

**Towergate Underwriting Group Limited**

**Directors' report and financial statements  
for the year ended 31 December 2008  
Registered number 4043759**



## **Directors' report and financial statements**

### **Contents**

Directors' report	3-5
Statement of directors' responsibilities	6
Report of the independent auditor to the members of Towergate Underwriting Group Limited	7-8
Profit and loss account	9
Balance sheet	10
Reconciliation of movements in shareholder's funds	11
Notes	12-25

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

### **Principal activities and business review**

The results for Towergate Underwriting Group Limited ("the Company") show profits before tax and amortisation of goodwill of £21.9m (2007: £27.2m) and a pre-tax loss after amortisation of £1.3m (2007: profit £5.3m) for the year. The Company has net assets of £458m (2007: £438m).

The principal activity of the Company during the year was the provision of insurance intermediary services. The Company's business comprises specialist insurance underwriting agencies and brokers in both standard and non-standard general insurance and broking sectors.

The performance of the Company's business as a whole during 2008, when adjusted for acquisitions and disposals, was strong and is expected to continue to be so.

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.

### **Future outlook**

The insurance market is currently experiencing rate reductions in some classes of business. We expect market conditions to remain unchanged through 2009. We anticipate the Company will continue to perform satisfactorily in this period including continuance of the acquisition programme which has been followed for many years.

### **Principal risks and uncertainties**

The Company runs an embedded risk management culture which endeavours to identify and manage all business risks. This is documented in the Company risk register which is considered by the Risk and Compliance Committee and the Board on a quarterly basis. The principal risks to the Company and their mitigation are discussed below.

#### Market

The insurance market is cyclical and the rates charged for cover may rise or fall through the cycle. An extended period of flat or falling rates may impact the Company's income. The Company mitigates this risk by having a very wide range of insurance products distributed through a number of different channels.

#### Underwriting Capacity

The Company is reliant on insurers providing underwriting capacity and products. A withdrawal of capacity and products may impact the Company's income. The Company manages this risk by maintaining a close relationship with a number of different insurance partners. The Company has a long track record of generating profitable returns to its insurers from underwriting and broking activities.

#### Recruitment and retention of talent

Our people are our most important asset. An important aspect of our competitiveness is our ability to attract and retain high quality people. We believe that our owner-manager culture, competitive remuneration packages and offering all employees a share in the value of Towergate provides the necessary tools to enable to attract and retain key staff.

## **Directors' report (continued)**

### Regulatory environment

Towergate's insurance intermediary activities are regulated by the Financial Services Authority (FSA). Changes to regulations, interpretations of existing regulations or failure to obtain required regulatory approvals could restrict our ability to operate. We maintain a strong relationship with the FSA and participate in early consultations to ensure that we are proactive in responding to changes in regulations. The Company compliance function exists to ensure that all relevant regulations are complied with.

### Financial

The Company is exposed to interest rate risk as it holds large amounts of cash and deposits on which it earns interest income. As almost all of the Company's trading is transacted in sterling the Company has negligible foreign exchange exposure.

### **Political and charitable contributions**

The company made charitable contributions of £47,439 (2007: £32,120) and political contributions of £nil (2007: £nil) during the year.

### **Proposed dividend**

A final dividend of £nil was paid during the year (2007: £5,000,000).

### **Directors**

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

PG Cullum	
AC Homer	
A Proverbs	
JM Carruthers	
K Maciver	
TD Philip	
CA Nathan	
AJ Blanc	
IWJ Patrick	
D Clark	(appointed 01 October 2008)
P Snowball	(resigned 02 June 2008)
J Reddi	(resigned 01 October 2008)
PF Dyer (non-executive)	
DWW Torrance (non-executive)	
MSJ Sims (non-executive)	
KJ Wallace (non-executive)	

## **Directors' report (continued)**

### **Employment policies**

The Company is committed to the participation and involvement of employees in the Company's business and to facilitating their personal development to its maximum potential.

Communication with employees concerning the objectives and performance of the Company is conducted through personal briefings and regular meetings, complemented by employee publications and presentations. Feedback is continually sought from staff on a variety of business, management and human resources issues. These communication tools provide employees with the opportunity to contribute to the everyday running of the business and to support the achievement of the Company's vision and business strategy.

It is the policy of the Company to give full and fair consideration to suitable applications for employment from disabled persons. Opportunities also exist for employees of the Company who become disabled to continue in their employment or to be trained for other positions within the Company.

### **Creditor policies**

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

### **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



**TD Philip**  
Director

*Date: 13 July 2009*

## **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.

The financial statements are required by law to 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 proper accounting records that 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditors' report to the members of Towergate Underwriting Group Limited**

We have audited the financial statements of Towergate Underwriting Group Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

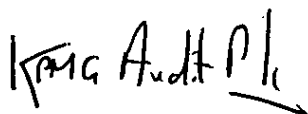
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of Towergate Underwriting Group Limited** *(continued)*

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
8 Salisbury Square  
London  
EC4Y 8BB

13 July 2009



## **Profit and Loss Account** **for the year ended 31 December 2008**

	<i>Note</i>	2008 £	2008 £	2007 £	2007 £:
<b>Turnover</b>					
Continuing operations	2	204,572,765		206,395,064	
Acquisitions	2	5,096,814		9,077,448	
Discontinued operations	2	339,894		262,343	
		<hr/>		<hr/>	
			210,009,473		215,734,855
Amortisation of goodwill	8	(23,154,579)		(21,919,320)	
Administrative expenses		(196,903,628)		(195,221,300)	
		<hr/>		<hr/>	
<b>Operating (loss)/profit</b>					
Continuing operations		(12,349,260)		(3,575,624)	
Acquisitions		2,243,538		2,267,656	
Discontinued operations		56,988		(97,797)	
		<hr/>		<hr/>	
			(10,048,734)		(1,405,765)
Profit/(loss) on disposal of portfolio		1,950,241		(124,168)	
		<hr/>		<hr/>	
<b>(Loss) on ordinary activities before interest</b>	3	(8,098,493)		(1,529,933)	
Other interest receivable and similar income		6,839,043		6,920,059	
Interest payable and similar charges	6	(6,702)		(111,644)	
		<hr/>		<hr/>	
<b>(Loss)/profit on ordinary activities before taxation</b>		(1,266,152)		5,278,482	
Tax on profit on ordinary activities	7	(5,774,928)		(9,800,104)	
		<hr/>		<hr/>	
<b>Retained (loss) for the financial year</b>		(7,041,080)		(4,521,622)	
		<hr/>		<hr/>	

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 notes on pages 12 to 25 form part of these financial statements.

## Balance Sheet as at 31 December 2008

	<i>Note</i>	2008 £	2008 £	2007 £	2007 £
<b>Fixed assets</b>					
Intangible assets	8	397,433,395		392,862,057	
Tangible assets	9	22,936,938		21,004,163	
Investments	10	81,648		77,284	
			<b>420,451,981</b>		<b>413,943,504</b>
<b>Current assets</b>					
Debtors	11	148,663,807		124,144,393	
Cash at bank and in hand	12	102,627,592		133,514,888	
			<b>251,291,399</b>		<b>257,659,281</b>
<b>Creditors: amounts falling due within one year</b>	13	<b>(208,877,848)</b>		<b>(229,621,218)</b>	
<b>Net current assets</b>			<b>42,413,551</b>		<b>28,038,063</b>
<b>Total assets less current liabilities</b>			<b>462,865,532</b>		<b>441,981,567</b>
<b>Creditors: amounts falling due after more than one year</b>	14		<b>(514,480)</b>		<b>(724,752)</b>
<b>Provisions for liabilities and charges</b>	15		<b>(3,972,018)</b>		<b>(3,747,426)</b>
<b>Net assets</b>			<b>458,379,034</b>		<b>437,509,389</b>
<b>Capital and reserves</b>					
Called up share capital	19		<b>468,430,756</b>		<b>440,520,031</b>
Profit and loss account	20		<b>(10,567,364)</b>		<b>(3,526,284)</b>
Other Reserves	20		<b>515,642</b>		<b>515,642</b>
<b>Equity shareholders' funds</b>			<b>458,379,034</b>		<b>437,509,389</b>

The notes on pages 12 to 25 form part of these financial statements.

These financial statements were approved by the board of directors on 13 July 2009 and were signed on its behalf by:



**TD Philip**  
Director

**Reconciliation of movements in shareholders' funds  
For the year ended 31 December 2008**

	2008 £	2007 £
<b>(Loss) for the financial year</b>	<b>(7,041,080)</b>	<b>(4,521,622)</b>
Increase in share capital	27,910,725	32,906,994
Dividends	-	(5,000,000)
<b>Net increase in shareholders' funds</b>	<b>20,869,645</b>	<b>23,385,372</b>
Opening shareholders' funds	437,509,389	414,124,017
<b>Closing shareholders' funds</b>	<b>458,379,034</b>	<b>437,509,389</b>

## **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 company's 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 s228 of the Companies Act 1985 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 this Company is included, can be obtained from the address given in note 23.

#### **Intangible assets**

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on acquisition is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. This is generally taken as twenty years.

#### **Tangible fixed assets and depreciation**

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

Leasehold improvements	-	over the remaining life of the lease
Computer equipment	-	25% per annum
Fixtures and fittings	-	15% per annum or 6 years
Furniture and equipment	-	20% per annum
Motor vehicles	-	25% per annum

No depreciation is provided on freehold land and buildings.

#### **Leases**

Assets acquired under finance leases 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.

## **Notes (Continued)**

### **1 Accounting policies (continued)**

#### **Post retirement benefits**

Towergate Partnership Limited operates a defined contribution pension scheme, which is open to employees of the Company. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

#### **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.

#### **Turnover**

Turnover comprises net commission receivable on business incepting up to the year end. To the extent that the Company is contractually obliged to provide services after this date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts to ensure that revenue appropriately reflects the cost of fulfilment of these obligations. Profit commission is recognised when notified.

#### **Insurance transactions, client money and insurer money**

The company records on its balance sheet amounts due to and from clients and insurers, and money held on behalf of clients and insurers in relation to the insurance transactions that the company handles on behalf of those parties. In accordance with the requirements of the Financial Services Authority, client money is held in bank accounts governed by Trust Deeds established for the benefit of such clients. Insurer money is held in accordance with the agreements in place between the insurer and the company. Amounts held in trust cannot be called upon on insolvency of the company, however interest received on all of these cash balances is recognised and reflected as revenue in these financial statements as the company has the right to such interest in accordance with the terms of business agreed with clients and insurers. The cash at bank balances presented in these financial statements represents the aggregation of the money held for the benefit of the company, clients and insurers.

### **2 Turnover**

Turnover consists entirely of sales made in the United Kingdom.

## Notes (Continued)

### 3 Loss on ordinary activities before taxation

	2008 £	2007 £
<b>Loss on ordinary activities before interest is stated after charging:</b>		
Auditors' remuneration:		
- Audit of these financial statements	465,624	414,305
Depreciation:		
- Owned	7,998,304	7,380,080
- Leased	347,283	370,932
Operating lease rentals		
- Land and buildings	8,810,156	6,545,218
- Other	1,075,059	1,232,759
Loss on disposal of fixed assets	226,152	78,269

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

### 4 Remuneration of directors

The emoluments of all directors of the company are paid by Towergate Partnership Limited. The directors of Towergate Underwriting Group Limited are directors of the ultimate parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, no details are included for emoluments in respect of the directors. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the ultimate parent company.

### 5 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 2008	Number of employees 2007
Administration	2,713	2,390

The aggregate payroll costs of these persons were as follows:

	2008 £	2007 £
Wages and salaries	77,332,357	73,091,972
Social security costs	7,846,991	7,634,245
Pension costs	3,678,614	3,447,731
	<u>88,857,962</u>	<u>84,173,948</u>

## Notes (Continued)

### 6 Interest payable and similar charges

	2008 £	2007 £
Bank loans and overdrafts	758	-
Finance charges re finance leases and hire purchase contracts	2,678	42,615
Interest on overdue tax	550	64,486
On other loans	2,716	4,543
	<u>6,702</u>	<u>111,644</u>

### 7 Taxation

	2008 £	2007 £
UK Corporation tax at 28.5% (2007: 30%)	6,203,991	8,658,143
Deferred taxation	-	(48,217)
Adjustments in respect of prior periods	(429,063)	1,190,178
	<u>5,774,928</u>	<u>9,800,104</u>

The current tax charge for the year is higher (2007: higher) than the standard rate of corporation tax of 28.5% (2007: 30%). The differences are explained below.

	2008 £	2007 £
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	(1,266,152)	5,278,482
Current tax at 28.5% (2007: 30%)	(360,853)	1,583,545
Effects of:		
Expenses not deductible for tax purposes	158,921	202,972
Amortisation	6,527,805	6,493,438
Profit on disposal of portfolios	(718,037)	-
Depreciation in excess of capital allowances	596,155	378,188
	<u>6,203,991</u>	<u>8,658,143</u>

Current and future tax charges are affected by the degree to which amortisation of goodwill is not allowable for tax purposes and entertaining is disallowed.

## Notes (Continued)

### 8 Intangible fixed assets

	<b>Purchased Goodwill</b>	<b>Businesses purchased from Towergate group companies</b>		<b>Total Goodwill</b>
		<b>Recognised</b>	<b>Not previously recognised</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>				
At beginning of the year	13,642,481	72,467,621	365,000,365	451,110,467
Additions	3,953,729	301,533	27,609,192	31,864,454
Disposals	(860,949)	(465,508)	(3,706,492)	(5,032,949)
At end of year	16,735,261	72,303,646	388,903,065	477,941,972
<b>Amortisation</b>				
At beginning of the year	3,373,751	8,350,356	46,524,303	58,248,410
Disposals	(60,012)	(93,102)	(741,298)	(894,412)
Charged in year	810,662	3,605,172	18,738,745	23,154,579
At end of year	4,124,401	11,862,426	64,521,750	80,508,577
<b>Net Book Value</b>				
<b>At 31 December 2008</b>	<b>12,610,860</b>	<b>60,441,220</b>	<b>324,381,315</b>	<b>397,433,395</b>
At 31 December 2007	10,268,730	64,117,265	318,476,062	392,862,057

All goodwill arising on acquisition is amortised over a twenty-year period.



## Notes (Continued)

### 9 Tangible fixed assets

	Leasehold Improvements £	Motor Vehicles £	Computer equipment £	Furniture & equipment £	Fixtures & Fittings £	Total £
<b>Cost</b>						
At beginning of year	2,772,105	489,254	32,379,460	5,090,702	4,505,389	45,236,910
Reclassification	-	-	62,308	28,148	(90,456)	-
Additions from Towergate Group Companies	27,990	115,156	450,957	243,511	94,416	932,030
Additions	508,284	-	6,649,408	279,637	2,870,952	10,308,281
Disposals	(60,453)	(300,311)	(3,612,702)	(191,208)	(197,488)	(4,362,162)
At end of year	3,247,926	304,099	35,929,431	5,450,790	7,182,813	52,115,059
<b>Depreciation</b>						
At beginning of year	832,991	348,097	17,331,947	3,267,146	2,452,566	24,232,747
Reclassification	-	3,570	35,343	24,866	(63,779)	-
Additions from Towergate Group Companies	8,668	34,031	305,182	178,423	77,455	603,759
Depreciation on disposals	(29,215)	(260,033)	(3,486,399)	(149,742)	(78,583)	(4,003,972)
Charge for year	299,425	75,994	6,661,339	553,381	755,448	8,345,587
At end of year	1,111,869	201,659	20,847,412	3,874,074	3,143,107	29,178,121
<b>Net book value</b>						
At 31 December 2008	2,136,057	102,440	15,082,019	1,576,716	4,039,706	22,936,938
At 31 December 2007	1,939,114	141,157	15,047,513	1,823,556	2,052,823	21,004,163

Included above are assets held under finance leases and hire purchase contracts as follows:

	2008 £	2007 £
<b>Net book value</b>		
Motor vehicles	8,270	84,615
Furniture & equipment	137	170,542
Computer equipment	641,871	914,165
	650,278	1,169,322
<b>Depreciation charged during year</b>		
Motor vehicles	27,524	62,292
Furniture & equipment	4,948	28,966
Computer equipment	314,811	279,674
	347,283	370,932

## Notes (Continued)

### 10 Investments

	Unlisted Investments £	Shares in Group Undertakings £	Investment properties overseas £	Total £
<b>Company</b>				
<b>Cost (or valuation)</b>				
At beginning of year	50,099	21,985	17,203	89,287
Additions from Towergate Group Companies	6,650	-	-	6,650
Disposals	(2,286)	-	-	(2,286)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	54,463	21,985	17,203	93,651
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Provisions</b>				
At beginning of year	-	-	(12,003)	(12,003)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	-	(12,003)	(12,003)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2008	54,463	21,985	5,200	81,648
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	50,099	21,985	5,200	77,284
	<hr/>	<hr/>	<hr/>	<hr/>

The undertakings in which the company's interest at the year end is more than 20% are as follows:

	Country of Incorporation	Principal activity
Carrington International Insurance Brokers Limited	England	Dormant
Dickinson General Insurance Services Limited	England	Dormant
Highland & Islands Insurance Services Limited	England	Dormant
Towergate Stafford Knight Insurance Services Limited	England	Dormant

Except where indicated 100% of the voting rights are held directly or indirectly by Towergate Underwriting Group Limited. All subsidiary undertakings have the same period end as Towergate Underwriting Group Limited.

## Notes (Continued)

### 11 Debtors

	2008 £	2007 £
Insurance debtors	114,852,661	113,516,994
Amounts owed by group undertakings	26,001,722	1,933,813
Other debtors	2,623,118	3,218,440
Prepayments and accrued income	5,186,306	5,475,146
	<u>148,663,807</u>	<u>124,144,393</u>

### 12 Cash at bank and in hand

Cash at bank includes £66,090,106 (2007: £73,562,807) which constitutes client money and is not available to pay the general debts of the group.

### 13 Creditors: amounts falling due within one year

	2008 £	2007 £
Insurance creditors	146,850,222	151,247,497
Amounts owed to group undertakings	19,322,478	35,310,971
Corporation tax	14,777,071	13,555,674
Taxation and social security	2,236,732	2,441,995
Other creditors	7,331,201	6,829,986
Accruals and deferred income	16,539,504	18,691,728
Deferred consideration	1,534,868	1,136,933
Obligations under finance leases and hire purchase contracts	285,772	406,434
	<u>208,877,848</u>	<u>229,621,218</u>

### 14 Creditors: amounts falling due after one year

	2008 £	2007 £
Obligations under finance leases and hire purchase contracts	<u>514,480</u>	<u>724,752</u>

## Notes (Continued)

### 15 Provisions for liabilities and charges

	Deferred tax provision £	FRS 5 Provision for future claims handling expenses £	Total £
At beginning of year	411,570	3,335,856	3,747,426
Additions from Towergate Group Companies	14,405	20,897	35,302
Charge to the profit and loss account for the year	-	189,290	189,290
	<hr/>	<hr/>	<hr/>
At end of year	425,975	3,546,043	3,972,018
	<hr/>	<hr/>	<hr/>

### 16 Acquisitions (net assets)

On the dates shown the Company acquired the book of business from various Towergate group companies as detailed below. The consideration initially was left outstanding on the intercompany account and has subsequently been satisfied in full.

	Date of Acquisition	Total Assets £	Liabilities £	Net Assets £	Goodwill £	Consideration £
HMG Online Limited	31/03/08	703,226	(703,226)	-	10,000,000	10,000,000
Insurance 4 Car Hire Agents Limited	31/03/08	1,433,764	(1,433,764)	-	-	-
McAra Associates Limited	31/03/08	686,189	(686,189)	-	1,225,725	1,225,725
Woodgate & Partners Limited	31/07/08	2,675,864	(2,675,864)	-	4,035,000	4,035,000
MacDonald Reid Scott Insurance Brokers Limited	31/08/08	1,566,036	(1,566,036)	-	2,500,000	2,500,000
GHBC Limited	30/09/08	2,315,164	(2,315,164)	-	10,150,000	10,150,000
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		9,380,243	(9,380,243)	-	27,910,725	27,910,725
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Satisfied by intercompany account subsequently settled

27,910,725

## **Notes (Continued)**

### **17 Acquisitions (fair value)**

The book value of the assets and liabilities acquired may be analysed as follows. No fair value adjustments arose in relation to tangible assets and liabilities.

	<b>Tangible assets £</b>	<b>Invest- ments £</b>	<b>Debtors £</b>	<b>Cash at bank and in hand £</b>	<b>Creditors due within one year £</b>	<b>Provisions for liabilities and charges £</b>	<b>Net assets £</b>
HMG Online Limited	-	-	148,889	554,337	(703,226)	-	-
Insurance 4 Car Hire Agents Limited	107,601	-	907,326	418,837	(1,421,876)	(11,888)	-
McAra Associates Limited	29,322	-	246,341	410,526	(685,231)	(958)	-
Woodgate & Partners Limited	75,504	-	895,795	1,704,565	(2,675,864)	-	-
MacDonald Reid Scott Insurance Brokers Limited	57,812	3,500	875,904	628,820	(1,566,036)	-	-
GHBC Limited	27,549	3,150	1,322,698	961,767	(2,294,267)	(20,897)	-
	<b>297,788</b>	<b>6,650</b>	<b>4,396,953</b>	<b>4,678,852</b>	<b>(9,346,500)</b>	<b>(33,743)</b>	<b>-</b>

The results for the period attributable to acquired operations is shown on the face of the profit and loss account as acquisitions.

## **Notes (Continued)**

### **18 Disposals**

The following portfolios were disposed of during the year.

	<b>Proceeds £</b>	<b>Date of disposal</b>
Towergate Sport and Leisure	<b>8,714,430</b>	01 January 2008
TRS Cardiff	<b>1,462,891</b>	31 March 2008

During the year there was a reduction in the previously recognised proceeds of prior year disposals of £460,870.

The net assets disposed of with these portfolios were as follows:

	<b>2008 £</b>	<b>2007 £</b>
<b>Tangible assets</b>	<b>85,586</b>	-
<b>Investments</b>	-	-
<b>Debtors</b>	<b>1,447,435</b>	-
<b>Cash</b>	<b>3,894,027</b>	-
<b>Total assets</b>	<b>5,427,048</b>	-
<b>Creditors</b>	<b>(1,794,316)</b>	-
<b>Provisions for liabilities and charges</b>	-	-
<b>Net assets</b>	<b>3,632,732</b>	-
<b>Net book value of Goodwill</b>	<b>4,133,479</b>	337,027
<b>Satisfied by:</b>		
<b>Cash</b>		
- Initial consideration	<b>10,177,321</b>	212,859
- Deferred consideration	-	-
<b>(Profit)/loss on disposal</b>	<b>(2,411,110)</b>	124,168
	<b>7,766,211</b>	337,027

## Notes (Continued)

### 19 Called up share capital

	2008 £	2007 £
<b>Authorised</b>		
Ordinary shares of £1 each	650,000,000	650,000,000
	<u>                    </u>	<u>                    </u>
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	468,430,756	440,520,031
	<u>                    </u>	<u>                    </u>

Shares were issued throughout the year following group reorganisation and divisionalisation as follows:

Date of Issue	No. of £1 shares issued
31 <sup>st</sup> March 2008	10,000,000
31 <sup>st</sup> March 2008	1,225,725
31 <sup>st</sup> July 2008	4,035,000
31 <sup>st</sup> August 2008	2,500,000
30 <sup>th</sup> September 2008	10,150,000

All shares of £1 each were issued at par for cash.

### 20 Profit and loss account and other reserves

	2008 £	2007 £
<b>Profit and loss account</b>		
At beginning of year	(3,526,284)	5,995,338
Dividends paid	-	(5,000,000)
Loss for the financial year	(7,041,080)	(4,521,622)
	<u>                    </u>	<u>                    </u>
At end of year	(10,567,364)	(3,526,284)
	<u>                    </u>	<u>                    </u>
 <b>Other Reserves</b>		
At beginning and end of year	515,642	515,642
	<u>                    </u>	<u>                    </u>

## Notes (Continued)

### 21 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2008 Land & Buildings	2008 Other	2007 Land & Buildings	2007 Other
Operating leases which expire:				
Within one year	688,238	341,490	639,927	491,885
Within two to five years	4,558,772	531,559	1,834,943	713,657
Over five years	5,041,988	-	4,541,264	12,304
	<u>10,288,998</u>	<u>873,049</u>	<u>7,016,134</u>	<u>1,217,846</u>

### 22 Pension scheme

Towergate Partnership Limited operates a defined contribution pension scheme, which is open to the employees. The pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £3,638,523 (2007: £3,422,439). The amounts outstanding at 31<sup>st</sup> December 2008 were £275,179 (2007: £179,440).

### 23 Related party disclosures

The Company is a subsidiary undertaking of Towergate Partnership Limited, which is the ultimate parent Company incorporated in England and Wales.

The consolidated accounts of that Company are available to the public and may be obtained from:

Towergate House  
Eclipse Park  
Sittingbourne Road  
Maidstone  
Kent ME14 3EN

Mr PG Cullum currently has a significant interest in Broker Continuity Planning Limited, a company that provides disaster recovery facilities. During the year Broker Continuity Planning Limited has charged £nil (2007 £1,063,907) on normal commercial terms. There is no balance payable at the year end.

During the year the Company sold the Towergate Sports and Leisure and TRS Cardiff portfolios to Cullum Capital Ventures Limited, a company in which Mr PG Cullum currently has a significant interest. The total consideration was £10,177,321 of which £10,177,321 has been received and £nil is deferred. The company purchased Locktons portfolio from Cullum Capital Ventures Limited during the year, the total consideration was £1,562,689 which has been settled in full. The Company conducted business, on an arms length basis, with various companies within the Cullum Capital Ventures Group.

Towergate Healthcare Limited is the parent company of Towergate Healthcare Solutions Limited. Non insurance related payments to Towergate Healthcare Solutions Limited during the year were £28,276 (2007: £14,010).



## **Notes (Continued)**

### **24 Controlling party**

Mr PG Cullum, the Chairman, is the controlling party by virtue of his controlling interest in the parent Company's equity capital.

### **25 Contingent liabilities**

On 1 November 2006 the parent company refinanced its borrowings with a syndicate of banks, led by the Bank of Scotland and Lloyds TSB ('the Banks'). A guarantee and debenture have been granted over the shares and the assets of the Company in favour of the Banks, under the terms of which all monies due or which may become due from the Company, or other group companies listed below, to the Banks, are guaranteed. The amount due by group companies at 31 December 2008 was £515,413,100 (2007: £401,065,931). Further details of the aggregate liabilities due by group companies to the Banks are set out in the financial statements of the parent company. The group companies involved include principally:

Towergate Partnership Limited  
Towergate Underwriting Group Limited  
Fusion Insurance Holdings Limited  
Fusion Insurance Services Limited  
Broker Network Holdings Limited  
The Broker Network Limited

In the normal course of business, the company may receive claims in respect of errors and omissions. No material adverse financial impact is expected to arise from these claims.