement of director's responsibilities

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

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

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

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

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

Morgan Law Limited
Independent auditor's report to the members of Morgan Law Limited

We have audited the financial statements of Morgan Law Limited for the period from 1 January 2014 to 30 December 2014, set out on pages 9 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of director's responsibilities set out on page 6, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 December 2014 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

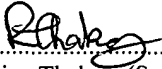
In our opinion the information given in the strategic report and the director's report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Morgan Law Limited
Independent auditor's report to the members of Morgan Law Limited

Matters on which we are required to report by exception

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

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


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Rajan Thakrar (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square
Canary Wharf
London
E14 5GL

Date: 30 September 2015

Morgan Law Limited
Profit and loss account for the period from 1 January 2014 to 30 December 2014

		1 January 2014 to 30 December 2014	Year ended 31 December 2013
	Note	£	£
Turnover		2,815,489	2,715,938
Administrative expenses		<u>(1,657,033)</u>	<u>(1,575,007)</u>
Operating profit	2	1,158,456	1,140,931
Other interest receivable and similar income	5	6,873	5,047
Interest payable and similar charges	6	<u>(3,684)</u>	<u>(7,926)</u>
Profit on ordinary activities before taxation		1,161,645	1,138,052
Tax on profit on ordinary activities	7	<u>(314,637)</u>	<u>(221,712)</u>
Profit for the financial period	17	<u><u>847,008</u></u>	<u><u>916,340</u></u>

Turnover and operating profit derive wholly from continuing operations.

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

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

Morgan Law Limited
(Registration number: 02696420)
Balance sheet as at 30 December 2014

		30 December 2014	31 December 2013
	Note	£	£
Fixed assets			
Intangible assets	8	334,033	352,253
Tangible assets	9	212,844	192,593
Investments	10	<u>1</u>	<u>1</u>
		<u>546,878</u>	<u>544,847</u>
Current assets			
Debtors	11	5,093,032	2,911,533
Cash at bank and in hand	12	<u>1,030,715</u>	<u>1,368,005</u>
		6,123,747	4,279,538
Creditors: Amounts falling due within one year	13	<u>(4,020,084)</u>	<u>(3,084,291)</u>
Net current assets		<u>2,103,663</u>	<u>1,195,247</u>
Total assets less current liabilities		2,650,541	1,740,094
Creditors: Amounts falling due after more than one year	14	<u>(115,856)</u>	<u>(52,417)</u>
Net assets		<u>2,534,685</u>	<u>1,687,677</u>
Capital and reserves			
Called up share capital	16	601,000	601,000
Profit and loss account	17	<u>1,933,685</u>	<u>1,086,677</u>
Shareholder's funds		<u>2,534,685</u>	<u>1,687,677</u>

Approved by the director on 30 September 2015



 M Mugge
 Director

Morgan Law Limited
Reconciliation of movement in shareholder's funds as at 30 December 2014

	30 December 2014	31 December 2013
	£	£
Profit attributable to the shareholder's of the Company	847,008	916,340
New share capital subscribed	<u>-</u>	<u>600,000</u>
Net addition to shareholder's funds	847,008	1,516,340
Shareholder's funds at start of period	<u>1,687,677</u>	<u>171,337</u>
Shareholder's funds at end of period	<u><u>2,534,685</u></u>	<u><u>1,687,677</u></u>

The notes on pages 12 to 27 form an integral part of these financial statements.

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

1 Accounting policies

Basis of preparation

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

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

Going concern

The financial statements of the Company set out on pages 9 to 27 have been prepared on a going concern basis. The directors believe the going concern basis to be appropriate following their assessment of the Company's financial position and its ability to meet its obligations as and when they fall due as described below.

At 30 December 2014 the Company had net assets of £2,534,685 (2013: £1,687,677) and net current assets of £2,103,663 (2013: £1,195,247). The net assets include an amount owed by group undertakings of £3,400,973 (2013: £1,574,796), an amount due to group undertakings of £1,292,499 (2013: £431,622) and goodwill of £334,033 (2013: £352,253).

In reaching their view on preparation of the Company's financial statements on a going concern basis, the directors have therefore considered significant uncertainties facing the Group that existed at the balance sheet date of 30 December 2014 and subsequent actions and developments in the period up to the date of approval of these financial statements.

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

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

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

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

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

On the basis of their assessment of the Company's financial position and of the Group's ability to continue to provide such support as might be required, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

(a) Commission and fees

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

(b) Trading deals and profit commission arrangements

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

Insurance transactions, client money and insurer money

Insurance transactions arise from the settlement of transactions with insurance companies on behalf of insurance intermediaries who are members of the network. A debtor balance representing amounts owing from individual customers is recognised in line with the turnover policy above, along with a creditor balance representing amounts due to the ultimate insurance provider and commissions earned by the intermediary and Morgan Law Limited. That element of commission earned by Morgan Law Limited is recognised in the profit and loss account at inception date or when the policy placement is completed.

Insurance broking debtors and creditors are reported in accordance with the requirements of FRS 5, 'Reporting the Substance of Transactions'. The standard precludes assets and liabilities being offset unless net settlement is legally enforceable, and as a result the insurance broking debtors and creditors have been shown as the gross amounts due in respect of each contract, instead of the net amount due to or from clients and underwriters.

The insurance broking account relates to money held by the Company in a client money bank account for future settlement of insurance transactions.

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised.

Amortisation

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

Goodwill	Straight line over 20 years
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Property, plant and equipment

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

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

Depreciation

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

Fixtures and fittings	15% per annum straight line
Computer equipment	25% per annum straight line
Motor vehicles	25% per annum straight line

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

Impairment of fixed assets

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

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

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

Calculation of recoverable amount

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

Reversals of impairment

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

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value.

Taxation

The tax expense for the period comprises current and deferred tax. Income tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

Hire purchase and leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract and represent a constant proportion of the balance of capital repayments outstanding.

Post retirement benefits

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

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

2 Operating profit

Arrived at after charging/(crediting):

	1 January 2014 to 30 December 2014	Year ended 31 December 2013
	£	£
Operating leases - land and buildings	88,452	54,000
Profit on sale of tangible fixed assets	(5,746)	(3,000)
Depreciation of owned assets	20,773	13,306
Depreciation of assets held under finance lease and hire purchase contracts	64,562	70,896
Amortisation of goodwill	18,220	12,147
Auditors remuneration - audit of these financial statements	<u>8,520</u>	<u>8,520</u>

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of Towergate Insurance Limited, being the largest Group in which the results of the Company are consolidated.

3 Staff costs

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

	1 January 2014 to 30 December 2014	Year ended 31 December 2013
	No.	No.
Management	1	1
Administration and support	17	17
Sales	<u>7</u>	<u>9</u>
	<u>25</u>	<u>27</u>

The aggregate payroll costs were as follows:

	1 January 2014 to 30 December 2014	Year ended 31 December 2013
	£	£
Wages and salaries	841,553	898,540
Social security costs	87,076	89,444
Other pension schemes	<u>39,607</u>	<u>28,041</u>
	<u>968,236</u>	<u>1,016,025</u>

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

4 Directors' remuneration

The emoluments of Messrs Hodges, Bruce, Rea and Egan are paid by other Group companies, which make no recharge to the Company. These directors are directors of the ultimate parent company and / or a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Their total emoluments are included in the financial statements of the ultimate parent company.

5 Other interest receivable and similar income

	1 January 2014 to 30 December 2014	Year ended 31 December 2013
	£	£
Bank interest receivable	<u>6,873</u>	<u>5,047</u>

6 Interest payable and similar charges

	1 January 2014 to 30 December 2014	Year ended 31 December 2013
	£	£
Finance charges	<u>3,684</u>	<u>7,926</u>

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

7 Taxation

Tax on profit on ordinary activities

	1 January 2014 to 30 December 2014	Year ended 31 December 2013
	£	£
Current tax		
Corporation tax charge	264,737	298,351
Adjustments in respect of previous years	<u>(17,555)</u>	<u>6,497</u>
UK Corporation tax	247,182	304,848
Deferred tax		
Origination and reversal of timing differences	<u>67,455</u>	<u>(83,136)</u>
Total tax on profit on ordinary activities	<u><u>314,637</u></u>	<u><u>221,712</u></u>

Factors affecting current tax charge for the year

The tax on ordinary activities for the period is lower than the standard rate of corporation tax in the UK (2013 - higher than the standard rate of corporation tax in the UK) of 21.49% (2013 - 23.25%).

The differences are reconciled below:

	1 January 2014 to 30 December 2014	Year ended 31 December 2013
	£	£
Profit on ordinary activities before tax	<u>1,161,645</u>	<u>1,138,052</u>
Corporation tax at standard rate	249,637	264,597
Capital allowances in excess of depreciation	9,930	19,577
Expenses not deductible for tax purposes	5,654	12,051
Non-tax deductible amortisation of goodwill and impairment	-	2,824
Adjustment for prior periods	(17,555)	6,497
Other differences	<u>(484)</u>	<u>(698)</u>
Total current tax	<u><u>247,182</u></u>	<u><u>304,848</u></u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly.

The deferred tax asset at 30 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

8 Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2014	<u>364,400</u>
At 30 December 2014	<u>364,400</u>
Amortisation	
At 1 January 2014	12,147
Charge for the year	<u>18,220</u>
At 30 December 2014	<u>30,367</u>
Net book value	
At 30 December 2014	<u><u>334,033</u></u>
At 31 December 2013	<u><u>352,253</u></u>

Goodwill relates to a portfolio purchased from Towergate Underwriting Group Limited, a fellow group company, on 31 July 2013 for a consideration of £364,400.

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

9 Tangible fixed assets

	Fixtures and fittings £	Motor vehicles £	Computer £	Total £
Cost				
At 1 January 2014	24,395	305,995	249,397	579,787
Additions	-	155,676	1,452	157,128
Disposals	-	(145,730)	-	(145,730)
At 30 December 2014	<u>24,395</u>	<u>315,941</u>	<u>250,849</u>	<u>591,185</u>
Depreciation				
At 1 January 2014	22,461	133,048	231,685	387,194
Charge for the year	388	78,429	6,518	85,335
Eliminated on disposals	-	(94,188)	-	(94,188)
At 30 December 2014	<u>22,849</u>	<u>117,289</u>	<u>238,203</u>	<u>378,341</u>
Net book value				
At 30 December 2014	<u>1,546</u>	<u>198,652</u>	<u>12,646</u>	<u>212,844</u>
At 31 December 2013	<u>1,934</u>	<u>172,947</u>	<u>17,712</u>	<u>192,593</u>

Leased assets

Included within the net book value of tangible fixed assets is £198,651 (2013 - £172,948) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £64,562 (2013 - £70,896).

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

10 Investments held as fixed assets

	Other investments £
Cost	
At 1 January 2014	<u>1</u>
At 30 December 2014	<u>1</u>
Net book value	
At 30 December 2014	<u>1</u>
At 31 December 2013	<u>1</u>

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

11 Debtors

	30 December 2014	31 December 2013
	£	£
Trade debtors	1,651,997	1,165,969
Amounts owed by Group undertakings	3,400,973	1,574,796
Other debtors	-	937
Deferred tax	32,491	99,946
Prepayments and accrued income	7,571	69,885
	<u>5,093,032</u>	<u>2,911,533</u>

Deferred tax

The movement in deferred tax in the period is as follows:

	Deferred tax
	£
At 1 January 2014	99,946
Charged to the profit and loss account	<u>(67,455)</u>
At 30 December 2014	<u>32,491</u>

Analysis of deferred tax

	30 December 2014	31 December 2013
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	32,040	83,179
Other timing differences	451	16,767
	<u>32,491</u>	<u>99,946</u>

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

12 Cash at bank and in hand

Cash at bank includes £686,229 (2013: £1,316,559) which constitutes restricted client money & insurer money and not available to pay the general debts of the Group.

13 Creditors: Amounts falling due within one year

	30 December 2014	31 December 2013
	£	£
Trade creditors	2,286,047	2,173,555
Obligations under finance lease and hire purchase contracts	23,370	33,910
Amounts owed to Group undertakings	1,292,499	431,622
Corporation tax	264,737	298,453
Other taxes and social security	-	26,455
Other creditors	21,186	20,680
Accruals and deferred income	132,245	99,616
	<u>4,020,084</u>	<u>3,084,291</u>

14 Creditors: Amounts falling due after more than one year

	30 December 2014	31 December 2013
	£	£
Obligations under finance lease and hire purchase contracts	<u>115,856</u>	<u>52,417</u>

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

15 Obligations under leases and hire purchase contracts

Amounts repayable under finance leases and hire purchase contracts:

	30 December 2014	31 December 2013
	£	£
Within one year	40,339	33,910
In two to five years	<u>98,887</u>	<u>52,417</u>
	139,226	86,327
Less finance charges allocated to future periods	<u>(10,931)</u>	<u>-</u>
	<u><u>128,295</u></u>	<u><u>86,327</u></u>

Operating lease commitments

As at 30 December 2014 the Company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	30 December 2014	31 December 2013
	£	£
Land and buildings		
Over five years	<u><u>88,452</u></u>	<u><u>54,000</u></u>

16 Share capital

Allotted, called up and fully paid shares

	30 December 2014	31 December 2013
	No. £	No. £
Ordinary Shares of £1 each	<u><u>601,000</u></u>	<u><u>601,000</u></u>

17 Reserves

	Profit and loss account £
At 1 January 2014	1,086,677
Profit for the period	<u>847,008</u>
At 30 December 2014	<u><u>1,933,685</u></u>

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

18 Pension schemes

Defined contribution pension scheme

Towergate Insurance Limited and the Company operate a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £39,607 (2013 - £28,041).

19 Related party transactions

	30 December 2014		31 December 2013	
	Paid to / (received from)	Outstanding at period end	Paid to / (received from)	Outstanding at year end
	£	£	£	£
Morgan Law Holdings Limited	Nil	599,157	598,664	599,157
Cullum Capital Ventures Limited	1,496,177	2,471,816	975,639	975,639
Towergate Insurance Limited	(1,197,427)	(1,240,542)	(43,115)	(43,115)
Towergate Underwriting Group Limited	(37,555)	(43,553)	(5,998)	(5,998)
Oyster Property Insurance Specialists Limited	330,000	330,000	Nil	Nil
Waveney Insurance Brokers (Commercial) Limited	(8,404)	(8,404)	Nil	Nil
Four Counties Insurance Brokers Limited	382,509	Nil	(382,509)	(382,509)

20 Control

At the balance sheet date the ultimate parent company of the Company was Towergate PartnershipCo Limited. As part of the restructuring on 2 April 2015, as discussed in note 1, the ultimate holding company of the Group is now Sentry Holdings Limited and the parent company of the largest Group in which the results of the Company will be consolidated is TIG TopCo Limited.

At 30 December 2014 the parent company of the largest Group in which the results of the Company were consolidated was Towergate Insurance Limited.

These consolidated financial statements are available upon request from:

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN

Morgan Law Limited
Notes to the financial statements for the period ended 30 December 2014

21 Post balance sheet events

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

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

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

The director notes that after the balance sheet date, the director has taken a decision to divisionalise this company as of 31 October 2015. As of that date, the company will cease to trade. Its trade and net assets will be sold to Towergate Underwriting Group Limited, a fellow group subsidiary.