Registration number: 05938669

Arista Insurance Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2016

Arista Insurance Limited

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Arista Insurance Limited

Company Information

Directors	M S Mugge D C Ross A Erotocritou
Company secretary	J A Gregory
Registered office	Towergate House Eclipse Park Sittingbourne Road Maidstone Kent ME14 3EN
Auditors	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

Arista Insurance Limited

Strategic Report for the Year Ended 31 December 2016

The directors present their strategic report for the year ended 31 December 2016 for Arista Insurance Limited ("the Company"). The strategic report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. The Company is part of the Sentry Holdings Limited Group ("the Group" or "Towergate"). Whilst Sentry Holdings Limited is the ultimate parent company, the directors of its subsidiary TIG Topco Limited ("Topco") manage the Group's operations on a daily basis.

Principal activities and business review

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

The results for the Company show turnover of £8.6m (2015: £10.1m) and profit before tax of £0.0m (2015: loss £0.2m) for the year. At 31 December 2016 the Company had net assets of £5.3m (2015: £5.3m).

Business strategy and 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 enable 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 grow the business through seeking new capacity with insurers and working closely with other businesses within the Group.

Key performance indicators

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

	Unit	2016	2015
Gross written premium (GWP)	£m	72.3	74.8
Turnover	£m	8.6	10.1
Administrative expenses	£m	8.5	10.2
Turnover/GWP	%	11.9	13.5
Administrative expenses/turnover	%	98.8	101.0

The turnover figures for 2016 include the recognition of a provision for loss sharing schemes of £1.2m. If the impact of these loss sharing schemes is excluded, turnover reduced by 3.0% from 2015. The underlying reduction in turnover was driven by corrective underwriting actions to deliver longer term loss ratio benefits. Expenses reduced from 2015 as a result of bonus adjustments in 2016 and integrating the management team into the wider Commercial Lines business.

Non-financial key performance indicators include staffing levels which have decreased by 10.9% 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.

Principal risks and uncertainties

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 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 and a focus on debt collection.

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

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

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

Underwriting capacity risk
The Company is an insurance intermediary and depends on insurance companies providing it with insurance underwriting capacity and products. The underwriting capacity of insurance companies depends on, among other things, their ability to procure reinsurance, over which the Company has no control. To retain underwriting capacity, the Company also needs to maintain satisfactory loss ratios for its insurance company partners.

Volatility in premiums and insurance market cycle
The Company derives most of its revenue from commissions and fees for underwriting 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.

Future impact of Brexit

As a business that operates in the UK predominantly the Company is affected by economic conditions in the United Kingdom (UK) and the associated possibility of decline in business and customer confidence. This risk has been exacerbated by the uncertainties surrounding the UK's decision to leave the European Union ("Brexit"). Our typical small to medium-sized business (SME) customers and individual consumers may be more vulnerable to any economic downturn than larger commercial customers, reducing or delaying insurance purchases or making premium payments.

The Brexit decision could lead to the UK leaving the single market for goods and services and the ability of businesses to passport between the UK and other EU states. The direct impact on the Company will not be significant because it currently conducts little business outside the UK, although there may be some effects on the insurance markets into which we place business.

Approved by the Board on 26 April 2017 and signed on its behalf by:

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M S Mugge
Director

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors of the company

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

M S Mugge

D C Ross (appointed 20 December 2016)

The following director was appointed after the year end:

A Erotocritou (appointed 15 March 2017)

Dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2016 (2015: £Nil).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the strategic report within the 'Risk Management' section on page 3.

Future Developments

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

Political donations

The Company has not made any political donations during the year (2015: £Nil).

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. The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company and the Group as a whole. This is achieved by formal and informal meetings, circulation of the Company magazine and by encouraging employees to take part in regular employee engagement surveys.

Going concern
The Company's business activities, together with the factors likely to affect its future development are described in the strategic report on page 2. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next twelve months. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details of this assessment can be found in note 2 to these financial statements.

Directors' liabilities
The directors benefit from qualifying third party indemnity provisions, subject to the conditions set out in the Companies Act 2006, in place during the financial year and at the date of this report.

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

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

Approved by the Board on 26 April 2017 and signed on its behalf by:

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M S Mugge
Director

Arista Insurance Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101').

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

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

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

Independent Auditor's Report to the members of Arista Insurance Limited

We have audited the financial statements of Arista Insurance Limited for the year ended 31 December 2016, set out on pages 11 to 34. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements (set out on page 8), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Finanical 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 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the members of Arista Insurance 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
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

26 April 2017

Arista Insurance Limited

Statement of Comprehensive Income for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Turnover	4	8,635	10,092
Amortisation and other amounts written off intangibles	11	(82)	(104)
Administrative expenses		(8,542)	(10,203)
Operating profit/(loss)	5	11	(215)
Finance costs	6	(3)	(2)
Profit/(loss) before tax		8	(217)
Income tax (expense)/credit	9	(26)	172
Total comprehensive loss for the year		(18)	(45)

The above results were derived from continuing operations.

The notes on pages 15 to 34 form an integral part of these financial statements.

Arista Insurance Limited

(Registration number: 05938669)
Statement of Financial Position as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Assets			
Non-current assets			
Property, plant and equipment	10	110	204
Intangible assets	11	130	196
Deferred tax assets	9	429	456
		669	856
Current assets			
Trade and other receivables	12	9,171	5,270
Cash and cash equivalents	13	4,826	7,064
		13,997	12,334
Total assets		14,666	13,190

Arista Insurance Limited

(Registration number: 05938669)
Statement of Financial Position as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Equity and liabilities			
Equity			
Called up share capital	14	5,785	5,785
Share premium reserve		89	89
Capital redemption reserve		571	571
Other reserves		786	786
Profit and loss account		(1,979)	(1,961)
		5,252	5,270
Non-current liabilities			
Trade and other payables	17	-	50
Provisions	16	9	9
		9	59
Current liabilities			
Trade and other payables	17	8,148	7,822
Provisions	16	1,257	39
		9,405	7,861
Total liabilities		9,414	7,920
Total equity and liabilities		14,666	13,190

Approved by the Board on 26 April 2017 and signed on its behalf by:

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M S Mugge

Director

Arista Insurance Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Other reserves £ 000	Retained losses £ 000	Total £ 000
At 1 January 2016	5,785	89	571	786	(1,961)	5,270
Loss for the year	-	-	-	-	(18)	(18)
At 31 December 2016	5,785	89	571	786	(1,979)	5,252

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Other reserves £ 000	Retained losses £ 000	Total £ 000
At 1 January 2015	5,785	89	571	786	(1,916)	5,315
Loss for the year	-	-	-	-	(45)	(45)
At 31 December 2015	5,785	89	571	786	(1,961)	5,270

The notes on pages 15 to 34 form an integral part of these financial statements.

Arista Insurance Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

1 Authorisation of financial statements

The company is a private company limited by share capital incorporated and domiciled in the United Kingdom.

These financial statements for the year ended 31 December 2016 were authorised for issue by the Board on 26 April 2017 and the statement of financial position was signed on the Board's behalf by M S Mugge.

2 Accounting policies

Basis of preparation

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

These financial statements have been prepared on a historical cost basis. The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

Summary of disclosure exemptions

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

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

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-Based Payment because the arrangement concerns instruments of another group entity;

(b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations which includes among other exemptions the requirement to include a comparative period reconciliation for goodwill;

(c) the requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;

(d) the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;

(e) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant & equipment and intangible assets;

(f) the requirements in paragraph 10(d) and 111 of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;

(g) the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;

(h) the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;

(i) the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;

(j) the requirements of paragraphs 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of assumptions on which projections used in the impairment review are based and sensitivity analysis.

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

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.

Judgments made by the director, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the Critical accounting policies and estimates disclosure on page 21.

Going concern

The financial statements have been prepared on a going concern basis. At 31 December 2016 the Company had net assets of £5.3m (31 December 2015: £5.3m). The net assets include amounts receivable from related parties of £8.1m (31 December 2015: £4.0m), and amounts due to related parties of £3.7m (31 December 2015: £1.1m).

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. In reaching their view on preparation of the Company's financial statements on a going concern basis, the directors have considered the anticipated future cash flows of the Towergate Group and these were subjected to stress testing and sensitivity analysis to ensure that the Group is able to cope with reasonably foreseeable adverse trading and cash flow outcomes. In addition, the directors have considered the following transactions which were executed in early 2017:

The Group secured additional funding totaling up to £65m from Madison Dearborn Partners (MDP) and HPS Investment Partners LLC (HPS). Proceeds from these initiatives will be applied towards achievement of the Group's key strategic transformation initiatives. The additional funding comprises:

• A £40m rights issue offered by TIG Topco Limited to existing shareholders and subscribed for in its entirety by MDP and one minority shareholder.
• A £17m term loan facility which was made available to TIG Finco plc by MDP and HPS from 1 April 2017 and drawn down on 19 April 2017. The loan agreement provides that any amounts drawn under it can be repaid in cash or converted to equity at the option of TIG Finco plc on or before 31 December 2017.
• A further tranche of £8m that can be utilised once the £17m term loan facility has been utilised in full. The loan agreement provides that this facility is to be repaid using any amounts received in relation to the Group's recoveries in relation to certain professional indemnity insurance claims, or using amounts from the earn-out of consideration relating to the disposal of the Group's investment in The Broker Network Limited and Countrywide Insurance Management Limited (Broker Network). If the further tranche is not repaid in full by these means, then any amounts drawn under it can be converted to equity on or before 31 December 2017.

The Group expects to recover an amount from the earn-out of consideration relating to the disposal of Broker Network that completed in July 2016 (and for which the terms were amended and updated in April 2017). Under the previous terms of the sale agreement, no amounts were recognised as recoverable, but the directors expect to receive an amount of up to £17.2m under the revised terms.

When preparing the Company's financial statements on a going concern basis, the directors have considered uncertainties facing the Group, including the potential liabilities arising from the past business review of enhanced transfer value ("ETV") and unregulated collective investment schemes ("UCIS") products that existed at the statement of financial position date of 31 December 2016:

• a contingent liability has been disclosed in the consolidated financial statements of the Group in respect of a potential liability arising from the past business review for ETV products. There are a number of material uncertainties and it is not yet possible to make a reliable estimate of the Group's ultimate liability and related payment profile. The directors believe any potential payments are unlikely to commence before 2018; and

• a provision of £10.7m is recognised in the consolidated financial statements of the Group in respect of future payments of UCIS liabilities. The Group is comfortable that the quantum of this provision is adequate and the cash outflows will complete during 2017.

On the basis of the directors' assessment of the Company's financial position and of the Group's ability to continue to provide such support as might be required, the directors have a reasonable expectation that the Company will be able to continue to operate for at least the next twelve months. Therefore the annual financial statements have been prepared on a going concern basis.

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 fulfillment of these obligations.

(b) 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.

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, 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.

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 tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property, plant and equipment
Property, plant and equipment is stated in the statement of financial position 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 income statement 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 charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Fixtures and fittings	15% per annum straight line or over 6 years
Computer hardware	25% per annum straight line
Leasehold improvements	Over the remaining life of the lease

Intangible assets
Acquired computer software licences exist either through business combinations when they are separable or are purchased separately and are capitalised on the basis of the costs incurred to acquire them. Their fair value has been calculated by using the net book value acquired.

Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in statement of comprehensive income when the asset is derecognised.

Amortisation

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

Asset class	**Amortisation method and rate**
Computer software	Straight line over 4 years

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 and at least annually, in the case of goodwill. 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 cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units. A cash-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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Reversals of impairment

An impairment loss is reversed on intangible assets other than 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Insurance transactions

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, debtors from insurance broking transactions are not included as an asset of the company. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transactions occurs until the Company receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client.

In certain circumstances, the Company advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the statement of financial position as part of trade receivables.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the director's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases
Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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.

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Financial assets
Financial assets are initially measured at fair value plus directly attributable transaction costs. The Company's financial assets include cash, trade and other receivables. The subsequent measurement of financial assets depends on their classification.

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, dispute, default or delinquency in payments are considered indicators that the receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

Financial liabilities
Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables. The subsequent measurement of financial liabilities depends on their classification.

Financial guarantees
Contracts meeting the definition of a financial guarantee, including inter-group financial guarantee contracts, are recognised at fair value under IAS 39, or under IFRS 4 where the conditions required in order to regard it as an insurance contract are satisfied. This is determined on a contract by contract basis, depending on whether the risk transferred represents a financial risk or an insurance risk.

Changes in accounting policy and disclosures - new accounting standards
None of the standards, interpretations and amendments effective for the first time from 1 January 2016 have had a material effect on the financial statements.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year.

The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

Revenue recognition
(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.

(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. The amount and timing of trading deal and profit commission income is inherently uncertain and individual amounts may be material. Amounts accrued at the year end and recognised as assets may be judgemental. A change in estimation of trading deal or profit commission income could have a material effect on the Company's financial performance.

Impairment of assets
The Company tests annually whether investments and other assets that have indefinite useful lives suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset or a cash generating unit is determined based on the higher of fair market value less costs to sell and a value in use calculation prepared on the basis of management's assumptions and estimates. This determination requires significant judgement. In making this judgement the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in regional economies and operational and financing cash flow.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Estimated useful lives

Assets, other than assets with indefinite useful lives, are carried at historical cost less amortisation or depreciation calculated to write off the cost of such assets over their estimated useful lives.

Management determines the estimated useful lives and related amortisation or depreciation charges at acquisition. The estimated useful life is reviewed annually and the amortisation or depreciation charge is revised where useful lives are subsequently found to be different to those previously estimated.

4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2016 £ 000	2015 £ 000
Commission and fees	9,581	10,040
Profit commission arrangements	163	52
Trading deals	(1,109)	-
	8,635	10,092

Turnover consists entirely of sales made in the United Kingdom. Trading deals includes a debit in the year of £1.2m due to the recognition of the loss corridor provision in the current year, partially offset by £0.1m income attributed to two trading deals in the period. For further details of the provision, see note 16.

5 Operating profit/(loss)

Arrived at after charging:

	2016 £ 000	2015 £ 000
Depreciation expense	99	125
Amortisation expense	82	104
Auditor's remuneration: audit of these financial statements	34	36
Operating lease expense - property	285	482
Operating lease expense - other	27	37
Loss on disposal of property, plant and equipment	-	1
Management charge from parent	1,206	1,025

Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Sentry Holdings Limited.

6 Finance costs

	2016 £ 000	2015 £ 000
Interest expense on other financing liabilities	3	2
Total finance costs	3	2

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £ 000	2015 £ 000
Wages and salaries	4,522	5,756
Social security costs	466	610
Pension costs, defined contribution scheme	336	408
	5,324	6,774

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

	2016 No.	2015 No.
Administration	8	89
Sales	72	1
Management	2	2
	82	92

8 Directors' remuneration

The emoluments of all directors are paid by other Group companies, which make no recharge to the Company. These directors are directors of TIG Topco Limited and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Their total emoluments are included in the consolidated financial statements of TIG Topco Limited.

9 Income tax

Tax charged/(credited) in the statement of comprehensive income

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	-	49
Deferred taxation		
Arising from origination and reversal of temporary differences	(5)	(38)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	31	(183)
Total deferred taxation	26	(221)
Tax expense/(credit) in the statement of comprehensive income	26	(172)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015: lower than the standard rate of corporation tax in the UK) of 20% (2015: 20.25%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit/(loss) before tax	8	(217)
Corporation tax at standard rate	2	(44)
Adjustment to prior periods	31	(134)
Effect of capital allowances depreciation	6	-
Effect of expenses not deductible in determining taxable profit (tax loss)	11	57
Tax decrease from utilisation of tax losses	(46)	(13)
Deferred tax expense/(credit) relating to changes in tax rates or laws	23	(38)
Decrease from changes in pension liabilities	(1)	-
Total tax charge/(credit)	26	(172)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. These reductions will reduce the Company's future current tax charge / credit accordingly.

The deferred tax asset at 31 December 2016 has been calculated based on the rates disclosed in the above paragraph.

Deferred tax

Deferred tax assets

2016	Asset £ 000
Accelerated tax depreciation	439
Other items	(10)
	429

2015	Asset £ 000
Accelerated tax depreciation	456
Other items	-
	456

Deferred tax movement during the year:

	At 1 January 2016 £ 000	Recognised in income £ 000	At 31 December 2016 £ 000
Accelerated tax depreciation	456	(17)	439
Other items	-	(10)	(10)
Net tax assets/(liabilities)	456	(27)	429

Deferred tax movement during the prior year:

	At 1 January 2015 £ 000	Recognised in income £ 000	At 31 December 2015 £ 000
Accelerated tax depreciation	235	221	456
Other items	-	-	-
Net tax assets/(liabilities)	235	221	456

It is anticipated that the Company will have sufficient profitability in future years to ensure the utilisation of the capital allowances claim.

10 Property, plant and equipment

	Leasehold improvements £ 000	Fixtures and fittings £ 000	Computer hardware £ 000	Total £ 000
Cost or valuation				
At 1 January 2016	-	113	800	913
Additions	1	-	5	6
At 31 December 2016	1	113	805	919
Depreciation				
At 1 January 2016	-	76	633	709
Charge for the year	-	19	81	100
At 31 December 2016	-	95	714	809
Carrying amount				
At 31 December 2016	1	18	91	110
At 31 December 2015	-	37	167	204

11 Intangible assets

	Computer software £ 000
Cost or valuation	
At 1 January 2016	739
Additions	16
At 31 December 2016	755
Amortisation	
At 1 January 2016	543
Amortisation charge	82
At 31 December 2016	625
Carrying amount	
At 31 December 2016	130
At 31 December 2015	196

12 Trade and other receivables

	2016 £ 000	2015 £ 000
Trade receivables	1,115	1,086
Provision for impairment of trade receivables	(107)	(100)
Net trade receivables	1,008	986
Receivables from related parties	8,068	4,035
Prepayments	-	179
Other receivables	95	70
Total current trade and other receivables	9,171	5,270

13 Cash and cash equivalents

	2016 £ 000	2015 £ 000
Cash at bank	4,826	7,064

Cash at bank includes £4.1m (2015: £7.0m) which constitutes restricted insurer money and not available to pay the general debts of the Group. Cash at bank which is not held in restricted insurer money accounts, is available to pay general debts of the Company.

14 Share capital

Allotted, called up and fully paid shares

	No. 000	2016 £ 000	No. 000	2015 £ 000
Ordinary A of £0.10 each	3,609	361	3,609	361
Ordinary B of £0.10 each	1,641	164	1,641	164
Ordinary C of £0.10 each	1,214	121	1,214	121
Class 1 Preference of £1 each	5,139	5,139	5,139	5,139
	11,603	5,785	11,603	5,785

The Preference Shares automatically convert to "A" or "B" Ordinary Shares, to match the designation of those Ordinary Shares held by the relevant shareholder, on a pound for pound nominal basis on 30 June 2050. The Preference Shares may only be redeemed on 30 days' notice given by the Company or upon a winding up.

The A, B and C shareholders are entitled to notice of general meetings of the Company and are entitled to attend and vote at such meetings. Preference shareholders are entitled to notice of such meetings but are not entitled to attend and vote.

15 Obligations under leases

Operating leases

The total future value of minimum lease payments is as follows:

	2016 £ 000	2015 £ 000
Within one year	191	97
In two to five years	178	73
	369	170

The amount of non-cancellable operating lease payments recognised as an expense during the year was £0.3m (2015: £0.5m).

16 Provisions

	Loss corridor £ 000	Dilapidations £ 000	Total £ 000
At 1 January 2016	-	48	48
Charged/(credited) to the income statement	1,243	(5)	1,238
Provisions used	-	(21)	(21)
Increase due to passage of time or unwinding of discount	-	1	1
At 31 December 2016	1,243	23	1,266
Non-current liabilities	-	9	9
Current liabilities	1,243	14	1,257

Dilapidations provision - provides for the estimated amounts payable for dilapidation on each property at the end of the lease term.

Loss corridor - provides for the estimated losses recoverable by the insurer for net premium earned to date on those schemes with loss sharing clauses.

Over 1 year provisions are discounted at the rate of 8.75%. The finance charge relating to unwinding the discount have been charged to the income statement.

17 Trade and other payables

	2016 £ 000	2015 £ 000
Non-current trade and other payables		
Deferred income	-	50

	2016 £ 000	2015 £ 000
Current trade and other payables		
Trade payables	3,870	5,782
Accrued expenses	470	662
Amounts due to related parties	3,651	1,125
Other payables	-	87
Deferred income	157	166
	8,148	7,822

18 Commitments

Guarantees

On 2 April 2015, TIG Finco Plc issued £425.0m of 8.75% Senior Secured Notes and £75.0m of Floating Rate Super Senior Secured Notes. The obligations of TIG Finco Plc under the 8.75% Senior Secured Notes and the Floating Rate Super Senior Secured Notes are guaranteed by TIG Midco Limited, the immediate parent company of TIG Finco Plc and all its material and certain other subsidiaries. These companies are listed below:

Berkeley Alexander Limited	Protectagroup Limited
Capital & County Insurance Brokers Limited	Richard V Wallis & Co Limited
Countrywide Insurance Management Limited	Roundcroft Limited
Cox Lee & Co Limited	T F Bell Holdings Limited
Crawford Davis Insurance Consultants Limited	T L Risk Solutions Limited
Cullum Capital Ventures Limited	Towergate Insurance Limited
Four Counties Finance Limited	The T F Bell Group Limited
Fusion Insurance Holdings Limited	Three Counties Insurance Brokers Limited
Fusion Insurance Services Limited	Towergate London Market Limited
HLI (UK) Limited	Townfrost Limited
Just Insurance Brokers Limited	CCV Risk Solutions Limited
Managing Agents Reference Assistance Services Limited	Eclipse Park Acquisitions Limited
Moffatt & Co Limited	Towergate Risk Solutions Limited
Paymentshield Holdings Limited	Broker Network Holdings Limited
Paymentshield Limited	Oyster Risk Solutions Limited
Portishead Insurance Management Limited	The Broker Network Limited
Protectagroup Holdings Limited	Paymentshield Group Holdings Limited
Protectagroup Acquisitions Limited	Towergate Underwriting Group Limited

Some of the companies noted above have ceased trading since 2 April 2015 and other companies in the Group have commenced trading or have become material subsidiaries. Due to these changes on 4 November 2016 the Group companies comprising the entities which guarantee and secure the obligations of TIG Finco Plc under the 8.75% Senior Secured Notes and the Floating Rate Super Senior Secured Notes were amended in order to ensure that the guarantor / chargor group reflected the material entities within the Group.

Antur Insurance Services Limited	Morgan Law Limited
Arista Insurance Limited	Paymentshield Holdings Limited
Berkeley Alexander Limited	Paymentshield Limited
B.I.B (Darlington) Limited	Roundcroft Limited
Bishop Skinner Insurance Brokers Limited	Bishopsgate Insurance Brokers Limited (previously Towergate London Market Limited)
Cullum Capital Ventures Limited	Townfrost Limited
Dawson Whyte Limited	CCV Risk Solutions Limited
Four Counties Finance Limited	Towergate Risk Solutions Limited
Four Counties Insurance Brokers Limited	Broker Network Holdings Limited
Fusion Insurance Holdings Limited	Oyster Risk Solutions Limited
Fusion Insurance Services Limited	Paymentshield Group Holdings Limited
Managing Agents Reference Assistance Services Limited	Towergate Underwriting Group Limited
Moffatt & Co Limited	Towergate Insurance Limited

These guarantees have been treated under IFRS 4 in line with the accounting policy described in note 2.

19 Related party transactions

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

20 Ultimate parent company

On 2 April 2015, HPS Investment Partners LLC, formerly known as Highbridge Principal Strategies LLC became the Group's majority shareholder when its investment in Sentry Holdings Limited (incorporated in Jersey, registered office 22 Grenville Street, St Helier, Jersey, JE4 8PX) acquired a direct interest in TIG Topco Limited (incorporated in Jersey, registered office address, 47 Esplanade, St Helier, Jersey, JE1 0BD) and indirect interests in Towergate Insurance Limited and its subsidiaries. At 31 December 2016, the ultimate parent company was Sentry Holdings Limited. Sentry Holdings Limited is the largest group in which the results are consolidated. These financial statement are available upon request from:

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN