

Towergate Insurance Limited

**Directors' report and financial
statements**

Registered number 07476462

For the year ended 31 December 2012

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Directors' Report

The directors present their annual report and the audited financial statements for the year to 31 December 2012

Principal activities and business review

The results for Towergate Insurance Limited ("the Company") show a pre-tax loss of £15.9m (2011 profit of £0.5m) for the year and turnover of £37.6m (2011 £23.2m). The Company has net assets of £1,500.1m (2011 £1,393.6m).

The principal activity of the Company during the period was that of a holding company.

Discussion on the consolidated results of Towergate Partnershipco 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 Partnershipco Limited group and are not managed separately. Accordingly, the principal risks and uncertainties of the Towergate Partnershipco Limited, which include those of the company, are discussed in the group's annual report which does not form part of this report. The directors are confident that future profits are attainable by the Company based on its forecasted results.

Key performance indicators

The directors of Towergate Partnershipco 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 Towergate Insurance Limited (previously Towergate Holdco Limited). The development, performance and position of Towergate Partnershipco 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 £189,028 (2011 £167,426) and political contributions of £nil (2011 £nil) during the period.

Proposed dividend

No dividends were paid or proposed during the period.

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.

Directors' Report *(continued)*

Directors

The directors who held office during the period were as follows

PG Cullum (non-executive)	<i>resigned</i>	<i>4 February 2013</i>
AC Homer (non-executive)	<i>resigned</i>	<i>4 February 2013</i>
MS Hodges		
IWJ Patrick	<i>resigned</i>	<i>31 March 2012</i>
TD Philip	<i>resigned</i>	<i>30 June 2012</i>
TD Johnson		
CA Nathan		
J Walker	<i>resigned</i>	<i>30 June 2012</i>
S Egan	<i>appointed</i>	<i>19 April 2012</i>
M P Rea	<i>appointed</i>	<i>12 October 2012</i>

Employment policies

The Group actively encourages all employees to become involved in Group affairs and is also keen to encourage two way communication on relevant business issues. This is achieved through regular employee meetings and presentations by senior management and is supported by a Group wide communication plan. Employees are key to the Group's success, so an appropriate remuneration package is offered which rewards an individual's performance and contribution to the organisation. The Group is also keen to encourage individual's personal development to ensure that they have the skills required to undertake their role.

The Group's policy is to recruit disabled workers for those vacancies that they have the appropriate skills and technical ability to perform. Once employed, a career plan is developed to ensure that suitable opportunities exist for each disabled person. Employees who become disabled during their working life will be retrained if necessary and wherever possible will be given help with any necessary rehabilitation and training. The Group is prepared to modify procedures or equipment, wherever practicable, so that full use can be made of an individual's abilities.

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



S Egan
Director

22 March 2013

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

Independent auditor's report to the members of Towergate Insurance Limited

We have audited the financial statements of Towergate Insurance Limited for the year ended 31 December 2012 set out on pages 5 to 19. 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 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/auditscopeukprivate.

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 2012 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.

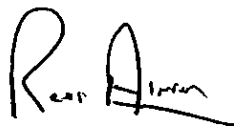
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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.



Rees Aronson (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

22 March 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £	2011 £
Turnover		-	-
Other income		37,551,907	23,159,438
Administrative expenses		(44,174,894)	(22,347,088)
Operating (loss)/profit		(6,622,987)	812,350
Interest receivable and similar income	5	199,147	686,324
Interest payable and similar charges	6	(2,887,501)	(1,029,724)
Loss on disposal of subsidiaries		(6,554,644)	-
(Loss)/profit on ordinary activities before taxation	2	(15,865,985)	468,950
Tax on profit on ordinary activities	7	3,284,344	(1,022,074)
Loss for the financial period	18	(12,581,641)	(553,124)

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

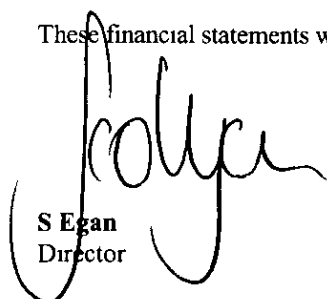
The notes on pages 7 to 19 form part of these financial statements

Balance sheet
at 31 December 2012

	Note	2012 £	£	2011 £	£
Fixed assets					
Intangible assets	8		37,151		39,437
Tangible assets	9		2,482,232		2,740,286
Investments	10		1,587,221,622		1,414,399,382
			<hr/>		<hr/>
			1,589,741,005		1,417,179,105
Current assets					
Debtors	11	285,067,900		283,917,226	
Cash at bank and in hand		40,269,827		44,720,874	
		<hr/>		<hr/>	
		325,337,727		328,638,100	
Creditors amounts falling due within one year	12	(379,336,787)		(345,341,779)	
		<hr/>		<hr/>	
Net current liabilities			(53,999,060)		(16,703,679)
			<hr/>		<hr/>
Total assets less current liabilities			1,535,741,945		1,400,475,426
Creditors amounts falling due after more than one year	13		(34,639,618)		(5,323,565)
Provisions for liabilities and charges	15		(1,038,590)		(1,506,483)
			<hr/>		<hr/>
Net assets			1,500,063,737		1,393,645,378
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17	1,406,098,502		1,394,198,502	
Profit and loss account	18	(13,134,765)		(553,124)	
Other reserves	18	107,100,000		-	
		<hr/>		<hr/>	
Equity shareholders' funds			1,500,063,737		1,393,645,378
			<hr/>		<hr/>

The notes on pages 7 to 19 form part of these financial statements

These financial statements were approved by the board of directors on 22 March 2013 and were signed on its behalf by


S Egan
Director

Company registered number 07476462

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 (Cash Flow Statements) 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 PartnershipCo Limited the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities in which the group has a 100% shareholding (or investees of the group qualifying as related parties). The consolidated financial statements of Towergate PartnershipCo Limited within which the company is included, can be obtained from the address given in note 20.

During the year the company acquired the shares of Folgate Insurance Company Limited from Folgate Partnership Limited and 28.57% of shares of Towergate London Market Limited from Folgate Broker Partnership Limited for amounts equal to the carrying amounts in Folgate Partnership Limited and Folgate Broker Partnership Limited. These amounts were less than fair value. As a result of this transfer, the value of the company's investments in Folgate Insurance Company Limited and Towergate London Market Limited fell below the amount at which they were stated in the company's accounting records. Schedule 1 to the Companies Act 2006 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No 410) requires that the investments be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors consider that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account for the year and it should instead be re-allocated to the company's investment in Folgate Insurance Company Limited and Towergate London Market Limited, so as to recognise in the company's individual balance sheets the effective cost to the company of Folgate Insurance Company Limited and Towergate London Market. The effect of this departure is to increase the holding company's profit for the financial year and investment in subsidiaries in the holding company's balance sheet by £24m. The group financial statements are not affected by this transfer.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £54m, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by The Towergate PartnershipCo Limited, the Company's ultimate parent. The Towergate PartnershipCo Limited has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Notes (continued)

1 Accounting policies (continued)

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost. Intangible assets acquired as part of an acquisition are capitalised at their fair value.

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
Furniture and equipment	- 20% per annum
Motor vehicles	- 25% per annum

Investments

Investments in subsidiary undertakings are stated in the balance sheet of the company at cost less any provision for impairment of value.

Impairment of fixed assets

The carrying value of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying value of an asset or its income generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received less issue costs. Finance costs comprise interest and issue costs; these costs are charged through finance costs over the term of the debt.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

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.

Other income

Other income represents amounts receivable from group companies and is recognised when the amount can be measured with reasonable certainty which is typically the earlier of confirmation of the amount from the management of the relevant company or receipt of cash.

Notes (continued)

2 Profit/(loss) on ordinary activities before taxation

	2012 £	2011 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditor's remuneration		
- Audit of these financial statements	10,268	10,268
Depreciation - Owned	1,322,163	1,767,224
Amortisation of trademarks	2,286	2,096

3 Remuneration of directors

	2012	2011 £
Total remuneration of all directors not paid by other group companies		
Directors' emoluments	4,057,179	3,887,666
Company contributions to money purchase pension schemes	118,465	84,750
	<u>4,175,644</u>	<u>3,972,416</u>

	2012 £	2011 £
Remuneration of highest paid director		
Directors' emoluments	1,967,820	1,786,082
Company contributions to money purchase pension schemes	-	-
	<u>1,967,820</u>	<u>1,786,082</u>

The emoluments of Mr Johnson are paid by Paymentsshield Limited, which makes no recharge to the company. He is a director of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of his emoluments in respect of each of the subsidiaries. His total emoluments are included in the financial statements of the Paymentsshield Limited.

Six directors accrued retirement benefits in money purchase schemes during the current year (2011: six).

4 Staff numbers and costs

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

	Number of employees 2012	Number of employees 2011
Administration	226	192

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	2012 £	2011 £
Wages and salaries	18,283,605	5,985,787
Social security costs	2,116,191	1,083,759
Other pension costs	573,569	395,298
	<hr/> 20,973,365 <hr/>	<hr/> 7,464,844 <hr/>

5 Interest receivable and similar income

	2012 £	2011 £
Bank loans and overdrafts	112,607	95,549
Other interest receivable	86,540	590,775
	<hr/> 199,147 <hr/>	<hr/> 686,324 <hr/>

6 Interest payable and similar charges

	2012 £	2011 £
On directors loans	-	12,308
Interest on overdue tax	368,705	97,665
Bank loans and overdrafts	1,564,245	-
Interest on loan notes	954,551	919,751
	<hr/> 2,887,501 <hr/>	<hr/> 1,029,724 <hr/>

Notes (continued)

7 Taxation

Analysis of charge in period.

	2012 £	2011 £
UK corporation tax		
Current tax on profit for the period	(2,890,597)	291,115
Adjustments in respect of prior periods	451,576	730,959
Deferred tax	(845,323)	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	(3,284,344)	1,022,074
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2011 higher) than the standard rate of corporation tax in the UK 24.5% (2011 26.4%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	(15,865,985)	468,950
	<hr/>	<hr/>
Current tax at 24.5% (2011 26.4%)	(3,887,166)	123,584
Expenses not deductible for tax purposes	92,779	73,609
Capital allowances in excess of depreciation charge	(61,293)	88,059
Movements in general provisions	-	5,866
Amortisation	-	(3)
Dividends	(640,843)	-
Profit on disposal of portfolio	1,605,926	-
	<hr/>	<hr/>
Current tax charge for the period	(2,890,597)	291,115
	<hr/>	<hr/>

The Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by April 2015. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Notes (continued)

8 Intangible fixed assets

	Trade marks
	£
Cost	
At start and end of year	45,724
	<hr/>
Amortisation	
At start of year	6,287
Charge for year	2,286
	<hr/>
At end of year	8,573
	<hr/>
Net book value	
At 31 December 2012	37,151
	<hr/> <hr/>
At 31 December 2011	39,437
	<hr/> <hr/>

9 Tangible fixed assets

	Motor vehicles	Fixtures and fittings	Furniture and equipment	Computer equipment	Total
	£	£	£	£	£
Cost					
At start of year	175,543	-	8,345	8,466,368	8,650,256
Additions	-	19,227	7,657	1,037,225	1,064,109
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	175,543	19,227	16,002	9,503,593	9,714,365
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At start of year	172,306	-	2,277	5,735,387	5,909,970
Charge for period	2,767	2,417	1,784	1,315,195	1,322,163
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	175,073	2,417	4,061	7,050,582	7,232,133
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2012	470	16,810	11,941	2,453,011	2,482,232
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2011	3,237	-	6,068	2,730,981	2,740,286
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

10 Investments

	Shares in group undertakings £
Cost (or valuation)	
At beginning of the year	1,414,399,382
Additions	209,226,945
Disposals	(36,404,705)
	<hr/>
At end of the year	1,587,221,622
	<hr/>
Amounts provided or written off	
At beginning and end of year	-
	<hr/>
Net book value	
At 31 December 2012	1,587,221,622
	<hr/>
At 31 December 2011	1,414,399,382
	<hr/>

Additions are substantially made up of the acquisition of Cullum Capital Ventures Limited of £159 million, transfers of investments held by dormant companies of £43 million and an increase of investment in PowerPlace of £5 million

The disposals relate to the disposal of PowerPlace, the write down of deferred MI and dormant companies in which the company had an interest which were dissolved during the period, for further information see note 16 to these financial statements

The Company's investments at the year end in the share capital of companies include the following -

	Shareholding %	Principal activity
Towergate Underwriting Group Limited	100	% Insurance broking
Towergate Risk Solutions Limited (and subsidiaries)	100	% Holding company
The Hayward Holdings Group Limited (and subsidiaries)	90	% Holding company
Fusion Insurance Holdings Limited (and subsidiaries)	100	% Holding company
Broker Network Holdings Limited (and subsidiaries)	100	% Holding company
Towergate Financial (Group) Limited (and subsidiaries)	71	% Holding company
Paymentshield Group Holdings Limited (and subsidiaries)	100	% Holding company
Towergate London Market Limited	100	% Insurance broking
Eclipse Park Acquisitions Limited	100	% Holding company
Countrywide Insurance Management Limited	100	% Insurance services
Folgate Insurance Company Limited	100	% General insurance & reinsurance

Notes (continued)

11 Debtors

	2012 £	2011 £
Amounts owed by group undertakings	268,663,194	281,252,091
Corporation tax	4,418,724	-
Other debtors	5,687,528	1,380,891
Prepayments and accrued income	5,271,086	1,102,199
Deferred tax	1,027,368	182,045
	<u>285,067,900</u>	<u>283,917,226</u>

The deferred tax asset noted above is a result of differences between accumulated depreciation and capital allowances. This deferred tax asset is not expected to be realised within 12 months of the balance sheet date.

12 Creditors: amounts falling due within one year

	2012 £	2011 £
Amounts owed to group undertakings	327,730,861	294,501,645
Corporation tax	-	8,881,181
Taxation and social security	702,746	896,187
Deferred consideration*	3,208,662	8,256,749
Other creditors	2,333,878	2,123,737
Accruals and deferred income	11,642,991	4,037,070
Loan stock	27,580,149	26,645,210
Bank loan*	6,137,500	-
	<u>379,336,787</u>	<u>345,341,779</u>

The loan stock is due to Folgate Insurance Company Limited. Interest is charged at base rate + 3%.

13 Creditors: amounts falling due after one year

	2012 £	2011 £
Deferred consideration*	5,499,427	5,323,565
Bank loan*	29,140,191	-
	<u>34,639,618</u>	<u>5,323,565</u>

Notes (continued)

14 Analysis of debt

Analysis of debt:

(Being those items in notes 12 and 13 marked by *)

	2012	2011
	£	£
Debt can be analysed as falling due		
In one year or less, or on demand	9,346,162	8,256,749
Between one and two years	13,411,927	5,323,565
Between two and five years	24,626,509	-
Over 5 years	-	-
	<hr/>	<hr/>
Total debt	47,384,598	13,850,314
Less capitalised loan costs	(3,398,818)	-
	<hr/>	<hr/>
	43,985,780	13,850,314
	<hr/>	<hr/>

15 Provisions for liabilities and charges

	E&O provision
	£
Cost (or valuation)	
At beginning of the year	1,506,483
Charged to profit and loss in the period	(467,893)
	<hr/>
At 31 December 2012	1,038,590
	<hr/>
At 31 December 2011	1,506,483
	<hr/>

In the normal course of business, the company may receive claims in respect of errors and omissions. A provision has been made in respect of outstanding errors and omissions claims.

16 Disposals

The following dormant companies were dissolved or put into members' voluntary liquidation during the period

Mardon Insurance Brokers (UK) Limited
The Folgate Partnership Limited
Towergate Marine Underwriting Limited

Notes (continued)

17 Called up share capital

	2012 £	2011 £
<i>Allotted, called up and fully paid</i>		
1,406,098,502 Ordinary shares of £ 1 each	1,406,098,502	1,394,198,502
	<u>1,406,098,502</u>	<u>1,394,198,502</u>

Shares were issued following the refinancing of the CCV group of companies as follows

Date of Issue	No. of £1 shares issued
27 June 2012	11,900,000

The shares issued in the year were issued at par plus a premium of £9

18 Reserves

	Share Premium reserve £	Profit and loss Account £
At start of the year	-	(553,124)
Loss for the financial year	-	(12,581,641)
Issue of shares at a premium	107,100,000	-
	<u>107,100,000</u>	<u>(13,134,765)</u>
At end of year	<u>107,100,000</u>	<u>(13,134,765)</u>

19 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Loss for the financial year	(12,581,641)	(553,124)
Increase in share capital	11,900,000	1,394,198,502
Increase in share premium	107,100,000	-
	<u>106,418,359</u>	<u>1,393,645,378</u>
Net increase in shareholders' funds	106,418,359	1,393,645,378
Shareholders' funds at beginning of year	1,393,645,378	-
	<u>1,500,063,737</u>	<u>1,393,645,378</u>
Shareholders' funds at end of year	<u>1,500,063,737</u>	<u>1,393,645,378</u>

Notes (continued)

20 Parent undertaking

The Company's immediate parent company is Towergate Finance Plc and ultimate parent company is Towergate Partnershipco Limited. Both the immediate and ultimate parent companies are incorporated in England and Wales.

The consolidated financial statements of Towergate Partnershipco Limited are available to the public and may be obtained from

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent ME14 3EN

21 Controlling party

There is no controlling party.

22 Related party disclosures

During the year the Company conducted business, on an arms length basis, within the Towergate Partnershipco Group of companies. The table below shows the transactions and balances with entities that form part of the group but are not wholly owned by Towergate Partnershipco Limited.

	2012 Paid to/ (received from) £	2012 Outstanding at year end £	2011 Paid to/ (received from) £	2011 Outstanding at period end £
Moray Firth Insurance Brokers Limited	291,062	(975,029)	(683,967)	(683,967)
Towergate Financial (London) Limited	(526,761)	(228,381)	298,380	298,380
Towergate Financial (West) Limited	1,458,667	(1,293,289)	165,377	165,377
Towergate Financial (Huddersfield) Limited	3,087	13,356	10,269	10,269
Towergate Financial (North) Limited	(943,225)	(274,355)	668,870	668,870
Towergate Financial (Scotland) Limited	(463,634)	576,417	1,040,051	1,040,051
Towergate Financial (East) Intermediate Limited	7,595	877,236	869,641	869,641
Towergate Financial (East) Limited	438,822	(590,797)	(151,975)	(151,975)
Towergate Financial (West) Holdings Limited	3,087	14,500	11,413	11,413
Towergate Financial (Scotland) Holdings Limited	518,087	644,825	126,738	126,738
Towergate Financial (East) Holdings Limited	81,661	644,601	562,940	562,940
Towergate Financial (North) Holdings Limited	3,177	439,778	436,601	436,601
Oyster Risk Solutions Limited	141,756	(832,414)	(690,658)	(690,658)
MP Bolshaw & Co Limited	(1,792)	34,438	36,230	36,230
Hayward Aviation Limited	1,790,670	(19,489,222)	(17,698,552)	(17,698,552)
The Hayward Holding Group Limited	-	1,688,050	1,688,050	1,688,050
Towergate Financial (Group) Limited	767,386	14,765,814	13,998,457	13,998,457
Antur (West Wales) Limited	(30,197)	(30,197)	-	-
Antur Insurance Services Limited	91,980	91,980	-	-
B I B (Darlington) Limited	182,812	182,812	-	-
B I B Underwriters Limited	407,503	407,503	-	-
Bishop Skinner Insurance Brokers Limited	161,676	161,676	-	-
Chorlton Cloughley Group Limited	71,917	71,917	-	-
Execcover Limited	(165)	(165)	-	-
Fenton Insurance Solutions Limited	133,319	133,319	-	-
Four Counties Insurance Brokers Limited	178,980	178,980	-	-
Arthur Marsh & Son Limited	136,716	136,716	-	-
Oyster Property Insurance Specialists	146,356	146,356	-	-
Walter Ainsbury Son Limited	90,319	90,319	-	-

Notes *(continued)*

23 Contingent liabilities

Guarantees

On 11 February 2011 Towergate Finance Plc, a subsidiary company, refinanced the group's borrowings and existing bank debt at that date was repaid. As part of the refinancing new loan facilities with a syndicate of banks, led by Lloyds Banking Group plc ("Towergate Facilities") were put in place and Senior Secured Notes and Senior Notes were issued by Towergate Finance Plc.

On 27 June 2012 the borrowings held by the CCV group of companies were refinanced. Further Senior Secured Notes were issued by Towergate Finance plc and an incremental facility contained in the Towergate Facilities was invoked to cover further loans from Lloyds Banking Group plc, Broomco (4251) Limited and Sun Alliance Insurance Overseas Limited.

A debenture has been granted over the shares and the assets of Towergate Finance plc/Towergate Insurance Limited and material subsidiaries in favour of the lenders to the Towergate Facilities (including the incremental facility for the loans Lloyds Banking Group plc, Broomco (4251) Limited and Sun Alliance Insurance Overseas Limited) 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/Towergate Insurance Limited, or other group companies listed below, to the Secured Parties, are guaranteed. The amount due by group companies at 31 December 2012 was £638,524,000 (2011: £560,475,000).

The group companies involved included principally

Towergate Finance plc
Towergate Holdings II Limited
Towergate Insurance 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
Cullum Capital Ventures Limited
Four Counties Finance Limited
Capital & County Insurance Brokers Limited
Three Counties Insurance Brokers Limited
CCV Risk Solutions Limited
Just Insurance Brokers Limited
Cox Lee & Co Limited
Portishead Insurance Management Limited
HLI (UK) Limited

Notes *(continued)*

23 Contingent liabilities (continued)

Berkeley Alexander Limited
Protectagroup Acquisitions Limited
Protectagroup Holdings Limited
Protectagroup Limited
Crawford Davis Insurance Consultants Limited
Roundcroft Limited
Richard V Wallis & Co Limited
Moffatt & Co Limited
Powerplace Insurance Services Limited
Countrywide Insurance Management Limited
Eclipse Park Acquisitions Limited
Managing Agents Reference Assistance Services Limited

E&O Provisions

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.