TIG Finco Plc

Consolidated financial statements
for the period 5 February 2015 to 31 December 2015

Registered number 09424525

Contents

Strategic report

Basis of financial reporting

This is the first set of consolidated financial statements of TIG Finco Plc (the Company or Finco) and its subsidiaries (Towergate or the Group). TIG Finco Plc was incorporated on 5 February 2015.

On 2 April 2015 the Group completed an acquisition in which the Company acquired Towergate Insurance Limited together with its subsidiary companies (TIL or TIL Group).

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

Sentry Holdings Limited is the ultimate parent company of Finco and the largest group in which the results will be consolidated.

Our business

Towergate is a leading independently owned insurance intermediary group distributing general insurance products in the UK. In 2015 Towergate distributed insurance products with an aggregated value (in terms of gross written premiums) of approximately £2.9 billion. Towergate is not an underwriting business and does not assume insurance risk in relation to the products it distributes. Its business model and capital requirements reflect the agency (as opposed to principal) nature of its activities.

Insurance products are distributed through Group and third party brokers as well as mortgage intermediaries. Towergate's end customers are primarily retail consumers and small and medium sized enterprises (SMEs). The Group also provides services to members of its broker network.

Towergate has five operating divisions or segments as follows:

Advisory: the Advisory division distributes personal lines and SME-focused products via 80 advisory offices located across the UK. Brokers place the insurance policies of customers through underwriting agencies or directly with insurance carriers depending on customer needs.

Retail: the Retail division distributes insurance protections to specialist customer segments ranging from military personnel and high net worth individuals to caravan owners. Services are provided to multiple niche retail markets, as well as to SME businesses including members of the Federation of Small Businesses. The division operates from eight locations in the UK.

Underwriting: the Underwriting division provides insurance products to Group businesses and around 3,000 third party insurance brokers who in turn act on behalf of insured customers. The division prices insurance coverage, issues insurance policies and in most cases handles insurance claims on behalf of the underlying insurance companies on whose behalf it is acting. Insurance companies (and not Towergate) are ultimately responsible for insurance claim costs and thus carry the associated principal risk. There are over 200 insurance products within the Underwriting division covering a wide variety of risks. As in the Advisory and Retail divisions, these insurance products are aimed both at personal lines customers and the SME marketplace. The division has 12 offices across the UK.

Paymentshield: Paymentshield is one of the UK's leading providers of general insurance products to the mortgage intermediary market. It is focused on the supply of household-related insurance products such as buildings and contents, mortgage protection, income protection and landlord insurance products. Paymentshield's principal route to market is the mortgage broking channel, where its relationships include the UK's two largest mortgage brokers as well as independent financial advisers and estate agents. It also distributes a small amount of business direct to retail customers. As with the Advisory, Retail and Underwriting businesses, underwriting or principal risk is carried by insurance partners.

Strategic report *(continued)*

Our business *(continued)*

Broker Network: the Broker Network division provides third party brokers with access to insurance products and a variety of business support services. The insurance products available through the Broker Network are often only available to members. Members typically receive enhanced commission rates negotiated by the division. The business support services provided to members assist them in managing their business and range from marketing to compliance services and advice. The Broker Network division is one of the largest full service general insurance networks for brokers by number of members in the UK.

Strategy

The strategic focus is on the 2016 turnaround plan as outlined to the Board. This concentrates on the remediation and streamlining of the back office support functions and IT systems, with continued focus on revenue generation.

No acquisitions are currently planned for 2016.

The Group continues to look at strategic liquidity options and during Q1 2016 the Company secured two sources of additional funding totalling up to £65m from Highbridge Principal Strategies LLP ('Highbridge'). Binding heads of terms have been signed for both of these transactions. Details are as follows:

- Disposal of the entire issued share capital of The Broker Network Limited and Countrywide Insurance Management Limited, both wholly owned subsidiaries of the Group, and the assets of Broker Network Underwriting, a trading style of Towergate Underwriting Group Limited. The consideration for the acquisition shall be satisfied in part by the allotment to Towergate of approximately 19.9% of the shares (subject to adjustment) in the acquisition vehicle; and

- A five year facility from Highbridge secured by certain legacy assets of the Group.
  Both initiatives remain subject to appropriate consents and/or approvals and will result in a cash injection to the Group.

In addition to the above, the Company secured a short term loan facility from Highbridge for an amount of up to £28m which will result in a cash injection to the Group if it is drawn.

Proceeds from these initiatives will largely be applied towards an acceleration of the strategic investments in the group transformation plan.

Towergate's key strengths include:

Its market position in a profitable industry: Towergate is one of the largest specialist personal lines and SME-focused intermediary and insurance managing general agent in the UK. Towergate's core proposition of strong distribution and underwriting excellence offers compelling value for both consumers and insurers.

Its knowledge base and expertise in a highly regulated industry: insurance distribution is a regulated activity in the UK. The Financial Conduct Authority (FCA) is the Group's principal regulator. The intensity and complexity of regulation is growing, providing a competitive advantage for large and well-resourced market participants.

The strength of its financial characteristics and business model: the Group generates attractive operating margins. It has the potential to be highly cash generative.

Significant organisational change is well progressed: Restructuring and operational changes in the Manchester unit were completed by the end of 2015. Full integration into the Retail SME business will take place as we move into 2016, as well as continued streamlining of the IT and Finance centres of excellence and focus on cost efficiencies.

Towergate has an experienced management team: We go into 2016 with the entire new Executive team in place, supported by a further 26 key new hires that strengthen the leadership of all areas of the business. Support staff attrition levels are reducing and retention of key client-facing staff is high.

Strategic report *(continued)*

Acquisition of TIL and TIL Group

TIG Finco Plc was incorporated on 5 February 2015.

On 2 April 2015 Finco acquired Towergate Insurance Limited (TIL) for the total consideration of £735.0 million (m) from Towergate Finance Plc (who was ultimately owned by Advent International, a global private equity firm). This consideration was made up of the issue of £425.0m of senior secured notes by Finco and £310.0m cash which was provided through the issue of new shares in Finco's indirect parent company, TIG Topco Limited (Topco). On the same date Finco issued £300.0m share capital and received a capital contribution from Topco of £60.0m.

This acquisition of the TIL Group has been accounted for as a business combination under IFRS 3.

As a result of these arrangements, on 2 April 2015 funds controlled or managed by Highbridge Principal Strategies LLC became the Group's majority shareholder.

Strategic report *(continued)*

Financial performance

Group financial performance

The Group results and key performance indicators are as follows:

	2015 £m
Income	
Commission and fees	267.2
Investment income and interest receivable	0.7
	267.9
Administration expenses	
Management and staff costs	152.8
Premises and other costs	69.4
	222.2
Adjusted earnings [(1)]	45.7

Key performance indicators	
Commission and fees / GWP [(2)]	17.9%
Administration expenses / commission and fees	83.2%
Adjusted earnings / income	17.1%

The Group commenced trading on 2 April 2015. The financial performance reported is in relation to the nine months to 31 December 2015.

2015 has been a challenging year, with commission and fees remaining under pressure post acquisition and this has had a knock-on effect to the adjusted earnings ratio. Trading activity is normally higher in the first three months of the year than the last 3 months of the year, as this is a traditional period for insurance renewals. The Group has not had the benefit of this period and this is reflected in the result.

The expense ratio is high in 2015. This is due to the impact of the reorganisation and the corresponding disruption caused to the business.

These impacts are explained in more detail in the "Divisional financial performance" section.

(1)Adjusted earnings represent EBITDA (earnings before interest, tax, depreciation and amortisation) as adjusted for acquisition and financing costs, group reorganisation costs, regulatory costs and long-term incentives.
(2) Ratios to GWP are stated excluding Broker Network business.

Strategic report *(continued)*

Financial performance *(continued)*

Divisional financial performance

The tables below set out the commission and fees and adjusted earnings results for the divisions of the Group:

Commission and fees	**2015** **£m**
Advisory	**99.0**
Retail	**64.5**
Underwriting	**55.5**
Paymentshield	**38.5**
Broker Network	**9.9**
Other	**(0.2)**
	267.2

Adjusted earnings	**2015** **£m**
Advisory	**13.7**
Retail	**18.2**
Underwriting	**16.7**
Paymentshield	**26.4**
Broker Network	**3.0**
Other	**(32.3)**
	45.7

Organic Retention	**2015**
Advisory (net commission)	**81%**
Retail (net commission)	**68%**
Underwriting (GWP)	**62%**
Paymentshield (policies)	**87%**
Broker Network (total members)	**557**

Advisory: Commission and fees are broadly flat in the period. Retention rates strengthened towards the end of the year. Adjusted Earnings have benefited from the cost saving initiatives.

Retail: Commission and fees fell during the period, mainly due to continued challenges in SBU. This has been partly offset by a strong and resilient performance in Direct which has seen solid new business growth. Adjusted earnings have been impacted by lower income as well as higher costs.

Underwriting: Commission and fees came under pressure during a challenging year in 2015 caused by the impact of the financial acquisition, and this was felt in retention and new business. Other negative impacts included lost revenues as internal broking businesses declined and the exit from certain lines that didn't meet required returns. Adjusted Earnings was driven by the shortfall in income as expenses were broadly flat in the period.

Paymentshield: Commission and fees reduced in the period due to the reduction in back books of MPPI and Household. Earnings are lower than anticipated, with expenses in the period being broadly flat, the overall impact was to reduce adjusted earnings.

Strategic report *(continued)*

Financial performance *(continued)*

Broker Network: Commission and fees reduced due to a fall in member numbers and refreshed pricing of the existing book in response to an increasingly competitive market. Adjusted Earnings reduced, resulting from a decrease in income and an increase in expenses. The uplift in costs includes one-off premises costs in the year.

Reconciliation of adjusted earnings to statutory loss before tax

In common with many other privately owned leveraged companies, the Group focuses on adjusted earnings as its key measure of profitability as it allows straight-forward, consistent comparison between all businesses regardless of capital structure and the level of exceptional items.

The following table reconciles the adjusted earnings result to the loss on ordinary activities before tax as set out in the financial statements.

	2015 £m
Adjusted earnings	**45.7**
Depreciation and amortisation	**(33.4)**
Finance income	**(0.4)**
Other costs	**(0.7)**
	(34.5)
Operating profit before exceptional items	**11.2**
Impairment of goodwill	**(86.4)**
Reduction in value of contingent consideration	**1.5**
Group acquisition and financing costs	**(41.2)**
Group reorganisation costs	**(15.0)**
Regulatory costs	**(27.4)**
	(168.5)
Operating loss	**(157.3)**
Finance income	**0.4**
Finance costs	**(34.5)**
	(34.1)
Loss before taxation	**(191.4)**

At 31 December 2015 the Group impaired the carrying value of goodwill by £86.4m. This is discussed further in note 11.

Expenditure on exceptional items which relate to the acquisition and change programmes will when complete position the Group to exploit future scale advantages and to enhance the customer proposition.

Strategic report *(continued)*

Exceptional - Group change programmes

A number of change programmes have been continued since the acquisition of the TIL Group. These programmes were designed to improve efficiency across the business, to build regulatory resilience, to position the Group to exploit future scale advantages and to enhance the customer proposition. They have been disclosed on the face of the consolidated statement of comprehensive income as exceptional items.

Acquisition and financing costs

The Group has undergone an acquisition which completed on 2 April 2015. In the period post acquisition, costs of £41.2m were incurred in relation to this acquisition and financing. The majority of the costs incurred represent legal and professional fees on the transaction.

Group reorganisation costs

A number of change programmes have been continued since the acquisition of the TIL Group.

- In February 2014 the TIL Group began a major finance transformation with the creation of accounting centres in Leeds and Maidstone, and this was continued by the Group throughout the remainder of 2015. The majority of insurance broking accounting and client money processing was consolidated into an in-house facility in Leeds, with some ongoing support from an outsourced third party provider. In parallel, financial and management accounting was centralised in a second in-house facility in Maidstone. These two centres are developing standardised policies and procedures and will allow future investment to be focused and prioritised. They will also allow IT hardware and software used by the Group to be streamlined and re-focused with the objective, over time, of improving control while exploiting scale advantage.

- Following the acquisition of the TIL Group, the Group has continued with the creation of the new business unit in Manchester. The unit is designed to service small premium business through a dedicated contact centre with extended opening times. In addition, a site consolidation to rationalise the office network across the Advisory, Retail and Underwriting businesses was undertaken..

These initiatives had a post acquisition aggregate cost of £15.0m during the period.

Regulatory costs

The Group has incurred regulatory costs of £27.4m in the period. The cost consists primarily of a £19.8m provision for the estimated costs of redress in relation to past advice provided on Unregulated Collective Investment Schemes (UCIS). In addition, costs of £7.6m were incurred in relation to regulatory investigations into advice provided by Towergate Financial on Enhanced Transfer Values (ETV) and UCIS, client and insurer monies and a strengthening of the Group's control framework. It is management's expectation that further costs in relation to the regulatory investigation will be incurred during 2016. The amount in relation to ETV has yet to be quantified (refer to note 30 Contingent Liabilities).

Financial strength

Consolidated statement of financial position at 31 December	2015 £m
Intangible assets	**700.3**
Property, plant and equipment	**9.3**
Other non-current assets	**13.1**
Trade and other receivables	**55.7**
Cash at bank and in hand	**205.9**
Current liabilities	**(242.2)**
Non-current liabilities	**(566.4)**
Net assets	**175.7**

The Group had total assets of £175.7m at 31 December 2015 and net current assets of £19.4m at 31 December 2015. The Group had regulatory capital requirements within its regulated companies of £18.9m at 31 December 2015.

Strategic report *(continued)*

Risks and governance model

Risk management

Towergate encounters a variety of risks, most of which are operational in nature. The effective management of these risks is critical to the running of the business and provides a greater prospect of achieving both Group and divisional objectives.

An effective Risk Management Framework (RMF) can inform the Group's decision making by helping to identify business opportunities and potential risks to profitability, capital and long-term sustainability. An RMF gives a competitive advantage and is an integral part of maintaining financial stability for customers and other stakeholders. The Group's Board agrees the appetite for taking individual risks and gains assurances that they are being appropriately identified and managed within the boundaries set. The Group aims to take risks that will give consistent long-term returns and manage those risks that could prevent it from achieving its objectives.

The management of risk is underpinned by the application of a three lines of defence governance model, which may be defined as follows:

• the first line: this sits in the business and is responsible for the identification and management of all material risks

• the second line: is made up of Group Risk and Compliance and which provides challenge, guidance and support to the business on the first line risk assessment

• the third line: is delivered by Group Internal Audit, which independently assesses the effectiveness of the internal controls, governance and risk management

Risk management process

The RMF defines the approach for identifying, managing and reporting risk within Towergate as part of the Group's overall governance and control arrangements. The RMF and associated governance is overseen centrally, although individual businesses are responsible for implementation and ensuring that the RMF is appropriate for their specific needs.

In 2015, the Group focus has been on the implementation and embedding of the framework. The key areas that were implemented in 2015 were:

- A more robust process for risk identification and monitoring, including more effective tools for the reporting of risks.
- More co-ordinated recording of risk events that occur, focusing on those that could have a significant financial or reputational impact on the organisation.
- Improved trend analysis on risks and risk events, ensuring that lessons learned from incidents or risks are shared across the Group to facilitate better mitigating strategies.
- Risk reports enhanced to focus on those areas where risks are above appetite, with an increased emphasis on the actions being taken to bring the risk back within appetite.
- A stronger link developed between the issues being raised by Internal Audit and Compliance Monitoring reviews and recent control failures, and the identification and assessment of the risks, including ensuring the analysis uses a similar basis for assessment.

All business and control functions within the Group are required to review their risk profiles on a quarterly basis. These are formally reported to the Group's Leadership Team and Group Risk Committee. The Group Risk and Compliance function provides robust challenge to business management as to their risk assessments, with particular focus on the consistency of the assessment, the effectiveness of the controls, the exposure of the risk against appetite and the adequacy of any actions being taken to reduce or mitigate the risk.

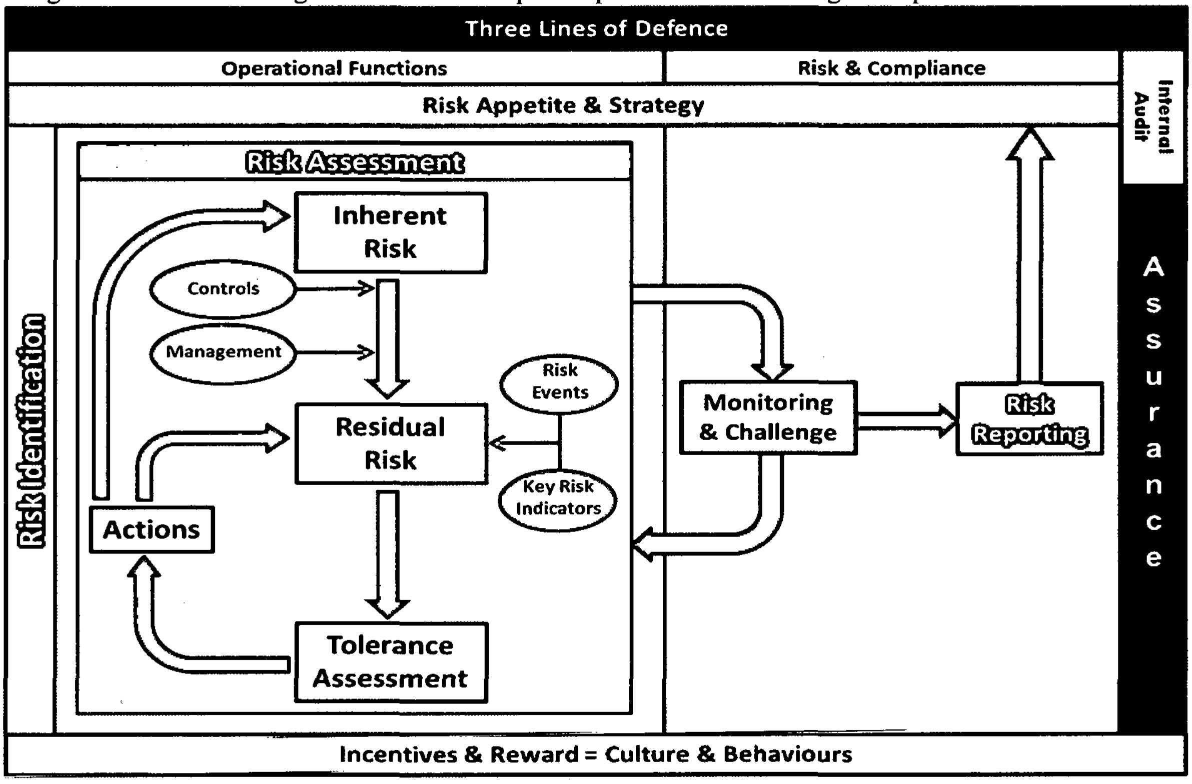
Each of the Group risks is owned by a member of the Leadership Team, who reviews and agrees the assessment, and challenges the business as to the effectiveness of their assessment. Possible future risks to the Group are also considered and documented and preventative measures taken as appropriate.

Strategic report *(continued)*

Risks and governance model *(continued)*

Risk management process *(continued)*

The diagram below shows the governance and component parts of the risk management process:



The Group's risk profile is reviewed by the Group Risk Committee and similarly the business profiles are reviewed at the Divisional Regulatory Committees (RegCos), all of which have non-executive members as well as the key executives. The quality of reporting to these committees improved significantly in 2015, which has enabled more informed discussions as to the risks and their adequate mitigation. The risks in each division and central function are also discussed on a regular basis at the management meetings in those areas, with clear ownership for each risk and any accompanying actions.

In addition to the Group and Divisional Committees each risk type has a Group owner who is responsible for ensuring the risk is appropriately and consistently managed across all areas of the business. These risk owners are also responsible for setting the risk appetite on an annual basis, and ensuring that the controls are appropriate.

Risk appetite

Risk appetite is an expression of the amount and type of risk that the Group is willing to accept in order to achieve its strategic objectives. The Group's risk appetite influences the risk management strategy which in turn influences the business culture and operating decisions. Risk appetite statements have been developed for each risk category and a range of techniques is used to ensure that risk exposures are monitored against these statements. All risks are formally considered against appetite on a quarterly basis. Any risk exposures outside of appetite are escalated and reported to the Group Risk Committee, and action plans to reduce the risk are monitored for effectiveness and timely completion. The risk appetite statements are reviewed and approved by the Group Risk Committee and Group Board on an annual basis.

Strategic report *(continued)*

Risks and governance model *(continued)*

Principal risks and uncertainties

The Group has identified three key risk areas, namely strategic and commercial, financial and operational. Each risk identified is mapped to one of these categories and the table below outlines the most significant risks in each.

These top risks are regularly reviewed by the Group and the divisions and regular updates given to the Group Risk Committee. Any risks that are outside of appetite receive particular attention, with focus on the effectiveness of plans to mitigate the risks within appetite and progress against them.

Key risks	Risk mitigation
Strategic and commercial risk	
Market conditions	
Volatility or declines in premiums, as well as declines in commission rates, may seriously undermine our business and results of operations.	A dedicated carrier relationships team manages our insurer relationships, including managing all changes to capacity, new agreements and the renewal of existing agreements, including any changes to commission rates. They also carry out regular assessments of the effectiveness of existing relationships, and negotiate changes with insurers as appropriate. TOBAs and governance arrangements are in place with all insurers, which are reviewed on a regular basis.
Competition in our industry is intense, and if we are unable to compete effectively, our business may be materially adversely affected.	The Group has a quarterly business review process and monthly management information comprising actual results and forecasts to monitor progress in achieving the business plan. The controls applied to other identified key risks all contribute to maintaining a competitive customer proposition. Key examples are product lifecycle management, sales, marketing, agency/outsourcing, customer experience and claims.
Insurer capacity and relationships with intermediaries	
We depend on relationships with third-party brokers, mortgage intermediaries and networks of mortgage intermediaries, and any adverse changes in these relationships could materially adversely affect our business, results of operations and financial condition.	A dedicated carrier relationship management team is responsible for managing capacity providers and ensuring committed and proactive relationships through regular review meetings. The relationships with our intermediaries are regularly reviewed and a robust due diligence process in place at the on-boarding stage. The Insurer and Bank Security Review Committee is in place to review and monitor the security of third parties.
Financial risk	
Whilst our debt has improved substantially following the financial re-structure, there remains a risk that our earnings decrease due to the cost of this debt and our flexibility could be limited. This in turn could adversely affect our financial strength and impede us in developing the business and implementing the strategy.	Proactive management and stress testing of the Group's business plan. Regular monitoring of cash flows against risk appetite. The implementation of an enhanced Financial Controls Framework, including more robust processes for debt collection, and enhanced management information to facilitate quicker and more informed decision making.. Regular review of investment earnings to maximise returns.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Key risks	Risk mitigation
Liquidity risk	
Under the current Group Risk Committee guidance the Company has stated a minimum operating cash balance of £20m is required to fund monthly expenses. During 2016 the Company is forecast to settle exceptional payments, in particular settlements for historic deals and ETV/UCIS redress payments from past failed practices. These exceptional payments could create a shortfall of operating cash below £20m. -Additional debt created by the liquidity options causes downgrade by rating agencies which could create potential revenue and cash pressure because: -Competitors could use the information to discredit the business amongst customers and staff; -Insurers could increase pressure on payment and collections processes to manage their risk; and -Staff could be unsettled in the event of adverse publicity.	Management expects to be able to manage any such risk because: -Insurer and client monies are segregated and held in trust in line with FCA requirements meaning they are protected at all times; -Customers have strong affinities with the experts they deal with in the firm, and the business has shown resilience during past periods of uncertainty; -Insurers are expected to remain supportive because of: the underlying quality, scale and nature of the business brought to them and an understanding of the longer term nature of the Company and shareholder support; -Revenue is spread amongst a wide number of staff with any concentration managed through retention solutions; and -There would be clear communication and positioning to deflect any negative publicity.
Operational risk	
Information technology (IT) environment	
Interruption or loss of our information processing systems or failure to maintain secure information systems could have a material adverse effect on our business.	Significant investment in the IT infrastructure continues. Enhanced IT policies, particularly Information Governance have been implemented. Increased monitoring of compliance with IT policies. Recording of all IT incidents, including root cause analysis and lessons learned. Robust business continuity planning, including regular reviews of plans, is being put in place.
If we are unable to apply technology effectively in driving value for our clients through technology-based solutions or gain internal efficiencies and effective internal controls through the application of technology and related tools, our client relationships, growth strategy, compliance programs and operating results could be adversely affected.	A major project to significantly improve the IT infrastructure is underway. These strategic changes, which include substantial consolidation and more robust disaster recovery are due to be delivered in 2016. In the meantime a number of tactical changes made to the infrastructure have significantly improved the stability of the network. A review of the suite of applications is also underway to improve technical and operational efficiency.
Loss of key people	
The loss of a number of our senior management or a significant number of our underwriters, account executives, sales personnel or other client-facing employees could have a material adverse effect on our business. The inability to attract and retain qualified personnel could also have a material adverse effect on our business.	Enhanced HR policies and procedures implemented. Regular review of the benefits package offered against the market. The framework for objective setting and development plans has been enhanced and the training offering expanded to ensure the skills and knowledge of staff is kept up to date. Retention bonuses have been applied to key staff.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

Key risks	Risk mitigation
Delegated insurer authority	
We issue insurance policies on behalf of insurance companies pursuant to delegated authority agreements, and, if we issue policies or handle claims beyond the scope of our delegated authority, we may incur liability in respect of insurance claims.	Staff are suitably trained and performance is monitored through robust question and answer procedures. Underwriting and claims handling guides are in place. Compliance reviews are completed on a regular basis to ensure policies and procedures are being followed. Regular insurer audits take place to provide external assurance.
Regulatory conduct	
If we fail to comply with regulatory requirements, we may not be able to conduct our business or may be subject to sanctions or substantial fines that may have a material adverse effect on our results of operations and financial condition.	Minimum requirements for the quality assurance programme and regular reviews of the results to identify key trends. Root cause analysis of any key regulatory issues identified is carried out and feedback provided to the businesses to prevent any recurrences. Regular reviews of the compliance resource across the Group. Training programmes and regular communication for staff on regulatory issues and hot topics.

Environment and community

The Group is committed to being environmentally responsible in all areas of its trading. Towergate has over 100 offices of varying sizes in the UK so application of this principle requires a flexible approach. Examples of environmental initiatives include:

- recycling of paper, glass, cans, plastics and electrical equipment where possible; double-sided printing and copying equipment are provided across the Group
- reducing energy consumption through investment in energy efficient equipment and lighting and ensuring it is switched off when not in use
- where the Group can influence the design of new buildings, encouraging landlords to build to the highest practical environmental standards
- reduction in travelling through use of video conferencing technologies
- the introduction of green travel policies such as car sharing and walk/cycle to work initiatives.

The Group is committed to support community programmes that are appropriate to its business and that contribute to society. Its charity contributions in the period amounted to £0.1m. During 2015, Group and the TIL Group funded or promoted activity that raised £0.4m for charitable causes. Of this, the Group's employees raised £0.1m through fund-raising in their local communities.

The majority of these funds were channelled through the Towergate Charitable Foundation, which is a registered charity. The Towergate Charitable Foundation supports four principal charity partners: Great Ormond Street Hospital, NSPCC / ChildLine, Help the Hospices and Cancer Research. In addition, it supports selected armed forces charities which represent communities connected to the Group's military insurance business and other charities related to the activities of the Towergate Charitable Foundation's partners such as local hospices.

Strategic report *(continued)*

Board and management

Board of Directors of TIG Finco Plc

The Directors of TIG Finco Plc at 31 December 2015 were:

John Tiner	*Non-executive Chairman*
Philip Moore	*Non-executive director*
Teresa Robson-Capps	*Non-executive director*
Oliver Feix	*Non-executive director*
Scot French	*Non-executive director*
Dev Gopalan	*Non-executive director*
Mark Mugge	*Group Chief Financial Officer*

John Tiner CBE (Non-executive Chairman):
John is an independent non-executive member of the Board of Credit Suisse Group, where he is also Chairman of the Audit Committee and a member of both the Risk Committee and the Chairman's Governance Committee. For 25 years up to June 2001, he worked for accountants Arthur Andersen, in 1997 becoming head of their global financial services practice. There he led the team which produced the official report investigating the 1995 collapse of Barings Bank for the Bank of England's Board of Banking Supervision. In June 2001, he joined the FSA to become managing director of the consumer, investment and insurance directorate. In September 2003, he was appointed Chief Executive of the FSA. In this role, he led the Tiner Review which reformed the regulation of both the life and general insurance industries and initiated and led a programme to improve consumers' understanding of personal finance.

Philip Moore (Non-executive director):
Philip has over 30 years insurance industry experience. He is Group Finance Director of LV=, having joined from Pensions Insurance Corporation where he was both Group Finance Partner and Chief Risk Officer. Prior to this he was Group Finance Director and latterly Group Chief Executive at Friends Provident, where he was a non-executive director of F&C Asset Management. He has previously held roles at AMP, NPI and PricewaterhouseCoopers in both London and Hong Kong.

Teresa Robson-Capps (Non-executive director):
Teresa has spent over 20 years in a variety of senior executive operational board positions in the retail, mobile telecoms, insurance and banking industries. Teresa was Deputy Head of HSBC UK Direct Bank from June 2009 to September 2011. During this time she developed and implemented a substantial change programme, integrating sales and service with increased conversion rates whilst improving both customer and employee satisfaction. Prior to this Teresa was Head of Contact Centres for HSBC, a role covering 11 million UK customers. Teresa was an Associate Partner at Accenture from 2003 to 2006 and prior to that was managing director of The Customer Division at Reality, a division of GUS.

Oliver Feix (Non-executive director):
Oliver is a Managing Director at Highbridge. Prior to joining Highbridge in 2008, he was a Vice President at Morgan Stanley and a member of the Leveraged and Acquisition Finance team where he focused on originating, executing and distributing leveraged loans and special situation financings across industries. He also worked at Deutsche Bank in London sourcing and executing multi-asset portfolio trades as a member of the Transition Management team within the Global Markets division. Oliver holds an MSc in Economics from the University of Konstanz.

Scot French (Non-executive director):
Scot is a Partner and founding member of Highbridge and is the Portfolio Manager for the Highbridge Mezzanine fund. Prior to joining Highbridge in 2007, he spent three years at Citigroup as a Managing Director and Head of Private Investments for Citigroup Global Special Situations, a credit focused, on-balance sheet proprietary investment fund managing over $8 billion globally. Within Citigroup Global Special Situations, Scot managed a $1.5 billion portfolio of private mezzanine and private equity investments in North America, Europe and Latin America. Prior to joining Citigroup, he worked for Goldman Sachs and focused on mergers and acquisitions as well as high-yield capital markets. Previously Scot worked in high-yield capital markets and mergers and acquisitions at Saloman Brothers Inc and for Price Waterhouse. Scot graduated from the University of Illinois.

Mark Mugge (Group Chief Financial Officer):
Mark held various senior finance and audit positions at AmerUs Group Co, Grinnell Mutual Reinsurance Company and GuideOne insurance before joining Arthur J Gallagher in 2006 where he was Group Controller until 2010. He then served as the CFO of the international division at Arthur J Gallagher's from 2011-2015. Mark earned his CPA at KPMG LLP and served in the United States Marine Corps.

Strategic report *(continued)*

Board and management *(continued)*

Board of Directors of TIG Finco Plc *(continued)*

Dev Gopalan (Non-executive director):
Dev is a Director in KKR Credit and serves as head of U.S.Private Credit. Prior to joining KKR in 2010, he worked at the Canada Pension Plan Investment board as a principal in private investments and private debt. Prior the that he worked for Barclays Capital, Goldman Sachs and JPMorgan Chase in high yield capital markets as well as high yield/leverage loan research covering a variety of sectors. Dev also sits on the boards of LCI Helicopters Limited, Battery Point Trust LLC, DCAL Aviation Finance Limited and serves on the limited partner advisory committee of Star Mountain Multi-Manager Credit Platform, LP. He is also on the board of Rebound Hounds, a non-profit organisation. Dev has a M.A. in International Finance from Brandeis University and a B.S. from Georgetown University. Dev left the Group on 8 March 2016 and was replaced by Daniel Ryan Pietrzak.

Directors of the ultimate parent company

The Directors of Sentry Holdings Limited, the ultimate parent company of the Group, at 31 December 2015 were:

Oliver Feix	*Non-executive director*
Scot French	*Non-executive director*
Dev Gopalan	*Non-executive director*
Brad Palmer	*Non-executive director*

The following is biographical information for each of the members of the board of Sentry Holdings Limited who do not serve on the board of Directors of TIG Finco Plc.

Brad Palmer (Non-executive director):
Brad joined Sankaty Advisors in 2013. He is a Managing Director based in Sankaty's London office in the Portfolio Group responsible for driving operating improvement initiatives across Sankaty's investments. Previously, he held a number of roles as a Senior Executive in private equity backed businesses. Specific experience includes FMCG manufacturing management, as well as Finance Director roles. Brad received a B.Sc. in Chemical Engineering from the University of Natal.

Strategic report *(continued)*

Board and management *(continued)*

Senior management

Towergate's senior management as at 31 December 2015 were:

John Tiner	*Non-Executive Chairman*
David Ross	*Chief Executive Officer*
Mark Mugge	*Group Chief Financial Officer*
Adrian Brown	*Chief Operating Officer and Chief Executive Officer – Underwriting*
Janice Deakin	*Chief Executive Officer – Insurance Broking*
Steve Wood	*Chief Executive Officer – Paymentshield*
Andy Fairchild	*Chief Executive Officer – Broker Network*
James Tugendhat	*Chief Commercial Officer*
Jennifer Owens	*General Counsel and Company Secretary*
Catherine Lynch	*Group Human Resources Director*
Sarah Dalgarno	*Strategic Risk Officer*
Gordon Walters	*Group Chief Information Officer*

The following is biographical information for each of the members of the senior management team as at 31 December 2015 who do not serve on the Board of TIG Finco Plc.

David Ross (Chief Executive Officer):
David had a 25 year career at Arthur J Gallagher having started there as a trainee. He was appointed Managing Director of the North American Division in 1997 then CEO of Global Wholesale & Retail in 2003. In 2005 David was appointed CEO of the International Division where the company underwent a defining period of growth and expansion. An Insead Alumnus, David has spent his entire career on the front line of Broking and Intermediary work in the Insurance industry.

Adrian Brown (Chief Operating Officer and Chief Executive Officer – Underwriting):
Adrian is a qualified management accountant with extensive industry expertise having spent 25 years at RSA. He was a main board director and CEO of the UK and Western Europe for 6 years. Previously he was UK COO and established, and led, the successful direct business MORE TH>N. More recently he was executive chairman of underwriting and distribution at Arthur J Gallagher.

Janice Deakin (Chief Executive Officer – Insurance Broking):
Janice had a 13 year career at AVIVA, leading the broker business as intermediary and partnerships director from December 2009 until 2013 and prior to that, corporate sales director. Janice then served as the CEO of UK Retail for Arthur J Gallagher, leading a combined business of over 2,000 people, placing in excess of £1billion of gross written premiums on behalf of more than 200,000 commercial insurance customers. Janice's appointment as Retail Broking Director at Towergate was announced in June 2015.

Steve Wood (Chief Executive Officer – Paymentshield):
Steve has worked in the insurance industry for over 30 years, including a range of senior executive roles. Before joining Towergate he was UK Managing Director at Ecclesiastical Insurance Group, where he spent 8 years, strengthening its core market positions and broker relationships. Prior to Ecclesiastical, Steve led the MBO of Royal SunAlliance's healthcare division. He started his career at Royal Insurance.

Andy Fairchild (Chief Executive Officer – Broker Network):
Andy has a wide range of market experience including time on the UK Board of AXA, latterly as Chief Operating Officer. He held various business development roles with both Royal Insurance and Commercial Union before establishing the Insurance & Customer Service proposition at First Direct.

James Tugendhat (Chief Commercial Officer):
James joined the TIL Group in February 2014 from BUPA where he spent six years in a variety of roles including Commercial Director of its market leading International Health Insurance business and most recently as Chief Executive Officer of Health Dialog, BUPA's US health service business. Prior to BUPA James ran a successful consumer products start up and spent several years at Diageo in a number of senior strategy, sales and marketing and general management roles. James held the position Chief Executive Officer – Retail from February 2014 to October 2015. James will be leaving the Group at the end of March 2016 and will be replaced by John Kitson on an interim basis.

Strategic report *(continued)*

Board and management *(continued)*

Senior management *(continued)*

Jennifer Owens (General Counsel and Company Secretary):
Jennifer joined the TIL Group in November 2013. She joined from William Hill plc where she was Deputy General Counsel. Prior to William Hill plc, Jennifer held several executive positions including General Counsel at Espirito Santo/Execution Noble and Legal and Compliance Director at GE Money, after her time in private practice with Herbert Smith. Jennifer left the Group on 29 February 2016 and was replaced by Geoff Gouriet on 1 March.

Catherine Lynch (Group Human Resources Director):
Catherine joined Towergate from BGL Group, where she was HR & Communications Director since January 2013. Prior to this, she was Head of HR at Barclaycard from June 2011 to December 2012 having held the role of HR Director at Santander UK for six years from June 2004. Earlier in her career, Catherine held commercial positions at Sainsbury's, House of Fraser and Tesco.

Sarah Dalgarno (Strategic Risk Officer):
Sarah has more than 25 years' industry experience and joins the Group from Arthur J Gallagher International, where she spent nine years, latterly as CRO, responsible for all regulatory, compliance risk management and governance matters of the UK regulated entities and international operations. Prior to Arthur J Gallagher, Sarah worked at the FSA for 6 years.

Gordon Walters (Group Chief Information Officer):
Gordon joined the Group in August 2015 as interim Chief Information Officer and was confirmed as permanent CIO from the end of January 2016. Prior to this, Gordon was a partner at Deloitte UK for over three years. Earlier in his career Gordon was COO, Corporate banking at Lloyds banking group for over six years and a Partner at Accenture for fifteen years. Gordon has a PhD in Chemistry which he was awarded at the University of Edinburgh.

Strategic report *(continued)*

Going concern

The financial statements of the Group set out on pages 23 to 72 have been prepared on a going concern basis. At 31 December 2015 the Group had net assets of £175.7m and net current assets of £19.4m. The Group includes a number of subsidiary undertakings, which guarantee the bond debt owed by the Company.

The Directors believe the going concern basis to be appropriate following their assessment of the Group's financial position, its ability to meet its obligations as and when they fall due. The Directors have considered the anticipated future cash flows of the group and these were subjected to stress testing on specific assumptions.

In reaching their view on preparation of the Group's financial statements on a going concern basis, the Directors have considered significant 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 balance sheet date of 31 December 2015.

A contingent liability has been recognised in respect of ETV, as 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. A provision has been recognised in respect of UCIS; however uncertainty remains over the expected profile of redress payments.

During Q1 2016 the Company secured two sources of additional funding totalling up to £65m from Highbridge. Binding heads of terms have been signed for both of these transactions. Details are as follows:

- Disposal of the entire issued share capital of The Broker Network Limited and Countrywide Insurance Management Limited, both wholly owned subsidiaries of the Group, and the assets of Broker Network Underwriting, a trading style of Towergate Underwriting Group Limited. The consideration for the acquisition shall be satisfied in part by the allotment to Towergate of approximately 19.9% of the shares (subject to adjustment) in the acquisition vehicle; and

- A five year facility from Highbridge secured by certain legacy assets of the Group.
  Both initiatives remain subject to appropriate consents and/or approvals and will result in a cash injection to the Group.

In addition to the above, the Company secured a short term loan facility from Highbridge for an amount of up to £28m which will result in a cash injection to the Group if it is drawn.

Proceeds from these initiatives will largely be applied towards an acceleration of the strategic investments in the group transformation plan.

On the basis of their assessment of the Group's financial position and subsequent cash injection as noted above, the Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Hence 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.

By order of the board

M Mugge
Director
22 March 2016

Directors' report

The Directors have pleasure in presenting their Annual Report and the audited financial statements for the period 5 February 2015 to 31 December 2015.

General information and principal activities

TIG Finco Plc (the Company) was incorporated on the 5 February 2015 as a private company limited by shares with registered number 09424525. On 30 March 2015 TIG Finco Limited re-registered as a public company, TIG Finco Plc. It is incorporated and domiciled in the UK. The address of its registered office is Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, ME14 3EN.

TIG Finco Plc is a holding company which delivers central functions across the Group and, through its subsidiaries, operates primarily to distribute insurance products and to act as an underwriting agent. The principal activities of the Group are insurance broking, underwriting, mortgage broking solutions and the provision of insurance network services. Information regarding parent and ultimate parent companies can be found in note 11 of the Company accounts which form part of these consolidated financial statements.

Share capital and dividends

The issued share capital of the Company, together with details of shares issued during the period is shown in note 22 to the consolidated financial statements.

The Directors have proposed a dividend of £nil to equity shareholders.

Directors

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

John Tiner	*(Appointed 29/06/2015)*
Mark Mugge	*(Appointed 03/11/2015)*
Philip Moore	*(Appointed 02/04/2015)*
Teresa Robson-Capps	*(Appointed 02/04/2015)*
Oliver Feix	*(Appointed 02/04/2015)*
Scot French	*(Appointed 02/04/2015)*
Dev Gopalan	*(Appointed 02/04/2015, resigned 08/03/2016)*
Alastair Lyons	*(Appointed 12/02/2015, resigned 29/06/2015)*
Scott Egan	*(Appointed 12/02/2015, resigned 14/09/2015)*
Matthieu Boulanger	*(Appointed 02/04/2015, resigned 28/08/2015)*
Fiona Wilson	*(Appointed 05/02/2015, resigned 12/02/2015)*
Ana Kekovska	*(Appointed 05/02/2015, resigned 12/02/2015)*

Directors appointed after 31 December 2015 was as follows:

Daniel Pietrzak	*(Appointed 08/03/2016)*
David Ross	*(Appointed 09/03/2016)*

All Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Directors' report *(continued)*

Employees

Towergate actively encourages all employees to become involved in the Group's affairs. It provides them with information on matters of concern to them as employees and ensures they have a common awareness of the financial and economic factors affecting the performance of the Group.

This is achieved through the use of the Group intranet, which provides a continuous commentary on business issues relating to both Group and divisional activity. Policies and procedures which support employees in their roles are available through targeted intranet portals. Financial and business performance updates, results briefings and other important news items are provided to employees through regular senior leaders and all employee conference calls.

Employees or their representatives are consulted on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests. This is achieved through Towergate Talks, a Group-wide employee feedback mechanism, which captures their thoughts on the Group, management, their own roles and their working environment. Pulse checks are conducted as required by individual divisions with a focus on local issues and matters affecting the working environment. Divisions also have a network of engagement champions who are actively engaged in supporting local teams to implement changes in direct response to employee feedback.

Employees are encouraged to be involved in the Group's performance. The management bonus scheme makes annual cash awards based on a combination of Towergate's overall performance and individual performance against agreed objectives. In addition, each area of the Group offers sales incentive plans to eligible employees which reward achievement of specific financial and non-financial measures on a quarterly, half-yearly or annual basis. Each plan is tailored to the business area and nature of the role. These plans also include measures relating to good customer outcomes where appropriate, usually through a balanced scorecard approach. All other permanent employees are eligible to be considered for an annual discretionary bonus based on their individual performance against agreed objectives; a small number of key senior managers and other key contributors are members of long term incentive plans which award a cash sum at a designated point in the future reflecting Towergate's financial performance over a prolonged period. Performance is usually measured by EBITDA growth or consistent achievement of pre-tax profit targets.

Employment of disabled persons

The Group'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.

Creditor policies

It is the Group's policy that payments to suppliers are made in accordance with terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with.

Political and charitable contributions

The Group made no political contributions during the year.

Donations to UK charities amounted to £0.1m.

Going concern

The financial statements of the Group set out on pages 23 to 72 have been prepared on a going concern basis. Further details of this assessment can be found in the strategic report and note 2 to these financial statements.

Directors' report *(continued)*

Post balance sheet event

Additional funding
During Q1 2016 the Company secured two sources of additional funding totalling up to £65m from Highbridge. Binding heads of terms have been signed for both of these transactions. Details are as follows:

- Disposal of the entire issued share capital of The Broker Network Limited and Countrywide Insurance Management Limited, both wholly owned subsidiaries of the Group, and the assets of Broker Network Underwriting, a trading style of Towergate Underwriting Group Limited. The consideration for the acquisition shall be satisfied in part by the allotment to Towergate of approximately 19.9% of the shares (subject to adjustment) in the acquisition vehicle; and

- A five year facility from Highbridge secured by certain legacy assets of the Group.
  Both initiatives remain subject to appropriate consents and/or approvals and will result in a cash injection to the Group.

In addition to the above, the Company secured a short term loan facility from Highbridge for an amount of up to £28m which will result in a cash injection to the Group if it is drawn.

Proceeds from these initiatives will largely be applied towards an acceleration of the strategic investments in the group transformation plan.

IT Transformation
During February 2016 the Group signed a contract with Accenture under which Accenture will become the Group's strategic partner, overseeing its IT Transformation change program. Under the contract Accenture will also manage service support across the whole IT Infrastructure estate for a period of five years.

Disclosure of information to auditors

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Reappointment of independent auditor

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

By order of the board

M Mugge
Director
22 March 2016

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 Group and parent company 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 group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law, and have elected to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework.*

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

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- for the Group financial statements state whether they have been prepared in accordance with IFRS as adopted by the EU
- for the parent company state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent 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 group and parent company and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of TIG Finco Plc

We have audited the financial statements of TIG Finco Plc for the period 5 February 2015 to 31 December 2015 set out on pages 23 to 82. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 auditors' 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 auditors
As explained more fully in the Directors' responsibilities statement set out on page 21, 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 Financial Reporting Council's website at: www.frc.org.uk/auditscopeukprivate

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the EU
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the parent company, or returns adequate for our audit have not been received from the branches not visited by us; or
- the parent company 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.

Rees Aronson

Rees Aronson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
22 March 2016

Consolidated statement of comprehensive income for the period 5 February 2015 to 31 December 2015

	Note	Total for period to 31 December 2015
Continuing operations		**£000**
Commission and fees	*4*	**267,236**
Investment income	*6*	**262**
Salaries and associated expenses	*8*	**(132,912)**
Other operating costs		**(172,042)**
Depreciation and amortisation charges	*5*	**(33,444)**
Impairment of goodwill	*11*	**(86,400)**
Operating loss		**(157,300)**
Analysed as:		
Operating profit before exceptional items		**11,250**
Reduction in value of contingent consideration		**1,456**
Group acquisition and financing costs	*5*	**(41,212)**
Group reorganisation costs	*5*	**(14,995)**
Regulatory costs	*5*	**(27,399)**
Impairment of goodwill	*11*	**(86,400)**
Operating loss		**(157,300)**
Finance costs	*7*	**(34,527)**
Finance income	*7*	**405**
Loss before taxation		**(191,422)**
Income tax credit	*10*	**6,958**
Total comprehensive loss for the period		**(184,464)**
Attributable to:		
Owners of the parent	*23*	**(184,425)**
Non-controlling interests	*24*	**(39)**
		(184,464)

The above results were derived from continuing operations.

The notes on pages 27 to 72 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	At 31 December 2015 £000
Net assets		
Non-current assets		
Intangible assets	*11*	**700,293**
Property, plant and equipment	*12*	**9,310**
Available-for-sale financial assets	*14*	**152**
Deferred tax asset	*19*	**12,985**
		722,740
Current assets		
Cash and cash equivalents	*16*	**205,888**
Trade and other receivables	*15*	**55,718**
		261,606
Current liabilities		
Trade and other payables	*17*	**(190,077)**
Current tax liabilities	*19*	**(219)**
Borrowings	*18*	**(86)**
Provisions for other liabilities and charges	*20*	**(51,845)**
		(242,227)
Net current assets		**19,379**
Non-current liabilities		
Trade and other payables	*17*	**(11,254)**
Borrowings	*18*	**(494,399)**
Deferred tax liability	*19*	**(51,975)**
Provisions for other liabilities and charges	*20*	**(8,837)**
		(566,465)
		175,654
Total equity		
Capital and reserves attributable to the Company's shareholders		
Share capital	*22*	**300,000**
Capital reserve	*22*	**60,000**
Retained losses	*23*	**(184,425)**
Shareholders' equity		**175,575**
Non-controlling interest	*24*	**79**
		175,654

These financial statements were approved by the board of Directors on 22 March 2016 and were signed on its behalf by:

M Mugge
Director

The notes on pages 27 to 72 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital £000	Capital reserve £000	Retained Losses £000	Total shareholders equity £000	Non-controlling interests £000	Total equity £000
Balance at 5 February 2015	-	-	-	-	-	-
On acquisition	-	-	-	-	122	**122**
Loss for the period	-	-	(184,464)	**(184,464)**	-	**(184,464)**
Issue of share capital	300,000	60,000	-	**360,000**	-	**360,000**
Adjustment to non-controlling interest	-	-	39	**39**	(39)	-
Disposal of non-controlling interest	-	-	-	-	(4)	**(4)**
Total contributions by and distributions to owners	**300,000**	**60,000**	**(184,425)**	**175,575**	**79**	**175,654**
Balance at 31 December 2015	**300,000**	**60,000**	**(184,425)**	**175,575**	**79**	**175,654**

No dividends were paid during 2015.

The notes on pages 27 to 72 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	2015 £000
Cash flows from operating activities		
Net cash inflow from operations	25.1	47,960
Exceptional items		(81,651)
Interest paid		(13)
Interest received		405
Taxation paid		(47)
Investment income		262
Decrease in net insurance broking creditors		(10,181)
Net cash outflow from operating activities		**(43,265)**
Cash flows from investing activities		
Acquisition of businesses	25.2	(65,028)
Purchase of property, plant and equipment		(1,386)
Purchase of other intangible assets		(4,441)
Deferred consideration received		1,394
Net cash outflow from investing activities		**(69,461)**
Cash flows from financing activities		
Proceeds from issue of shares		300,000
Proceeds from borrowings		52,000
Interest paid on borrowing		(26,579)
Capitalised debt costs		(3,697)
Settlement of financial liabilities on acquisition		(3,065)
Capital element of finance lease rental payments		(45)
Net cash inflow from financing activities		**318,614**
Net increase in cash and cash equivalents		**205,888**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	16	**205,888**

Cash and cash equivalents includes restricted cash, see note 16 for details.

The notes on pages 27 to 72 form an integral part of these consolidated financial statements.

Notes to the financial statements

1. General information

TIG Finco Plc (the Company) was incorporated on the 5 February 2015 as TIG Finco Limited a private company limited by shares with registered number 09424525. On 30 March 2015 TIG Finco Limited re-registered as a public company, TIG Finco Plc. It is incorporated and domiciled in the UK. The address of its registered office is Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, Kent, ME14 3EN. The principal business activities of the Company and its subsidiaries are described in the strategic report.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

This is the first set of consolidated financial statements presented by the Group comprising TIG Finco Plc and its subsidiaries and they have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

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

Amounts shown are rounded to the nearest thousand, unless stated otherwise. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

2.2 Going concern

The financial statements of the Group set out on pages 23 to 72 have been prepared on a going concern basis. At 31 December 2015 the Group had net assets of £175.7m and net current assets of £19.4m. The Group includes a number of subsidiary undertakings, which guarantee the bond debt owed by the Company.

The Directors believe the going concern basis to be appropriate following their assessment of the Group's financial position, its ability to meet its obligations as and when they fall due. The Directors have considered the anticipated future cash flows of the group and these were subjected to stress testing on specific assumptions.

In reaching their view on preparation of the Group's financial statements on a going concern basis, the Directors have considered significant 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 balance sheet date of 31 December 2015.

A contingent liability has been recognised in respect of ETV, as 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. A provision has been recognised in respect of UCIS; however uncertainty remains over the expected profile of redress payments.

During Q1 2016 the Company secured two sources of additional funding totalling up to £65m from Highbridge. Binding heads of terms have been signed for both of these transactions. Details are as follows:

- Disposal of the entire issued share capital of The Broker Network Limited and Countrywide Insurance Management Limited, both wholly owned subsidiaries of the Group, and the assets of Broker Network Underwriting, a trading style of Towergate Underwriting Group Limited. The consideration for the acquisition shall be satisfied in part by the allotment to Towergate of approximately 19.9% of the shares (subject to adjustment) in the acquisition vehicle; and

- A five year facility from Highbridge secured by certain legacy assets of the Group.
  Both initiatives remain subject to appropriate consents and/or approvals and will result in a cash injection to the Group.

In addition to the above, the Company secured a short term loan facility from Highbridge for an amount of up to £28m which will result in a cash injection to the Group if it is drawn.

Proceeds from these initiatives will largely be applied towards an acceleration of the strategic investments in the group transformation plan.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.2 Going concern *(continued)*

On the basis of their assessment of the Group's financial position and subsequent cash injection as noted above, the Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Hence they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.3 Changes in accounting policy and disclosures – new accounting standards

(a) New and amended standards adopted by the Group

The Group has applied accounting standards effective as at 31 December 2015 to all periods presented as required by IFRS 1. There has therefore been no impact on the Group of new or amended standards which became effective prior to this date.

(b) New standards and interpretations not yet mandatory and not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective;

	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Annual Improvements to IFRS 2012-2014 Cycle	1 January 2016
Disclosure Initiative: Amendments to IAS 1	1 January 2016
Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to IFRS 2012-2014 Cycle	1 January 2017

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.3 Changes in accounting policy and disclosures – new accounting standards *(continued)*

(b) New standards and interpretations not yet mandatory and not yet adopted *(continued)*

The Group intends to adopt where applicable the new and revised standards no later than the accounting period during which they become effective.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, October 2010, November 2013 and July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The revisions to IFRS 9 issued in July 2014 mainly addressed a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income (FVTOCI) measurement category for certain simple debt instruments. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2018, subject to endorsement by the EU. The Group will also consider the impact of the remaining phases of IFRS 9 when these have been finalised.

IFRS 15 Revenue from Contracts with Customers establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue when it becomes effective. The principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognise revenue when (or as) a performance obligation is satisfied, i.e when control of the goods or services underlying the particular performance obligation is transferred to the customer. The Group is yet to assess the potential impact of IFRS 15. It is not practicable to provide an estimate of the potential impact of IFRS 15 until the Group performs a detailed review.

IAS 16 Property, Plant and Equipment has been amended to prohibit entities from using a revenue based depreciation method. Amendments to IAS 38 Intangible Assets introduces a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in limited circumstances.

Currently the Group uses the straight line method for depreciation and amortisation for its property, plant and equipment and intangible assets respectively. The Directors believe that these are the most appropriate methods to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Group does not anticipate that the application of the amendments to IAS 16 and IAS 38 will have a material impact on the Group's financial statements.

IFRS 16 Leases provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is less than 12 months. The standard specifies how an entity should recognise, measure and disclose leases in is financial statements. The IFRS 16 approach to lessor accounting is substantially unchanged from its predecessor IAS 17. The Group has yet to perform an impact assessment and it is not practicable to provide an estimate of the potential impact until this has been completed.

The Group has yet to perform a detailed review of the impact of these amendments but initial reviews for IFRS 9 and IAS 16 suggest they will not have a significant impact on the consolidated financial statements.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.4 Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiary undertakings. The Group consolidates those investees it is deemed to control. The Group has control over an investee if all three of the following are met: (1) it has power over an investee; (2) it is exposed to, or has rights to, variable returns from its involvement with the investee; and (3) it has ability to use its power over the investee to affect its own returns.

The acquisition method of accounting has been adopted for all acquisitions in the period. The profits and losses of subsidiary undertakings are consolidated as from the effective date of acquisition or to the effective date of disposal.

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

At the date of this report, the Group held put and call options, constituting potential voting rights, over the non-controlling interests in certain of its subsidiaries. In assessing whether potential voting rights contribute to control (as defined by IFRS 10), a review of the respective contractual arrangements is performed by the Group to assess the substance of the contractual arrangements. The Group accounts for these options as if they have already been exercised where risks and rewards are considered to have been transferred to the Group, and includes the anticipated settlement value as part of the cost of acquisition of the relevant subsidiary. Where risks and rewards are not considered to have transferred, the minority shares are recorded within non-controlling interests as part of equity. A liability is recognised in respect of the anticipated settlement in deferred consideration.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Accounting for business combinations
The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition related costs are expensed as incurred.

If a business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.4 Basis of consolidation *(continued)*

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Business combinations with entities under common control are accounted for using predecessor accounting. Under predecessor accounting, no assets or liabilities are restated to their fair values and the Group incorporates predecessor carrying values. No new goodwill is recognised under predecessor accounting.

Deferred consideration is payable in respect of certain acquisitions based on the performance of the acquired business typically in the 24-month period following the acquisition and in connection with put and call options granted to shareholders of businesses we have acquired in respect of the remaining minority interest of such shareholders typically for the 36-month period following the acquisition.

(c) Transactions with non-controlling interests
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non controlling interests are also recorded in equity.

(d) Disposal of subsidiaries
When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.5 Foreign currencies

(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, being its functional currency. All Group entities are based in the UK and have GBP Sterling (£) as the functional currency.

The consolidated financial statements are presented in GBP Sterling (£), its presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.6 Intangible assets

(a) Commission buy outs
Commission buy outs exist when they are purchased separately and are capitalised on the basis of the costs incurred to acquire them. Their fair value has been calculated as the sum of the present value of projected future commission savings. Amortisation is provided at a monthly rate of 3% on a reducing balance basis.

(b) Customer relationships
Customer relationship intangible assets exist through business combinations when the acquirer is able to benefit from selling future new business through existing relationships. Their fair value has been calculated as the sum of the present value of projected cash flows, in excess of returns on contributory assets over the life of the relationship with the customers. These assets are amortised over their estimated useful lives of 10 years, which is estimated by reference to the history of the relationships and levels of attrition.

(c) Distribution network
Distribution network intangible assets exist through business combinations when the acquirer is able to benefit from already established distribution channels, mainly within underwriting and broker network. Their fair value has been calculated as the sum of the present value of projected future cash flows generated by existing distribution channels. These assets are amortised over their estimated useful lives of 10 years, which is estimated by reference to the history of the relationships and levels of attrition.

(d) Brand
Brand intangible assets exist through business combinations when they are separable or arise from contractual or other legal rights. Their fair value has been calculated as the sum of the present value of projected royalty payments that would be paid to licence the right to use the brand. These assets are amortised over their estimated useful lives of five years, which considers the Group's track record of retaining brands for a period and experience of the insurance broker market.

(e) Computer software
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. These costs are amortised over their estimated useful lives of four years.

(f) Internally-generated intangible assets
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated in intangible asset arising from development (or from the development phase of an internal project) is recognised if and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period when it is incurred.

Subsequent to initial recognition, internally-generated intangible assets when ready for use as intended by management are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.6 Intangible assets *(continued)*

(g) 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 profit or loss when the asset is derecognised.

2.7 Property, plant and equipment

Assets are stated at their net book value (historical cost less accumulated depreciation). Depreciation is calculated to write off the cost of such assets on a straight line basis over their estimated useful lives.

The principal rates of depreciation are as follows:

Leasehold improvements	-	over the life of the lease
Fixtures and fittings	-	15% per annum or over six years
Furniture and office equipment	-	20% per annum
Computer hardware	-	25% per annum
Motor vehicles	-	25% per annum

Property, plant and equipment is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of property, plant and equipment, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

2.8 Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation, and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 (cash generating units).

2.9 Financial assets

The Group classifies its financial assets as loans and receivables and available for sale investments. The classification depends upon the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Trade receivables
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.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.9 Financial assets *(continued)*

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at banks and other short-term highly liquid investments. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(b) Available for sale financial assets
Available for sale financial assets held by the Group can all be categorised as unlisted investments; these investments are held at fair value unless a fair value cannot be accurately determined in which case they are held at cost less any provision for impairment. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.10 Insurance broking debtors and creditors

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 Group. Other than the receivable for fees and commissions earned on a transaction, no recognition of the insurance transaction occurs until the Group 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 Group advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the consolidated statement of financial position as part of trade receivables.

2.11 Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

2.12 Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost using the effective interest rate method.

2.13 Fair value estimation

The fair value of financial instruments traded in active markets is based upon quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

2.14 Taxation

(a) Current Tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(b) Deferred Tax
The charge for taxation is based on the result for the period at current rates of tax and takes into account deferred tax.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not recognised. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.14 Taxation *(continued)*

(b) Deferred tax (continued)
Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

(a) Pension costs
The Group operates a number of defined contribution pension schemes.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group 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.

The costs of the Group's defined contribution pension schemes are charged to the income statement in the period in which they fall due.

(b) Share-based compensation
For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

2.16 Provisions for liabilities and charges

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

The amount recognised as a provision is management's best estimate of the consideration required to settle the present obligatión at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

Where appropriate the Group discounts provisions to their present value. The unwinding of the provision discounting is included as an interest charge within finance costs in the income statement.

2.17 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

(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 Group 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 Group also makes a provision for the cancellation of live policies after the balance sheet date based on previous experience of the volume of these and the value of overdue debt existing at the time.

(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 at a point when they can be measured with reasonable certainty. Trading deal income includes contributions to marketing or product development, volume payments and profit commissions receivable.

Notes to the financial statements *(continued)*

2. Summary of significant accounting policies *(continued)*

2.18 Exceptional items

The Company has a formal policy and conducts a regular internal reporting process in relation to the identification, classification and review of exceptional items.

Exceptional items are separately identified to provide greater understanding of the Group's underlying performance. Items classified as exceptional items include: gains or losses arising from the sale of businesses and investments; acquisition and financing costs and regulatory costs.

Items of a non-recurring and material nature are charged or credited to operating profit and are classified to the appropriate income statement headings.

To assist in the analysis and understanding of the underlying trading position of the Group these items are summarised under the heading of exceptional items within operating loss (see note 5).

Any impairment charges arising from the review of the carrying value of goodwill and intangible assets are, where material, classified as exceptional costs.

2.19 Leases

Assets held under leasing agreements, which transfer substantially all the risks and rewards of ownership to the Group are included in property, plant and equipment. The capital elements of the related lease obligations are included in liabilities. The interest elements of the lease obligations are charged to the income statement over the period of the lease term.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

2.20 Dividend distribution

Dividends proposed or declared after the statement of financial position date are not recognised as a liability at the statement of financial position date. Final dividends are recognised as a charge to equity once approved and interim dividends are charged once paid.

2.21 Operating segments

The Group determines and presents operating segments based on the information that is internally provided to the Group Executive Committee which is the Group's chief operating decision maker. The operating segments identified by the Group reflect the Group's operational structure, which is by division. The services provided by the Underwriting, Advisory, Retail, Paymentshield and Broker Network divisions are distinct and different to each other. Each of these divisions has adopted a unique delivery platform for their distribution of insurance products and services to customers; hence they are managed and reported on separately. Further information on the Group's operating segments is provided in note 4.

Notes to the financial statements *(continued)*

3. Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

3.1 Impairment of assets

The Group tests annually whether goodwill 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 Group 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. More specific assumptions vary between cash generating units but include the gross commission rate, net new business, expense ratio, discount rate and terminal growth rate.

The carrying amount of goodwill at the 31 December 2015 was £422.4m after an impairment loss of £86.4m was recognised during the period. Details of the impairment loss calculation are set out in note 11.

3.2 Revenue recognition

(a) Fees and commissions
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 Group 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 fair value of fulfilment of these obligations. The Group also makes a provision for the cancellation of live policies after the balance sheet date based on previous experience of the volume of these. Experience may vary from these estimates which are based on the Group's historic performance.

(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 at a point 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 period 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 Group's financial performance.

(c) Loss corridor
Towergate has entered into certain trading deals with insurers which include incentives and penalties based on performance of the book of business as measured by loss ratios. Each of these deals has a set loss ratio threshold, and where loss ratios for an accident year are outside this threshold, a payment is due to the insurer up to a maximum (between 1.0% and 4.0% of the loss). For each accident year, the final results are calculated by Towergate and agreed with insurers within nine months. For the current period Towergate and the insurers have calculated a reasonable best estimate of the underwriting result which is assessed in quarterly joint update meetings.

Notes to the financial statements *(continued)*

3. Critical accounting estimates and judgements *(continued)*

3.3 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.

3.4 Deferred tax assets

Significant judgement is required in determining the asset recognised in respect of deferred tax. A deferred tax asset is recognised for temporary timing differences, managements best estimate is used to determine the extent that it is probable that taxable profit will be available in the future, against which the temporary differences can be utilised and of the amount of this taxable profit. Deferred tax assets are measured at the tax rates / laws that have been enacted or substantively enacted by the end of the reporting period.

3.5 Errors and omissions liability

During the ordinary course of business the Group can be subject to claims for errors and omissions made in connection with its broking activities. A statement of financial position provision is established in respect of such claims when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated.

The Group analyses its litigation exposures based on available information, including external legal consultation where appropriate, to assess its potential liability.

The outcome of the currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a current or future lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and are in excess of the presently established provisions. It is possible therefore that the financial position, results of operations or cash flows of the Group could be materially affected by the unfavourable outcome of litigation.

3.6 Unregulated Collective Investment Schemes (UCIS) provision

Amounts have been provided for in respect of future obligations to pay redress costs and professional costs associated with independent file reviews in relation to past advice given to customers on Unregulated Collective Investment Schemes (UCIS).

The UCIS provision represents management's best estimate of the group's liability in relation to these costs. This valuation is based on actual experience and uses a calculation of average redress costs, taking into account customer contact and response rates, and allows for the deduction of income distributions and surrender values from capital losses. This initial valuation has been undertaken by an independent 3rd party and will be re-assessed on a regular basis using the most up-to-date redress payment experience. No allowance has been made for possible insurance recoveries on the basis that there is insufficient basis to provide an estimate of the likely amounts.

It is management's expectation that substantially all of the costs will be settled in the next 12 to 18 months.

3.7 Enhanced transfer values (ETV) contingent liability

A contingent liability has been disclosed in relation to future obligations to pay redress costs and professional costs associated with independent file reviews in relation to past advice given to customers on ETV. Given the number of material uncertainties that exist around ETV redress, it is not yet possible to make a reliable estimate of the Group's ultimate liability.

An internal range of possible redress costs has been derived from a set of assumptions based on currently available information. In view of the material uncertainties all such assumptions are subject to change and the Group can give no assurances as to whether its ultimate liability will be within this range or not. The ultimate liability for ETV may, therefore, be materially different.

Notes to the financial statements *(continued)*

3. Critical accounting estimates and judgements *(continued)*

3.8 Fair value adjustments

The acquisition of TIL group has been accounted for under IFRS 3 *"Business Combinations"* which requires that the *"identifiable assets acquired and liabilities assumed are measured at their acquisition date fair value"*. IFRS 3 allows for adjustments to the provisional values recognised provided they are identified and substantiated within a period, which does not exceed one year from the acquisition date. The acquisition was accounted for on the basis of provisional fair values for the net assets acquired. At that time, a full fair value exercise had not yet been completed and as such, adjustments to the provisional fair values were expected. The fair value adjustments are set out in note 27 *"Business combinations"*.

3.9 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.

Notes to the financial statements *(continued)*

4. Operating segments

The Group presents financial information in respect of its lines of business. These are based on the Group's management and internal reporting structures.

The different lines of business in the Group are as described in the strategic report.

The results, assets and liabilities include items directly attributable to a line of business as well as those that can be allocated on a reasonable basis.

Information regarding geographical areas is not presented as all businesses are located in the United Kingdom and turnover consists of sales made in the United Kingdom.

The results of the above classes of businesses can be analysed as follows:

5 February to 31 December 2015

	Advisory	Retail	Underwriting	Paymentshield	Broker Network	Other*	Total
	£000	£000	£000	£000	£000	£000	£000
Commissions and fees	98,963	64,542	55,519	38,478	9,944	(210)	**267,236**
Investment income	-	1	-	32	42	187	**262**
Staff and other operating costs	(83,736)	(46,313)	(39,496)	(12,114)	(7,034)	(32,655)	**(221,348)**
Depreciations and Amortisation	(9,646)	(6,982)	(7,630)	(7,588)	(605)	(993)	**(33,444)**
Exceptional items	(28,673)	(4,016)	(644)	-	-	(50,273)	**(83,606)**
Impairment of goodwill	-	(86,400)	-	-	-	-	**(86,400)**
Financing costs	-	-	-	-	-	(34,527)	**(34,527)**
Financing income	-	-	-	-	-	405	**405**
Loss before tax	**(23,092)**	**(79,168)**	**7,749**	**18,808**	**2,347**	**(118,066)**	**(191,422)**

At 31 December 2015

	Advisory	Retail	Underwriting	Paymentshield	Broker Network	Other*	Total
	£000	£000	£000	£000	£000	£000	£000
Net assets / (liabilities)	**153,804**	**184,641**	**185,336**	**134,927**	**17,928**	**(500,982)**	**175,654**

**Other comprises of non allocated central support costs and debt loan notes*

Notes to the financial statements *(continued)*

5. Operating loss

The following items have been charged / (credited) in arriving at operating loss:

	2015 £000
Amortisation of intangible fixed assets	
- software costs	5,701
- other intangible assets	24,743
Depreciation on property, plant and equipment	
- owned assets	2,876
- leased assets under finance leases	143
Profit on disposal of non current assets	(19)
Total depreciation and amortisation charges	**33,444**
Operating lease rentals payable:	
- minimum lease payment	
- land and buildings	10,877
- other assets	243
- sublease receipts	
- land and buildings	85
Exceptional items:	
Group acquisition and financing costs	41,212
Group reorganisation costs	14,995
Regulatory costs	27,399
Other charges during the period:	
Impairment of goodwill	86,400

Exceptional items

Group changes programme

A number of change programmes have been continued since the acquisition of the TIL Group. These programmes were designed to improve efficiency across the business, to build regulatory resilience, to position the Group to exploit future scale advantages and to enhance the customer proposition. They have been disclosed on the face of the consolidated statement of comprehensive income as exceptional items.

Acquisition and financing costs

The Group has undergone an acquisition which completed on 2 April 2015. In the period post acquisition costs of £41.2m were incurred in relation to this acquisition. The majority of the costs incurred represent legal and professional fees on the transaction.

Group reorganisation costs

A number of change programmes have been continued since the acquisition of the TIL Group.

- In February 2014 the TIL Group began a major finance transformation with the creation of accounting centres in Leeds and Maidstone, and this was continued by the Group throughout the remainder of 2015. The majority of insurance broking accounting and client money processing was consolidated into an in-house facility in Leeds, with some ongoing support from an outsourced third party provider. In parallel, financial and management accounting was centralised in a second in-house facility in Maidstone. These two centres are developing standardised policies and procedures and will allow future investment to be focused and prioritised. They will also allow IT hardware and software used by the Group to be streamlined and re-focused with the objective, over time, of improving control while exploiting scale advantage.

Notes to the financial statements *(continued)*

5. Operating loss *(continued)*

Group reorganisation costs (continued)

- Following the acquisition of the TIL Group, the Group has continued with the creation of the new business unit in Manchester. The unit is designed to service small premium business through a dedicated contact centre with extended opening times. In addition, a site consolidation to rationalise the office network across the Advisory, Retail and Underwriting businesses was undertaken.

These initiatives had a post acquisition aggregate cost of £15.0m during the period.

Regulatory costs

The Group has incurred regulatory costs of £27.4m in the period. The cost consists primarily of a £19.8m provision for the estimated costs of redress in relation to past advice provided on Unregulated Collective Investment Schemes (UCIS). In addition, costs of £7.6m were incurred in relation to regulatory investigations into advice provided by Towergate Financial on Enhanced Transfer Values (ETV) and UCIS, client and insurer monies and a strengthening of the Group's control framework. It is management's expectation that further costs in relation to the regulatory investigation will be incurred during 2016. The amount in relation to this has yet to be quantified (refer to note 30 Contingent Liabilities).

6. Investment income

	2015
	£000
Interest receivable – fiduciary funds	**262**

The Group's investment income arises from its holdings of cash and investments relating to fiduciary funds. Equivalent average cash and investment balances during the period amounted to £146.3m denominated principally in sterling. The average return for 2015 was 0.18%.

Notes to the financial statements *(continued)*

7. Finance income and costs

	2015 £000
Interest receivable – own funds	**405**
Other finance costs	
- unwinding of discount on provisions and financial liabilities	**(1,174)**
- amortisation of capitalised debt costs	**(555)**
Interest expense	
- bank and other borrowings	**(32,784)**
- finance leases	**(11)**
- on overdue tax	**(3)**
Net finance costs	**(34,122)**

	2015 £000
Finance costs	**(34,527)**
Finance income	**405**
Net finance costs	**(34,122)**

During the period, the interest expense on the £425.0m of 8.75% senior secured notes and £75.0m of floating rate super senior secured notes totalled £32.8m.

8. Employee information

8.1 Salaries and associated expenses

	2015 £000
Wages and salaries	**117,444**
Social security costs	**12,749**
Other pension costs	**2,719**
Salaries and associated expenses	**132,912**

8.2 Analysis of employees

	2015
Average number of persons employed by the Group during the period:	
Administration	**2,374**
Sales	**1,821**
Management	**421**
Total	**4,616**

Notes to the financial statements *(continued)*

8. Employee information *(continued)*

8.3 Key management compensation

Key management personnel are defined as the members of the Executive Team and Board for the period ended 31 December 2015.

Their compensation was as follows for the period ended 31 December 2015:

	2015 £000
Fees, salaries and other short term benefits	7,590
Post-employment benefits	146
Termination payments	313
	8,049

8.4 Directors' remuneration

	2015 £000
Aggregate emoluments	2,168
Company contributions to money purchase pension scheme	22
	2,190

The aggregate emoluments of the highest paid Director were £1.4m and company pension contributions of £0.02m were made to a money purchase scheme on their behalf.

	2015
Retirement benefits are accruing to the following number of Directors under:	
Money purchase schemes	-

All Directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

8.5 Long-term incentives

The fair value of the amount payable, including the company's liability to related social security costs was recognised as a provision as part of the acquisition transaction with the corresponding entry being goodwill.

Notes to the financial statements *(continued)*

9. Auditors' remuneration

During the period, the Group obtained the following services from the Company's auditor and its associates:

	2015 £000
Fees payable to the Group's auditor and its associates for the audit of the parent company and the consolidated financial statements	50
Fees payable to the Company's auditor and its associates for other services:	
- audit of financial statements of subsidiaries of the Company	1,167
- audit related assurance services	188
- other tax advisory services	21
	1,426

10. Income tax

	2015 £000
Total deferred tax	6,958
Income tax credit	6,958

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2015 £000
Loss before taxation	(191,422)
Tax calculated at UK corporation tax rate of 20.0% :	38,284
Tax effects of:	
Expenses not deductible for tax purposes	(2,989)
Impairment of goodwill	(17,280)
Amortisation of intangibles	214
Short term timing difference	(600)
Tax losses for which no deferred income tax asset was recognised	(11,500)
Loss on disposal of subsidiaries	(111)
Effect of change in tax rates in period	940
Income tax credit	6,958

Future tax impacts

A reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) was substantively enacted on 2 July 2013, and a further reduction to 20% (effective from 1 April 2015) was also substantively enacted on 2 July 2013 and further reductions to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. These reductions will reduce the Company's future current tax charge / credit accordingly.

The deferred tax asset / liability at 31 December 2015 has been calculated based on the rates disclosed in the above paragraph.

Notes to the financial statements *(continued)*

11. Intangible assets

	Goodwill £000	Commission buy outs £000	Customer relationships £000	Distribution network £000	Brand £000	Computer software – internal development £000	Computer software £000	Total £000
2015								
Cost at 5 February 2015	-	-	-	-	-	-	-	-
On acquisition of TIL	508,687	11,916	120,352	110,582	30,159	10,714	19,932	812,342
Transfer from property, plant and equipment	-	-	-	-	-	-	5	5
Additions	95	265	-	-	-	3,622	2,580	6,562
Disposals	(4)	-	-	-	-	(1,684)	(84)	(1,772)
At 31 December 2015	508,778	12,181	120,352	110,582	30,159	12,652	22,433	817,137
Amortisation at 5 February 2015	-	-	-	-	-	-	-	-
Charge for the period	-	2,899	9,026	8,294	4,524	2,109	3,592	30,444
Impairment	86,400	-	-	-	-	-	-	86,400
At 31 December 2015	86,400	2,899	9,026	8,294	4,524	2,109	3,592	116,844
At 31 December 2015								
Cost	508,778	12,181	120,352	110,582	30,159	12,652	22,433	817,137
Accumulated amortisation	(86,400)	(2,899)	(9,026)	(8,294)	(4,524)	(2,109)	(3,592)	(116,844)
Closing net book amount	422,378	9,282	111,326	102,288	25,635	10,543	18,841	700,293

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU's) that are expected to benefit from that business combination.

Transfers from property plant and equipment represent a correction to underlying accounting records.

Notes to the financial statements *(continued)*

11. Intangible assets *(continued)*

11.1 Impairment tests for goodwill

Goodwill has arisen on the acquisition of TIL.

Impairment of goodwill amounts to £86.4m and has been recognised as an expense in the consolidated statement of comprehensive income. This represents the reduction of the Retail business' carrying amount down to its estimated recoverable amount. This loss has been driven by a fall in expected future cash flows from the Retail Small Business Unit in Manchester.

Management reviews business performance based on lines of business. Therefore Goodwill and intangibles with indefinite useful lives have been allocated to these operating segments, being the cash generating units ("CGU"). A summary of goodwill and intangibles with indefinite useful lives allocated to each CGU is presented below:

	On acquisition and additions £m	Intangibles £m	Impairment £m	At 31 December 2015 £m
Advisory	87.0	48.9	-	135.9
Retail	186.4	100.4	(86.4)	200.4
Underwriting	137.5	70.1	-	207.6
Paymentshield	87.9	53.1	-	141.0
Broker Network	10.0	5.4	-	15.4
	508.8	277.9	(86.4)	700.3

Goodwill is tested for impairing the carrying value of the CGU to which the goodwill relates to the recoverable value of that CGU. The recoverable amount has been calculated with reference to its value in use (VIU). VIU is calculated as an actuarially determined appraisal value, based on the present value of expected profits from future new business. The VIU calculations for each CGU have been based on profit projections based on the most recent five year business plans approved by management. Future new business profits for the remainder of the given period beyond the initial five years are extrapolated using estimated growth rates. Growth rates and expected future profits are set with regards to management estimates, past experience and relevant available market statistics.

11.2 Key assumptions and sensitivity analysis

The VIU is calculated using the following post-tax discount rate, pre-tax discount rate and terminal growth rates asset out in the table below:

	Post-tax discount rate	Pre-tax discount rate	Terminal growth rate
Advisory	11.0%	13.0%	2.3%
Retail	11.0%	13.1%	2.3%
Underwriting	11.0%	13.1%	2.3%
Paymentshield	11.0%	14.0%	0.0%
Broker Network	11.4%	13.6%	2.3%

Discount Rate
The discount rate has been based on an estimated industry beta of 0.86, a B- debt rating, expected debt to equity ratio of 84:16 and Group WACC. A different discount rate has been used for Network to reflect a higher size premium given its relative size to the other CGU's.

Terminal Growth Rate ("TGR")
The TGR has been set in line with the forecast 2.3% GDP growth for the UK, although 2% per PBR we are using 2.3% to reflect the turnaround. No TGR has been used for Paymentshield which best reflects future forecast.

Notes to the financial statements *(continued)*

11. Intangible assets *(continued)*

11.2 Key assumptions and sensitivity analysis *(continued)*

The discount rate would need to increase to the following rates to trigger impairment:

	Post Tax	Pre Tax
Advisory	12.2%	14.5%
Underwriting	11.2%	13.4%
Broker Network	18.9%	23.0%
Paymentshield	13.6%	17.4%

A lower TGR could trigger impairment in some CGU's. Reducing the TGR to 1.5% would see Underwriting impaired by £7.9m and Retail by a further £13.9m.

Retail would incur additional £22.9m impairment if the discount rate was increased by 1%.

Key profit and loss assumptions

The five year business plan as recently approved by management is built around the different streams of business and includes a number of key initiatives which commenced during 2015. There are a number of key assumptions embedded in this plan and varying growth rates have been used to reflect the experience of the existing management team and the impact of various initiatives already underway. The average growth rates during 2016 – 2020 are as follows:

CGU	**Total Growth 2016-2020**	**Average Growth**
Advisory	116.7%	16.7%
Retail	56.2%	9.3%
Underwriting	50.2%	8.5%
Broker Network	20.2%	3.7%
Paymentshield	(26.4%)	(6.0%)

A number of key initiatives have been commenced and the impact of these initiatives delivering below expectation has been tested by reducing the forecast on each by 50%. The impact on the impairment test is as follows:

CGU	**Headroom / (Impairment) with 50% reduction in expected delivery of key initiative £m**
Advisory	12.4
Retail	(111.3)
Underwriting	2.6

The following are also key assumptions are used in Advisory, Retail, Underwriting and Paymentshield:

Gross commission rate
The gross commission rate represents the average commission rate received by the Group from its insurance capacity providers, prior to any deductions of payaway payments to other entities.

Net new business
The net new business assumptions capture the overall movement in income from prior periods taking into account both new business values and retention of existing customers.

Expense ratio
The expense ratio shows improvement over the five year plan. This reflects the ongoing cost reduction program which began in 2015 and is expected to continue in line with initiatives.

Notes to the financial statements *(continued)*

11. Intangible assets *(continued)*

11.2 Key assumptions and sensitivity analysis *(continued)*

Change in assumption required to trigger impairment
Scenarios have been run in which each of the key sensitivities are changed independently in order to determine the degree by which they would need to change to trigger impairment. The table below shows the absolute movement in each key assumption required to trigger impairment.

	Advisory	Underwriting
Gross commission rate	1.8%	0.3%
Expense ratio	2.2%	0.8%
Net new business	2.3%	0.7%

A 1% adverse movement in any one of the key assumptions within Retail would cause further impairment of:

Gross commission rate	£7.6m
Expense ratio	£7m
Net new business	£8.4m

A reasonably possible change in assumptions within Paymentshield division would not cause an impairment of goodwill.

Broker Network
For Broker Network the key profit and loss assumptions are:

Member numbers
Broker Network receives a fee from each member and therefore the number of members drives the level of income.

Gross written premium (GWP) with insurer partners
Broker Network has a number of arrangements with insurer partners on which income is derived from the GWP written by members with the insurer partners

Commission percentage
The commission percentage is the level of income received on the GWP with the insurer partners.

A reasonable movement in assumptions within Broker Network would not cause an impairment of goodwill.

Notes to the financial statements *(continued)*

12. Property, plant and equipment

	Leasehold improvements £000	Furniture & equipment £000	Computer equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
2015						
Cost at 5 February 2015	-	-	-	-	-	-
On acquisition	4,936	1,007	3,566	1,140	275	10,924
Additions	98	146	910	236	108	1,498
Transfer between classes	-	(2)	2	-	-	-
Transfers to intangible assets	-	-	(5)	-	-	(5)
Disposals	(12)	(2)	(16)	-	(58)	(88)
At 31 December 2015	5,022	1,149	4,457	1,376	325	12,329
Depreciation at 5 February 2015						
Charge for the period	723	319	1,540	330	107	3,019
At 31 December 2015	723	319	1,540	330	107	3,019
At 31 December 2015						
Cost	5,022	1,149	4,457	1,376	325	12,329
Accumulated depreciation	(723)	(319)	(1,540)	(330)	(107)	(3,019)
Closing net book amount	4,299	830	2,917	1,046	218	9,310

Included in the above are assets held under finance leases with a net book value of £0.1m.

Notes to the financial statements *(continued)*

13. Financial assets and liabilities

13.1 Financial instruments valuation

Below is an analysis of the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
(b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
(c) Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial liabilities acquired classified at fair value through profit and loss (relating to financial liabilities acquired and redemption liability on non-controlling interest put options) are categorised within level 3 of the fair value hierarchy. Other techniques, such as estimated discounted cash flows, are used to determine their fair value. Management consider the carrying value of assets to approximate to fair value.

	Financial liabilities acquired £000	**Redemption liability on non controlling interest put options £000**	**Total £000**
On acquisition	6,466	2,772	9,238
Credit to profit and loss	(492)	(964)	(1,456)
Adjustment to previous acquisition	(265)	-	(265)
Settlement to vendor/non controlling interest	(1,869)	(1,196)	(3,065)
Balance at 31 December 2015	**3,840**	**612**	**4,452**

The valuations of financial liabilities acquired are based on an evaluation of profit in the individual businesses in which the financial liability is based. Financial liabilities acquired will only be written back if we have had confirmation from the vendor that there is no liability remaining. The valuation of the redemption liability of non-controlling interest put options is set out in the put option contract. Current profits will be used to value the liability.

A 10% upward movement in underlying profits would cause a £0.1m increase in the liability and a 10% movement downward would cause a £0.2m reduction in the liability.

Notes to the financial statements *(continued)*

13. Financial assets and liabilities *(continued)*

13.2 Financial instruments classification

The table below summarises the Group's financial instruments by category:

	Loans and receivables £000	Available for sale £000	Total £000
Financial assets			
Available for sale financial assets	-	152	152
Trade and other receivables, excluding prepayments	45,641	-	45,641
Cash and cash equivalents	205,888	-	205,888
As at 31 December 2015	**251,529**	**152**	**251,681**

	Liabilities at fair value through profit and loss account £000	Other financial liabilities at amortised cost £000	Total £000
Financial liabilities			
Borrowings (including finance leases)	-	(494,485)	(494,485)
Trade and other payables	(4,452)	(196,879)	(201,331)
As at 31 December 2015	**(4,452)**	**(691,364)**	**(695,816)**

13.3 Fair value of borrowings

Non-current borrowings:

The carrying amount of the quoted £75.0m of floating rate super senior secured notes do not differ materially from their fair values, as the floating rate interest rate formula is based on LIBOR that is contractually re-priced every six months or less. The fair values of quoted non-current borrowings at fixed rates as of 31 December 2015 based on quoted market prices are as follows:

	Carrying amount £000	Fair value £000
Senior secured notes	425,000	380,545
Floating rate super senior secured notes	72,449	77,187
As at 31 December 2015	**497,449**	**457,732**

Notes to the financial statements *(continued)*

14. Available for sale financial assets

	Unlisted investments
	£000
At 5 February 2015	-
On acquisition of TIL	140
Additions	12
At 31 December 2015	**152**

The costs of the available for sale financial assets above do not differ materially from their fair value.

15. Trade and other receivables

	At 31 December 2015 £000
Trade receivables	24,796
Less: provision for impairment of trade receivables	(3,742)
Trade receivables - net	21,054
Prepayments	10,077
Accrued income	9,307
Other debtors	9,748
Related party debtors	5,532
	55,718

As at 31 December 2015 the Group had exposures to individual trade counterparties within trade receivables. In accordance with Group policy, operating companies continually monitor exposures against credit limits and concentration of risk. No individual trade counterparty credit exposure is considered significant in the ordinary course of trading activity. Management does not expect any significant losses from non performance by trade counterparties that have not been provided for.

The creation and release of provisions for impaired receivables have been included in other operating costs in the income statement. The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The following table sets forth details of the age of trade receivables that are not overdue as well as an analysis of overdue amounts impaired and provided for:

	Trade receivables £000	Provision for impairment £000	Net trade receivables £000
At 31 December 2015			
Not overdue	8,860	-	8,860
Past due not more than three months	9,169	-	9,169
Past due more than three months and not more than six months	2,370	-	2,370
Past due more than six months but not more than a year	1,472	(817)	655
Past more than a year	2,925	(2,925)	-
	24,796	**(3,742)**	**21,054**

Notes to the financial statements *(continued)*

16. Cash and cash equivalents

	At 31 December 2015 £000
Cash and cash equivalents	**205,888**
Own funds	**57,148**
Own funds - Solvency and claims settlement deposit (FCA)	**28,581**
Fiduciary	**120,159**
	205,888

Included in the Group's own funds is £19.9m of restricted cash kept in segregated accounts for purposes of solvency and capital adequacy requirements imposed by the FCA. Also included in the Group's own funds is £8.7m of restricted cash kept in segregated accounts for the purpose of claim settlements in relation to the disposal of the Towergate Financial business by the TIL Group. Pursuant to the FCA's Threshold Condition 2.4, applicable to the insurance broking industry, the Group holds cash in the segregated accounts for the purpose of ensuring funds are available to pay any costs and expenses necessary to achieve an orderly wind down of the Group's business in the event its broking operations cease to operate or are otherwise closed down. The amount of cash required to be held is determined by management and agreed by the FCA.

Fiduciary funds represent client money used to pay premiums to underwriters, to settle claims to policyholders and to defray commissions and other income. They are not available for general corporate purposes.

17. Trade and other payables

	At 31 December 2015 £000
Current	
Insurance creditors	**108,812**
Social security and other taxes	**5,605**
Other creditors	**18,463**
Finance liabilities acquired	**3,384**
Redemption liability on non-controlling interest put options	**388**
Deferred income	**18,746**
Accruals	**34,679**
	190,077
Non current	
Finance liabilities acquired	**457**
Redemption liability on non-controlling interest put options	**223**
Deferred income	**10,574**
	11,254

Redemption liability on non-controlling put options relates to options to acquire the remaining interests in entities where the Group is the controlling party. The liability is recognised at fair value.

The directors consider the carrying amount of trade payables approximates to their fair value.

Notes to the financial statements *(continued)*

18. Borrowings

	At 31 December 2015 £000
Current	
Finance lease liabilities	**86**
	86
Non current	
Finance lease liabilities	**93**
Senior secured notes	**425,000**
Floating rate super senior secured notes	**72,449**
Capitalised borrowing costs	**(3,143)**
	494,399
Total borrowings	**494,485**

18.1 Borrowings – loan notes

On 2 April 2015, the Company issued £425.0m of 8.75% senior secured notes and £75.0m of floating rate super senior secured notes at a discount of £3.0m, collectively, the notes. The notes are guaranteed by TIG Midco Limited (the immediate parent company of Finco) and all its material and certain other subsidiaries. The guarantor companies are listed in note 30, Contingent liabilities. Non-current borrowings in respect of loan notes mature on 2 April 2020.

The carrying amounts of the Group's borrowings are denominated in sterling.

	At 31 December 2015 £000
Maturity of borrowings	
Between two and five years	**497,449**
Less Capitalised debt costs	**(3,143)**
	494,306

Undrawn borrowing facilities:
As at 31 December 2015, the Group has an available debt basket of £85m that can be drawn by the Group if required.

Notes to the financial statements *(continued)*

19. Current tax and deferred tax

The analysis of current tax assets and current tax liabilities is as follows:

	At 31 December 2015 £000
Corporation tax payable – satisfied by group relief	(219)
	(219)

The analysis of deferred tax assets and deferred tax liabilities due to maturity is as follows:

	At 31 December 2015 £000
Deferred tax assets	
- Deferred tax assets to be recovered after more than one year	2,139
- Deferred tax assets to be recovered within one year	10,846
Deferred tax assets	12,985
Deferred tax liabilities	
- Deferred tax liabilities to be recovered after more than one year	(7,334)
- Deferred tax liabilities to be recovered within one year	(44,641)
Deferred tax liabilities	(51,975)
Deferred tax liabilities (net)	(38,990)

The movement in deferred income tax assets and liabilities during the period is as follows:

	2015 £000
At 5 February 2015	-
Deferred tax income	940
Deferred tax asset recognised in business combinations	(39,930)
At 31 December 2015	(38,990)

Notes to the financial statements *(continued)*

19. Current tax and deferred tax *(continued)*

The analysis of deferred income tax assets and deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	At 31 December 2015 £000
Deferred tax liabilities	
Intangible assets	(51,975)
Deferred tax liabilities before offsetting	(51,975)
Set off against deferred tax assets	12,985
Deferred tax liabilities	(38,990)

	At 31 December 2015 £000
Deferred tax assets	
Property, plant and equipment	5,790
Tax losses	5,056
Other	2,139
Deferred tax assets before offsetting	12,985
Set off against deferred tax liabilities	(12,985)
Deferred tax assets	-
Deferred tax liabilities (net)	(38,990)

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £25.4m in respect of deductable temporary differences.

Notes to the financial statements *(continued)*

20. Provisions for other liabilities and charges

	Long-term incentive £000	E&O £000	Onerous lease £000	Rents above Market value £000	Dilapidations £000	Loss corridor £000	UCIS £000	Other provisions £000	Total £000
At 5 February 2015	-	-	-	-	-	-	-	-	-
On acquisition	30,489	1,845	4,232	4,917	5,119	10,426	-	2,265	59,293
Charged / (credited) to the income statement:									
- Increase/reduction in the period	-	1,327	(1,622)	(963)	(125)	261	19,800	-	18,678
- Used during the period	(15,061)	(924)	-	-	-	(238)	(289)	(1,875)	(18,387)
- Unwind of discount	-	-	291	331	476	-	-	-	1,098
At 31 December 2015	**15,428**	**2,248**	**2,901**	**4,285**	**5,470**	**10,449**	**19,511**	**390**	**60,682**

	At 31 December 2015
Analysis of total provisions	
Non-current – to be utilised in more than one year	8,837
Current – be utilised within one year	51,845
	60,682

Where appropriate the Group discounts provisions to their present value. The unwinding of the provision discounting is included as an interest charge within finance costs in the income statement.

Long-term incentive provision – on acquisition of TIL a liability in relation to the long-term incentive plan of £30.4m was assumed.

Errors and omissions (E & O) provision - In the normal course of business the Group may receive claims in respect of errors and omissions. A provision has been made in respect of outstanding errors and omissions claims.

Onerous lease provision – provides for costs incurred on vacant properties for the full remaining term of the lease. When a property is exited before the end of the lease term, the future committed rental payments are provided for in full and will be released to the income statement over the remaining life of the lease.

Rents above market value provision – provides for the portion of rental payments above market for those properties that are leased above the property's market rental value for the full remaining term of the lease. On the acquisition of TIL an assessment of business rents greater than market value took place. The portion of rents greater then market value was provided for and will be released to the income statement over the life of the leases.

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

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

UCIS provision – during the period £19.8m has been recognised in respect of future obligations to pay redress costs in relation to past advice given to customers on Unregulated Collective Investment Schemes (UCIS). As at the acquisition date of TIL no provision could be reliably estimated in relation to UCIS due to insufficient information available at that time. During the period redress payments amounting to £0.3m have been paid in settlement of a few initial worked cases. It is management's expectation that substantially all of the cases will be settled in the next 12-18 months.

Notes to the financial statements *(continued)*

21. Pension schemes

The Group operates defined contribution pension schemes. The pension cost charge for the period represents contributions payable by the Group to the funds and amounted to £2.7m. At the period end, outstanding pension contributions due were £0.7m.

The Group 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 years.

22. Share capital and premium

	At 31 December 2015 £000
Allotted, called up and fully paid shares	
Ordinary shares of £1 each	300,000

During the period, as part of the acquisition, 100 £0.01 ordinary shares were issued at a value of £1 per share. The 100 £0.01 ordinary shares were converted to 1 £1 share and an additional 299,999,998 £1 shares were issued. The fair value of the shares is based on the cash consideration received.

Ordinary share capital of £250m was issued on or just before the 2 April 2015 and formed part of the consideration for the acquisition of the TIL Group (note 27). An additional £50m of ordinary share capital was issued on or just before the 2 April 2015, the cash raised was used to provide liquidity to the newly formed group. An additional £60m was provided to the Company in the form of a capital contribution from TIG Topco Limited.

	Ordinary shares £000	Total share capital £000	Other reserve £000	Total £000
At 5 February 2015	-	-	-	-
Ordinary shares issued	300,000	300,000	-	300,000
Capital contribution	-	-	60,000	60,000
At 31 December 2015	300,000	300,000	60,000	360,000

23. Retained losses

	£000
At 5 February 2015	-
Loss for the period	(184,464)
Adjustment to non-controlling interests	39
At 31 December 2015	(184,425)

Notes to the financial statements *(continued)*

24. Non-controlling interests

	£000
At 5 February 2015	**-**
On acquisition	**122**
Disposals	**(4)**
Adjustment	**(39)**
At 31 December 2015	**79**

Non-controlling interests are not deemed to have a significant influence over the Group.

25. Notes to the cash flow statement

25.1 Net cash flow from operation

	2015 £000
Loss after income tax	**(184,464)**
Depreciation	**3,019**
Profit on disposal of property, plant and equipment	**(19)**
Amortisation	**30,444**
Non cash movements on financial liabilities acquired	**(1,456)**
Goodwill impairment	**86,400**
Exceptional items - Group acquisition and financing costs	**41,212**
Exceptional items - Group reorganisation costs	**14,995**
Exceptional items - Regulatory costs	**27,399**
Expenses on acquisition	**6**
Net finance costs	**34,122**
Investment Income	**(262)**
Income tax	**(6,958)**
Gain on disposal of businesses and investments	**(12)**
Decrease in trade and other receivables	**13,208**
Decrease in trade and other payables - excluding insurance broking balances	**(11,063)**
Increase in provisions for liabilities and charges	**1,389**
Net cash inflow from operations	**47,960**

25.2 Business acquisition – consideration paid

On the acquisition of the TIL Group, the Company acquired cash & non-cash items that were used against the total consideration payable. The net amount is shown below and is also shown on the face of the consolidated statement of cash flows on page 26.

	2015 £000
Consideration paid	**735,122**
Non cash proceeds from borrowings	**(425,000)**
Capital contribution	**(60,000)**
Non cash minority interest	**(122)**
Cash acquired on acquisition	**(185,602)**
Cash paid for other companies	**630**
Acquisition of businesses, net of cash acquired	**65,028**

Notes to the financial statements *(continued)*

26. Financial risk and financial instruments

26.1 Financial risk factors

Financial risk management is carried out by the Group's central treasury department (Group Treasury). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's businesses. Financial risk mitigation includes the regular monitoring of cash flows and management of interest rate risks.

(a) Credit risk

The credit risk incurred by the Group is the risk that counterparties fail to meet their obligations arising from operating activities and from financial transactions. Credit risk arises from own cash, fiduciary funds and deposits, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Credit risk on customers and transactions is currently managed both at a local business unit level and the accounting centre for insurance broking in Leeds. As at 31 December 2015 the Group was exposed to credit risk from trade receivables of £24.8m before provision for impairment. Due to the nature of the customer portfolio, there is no significant concentration of credit risk. Further analysis of the ageing profile of trade receivables and the provision for impairment is disclosed in note 15, Trade and other receivables.

The Group manages its own cash, fiduciary funds and deposits with investment grade banks. These balances are spread over a number of different banks and the current level of exposure is:

	At 31 December 2015 £000
Own funds	**57,148**
Own funds - Solvency and claims settlement deposit (FCA)	**28,581**
Fiduciary	**120,159**

(b) Liquidity risk

Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance.

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than one year £000	**Between one and two years £000**	**Between two and five years £000**
31 December 2015			
Finance lease liabilities	**(94)**	**(39)**	**(60)**
Borrowings (excluding finance lease liabilities)	**(43,528)**	**(43,562)**	**(604,108)**
Trade and other payables (excluding non-financial liabilities)	**(190,077)**	**(3,779)**	**(7,475)**
	(233,699)	**(47,380)**	**(611,643)**

(c) Leverage risk

The Group has long-term debt as a core element of its capital structure.
As a result of the acquisition, Group received a cash injection financed by £75m super senior secured notes and £425m senior secured notes. This debt is held by Finco and interest accrued on a monthly basis, and payable quarterly and 6-monthly respectively.

Towergate monitors the leverage risk through the Risk Management Framework. A tolerance level is set for leverage risk and actions taken if this level is exceeded.

Notes to the financial statements *(continued)*

26. Financial risk and financial instruments *(continued)*

26.1 Financial risk factors (continued)

(d) Interest rate risk

The borrowings bear average interest rates of 8.71% annually.

The exposure of the borrowings of the Group to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

	6 months or less	Fixed rate	Capitalised debt costs	Total
	£000	£000	£000	£000
At 31 December 2015	**72,449**	**425,000**	**(3,143)**	**494,306**

(e) Other risks

There are no material foreign exchange risks since the Group's transactions are primarily dominated in sterling. Further, the Group is neither exposed to significant equity securities price risk nor to commodity price risk. Additionally, as the Group is not exposed to any other price risks such as stock exchange prices or commodity prices.

26.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group is predominantly funded via debt rather than equity, as are most of its peers. Group is funded by debt financing in the form of bonds, and does not fund using any short term banking facilities. Cost of debt appears as an interest charge rather than dividends, as it would in a business that has chosen to finance itself via equity.

UK insurance broking regulation requires a minimum level of regulatory capital to be maintained. The total regulatory capital to be held by the Group is not considered significant in the context of the total available capital. In all periods presented the Group complied with all imposed regulatory capital requirements.

Notes to the financial statements *(continued)*

27. Business combinations

On 2 April 2015 the Group completed an acquisition transaction in which the Company acquired 100% of the share capital of TIL and its subsidiaries. The purpose of the acquisition was to facilitate the financing transaction. Details are included in the table below:

	Net assets acquired £000	Fair value adjustments £000	**Acquisition of TIL £000**
Non-current assets			
Customer relationships	120,352	-	**120,352**
Distribution network	110,582	-	**110,582**
Brand	30,159	-	**30,159**
Computer software	32,543	(1,897)	**30,646**
Commission buy outs	11,735	181	**11,916**
Property, plant and equipment	11,141	(217)	**10,924**
Deferred tax asset	14,403	-	**14,403**
Available for sale financial assets	140	-	**140**
Total non-current assets	331,055	(1,933)	**329,122**
Current assets			
Trade and other receivables	84,572	(14,248)	**70,324**
Cash and cash equivalents	185,511	91	**185,602**
Total current assets	270,083	(14,157)	**255,926**
Total assets	601,138	(16,090)	**585,048**
Borrowings	(20,224)	-	**(20,224)**
Trade and other payables	(179,106)	(8,019)	**(187,125)**
Deferred revenue	(18,627)	(12,725)	**(31,352)**
Deferred tax liabilities	(60,352)	-	**(60,352)**
Current tax liabilities	(267)	-	**(267)**
Provisions for liabilities and charges	(8,042)	(51,251)	**(59,293)**
Total liabilities	(286,618)	(71,995)	**(358,613)**
Net assets	314,520	(88,085)	**226,435**
Goodwill			**508,687**
Total consideration			**735,122**
Satisfied by:			
New debt issued			**425,000**
Cash transferred			**250,000**
Capital contribution			**60,000**
Non-controlling interests			**122**
			735,122
Acquisition related costs recognised in the Statement of Comprehensive Income			**41,212**

The cash transferred of £250m represents share capital issued, see note 22 for further details. The £60m capital contribution was received from TIG Topco Limited.

None of the goodwill is expected to be deductible for tax purposes.

Notes to the financial statements *(continued)*

27. Business combinations *(continued)*

The resulting goodwill was capitalised and its carrying value will be tested at least annually as part of the Group's impairment review. Goodwill is attributable to the workforce of the acquired business and access to the future revenue streams of the business.

Fair value adjustments

The assets and liabilities recognised above on the acquisition of TIL were recognised at their acquisition date at fair value.

Trade and other receivables (£14.2m)
- At the acquisition date £6.3m provision for impairment of trade receivables on the acquisition of TIL represents management's best estimate of the trade receivables for which a provision for impairment is required. The gross trade receivables at acquisition and on which this provision for impairment is based were £34.7m.
- In addition £5.0m relates to other receivables, which management believe to be uncollectable.

Deferred revenue (£12.7m)
- There are a number of contracts for which management have revised the pattern of revenue recognition and £12.7m has been recognised in relation to revenue which should be recognised in future periods. Of this £11.6m related to an upfront payment of advanced profit commissions in Paymentshield. The revenue was previously recognised over seven years ended 31 December 2013. After reviewing the legal terms and substance of the agreement, the current management team have reconsidered the best estimate of the expected life of the contract where PSL provides services to the insurance provider. As a result, the revenue recognition profile has been revised to reflect this expected life of the contract. This deferred income will now be recognised on a straight line basis over the remaining life of the agreement.

Trade and other payables (£8.0m)
- There have been a number of adjustments made in respect of trade and other payables. Of this £3.0m has been recognised in respect of holiday pay in accordance with IAS 19.

Provisions of liabilities and charges (£51.2m)
- The Board of TIL decided to make an incentive payment £30.4m which would be triggered at a result of the change of control. The acquisition of TIL triggered the recognition of this provision.

- Towergate has entered into certain trading deals with insurers that include penalties based on performance of the book of business. As at the acquisition date no provisions in relation these loss corridors had been recognised. A provision of £8.8m has been made in respect of this.

- A provision of £4.9m has been recognised in respect of leases which are on unfavourable terms relative to the market. The gross rent above market that will be paid over the lives of the leases has been recognised and has been based on a 3rd party valuation.

- The group's policy is to provide for dilapidations at the average cost incurred per square foot over the past 2 years or where we have information to produce a more reliable estimate on certain properties.

Contingent liabilities
- At the date of acquisition the ETV and UCIS liability was considered contingent. No provisions were recognised at this date since management did not have sufficient information to reliably estimate.

Notes to the financial statements *(continued)*

27. Business combinations *(continued)*

The following items have been recognised at their fair value on acquisition:

Customer relationships
Customer relationship intangible assets exist through business combinations when the acquirer is able to benefit from selling future new business through existing relationships. Their fair value has been calculated as the sum of the present value of projected cash flows, in excess of returns on contributory assets over the life of the relationship with the customers. These assets are amortised over their estimated useful lives of 10 years, which is estimated by reference to the history of the relationships and levels of attrition.

Distribution network
Distribution network intangible assets exist through business combinations when the acquirer is able to benefit from already established distribution channels, mainly within underwriting and broker network. Their fair value has been calculated as the sum of the present value of projected future cash flows generated by existing distribution channels. These assets are amortised over their estimated useful lives of 10 years, which is estimated by reference to the history of the relationships and levels of attrition.

Brand
Brand intangible assets exist through business combinations when they are separable or arise from contractual or other legal rights. Their fair value has been calculated as the sum of the present value of projected royalty payments that would be paid to licence the right to use the brand. These assets are amortised over their estimated useful lives of five years, which considers the Group's track record of retaining brands for a period and experience of the insurance broker market.

Computer software
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. These costs are amortised over their estimated useful lives of four years.

Commission buy outs
Commission buy outs exist when they purchased separately and are capitalised on the basis of the costs incurred to acquire them. Their fair value has been calculated as the sum of the present value of projected future commission savings. Amortisation is provided at a monthly rate of 3% on a reducing balance basis.

Pro forma information
The consolidated result of the Group has been adjusted as if the acquisition of TIL had been made at the beginning of the period, would include revenue from continuing operations of £322.5m (compared to reported Group revenue of £267.2m) and losses before taxation of £190.9m (compared to reported losses before taxation of £191.4m).

In preparing the pro forma results, revenue and costs have been included as if the businesses were acquired on 5 February 2015. Amortisation charges and finance costs included within the 5 February to December 2015 results for the period 5 February 2015 to 2 April 2015 are based on the expenses incurred post acquisition. This information is not necessarily indicative of the results of the combined Group that would have occurred has the purchases actually been made at the beginning of the period, or indicative of the future results of the combined Group.

Notes to the financial statements *(continued)*

28. Related party transactions

The principal shareholder of Sentry Holdings Limited at 31 December 2015 was Highbridge Principal Strategies LLC (Highbridge), a global private equity firm, which together with its co-investors held 62% of the shares with voting rights. Highbridge had significant influence through their voting rights in the company and Board positions.

(a) Sales of goods and services
There were not any related party transactions in the period.

(b) Key management compensation
Key management compensation is discussed under note 8, Employee information.

(c) Directors
Directors' compensation is discussed under note 8, Employee information.

(d) Period end balances arising from sales/purchases of goods/services
There were not any related party transactions in the period.

(e) Loans to related parties
On 5 November 2015, a former director, repaid £508,363 to the Group due to contractual obligations.

(f) Other
There have been a number of post balance sheet events with related parties. Please refer to note 33.

Notes to the financial statements *(continued)*

29. Commitments

29.1 Operating lease commitments - where a group company is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December 2015 £000
Property	
Not later than one year	13,708
Later than one year and not later than five years	24,298
Later than five years	4,196
	42,202
Equipment	
Not later than one year	294
Later than one year and not later than five years	181
Later than five years	-
	475
Total	
Not later than one year	14,002
Later than one year and not later than five years	24,479
Later than five years	4,196
	42,677

29.2 Sub-lease - operating lease commitments – where a group company is the lessor

	At 31 December 2015 £000
Property	
Not later than one year	69
Later than one year and not later than five years	69
	138

Notes to the financial statements *(continued)*

29. Commitments *(continued)*

29 .3 Legal and other loss contingencies

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 subsidiary of the Company, and all its material and certain other subsidiaries. These companies are listed below:

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

Notes to the financial statements *(continued)*

30. Contingent liabilities and contingent assets

Enhanced Transfer Values (ETV) and Unregulated Collective Investment Schemes (UCIS)

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

Given the number of material uncertainties that exist around ETV redress, it is not yet possible to make a reliable estimate of the Group's ultimate liability. However, purely for the purposes of developing business plans and cash flow projections for the Group, it has adopted a range of £45.0m to £65.0m in potential redress costs, excluding costs and expenses. This range is consistent with previous disclosures. However during the period £19.8m has now been recognised as management's best estimate in respect of future obligations to pay redress costs. Therefore the range previously disclosed in respect of both UCIS and ETV combined (£65.0m to £85.0m) remains unchanged. For UCIS see note 20 *"Provisions for other liabilities and charges"*).

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

Recoveries

Recoveries may be available in respect of ETV & UCIS, either from third parties or under the Group's insurance arrangements, both of which the Group continues to pursue. The maximum recoverable amount under insurance arrangements is £12m in addition to costs, although the ultimate extent and timing of any recovery remains uncertain.

Notes to the financial statements *(continued)*

31. Ultimate parent company

On 2 April 2015, Highbridge Principal Strategies LLC became the Group's majority shareholder when its investment in Sentry Holdings Limited (incorporated in Jersey) acquired a direct interest in Topco and indirect interests in the Company and Towergate Insurance Limited and its subsidiaries. At 31 December 2015, the ultimate parent company was Sentry Holdings Limited. Sentry Holdings Limited is the largest group in which the results are consolidated.

32. Subsidiary undertakings

The following were subsidiary undertakings at 31 December 2015. Unless otherwise shown, the capital of each company is wholly-owned, is in ordinary shares and the principal country of operation is the country of incorporation/registration. Except where indicated, 100% of the voting rights are held directly or indirectly by TIG Finco Plc.

Principal subsidiary undertakings	Country of incorporation	Nature of holding	Nature of principal activity
Antur Insurance Services Limited	England	Ordinary & Preference	Insurance broking
Antur (West Wales) Limited	England	Ordinary	Holding
Arista Insurance Limited	England	Ordinary	Underwriting
Berkeley Alexander Limited	England	Ordinary	Insurance broking
BIB (Darlington) Limited	England	Ordinary	Insurance broking
BIB (Darlington) Acquisitions Limited	England	Ordinary	Holding
BIB Underwriters Limited (95% owned)	England	Ordinary	Underwriting
BIBU Acquisitions Limited (95% owned)	England	Ordinary	Holding
Bishop Skinner Acquisitions Limited	England	Ordinary	Holding
Bishop Skinner Insurance Brokers Limited	England	Ordinary	Insurance broking
Bishop Skinner Insurance Brokers Holdings Limited	England	Ordinary	Insurance broking
Broker Network Holdings Limited	England	Ordinary	Holding
CCV Risk Solutions Limited	England	Ordinary	Insurance broking
Countrywide Insurance Management Limited	England	Ordinary	Insurance broking
Cullum Capital Ventures Limited	England	Ordinary	Cost centre / holding
Dawson Whyte Limited	Northern Ireland	Ordinary	Insurance broking
Execcover Limited	England	Ordinary	Insurance broking
Four Counties Finance Limited	England	Ordinary	Holding
Four Counties Insurance Brokers Limited	England	Ordinary	Insurance broking
Fusion Insurance Holdings Limited	England	Ordinary	Holding
Fusion Insurance Services Limited	England	Ordinary	Underwriting
HS 428 Limited	England	Ordinary	Holding
Managing Agents Reference Assistance Services Limited	England	Ordinary	Insurance broking
Moffatt & Co Limited	England	Ordinary	Holding
Morgan Law Limited	England	Ordinary	Insurance broking
Morgan Law (Holdings) Limited	England	Ordinary	Holding
Oak Affinity Consultancy Limited	England	Ordinary	Holding
Oyster Property Insurance Specialists Limited (75% owned)	England	Ordinary	Underwriting
Oyster Risk Solutions Limited (87.5% owned)	England	Ordinary	Insurance broking
Paymentshield Group Holdings Limited	England	Ordinary	Holding
Paymentshield Holdings Limited	England	Ordinary	Holding
Paymentshield Life Underwriting Services Limited	England	Ordinary	Life assurance & mortgage products
Paymentshield Limited	England	Ordinary	General and life insurance products
The Broker Network Limited	England	Ordinary	Insurance broking
Towergate Financial (East) Limited	England	Ordinary	In run off
Towergate Financial (East) Holdings Limited	England	Ordinary	Holding
Towergate Financial (East) Intermediate Limited	England	Ordinary	Holding
Towergate Financial (Group) Limited	England	Ordinary	In run off
Towergate Financial (London) Limited	England	Ordinary	In run off
Towergate Financial (North) Limited	England	Ordinary	In run off
Towergate Financial (North) Holdings Limited	England	Ordinary	Holding
Towergate Financial (Scotland) Limited	Scotland	Ordinary	In run off
Towergate Financial (Scotland) Holdings Limited	Scotland	Ordinary	Holding
Towergate Financial (West) Limited	England	Ordinary	In run off
Towergate Financial (West) Holdings Limited	England	Ordinary	Holding

Notes to the financial statements *(continued)*

32. Subsidiary undertakings *(continued)*

Principal subsidiary undertakings	Country of incorporation	Nature of holding	Nature of principal activity
Towergate Insurance Limited	England	Ordinary	Cost centre / holding
Towergate London Market Limited	England	Ordinary	Insurance broking
Towergate Risk Solutions Limited	England	Ordinary	Holding
Towergate Underwriting Group Limited	England	Ordinary	Insurance broking and underwriting
Agricultural Insurance Underwriting Agencies Limited	England	Ordinary	Dormant
Ainsbury (Insurance Brokers) Limited	England	Ordinary	Dormant
AIUA Holdings Limited	England	Ordinary	Dormant
Arthur Marsh & Son Limited	England	Ordinary	Dormant
Bishop Skinner Client Services Limited	England	Ordinary	Dormant
Broker Network (Trustee) Limited	England	Ordinary	Dormant
Broker Network Insurance Brokers Limited	England	Ordinary	Dormant
Canworth Commercial Limited	England	Ordinary	Dormant
Capital & County Insurance Brokers Limited	England	Ordinary	Dormant
CCG Financial Services Limited	England	Ordinary	Dormant
Chorlton Cloughley Group Limited	England	Ordinary	Dormant
Cox Lee & Co Limited	England	Ordinary	Dormant
Crawford Davis Insurance Consultants Limited	England	Ordinary	Dormant
Dawson Pennington & Company Limited	England	Ordinary	Dormant
Donaldson & Kenny Limited	Northern Ireland	Ordinary	Dormant
Duncan Pocock (Holdings) Limited	England	Ordinary	Dormant
Eclipse Park Acquisitions Limited	England	Ordinary	Dormant
Fenton Insurance Solutions Limited	England	Ordinary	Dormant
Folgate (HHHB) Limited	England	Ordinary	Dormant
Folgate Risk Solutions (Oxted) Limited	England	Ordinary	Dormant
General Insurance Brokers Limited	Northern Ireland	Ordinary	Dormant
GHBC Limited	England	Ordinary	Dormant
Hedley Davies & Co Limited	England	Ordinary	Dormant
HLI (UK) Limited	England	Ordinary	Dormant
HS 426 Limited	England	Ordinary	Dormant
J.N. Craig Limited	Northern Ireland	Ordinary	Dormant
Just Insurance Brokers Limited	England	Ordinary	Dormant
JW Group Insurance & Risk Managers Limited	Scotland	Ordinary	Dormant
JW Group Limited	Scotland	Ordinary	Dormant
LFE Group Limited	England	Ordinary	Dormant
M. Wood Insurance Services Limited	England	Ordinary	Dormant
M2 Financial Fees Limited	England	Ordinary	Dormant
McAra Associates Limited	Scotland	Ordinary	Dormant
Moray Firth Insurance Brokers Limited	Scotland	Ordinary	Dormant
Motaquote Insurance Services Limited	England	Ordinary	Dormant
Paul Scully Insurance Services Limited	England	Ordinary	Dormant
Portishead Insurance Management Limited	England	Ordinary	Dormant
Priestley & Partners (Insurance) Brokers Limited	England	Ordinary	Dormant
Protectagroup Acquisitions Limited	England	Ordinary	Dormant
Protectagroup Holdings Limited	England	Ordinary	Dormant
Protectagroup Limited	England	Ordinary	Dormant
Richard V Wallis & Co Limited	England	Ordinary	Dormant
Rixon Matthews Appleyard Limited	England	Ordinary	Dormant
Roundcroft Limited	England	Ordinary	Dormant
SMG Professional Risks Limited	England	Ordinary	Dormant
Smith & Pinching General Insurance Services Limited	England	Ordinary	Dormant
Suddards Davies & Associates Limited	England	Ordinary	Dormant
Sullivan Garrett Limited	England	Ordinary	Dormant
TF Bell Holdings Limited	England	Ordinary	Dormant
The Folgate Partnership Limited	England	Ordinary	Dormant
The TF Bell Group Limited	England	Ordinary	Dormant
Three Counties Insurance Brokers Limited	England	Ordinary	Dormant
TL Risk Solutions Limited	England	Ordinary	Dormant
Topcrest Insurance Brokers Limited	England	Ordinary	Dormant
Towergate Chase Parkinson Limited	England	Ordinary	Dormant

Notes to the financial statements *(continued)*

32. Subsidiary undertakings *(continued)*

Principal subsidiary undertakings	Country of incorporation	Nature of holding	Nature of principal activity
Towergate Financial (Edinburgh) Limited	Scotland	Ordinary	Dormant
Towergate Financial (Huddersfield) Intermediate Limited	England	Ordinary	Dormant
Towergate Financial (Huddersfield) Limited	England	Ordinary	Dormant
Towergate FJC Limited	England	Ordinary	Dormant
Towergate Holiday Homes Underwriting Agency Limited	England	Ordinary	Dormant
Towergate Management Services Limited	England	Ordinary	Dormant
Towergate Property Management Limited	England	Ordinary	Dormant
Towergate TLC Limited	England	Ordinary	Dormant
Towergate Wilsons Limited	England	Ordinary	Dormant
Townfrost Limited	England	Ordinary	Dormant
Walter Ainsbury & Son Limited	England	Ordinary	Dormant
Waveney Group Schemes Limited	England	Ordinary	Dormant
Waveney Insurance Brokers (Commercial) Limited	England	Ordinary	Dormant
Waveney Insurance Brokers Limited	England	Ordinary	Dormant
William Rogers Holding Company Limited	England	Ordinary	Dormant
William Rogers Insurance Brokers Limited	England	Ordinary	Dormant
WM Fargate Limited	England	Ordinary	Dormant

33. Post balance sheet events

Additional funding
During Q1 2016 the Company secured two sources of additional funding totalling up to £65m from Highbridge. Binding heads of terms have been signed for both of these transactions. Details are as follows:

- Disposal of the entire issued share capital of The Broker Network Limited and Countrywide Insurance Management Limited, both wholly owned subsidiaries of the Group, and the assets of Broker Network Underwriting, a trading style of Towergate Underwriting Group Limited. The consideration for the acquisition shall be satisfied in part by the allotment to Towergate of approximately 19.9% of the shares (subject to adjustment) in the acquisition vehicle; and

- A five year facility from Highbridge secured by certain legacy assets of the Group.
  Both initiatives remain subject to appropriate consents and/or approvals and will result in a cash injection to the Group.

In addition to the above, the Company secured a short term loan facility from Highbridge for an amount of up to £28m which will result in a cash injection to the Group if it is drawn.

Proceeds from these initiatives will largely be applied towards an acceleration of the strategic investments in the group transformation plan.

IT Transformation
During February 2016 the Group signed a contract with Accenture under which Accenture will become the Group's strategic partner, overseeing its IT Transformation change program. Under the contract Accenture will also manage service support across the whole IT Infrastructure estate for a period of five years.

Company balance sheet
As at 31 December 2015

	Note	**At 31 December 2015 £000**
Assets		
Non-current assets		
Other non-current financial assets	*3*	**735,000**
		735,000
Current assets		
Trade and other receivables	*4*	**130,105**
		130,105
Total assets		**865,105**
Equity and liabilities		
Equity		
Share capital	*7*	**300,000**
Share premium	*7*	**1**
Capital contribution	*8*	**60,000**
Retained losses	*8*	**(66,734)**
Total equity		**293,267**
Non-current liabilities		
Borrowings	*6*	**494,306**
		494,306
Current liabilities		
Trade and other payables	*5*	**77,532**
		77,532
Total liabilities		**571,838**
Total equity and liabilities		**865,105**

These financial statements were approved by the board of Directors on 22 March 2016 and were signed on its behalf by:

M Mugge
Director

The notes on pages 75 to 82 form part of these financial statements.

Company statement of changes in equity

	Share capital	Share premium	Capital contribution reserve	Retained losses	Total
	£000	£000	£000	£000	£000
At 5 February 2015	-	-	-	-	-
Loss for the period	-	-	-	(66,734)	(66,734)
Issue of share capital	300,000	1	-	-	300,001
Capital contribution	-	-	60,000	-	60,000
At 31 December 2015	300,000	1	60,000	(66,734)	293,267

The notes on pages 75 to 82 form part of these financial statements.

Notes to the Company balance sheet

1 Authorisation of financial statements and statement of compliance

TIG Finco Plc (the Company) was incorporated on the 5 February 2015 as TIG Finco Limited a private company limited by shares with registered number 09424525. It is incorporated and domiciled in the UK. The financial statements for the period ended 31 December 2015 were authorised for issue by the board of directors on 22 March 2016 and the balance sheet was signed on the board's behalf by M Mugge.

2 Accounting policies

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

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and were authorised for issue by the board on 22 March 2016.

The 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.

Under s408 of the Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account.

2.2 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 IFRS"), 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 Payments 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) 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.

Notes to the Company balance sheet *(continued)*

2.3 Going concern

The financial statements of the Company set out on pages 73 to 82 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 31 December 2015 the Company had net assets of £865.1m and net current assets of £52.6m. The net assets include an amount owed by group undertakings of £130.1m and an amount owed to group undertakings of £71.5m.

In reaching their view on preparation of the Company's financial statements on a going concern basis, the Directors have therefore considered any significant uncertainties facing the Company that existed at the balance sheet date of 31 December 2015 and subsequent actions and developments in the period up to the date of approval of these financial statements.

The Group sold the Towergate Financial business on 16 March 2015. As part of the sale the potential liabilities in relation to the advice given on the sale of ETV and UCIS remain with the Group. At the year end a provision has been recognised in relation to management's best estimate of future UCIS redress payments. However given the number of material uncertainties that continue to exist for ETV, it is not yet possible to make a reliable estimate of the Group's ultimate liability in connection with the ETV investigations. No provision has been recognised in this Company for the redress cost as this issue relates to the Towergate Financial Group of businesses only.

During Q1 2016 the Group secured two sources of additional funding totalling up to £65m from Highbridge. Binding heads of terms have been signed for both of these transactions. Details are as follows:

- Disposal of the entire issued share capital of The Broker Network Limited and Countrywide Insurance Management Limited, both wholly owned subsidiaries of the Group, and the assets of Broker Network Underwriting, a trading style of Towergate Underwriting Group Limited. The consideration for the acquisition shall be satisfied in part by the allotment to Towergate of approximately 19.9% of the shares (subject to adjustment) in the acquisition vehicle; and

- A five year facility from Highbridge secured by certain legacy assets of the Group.
  Both initiatives remain subject to appropriate consents and/or approvals and will result in a cash injection to the Group.

In addition to the above, the Group secured a short term loan facility from Highbridge for an amount of up to £28m which will result in a cash injection to the Group if it is drawn.

Proceeds from these initiatives will largely be applied towards an acceleration of the strategic investments in the group transformation plan.

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 Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Hence they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 Financial assets

Financial assets are initially measured at fair value plus directly attributable transaction costs. The Company's financial assets include other non-current assets and trade and other receivables.

(a) Other non-current assets represent investments in subsidiary undertakings. They are stated at cost less any provision for impairment for any diminution of value.

(b) Trade and other receivables represent amounts due from related parties in the form of a subordinated loan and associated interest income. They are stated at cost less any impairment.

2.5 Financial liabilities

Financial liabilities are initially measured at fair value plus directly attributable transaction costs. The Company's financial liabilities are trade and other payables.

(a) Trade and other payables represent amounts due to related parties. They are stated at cost.

Notes to the Company balance sheet *(continued)*

2.6 Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost using the effective interest rate method.

2.7 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.

3 Other non-current financial assets

	Shares in group undertakings £000
Cost (or valuation)	
Additions	735,000
At end of the period	735,000
Amounts provided or written off	
At end of the period	-
Net book value	
At 31 December 2015	735,000

The Company's shares in group undertakings at the period end in share capital comprise the following:

	Shareholding %	Principal activity
Towergate Insurance Limited	100	Holding company

4 Trade and other receivables

	At 31 December 2015 £000
Amounts owed by related parties – subordinated loan	122,000
Amounts owed by related parties – interest receivable	8,105
	130,105

The subordinated loan is to Towergate Insurance Limited, a subsidiary of the Company. The loan bears interest at a fixed rate of 8.85% per annum.

5 Trade and other payables

	At 31 December 2015 £000
Amounts owed to related parties	71,540
Interest payable	5,992
	77,532

Notes to the Company balance sheet *(continued)*

6 Borrowings

	At 31 December 2015 £000
Non current	
Senior secured notes	**425,000**
Floating rate super senior secured notes	**72,449**
Capitalised debt costs	**(3,143)**
	494,306

On 2 April 2015, the Company issued £425.0m of 8.75% senior secured notes and £75.0m of floating rate super senior secured notes at a discount of £3.0m. The notes are guaranteed by TIG Midco Limited (the immediate parent company of Finco) and by all of its material and certain other subsidiaries. The guarantor companies are listed in note 30, Contingent liabilities and commitments. Non-current borrowings mature on 2 April 2020.

The carrying amounts of the Group's borrowings are denominated in sterling.

Maturity of borrowings	At 31 December 2015 £000
Between two and five years	**497,449**
Less Capitalised debt costs	**(3,143)**
	494,306

The borrowings bear average interest rates of 8.71% annually.

The exposure of the borrowings of the Company to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

	6 months or less £000	Fixed rate £000	Capitalised debt costs £000	Total £000
At 31 December 2015	**72,449**	**425,000**	**(3,143)**	**494,306**

Notes to the Company balance sheet *(continued)*

6 Borrowings *(continued)*

Fair value of borrowings

Non-current borrowings:

The carrying amount of the quoted £75.0m of floating rate super senior secured notes do not differ materially from their fair values, as the floating rate interest rate formula is based on LIBOR that is contractually re-priced every six months or less.

The fair values of quoted non-current borrowings at fixed rates as of 31 December 2015 based on quoted market prices are as follows:

	At 31 December 2015 Carrying amount £000	Fair value £000
Senior secured notes	425,000	380,545
Floating rate super senior secured notes	72,449	77,187
	497,449	457,732

Undrawn borrowing facilities:

As at 31 December 2015, the Group has no undrawn facilities.

7 Share capital and premium

	At 31 December 2015 £000
Allotted, called up and fully paid shares	
Ordinary shares of £1 each	300,000

During the period, as part of the acquisition, 100 £0.01 ordinary shares were issued at a value of £1 per share. The 100 £0.01 ordinary shares were converted to 1 £1 share and an additional 299,999,998 £1 shares were issued.

	Ordinary shares £000	Total share capital £000	Share premium £000	Total £000
At 5 February 2015	-	-	-	-
Issue of shares	300,000	300,000	1	300,001
At 31 December 2015	300,000	300,000	1	300,001

Notes to the Company balance sheet *(continued)*

8 Reserves

	Capital contribution reserve £000	Retained losses £000
Loss for the period	-	(66,734)
Capital contribution	60,000	-
At 31 December 2015	60,000	(66,734)

9 Related party transactions

(a) Transactions and balances with entities that form part of the group

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

(b) Remuneration of directors

	2015 £000
Aggregate emoluments	2,168
Company contributions to money purchase pension scheme	22
	2,190

The aggregate emoluments of the highest paid Director were £1.4m and company pension contributions of £0.02m were made to a money purchase scheme on their behalf.

	2015
Retirement benefits are accruing to the following number of Directors under:	
Money purchase schemes	-

All Directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

(c) Other
There have been a number of post balance sheet events with related parties. Please refer to note 12.

Notes to the Company balance sheet *(continued)*

10 Contingent liabilities

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	The Broker Network 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	Paymentshield Group Holdings Limited
Protectagroup Acquisitions Limited	Towergate Underwriting Group Limited
Protectagroup Holdings Limited	Towergate Insurance Limited

Enhanced Transfer Values (ETV) and Unregulated Collective Investment Schemes (UCIS)

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

Given the number of material uncertainties that exist around ETV redress, it is not yet possible to make a reliable estimate of the Group's ultimate liability. However, purely for the purposes of developing business plans and cash flow projections for the Group, it has adopted a range of £45.0m to £65.0m in potential redress costs, excluding costs and expenses. This range is consistent with previous disclosures. However during the period £19.8m has now been recognised as management's best estimate in respect of future obligations to pay redress costs. Therefore the range previously disclosed in respect of both UCIS and ETV combined (£65.0m to £85.0m) remains unchanged. For UCIS see note 20 to the consolidated financial statements *"Provisions for other liabilities and charges"*).

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

Recoveries

Recoveries may be available in respect of ETV & UCIS, either from third parties or under the Group's insurance arrangements, both of which the Group continues to pursue. The maximum recoverable amount under insurance arrangements is £12m in addition to costs, although the ultimate extent and timing of any recovery remains uncertain.

Notes to the Company balance sheet *(continued)*

11 Ultimate parent company

On 2 April 2015, Highbridge Principal Strategies LLC became the Group's majority shareholder when its investment in Sentry Holdings Limited (incorporated in Jersey) acquired a direct interest in TIG Topco Limited (incorporated in Jersey). At 31 December 2015, the ultimate parent company was Sentry Holdings Limited.

These consolidated financial statements are available upon request from:

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN

12 Post balance sheet events

Additional funding
During Q1 2016 the Company secured two sources of additional funding totalling up to £65m from Highbridge. Binding heads of terms have been signed for both of these transactions. Details are as follows:

- Disposal of the entire issued share capital of The Broker Network Limited and Countrywide Insurance Management Limited, both wholly owned subsidiaries of the Group, and the assets of Broker Network Underwriting, a trading style of Towergate Underwriting Group Limited. The consideration for the acquisition shall be satisfied in part by the allotment to Towergate of approximately 19.9% of the shares (subject to adjustment) in the acquisition vehicle; and

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