

**Priestley & Partners (Insurance)
Brokers Limited**

Directors' report and financial
statements

Registered number 01278058

31 December 2010

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2010

Principal activities and business review

The results for Priestley & Partners (Insurance) Brokers Limited ("the Company") show a pre-tax profit £2,240,825 (2009 £104,284) for the year and turnover of £nil (2009 £1,136,074). The Company has net assets of £3,138,782 (2009 £866,923).

On 1st January 2010, the trade of the company and its trading net assets were sold to Towergate Underwriting Group Limited for a consideration of £2,242,696. The company therefore ceased to trade on that date. As a result, the company incurred exceptional costs of £126,102 in relation to the business restructure prior to the sale, in the prior year. In addition, the trades and trading net assets of Broker Network Insurance Brokers Limited and Sullivan Garrett Limited were also sold for consideration of £16,113,628 and £1,050,302 respectively.

The company did not trade in the year. The principal activity of the company during the prior period was the operation of retail insurance broking.

Discussion on the consolidated results of Towergate Partnership Limited group of companies ("the Group"), which includes the Company, can be found in the Chairman's Statement and the Operating and Financial Review in the Group's annual report which does not form part of this report.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are now integrated with the principal risks of the Towergate Partnership Limited group and are not managed separately. Accordingly, the principal risks and uncertainties of the Towergate Partnership Limited, which include those of the company, are discussed in the group's annual report which does not form part of this report.

Key performance indicators

The directors of Towergate Partnership Limited manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Priestley & Partners (Insurance) Brokers Limited. The development, performance and position of Towergate Partnership Limited, which includes the company, is discussed in the group's annual report which does not form part of this report.

Political and charitable contributions

The company made charitable contributions of £nil (2009 £100) and political contributions of £nil (2009 £nil) during the year.

Proposed dividend

An interim dividend of £nil was paid during the year (2009 £nil).

Directors

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

PG Ellis
R Shannon

Directors' report *(continued)*


Disclosure of information to auditors

The directors who held office at the date of approval of this directors' 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 a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be appointed and KPMG Audit Plc will therefore continue in office

By order of the board


NJ Gifford
Company Secretary
15 April 2011

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

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

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



KPMG Audit Plc

1 The Embankment
Neville Street
Leeds LS1 4DW
United Kingdom

Independent auditor's report to the members of Priestley & Partners (Insurance) Brokers Limited

We have audited the financial statements of Priestley & Partners (Insurance) Brokers Limited for the year ended 31 December 2010 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB'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 APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

AJ Sills (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
1 The Embankment
Neville Street
Leeds LS1 4DW

18 April 2011

Profit and loss account
for the year ended 31 December 2010

	<i>Note</i>	2010 £	2009 £
Turnover	2	-	1 136 074
Administrative expenses			
- Recurring		-	(907,141)
- Exceptional items		-	(126 102)
		-	(1,033,243)
Operating profit		-	102 831
Interest receivable and similar income		-	1 453
Profit on disposal of trade and assets		2,240,825	-
Profit on ordinary activities before taxation	3	2,240,825	104 284
Tax on profit on ordinary activities	5	31,034	(81,516)
Profit for the financial year	12,13	2,271,859	22,768

The Company has no recognised gains or losses other than the profits and losses shown above and therefore no separate statement of total recognised gains and losses has been presented

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

The Company ceased to trade on 1 January 2010 and as such the prior year results represent discontinued operations

The notes on pages 7 to 13 form part of these financial statements

Balance sheet
at 31 December 2010

	Note	2010 £	£	2009 £	£
Fixed assets					
Tangible assets	6		-		1,871
Investments	7		-		1,020
			-		2,891
Current assets					
Debtors	8	3,091,450		1,570,956	
Cash at bank and in hand		144,859		87,412	
		3,236,309		1,658,368	
Creditors: amounts falling due within one year	9	(89,434)		(670,734)	
Net current assets			3,146,875		987,634
Total assets less current liabilities			3,146,875		990,525
Provisions for liabilities and charges	10		(8,093)		(123,602)
Net assets			3,138,782		866,923
Capital and reserves					
Called up share capital	11		25,000		25,000
Profit and loss account	12		3,113,782		841,923
Equity shareholders' funds	13		3,138,782		866,923

The notes on pages 7 to 13 form part of these financial statements

These financial statements were approved by the board of directors on 15 April 2011 and were signed on its behalf by



R Shannon
Director

Company registered number 01278058

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and under historical cost accounting rules

As the Company is a wholly owned subsidiary of a company incorporated in Great Britain, the Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

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

As the company is a wholly owned subsidiary of Towergate Partnership Limited the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Towergate Partnership Limited within which the company is included, can be obtained from the address given in note 15.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Fixed assets and depreciation

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

Computer equipment	- 25% per annum
Office equipment	- 20% per annum

Leases

Assets acquired under finance leases and similar hire purchase contracts are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The company operates a group personal pension plan, a defined contribution scheme. The pension cost is the amount of contributions payable in respect of the accounting period. The company provides no further post retirement benefits to its employees.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover represents commissions received on the arrangement of insurance policies. Turnover is recognised when it falls due.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Profit on ordinary activities before taxation

	2010 £	2009 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration	-	5,000
- audit of these financial statements	-	49,718
Depreciation - owned fixed assets	-	49,350
Operating lease rentals	-	250
- land and buildings	-	126,102
- other	-	-
Exceptional items	-	-
Profit on disposal of trade and assets	(2,240,825)	-

In the prior year exceptional costs related to a restructure of the business prior to the sale of the trade and assets.

On 1st January 2010, the trade of the company and its trading net assets were sold to Towergate Underwriting Group Limited for a consideration of £2,242,696. This resulted in a profit on disposal of £2,240,825.

The current year audit fee has been borne by another group company.

4 Staff numbers and costs

The average number of persons employed by the company during the year, analysed by category, was as follows:

	Number of employees 2010	Number of employees 2009
Administration	-	14

The aggregate payroll costs of these persons were as follows:

	2010 £	2009 £
Wages and salaries	-	421,459
Social security costs	-	49,969
Other pension costs	-	23,824
	-	495,252

All directors who served during the year were remunerated by other group undertakings. No charge has been made in these financial statements for their services as directors of the Company.

Notes (continued)

5 Taxation

Analysis of charge in period:

	2010 £	2009 £
UK corporation tax		
Current tax on profit for the year	-	75,979
Adjustments in respect of prior year	(31,034)	5,537
	<hr/>	<hr/>
Total current tax	(31,034)	81,516
Deferred tax on profit for the year	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	(31,034)	81,516
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2009 higher) than the standard rate of corporation tax in the UK 28% (2009 28%). The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	2,240,825	104,284
	<hr/>	<hr/>
Current tax at 28% (2009 28%)	627,431	29,200
Expenses not deductible for tax purposes	-	1,596
Movements in general provisions	-	33,208
Depreciation in excess of capital allowances	-	11,975
Profit on disposal of trade and assets	(627,431)	-
	<hr/>	<hr/>
Current tax charge for the year	-	75,979
	<hr/>	<hr/>

The Budget on 23 March 2011 announced that the UK corporation tax rate will reduce from 28% to 23% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 26% will be effective from 1 April 2011. This will reduce the company's future current tax charge.

Notes (continued)

6 Tangible fixed assets

	Office equipment £	Computer equipment £	Total £
Cost			
At beginning of year	45,993	91,513	137,506
Disposals	(45,993)	(91,513)	(137,506)
	<hr/>	<hr/>	<hr/>
At end of year	-	-	-
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At beginning of year	45,993	89,642	135,635
Charge for the year	-	-	-
Disposals	(45,993)	(89,642)	(135,635)
	<hr/>	<hr/>	<hr/>
At end of year	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2010	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2009	-	1,871	1,871
	<hr/>	<hr/>	<hr/>

7 Investments

	£
Cost (or valuation)	
At beginning of year	1,020
Disposals	(1,020)
	<hr/>
At end of year	-
	<hr/>

8 Debtors

	2010 £	2009 £
Prepayments and accrued income	-	15,281
Amounts due from group undertakings	3,091,450	841,501
Other debtors	-	202,047
In relation to insurance transactions	-	512,127
	<hr/>	<hr/>
	3,091,450	1,570,956
	<hr/>	<hr/>

Notes (continued)

9 Creditors: amounts falling due within one year

	2010	2009
	£	£
In relation to insurance transactions	-	512,127
Taxation and social security	-	11,847
Other creditors	17,768	3,995
Amounts owed to group undertakings	44,945	-
Corporation tax	-	75,979
Accruals and deferred income	26,721	66,786
	89,434	670,734

10 Provisions for liabilities and charges

	Other provisions
	£
At beginning of year	123,602
Transferred to group companies	(115,509)
At end of year	8,093

11 Called up share capital

	2010	2009
	£	£
<i>Allotted, called up and fully paid</i>		
2,500,000 Ordinary shares of £0.01 each	25,000	25,000

12 Reserves

	Profit and loss account
	£
At beginning of year	841,923
Profit for the financial year	2,271,859
At end of year	3,113,782

Notes (continued)

13 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit for the financial year	2,271,859	22,768
Net addition to shareholders' funds	2,271,859	22,768
Shareholders' funds at beginning of year	866,923	844,155
Shareholders' funds at end of year	3,138,782	866,923

14 Obligations under operating leases

Annual commitments under non-cancellable operating leases are as follows

	2010 Land & buildings £	2010 Other £	2009 Land & buildings £	2009 Other £
Operating leases which expire				
Within one year	-	-	49,350	250
Within two to five years	-	-	-	-
Over five years	-	-	-	-
	-	-	49,350	250

15 Ultimate parent company and controlling parts

The Company's immediate parent company is Broker Network Insurance Brokers Limited and ultimate parent company was Towergate Partnership Limited. Both the immediate and ultimate parent companies are incorporated in England and Wales.

The consolidated financial statements of the ultimate parent company are available to the public and may be obtained from

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent ME14 3EN

The ultimate parent company was changed following the group restructure on 11 February 2011 (see note 16)

At 31 December 2010 Mr PG Cullum, the Chairman, was the controlling party by virtue of his controlling interest in the parent Company's equity capital. Mr PG Cullum ceased to be the controlling party on 11 February 2011 (see note 16)

Notes (continued)

16 Post Balance Sheet Event

On 11th February 2011 the following transactions were completed

- A new ultimate holding company, Towergate Partnershipco Limited, was created in which Advent International invested £200m
- The existing ordinary shareholders of Towergate Partnership Limited exchanged their shares for shares in Towergate Partnershipco Limited
- Towergate Partnership Limited and its subsidiary companies repaid all of the existing bank debt facilities outstanding at that date
- The Preference Shares and Junior Preferred Ordinary shares previously issued by Towergate Partnership Limited were redeemed in full
- Towergate Partnership Limited, through one of its subsidiary companies, Towergate Finance Plc, issued a Senior Secured Note and a Senior Note totalling £520m
- Towergate Finance Plc also put in place new loan facilities of £410m led by Lloyds Banking Group plc and supported by a syndicate of banks. Of the facility £90m was not drawn at close
- Towergate Partnership Limited, through one of its subsidiary companies, acquired 100% of the shares of Countrywide Limited and PowerPlace Limited from Broomco (4099) Limited

As a result of the restructure of the group's debt facilities Towergate Finance Plc is the new borrower of the group's debt and Towergate Partnership Limited is now outside of the debt security arrangements

A guarantee and debenture has been granted over the shares and assets of Towergate Finance Plc in favour of the lenders to the £410m loan facility and the Senior Secured noteholders (the "Secured Parties") under the terms of which all monies due or which may become due from Towergate Finance Plc, or other group companies listed below, to the Secured Parties are guaranteed. The group companies involved principally are

Towergate Finance plc
Towergate Holdings II Limited
Towergate Holdco Limited
Fusion Insurance Holdings Limited
Fusion Insurance Services Limited
The Hayward Holding Group Limited
Hayward Aviation Limited
Paymentshield Group Holdings Limited
Paymentshield Holdings Limited
Paymentshield Limited
Broker Network Holdings Limited
The Broker Network Limited
The TF Bell Group Limited
TF Bell Holdings Limited
Townfrost Limited
Towergate Underwriting Group Limited
Towergate Risk Solutions Limited
Towergate London Market Limited
Oyster Risk Solutions Limited
TL Risk Solutions Limited

Following the group restructure Broker Network Insurance Brokers Limited remained the immediate parent company and Towergate Partnershipco became the ultimate parent company. Mr PG Cullum ceased to be the controlling party of the group.