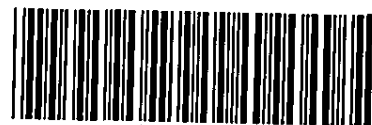


Towergate Underwriting Group Limited

**Directors' report and financial statements
for the year ended 31 December 2009
Registered number 4043759**

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Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

Principal activities and business review

The results for Towergate Underwriting Group Limited ('the Company') show profits before tax and amortisation of goodwill of £29m (2008 £21.9m) and a pre-tax profit after amortisation of £5.0m (2008 loss £1.3m) for the year. The Company has net assets of £460m (2008 £458m).

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.

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

After a prolonged soft market general insurance rates began to rise in late 2008. This continued throughout 2009 and we expect rating conditions to remain positive through 2010. TUGL performed strongly in 2009 despite very difficult economic conditions and we expect another strong performance in 2010. The company expects to continue its successful programme of acquisitions in the general insurance space.

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 £47,606 (2008: £47,439) and political contributions of £nil (2008: £nil) during the year.

Proposed dividend

No dividends were paid or proposed during the year (2008: £nil).

Directors

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

| | |
|------------------------------|------------------------------------|
| PG Cullum | |
| AC Homer | |
| A Proverbs | |
| JM Carruthers | |
| TD Philip | |
| CA Nathan | |
| AJ Blanc | |
| IWJ Patrick | |
| D Clark | |
| K Maciver | <i>(resigned 29 June 2009)</i> |
| PF Dyer (non-executive) | |
| MSJ Sims (non-executive) | |
| KJ Wallace (non-executive) | |
| DWW Torrance (non-executive) | <i>(resigned 11 February 2010)</i> |

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



PG Cullum
Director

Date 15 March 2010

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 they 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 the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

We have audited the financial statements of Towergate Underwriting Group Limited (Company Number 4043759) for the year ended 31 December 2009 set out on pages 9 to 24. 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 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 6, 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 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/UKNP.

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 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

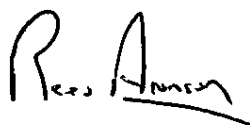
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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



Rees Aronson (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

15 March 2010

Profit and Loss Account **for the year ended 31 December 2009**

| | <i>Note</i> | 2009 £ | 2009 £ | 2008 £ | 2008 £ |
|---|-------------|---------------|-------------|---------------|--------------|
| Turnover | | | | | |
| Continuing operations | 2 | 204,429,637 | | 204,572,765 | |
| Acquisitions | 2 | 1,381,703 | | 5,096,814 | |
| Discontinued operations | 2 | - | | 339,894 | |
| | | | 205,811,340 | | 210,009,473 |
| Amortisation of goodwill | 8 | (24,085,948) | | (23,154,579) | |
| Administrative expenses | | (178,102,910) | | (196,903,628) | |
| Operating profit/(loss) | | | | | |
| Continuing operations | | 3,401,028 | | (12,349,260) | |
| Acquisitions | | 221,454 | | 2,243,538 | |
| Discontinued operations | | - | | 56,988 | |
| | | | 3,622,482 | | (10,048,734) |
| Profit on disposal of portfolio | | | - | | 1,950,241 |
| Profit/(loss) on ordinary activities before interest | 3 | | 3,622,482 | | (8,098,493) |
| Other interest receivable and similar income | | | 1,429,289 | | 6,839,043 |
| Interest payable and similar charges | 6 | | (30,937) | | (6,702) |
| Profit/(loss) on ordinary activities before taxation | | | 5,020,834 | | (1,266,152) |
| Tax on profit on ordinary activities | 7 | | (9,107,126) | | (5,774,928) |
| Retained (loss) for the financial year | | | (4,086,292) | | (7,041,080) |

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 24 form part of these financial statements

Balance Sheet as at 31 December 2009

| | <i>Note</i> | 2009 £ | 2009 £ | 2008 £ | 2008 £ |
|--|-------------|---------------|--------------------|---------------|--------------------|
| Fixed assets | | | | | |
| Intangible assets | 8 | 385,010,475 | | 397,433,395 | |
| Tangible assets | 9 | 23,134,898 | | 22,936,938 | |
| Investments | 10 | 76,450 | | 81,648 | |
| | | | 408,221,823 | | 420,451,981 |
| Current assets | | | | | |
| Debtors | 11 | 184,900,235 | | 148,663,807 | |
| Cash at bank and in hand | 12 | 96,528,357 | | 102,627,592 | |
| | | | 281,428,592 | | 251,291,399 |
| Creditors amounts falling due within one year | 13 | (222,761,277) | | (208,877,848) | |
| Net current assets | | | 58,667,315 | | 42,413,551 |
| Total assets less current liabilities | | | 466,889,138 | | 462,865,532 |
| Creditors: amounts falling due after more than one year | 14 | | (551,594) | | (514,480) |
| Provisions for liabilities and charges | 15 | | (5,889,802) | | (3,972,018) |
| Net assets | | | 460,447,742 | | 458,379,034 |
| Capital and reserves | | | | | |
| Called up share capital | 18 | | 474,585,756 | | 468,430,756 |
| Profit and loss account | 19 | | (14,653,656) | | (10,567,364) |
| Other Reserves | 19 | | 515,642 | | 515,642 |
| Equity shareholders' funds | | | 460,447,742 | | 458,379,034 |

The notes on pages 12 to 24 form part of these financial statements

These financial statements were approved by the board of directors on 15 March 2010 and were signed on its behalf by



PG Cullum
Director

Reconciliation of movements in shareholders' funds
For the year ended 31 December 2009

| | 2009 £ | 2008 £ |
|--|--------------------|--------------------|
| (Loss) for the financial year | (4,086,292) | (7,041,080) |
| Increase in share capital | 6,155,000 | 27,910,725 |
| Net increase in shareholders' funds | 2,068,708 | 20,869,645 |
| Opening shareholders' funds | 458,379,034 | 437,509,389 |
| Closing shareholders' funds | 460,447,742 | 458,379,034 |

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 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.

The amendment to FRS 8 Related Party Disclosures has the effect that only wholly-owned group companies are exempt from disclosure of transactions within the group.

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.

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 |

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 Profit on ordinary activities before taxation

| | 2009 £ | 2008 £ |
|---|-----------|-----------|
| Profit on ordinary activities before interest is stated after charging | | |
| Auditors' remuneration | | |
| - Audit of these financial statements | 460,000 | 465,624 |
| Depreciation | | |
| - Owned | 9,127,529 | 7,998,304 |
| - Leased | 324,365 | 347,283 |
| Operating lease rentals | | |
| - Land and buildings | 8,751,547 | 8,810,156 |
| - Other | 708,347 | 1,075,059 |
| Loss on disposal of fixed assets | 119,069 | 226,152 |

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 / or a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, no details are included for emoluments in respect of the directors. Where directors of the company are also directors of the ultimate parent company 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 2009 | Number of employees 2008 |
|----------------|--------------------------------|--------------------------------|
| Administration | 2,641 | 2,713 |

The aggregate payroll costs of these persons were as follows:

| | 2009 £ | 2008 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 70,296,812 | 77,332,357 |
| Social security costs | 7,654,629 | 7,846,991 |
| Pension costs | 3,534,209 | 3,678,614 |
| | 81,485,650 | 88,857,962 |

Notes (Continued)

6 Interest payable and similar charges

| | 2009 £ | 2008 £ |
|---|---------------|--------------|
| Bank loans and overdrafts | 294 | 758 |
| Finance charges re finance leases and hire purchase contracts | 26,422 | 2,678 |
| Interest on overdue tax | - | 550 |
| On other loans | 4,221 | 2,716 |
| | <u>30,937</u> | <u>6,702</u> |

7 Taxation

| | 2009 £ | 2008 £ |
|---|------------------|------------------|
| UK Corporation tax at 28% (2008 28.5%) | 8,928,399 | 6,203,991 |
| Deferred taxation | - | - |
| Adjustments in respect of prior periods | 178,727 | (429,063) |
| | <u>9,107,126</u> | <u>5,774,928</u> |

The current tax charge for the year is higher (2008 higher) than the standard rate of corporation tax of 28% (2008 28.5%). The differences are explained below

| | 2009 £ | 2008 £ |
|---|------------------|------------------|
| Current tax reconciliation | | |
| (Loss)/profit on ordinary activities before tax | 5,020,834 | (1,266,152) |
| Current tax at 28% (2008 28.5%) | 1,405,833 | (360,853) |
| Effects of | | |
| Expenses not deductible for tax purposes | 191,212 | 158,921 |
| Amortisation | 6,744,065 | 6,527,805 |
| Profit on disposal of portfolios | - | (718,037) |
| Depreciation in excess of capital allowances | 587,289 | 596,155 |
| | <u>8,928,399</u> | <u>6,203,991</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

| | Purchased Goodwill | Businesses purchased from Towergate group companies | | Total Goodwill |
|----------------------------|-------------------------------|--|--------------------------------------|---------------------------|
| | | Recognised | Not previously recognised | |
| | £ | £ | £ | £ |
| Cost | | | | |
| At beginning of the year | 16,735,261 | 72,303,646 | 388,903,065 | 477,941,972 |
| Additions | 2,521,109 | 499,886 | 8,642,033 | 11,663,028 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 19,256,370 | 72,803,532 | 397,545,098 | 489,605,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Amortisation | | | | |
| At beginning of the year | 4,124,401 | 11,862,426 | 64,521,750 | 80,508,577 |
| Charged in year | 882,846 | 3,626,434 | 19,576,668 | 24,085,948 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 5,007,247 | 15,488,860 | 84,098,418 | 104,594,525 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net Book Value | | | | |
| At 31 December 2009 | 14,249,123 | 57,314,672 | 313,446,680 | 385,010,475 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2008 | 12,610,860 | 60,441,220 | 324,381,315 | 397,433,395 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

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 £ |
|---|--------------------------------|------------------------|----------------------------|-------------------------------|-----------------------------|-------------|
| Cost | | | | | | |
| At beginning of year | 3,247,926 | 304,099 | 35,929,431 | 5,450,790 | 7,182,813 | 52,115,059 |
| Reclassification | - | - | - | (441,952) | 441,952 | - |
| Additions from Towergate Group Companies | 823,711 | 160,078 | 370,110 | 287,452 | 233,712 | 1,875,063 |
| On acquisitions in the year | - | - | 24,876 | 4,322 | 3,807 | 33,005 |
| Additions | 1,266,344 | - | 5,883,320 | 314,611 | 1,564,928 | 9,029,203 |
| Disposals | - | (37,772) | (868,319) | (453,059) | (65,069) | (1,424,219) |
| At end of year | 5,337,981 | 426,405 | 41,339,418 | 5,162,164 | 9,362,143 | 61,628,111 |
| Depreciation | | | | | | |
| At beginning of year | 1,111,869 | 201,659 | 20,847,412 | 3,874,074 | 3,143,107 | 29,178,121 |
| Reclassification | - | - | 117 | (309,465) | 309,348 | - |
| Additions from Towergate Group Companies | 383,507 | 123,327 | 312,429 | 176,879 | 143,553 | 1,139,695 |
| On acquisitions in the year | - | - | 12,232 | 2,093 | 1,897 | 16,222 |
| Depreciation on disposals | - | (31,157) | (747,962) | (448,541) | (65,059) | (1,292,719) |
| Charge for year | 460,154 | 32,928 | 7,219,319 | 595,417 | 1,144,076 | 9,451,894 |
| At end of year | 1,955,530 | 326,757 | 27,643,547 | 3,890,457 | 4,676,922 | 38,493,213 |
| Net book value | | | | | | |
| At 31 December 2009 | 3,382,451 | 99,648 | 13,695,871 | 1,271,707 | 4,685,221 | 23,134,898 |
| At 31 December 2008 | 2,136,057 | 102,440 | 15,082,019 | 1,576,716 | 4,039,706 | 22,936,938 |

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

| | 2009 £ | 2008 £ |
|---|-----------|-----------|
| Net book value | | |
| Motor vehicles | 18,824 | 8,270 |
| Furniture & equipment | - | 137 |
| Computer equipment | 314,197 | 641,871 |
| | 333,021 | 650,278 |
| Depreciation charged during year | | |
| Motor vehicles | 36,004 | 27,524 |
| Furniture & equipment | 137 | 4,948 |
| Computer equipment | 288,224 | 314,811 |
| | 324,365 | 347,283 |

Notes (Continued)

10 Investments

| Company | Unlisted Investments £ | Shares in Group Undertakings £ | Investment properties overseas £ | Total £ |
|-----------------------------|------------------------------|---|---|---------------|
| Cost (or valuation) | | | | |
| At beginning of year | 54,463 | 21,985 | 17,203 | 93,651 |
| On acquisitions in the year | - | 2 | - | 2 |
| Disposals | - | - | (17,203) | (17,203) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 54,463 | 21,987 | - | 76,450 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Provisions | | | | |
| At beginning of year | - | - | (12,003) | (12,003) |
| Disposals | - | - | 12,003 | 12,003 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net book value | | | | |
| At 31 December 2009 | <u>54,463</u> | <u>21,987</u> | <u>-</u> | <u>76,450</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2008 | <u>54,463</u> | <u>21,985</u> | <u>5,200</u> | <u>81,648</u> |
| | <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 |
| Medical Plan Managers 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

| | 2009 £ | 2008 £ |
|------------------------------------|-------------|-------------|
| Insurance debtors | 118,880,480 | 114,852,661 |
| Amounts owed by group undertakings | 56,761,892 | 26,001,722 |
| Other debtors | 3,446,660 | 2,623,118 |
| Prepayments and accrued income | 5,811,203 | 5,186,306 |
| | <hr/> | <hr/> |
| | 184,900,235 | 148,663,807 |
| | <hr/> | <hr/> |

12 Cash at bank and in hand

Cash at bank includes £58,885,776 (2008 £66,090,106) which constitutes client money and is not available to pay the general debts of the group

13 Creditors, amounts falling due within one year

| | 2009 £ | 2008 £ |
|--|-------------|-------------|
| Insurance creditors | 153,458,038 | 146,850,222 |
| Amounts owed to group undertakings | 22,314,611 | 19,322,478 |
| Corporation tax | 21,135,656 | 14,777,071 |
| Taxation and social security | 2,070,857 | 2,236,732 |
| Other creditors | 6,005,660 | 7,331,201 |
| Accruals and deferred income | 16,639,907 | 16,539,504 |
| Deferred consideration | 840,886 | 1,534,868 |
| Obligations under finance leases and hire purchase contracts | 295,663 | 285,772 |
| | <hr/> | <hr/> |
| | 222,761,277 | 208,877,848 |
| | <hr/> | <hr/> |

14 Creditors, amounts falling due after one year

| | 2009 £ | 2008 £ |
|--|-----------|-----------|
| Obligations under finance leases and hire purchase contracts | 292,671 | 514,480 |
| Other creditors | 116,356 | - |
| Deferred consideration | 142,567 | - |
| | <hr/> | <hr/> |
| | 551,594 | 514,480 |
| | <hr/> | <hr/> |

Notes (Continued)

15 Provisions for liabilities and charges

| | Deferred tax provision £ | E&O provision £ | FRS 5 Provision for future claims handling expenses £ | Total £ |
|--|--------------------------------|--------------------|--|------------------|
| At beginning of year | 425,975 | - | 3,546,043 | 3,972,018 |
| Additions from Towergate Group Companies | (8,370) | - | 81,154 | 72,784 |
| Charge to the profit and loss account for the year | - | 1,845,000 | - | 1,845,000 |
| At end of year | <u>417,605</u> | <u>1,845,000</u> | <u>3,627,197</u> | <u>5,889,802</u> |

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 £ |
|--|------------------------|-------------------|---------------------|--------------------|------------------|--------------------|
| Alliance Insurance Management Limited | 31/03/09 | 4,291,058 | (4,291,058) | - | 2,500,000 | 2,500,000 |
| Mannings Insurance Services Limited | 31/08/09 | 336,817 | (336,817) | - | 580,000 | 580,000 |
| Fusion Insurance Services Limited (TCU)* | 30/09/09 | 6,284,265 | (6,284,265) | - | 2,986,920 | 2,986,920 |
| Moneywise Holdings Limited | 31/12/09 | 1,200,404 | (1,200,404) | - | 1,075,000 | 1,075,000 |
| The Wise Financial Group Limited | 31/12/09 | 1,235,549 | (1,235,549) | - | - | - |
| Moneywise (Scotland) Limited | 31/12/09 | 1,546,702 | (1,546,702) | - | - | - |
| Rixon Matthews Appleyard Limited | 31/12/09 | 1,902,025 | (1,902,025) | - | 2,000,000 | 2,000,000 |
| | | <u>16,796,820</u> | <u>(16,796,820)</u> | <u>-</u> | <u>9,141,920</u> | <u>9,141,920</u> |

Satisfied by intercompany account subsequently settled

9,141,920

* During the year the Company purchased Towergate Commercial Underwriting, a book of business, from Fusion Insurance Services Limited (a fellow subsidiary of the parent company, Towergate Partnership Limited)

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.

| | Tangible assets £ | Invest- ments £ | Debtors £ | Cash at bank and in hand £ | Creditors due within one year £ | Provisions for liabilities and charges £ | Net assets £ |
|---|-------------------------|-----------------------|-------------------|----------------------------------|---------------------------------------|---|-----------------|
| Alliance Insurance Management Limited | 40,223 | - | 2,622,117 | 1,628,718 | (4,209,903) | (81,155) | - |
| Mannings Insurance Services Limited | 23,214 | - | 138,587 | 175,016 | (336,817) | - | - |
| Fusion Insurance Services Limited (TCU)* | 36,876 | - | 5,374,987 | 789,402 | (6,201,265) | - | - |
| Moneywise Holdings Limited | - | - | 1,220,404 | - | (1,220,404) | - | - |
| The Wise Financial Group Limited | - | - | 1,231,892 | 3,657 | (1,235,549) | - | - |
| Moneywise (Scotland) Limited | 28,403 | - | 1,341,248 | 177,052 | (1,546,703) | - | - |
| Rixon Matthews Appleyard Limited | 25,028 | - | 499,002 | 1,377,558 | (1,901,588) | - | - |
| | <u>153,744</u> | <u>-</u> | <u>12,428,237</u> | <u>4,151,403</u> | <u>(16,652,229)</u> | <u>(81,155)</u> | <u>-</u> |

* During the year the Company purchased Towergate Commercial Underwriting, a book of business, from Fusion Insurance Services Limited (a fellow subsidiary of the parent company, Towergate Partnership Limited).

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 Called up share capital

| | 2009 £ | 2008 £ |
|---|-----------------------------|-----------------------------|
| Authorised | | |
| Ordinary shares of £1 each | 650,000,000 | 650,000,000 |
| | <u> </u> | <u> </u> |
| Allotted, called up and fully paid | | |
| Ordinary shares of £1 each | 474,585,756 | 468,430,756 |
| | <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 st March 2009 | 2,500,000 |
| 31 st August 2009 | 580,000 |
| 31 st December 2009 | 3,075,000 |

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

19 Profit and loss account and other reserves

| | 2009 £ | 2008 £ |
|--------------------------------|-----------------------------|-----------------------------|
| Profit and loss account | | |
| At beginning of year | (10,567,364) | (3,526,284) |
| Loss for the financial year | (4,086,292) | (7,041,080) |
| | <u> </u> | <u> </u> |
| At end of year | (14,653,656) | (10,567,364) |
| | <u> </u> | <u> </u> |
| Other Reserves | | |
| At beginning and end of year | 515,642 | 515,642 |
| | <u> </u> | <u> </u> |

Notes (Continued)

20 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

| | 2009 Land & Buildings | 2009 Other | 2008 Land & Buildings | 2008 Other |
|-------------------------------|-----------------------------|----------------|-----------------------------|----------------|
| Operating leases which expire | | | | |
| Within one year | 906,568 | 148,170 | 688,238 | 341,490 |
| Within two to five years | 3,335,952 | 296,321 | 4,558,772 | 531,559 |
| Over five years | 5,737,047 | - | 5,041,988 | - |
| | <u>9,979,567</u> | <u>444,491</u> | <u>10,288,998</u> | <u>873,049</u> |

21 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 £3,534,209 (2008 £3,638,523). The amounts outstanding at 31st December 2009 were £259,102 (2008 £275,179).

22 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

During the year, business was conducted, on an arms length basis, with various companies within the Cullum Capital Ventures Group and Open International Limited, all of which are related parties.

Balances outstanding at the Balance Sheet date that relate to companies in the Cullum Capital Ventures group total £3,390,069 (2008 £3,552,107). The amount receivable in the year was £162,038.

Balances outstanding at the Balance Sheet date that relate to Open International Limited total (£107,972) (2008 £70,124). The amount payable in the year being £178,096.

Business was also conducted, on an arms length basis, within the Towergate Partnership Group of companies. The table on the following page shows the transactions and balances with entities that form part of the group but are not wholly owned by Towergate Partnership Limited.

Notes (Continued)

22 Related party disclosures (Continued)

| | 2009 Payable to | 2009 Receivable from | 2009 Outstanding at year end | 2008 Payable to | 2008 Receivable from | 2008 Outstanding at year end |
|---|--------------------|----------------------------|------------------------------------|--------------------|----------------------------|------------------------------------|
| British Insurance Limited | 1,758 | 27,479 | 130,172 | - | - | - |
| Hayward Aviation Limited | 691,120 | 146,810 | 290,089 | 38,660 | 14,711 | 42,171 |
| Hayward Holdings Group Limited | 8,573 | - | - | - | - | - |
| Moray Firth Insurance Brokers Limited | 360 | 26,028 | 1,272 | - | 38,818 | 262 |
| Oyster Risk Solutions Limited | 14,466 | 33,109 | 27,693 | - | 3,157 | - |
| TF Bell Compliance Limited | 675 | 268,384 | 24,577 | - | 237,180 | 20,535 |
| TF Bell Holdings Limited | - | 5,031 | - | - | - | - |
| The TF Bell Group Limited | 329 | 248,628 | 133,417 | - | 84,854 | 17,516 |
| TL Risk Solutions Limited | 243,216 | 410,298 | 616,006 | 4,088 | 152,863 | 53,284 |
| Towergate Financial (East) Limited | - | 2,345 | 63,683 | - | - | - |
| Towergate Financial (Glasgow) Limited | - | 4,917 | 30,396 | - | 125,695 | - |
| Towergate Financial (Huddersfield) Limited | - | 18,440 | 10,958 | - | 4,590 | - |
| Towergate Financial (North) Limited | - | 3,239 | 20,979 | - | - | - |
| Towergate Financial (Scotland) Limited | - | - | 717 | - | - | - |

23 Controlling party

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

24 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 2009 was £539,251,483 (2008: £515,413,100). 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
Towergate London Market Limited
The Hayward Holding Group Limited
Hayward Aviation Limited
Paymentsshield Group Holdings Limited
Paymentsshield 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.

