

# **Towergate Insurance Limited**

Directors' report and financial statements

Registered number 07476462

For the year ended 31 December 2013

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## **Strategic Report**

The Strategic Report provides a review of the business for the financial year and describes how we manage risks. The report outlines the developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. The Company forms part of the Towergate PartnershipCo Group.

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

The results for Towergate Insurance Limited ("the Company") show a pre-tax loss of £29.3m (2012: £15.9m) for the year and income of £15.1m (2012: £37.6m). The Company has net assets of £1,476.6m (2012: £1,500.1m).

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**

The principal risks and uncertainties and their mitigation are as follows.

#### *Strategic and Commercial Risk*

There are risks of changes to the competitive and / or economic environment. This is mitigated by a robust strategy and planning process, regular monitoring of economic and competitive environment and diversification of product lines and channels.

#### *Financial Risk*

There is the risk of adverse impact on business value or earning capacity as well as risk of inadequate cash flow to meet financial obligations. This risk is mitigated by proactive management of the business plan, regular monitoring of cash flows against risk appetite and a close relationship with a number of debt providers.

#### *Operational Risk*

There is the risk of losses arising from inadequate or failed internal processes, from personnel and / or from external events. These are mitigated by employing an Enterprise Risk Management Framework owned by the Group Risk Officer and business continuity planning.

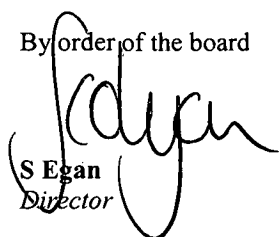
#### *Regulatory and Legal Risk*

This is the risk of regulatory sanctions, material financial loss or loss to reputation suffered as a result of non compliance with laws, regulations and applicable administrative provisions. This risk is mitigated by a proactive relationship with the FCA, a dedicated compliance function, and a compliance monitoring programme in place.

### **Key performance indicators**

Non financial key performance indicators are staffing levels have decreased by 8.4%. The company actively encourages all employees to become involved in Group affairs and is also keen to encourage two way communications 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. Further discussions on employee matters can be found in the director's report.

By order of the board

  
S Egan  
Director

28 April 2014

## **Directors' Report**

The directors present their annual report and the audited financial statements for the year to 31 December 2013.

### **Political and charitable contributions**

The Company made charitable contributions of £185,047 (2012: £189,028) and political contributions of £nil (2012: £nil) during the period.

### **Proposed dividend**

No dividends were paid or proposed during the period.

### **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		
TD Johnson		
CA Nathan		
S Egan		
M P Rea		

### **Employment policies**

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**

Our auditor, KPMG Audit Plc, has instigated an orderly wind down of business. The board has decided to put KPMG LLP forward to be appointed as auditors and the resolution concerning their appointment will be put forward for approval at the forthcoming board meeting.

By order of the board

  
S Egan  
Director

28 April 2014

## **Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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 2013 set out on pages 6 to 18. 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://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 2013 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.

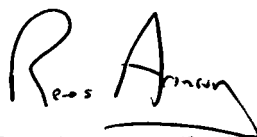
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and 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

28 April 2014

**Profit and loss account**  
for the year ended 31 December 2013

	<i>Note</i>	2013 £	2012 £
<b>Turnover</b>		-	-
<b>Other income</b>		15,105,220	37,551,907
Administrative expenses		(31,184,316)	(44,174,894)
<b>Operating (loss)/profit</b>		(16,079,096)	(6,622,987)
Interest receivable and similar income	5	44,451	199,147
Interest payable and similar charges	6	(2,576,370)	(2,887,501)
Profit / (loss) on disposal of subsidiaries		4,401,586	(6,554,644)
Impairment of investment	10	(15,050,026)	-
<b>Loss on ordinary activities before taxation</b>	2	(29,259,455)	(15,865,985)
Tax on loss on ordinary activities	7	5,790,246	3,284,344
<b>Loss for the financial period</b>	18	(23,469,209)	(12,581,641)

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 18 form part of these financial statements.

**Balance sheet**  
**at 31 December 2013**

	Note	2013	2012
		£	£
<b>Fixed assets</b>			
Intangible assets	8	34,864	37,151
Tangible assets	9	2,435,062	2,482,232
Investments	10	1,539,025,274	1,587,221,622
		<u>1,541,495,200</u>	<u>1,589,741,005</u>
<b>Current assets</b>			
Debtors	11	260,339,960	285,067,900
Cash at bank and in hand		9,469,365	40,269,827
		<u>269,809,325</u>	<u>325,337,727</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(327,660,836)</u>	<u>(379,336,787)</u>
<b>Net current liabilities</b>		<u>(57,851,511)</u>	<u>(53,999,060)</u>
<b>Total assets less current liabilities</b>		<u>1,483,643,689</u>	<u>1,535,741,945</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(5,052,901)	(34,639,618)
Provisions for liabilities and charges	15	(1,996,260)	(1,038,590)
		<u>(6,049,161)</u>	<u>(35,678,208)</u>
<b>Net assets</b>		<u>1,476,594,528</u>	<u>1,500,063,737</u>
<b>Capital and reserves</b>			
Called up share capital	17	1,406,098,502	1,406,098,502
Profit and loss account	18	(36,603,974)	(13,134,765)
Other reserves	18	107,100,000	107,100,000
		<u>1,476,594,528</u>	<u>1,500,063,737</u>
<b>Equity shareholders' funds</b>		<u>1,476,594,528</u>	<u>1,500,063,737</u>

The notes on pages 7 to 18 form part of these financial statements.

These financial statements were approved by the board of directors on 28 April 2014 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 2012 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 Limited. 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 £58m, 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

	2013 £	2012 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditor's remuneration:		
- Audit of these financial statements	26,280	10,268
Depreciation:- Owned	1,030,239	1,322,163
Amortisation of trademarks	2,287	2,286

### 3 Remuneration of directors

	2013 £	2012 £
<b>Total remuneration of all directors not paid by other group companies</b>		
Directors' emoluments	3,573,846	4,057,179
Company contributions to money purchase pension schemes	120,215	118,465
	<u>3,694,061</u>	<u>4,175,644</u>

	2013 £	2012 £
<b>Remuneration of highest paid director</b>		
Directors' emoluments	2,258,703	1,967,820
Company contributions to money purchase pension schemes	-	-
	<u>2,258,703</u>	<u>1,967,820</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.

Three directors accrued retirement benefits in money purchase schemes during the current year (2012: 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 2013	Number of employees 2012
Administration	<u>207</u>	<u>226</u>

## Notes (continued)

### 4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2013 £	2012 £
Wages and salaries	9,876,683	18,283,605
Social security costs	1,376,438	2,116,191
Other pension costs	415,140	573,569
	<u>11,668,261</u>	<u>20,973,365</u>

### 5 Interest receivable and similar income

	2013 £	2012 £
Bank loans and overdrafts	44,451	112,607
Other interest receivable	-	86,540
	<u>44,451</u>	<u>199,147</u>

### 6 Interest payable and similar charges

	2013 £	2012 £
Interest on overdue tax	1,032,849	368,705
Bank loans and overdrafts	588,252	1,564,245
Hire purchase interest	8,240	-
Interest on loan notes	947,029	954,551
	<u>2,576,370</u>	<u>2,887,501</u>

## Notes (continued)

### 7 Taxation

#### *Analysis of charge in period:*

	2013 £	2012 £
<b>UK corporation tax</b>		
Current tax on loss for the period	(4,049,007)	(2,890,597)
Adjustments in respect of prior periods	(1,667,000)	451,576
Deferred tax	(74,239)	(845,323)
	<hr/>	<hr/>
Tax on loss on ordinary activities	(5,790,246)	(3,284,344)
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#### *Factors affecting the tax charge for the current period*

The current tax charge for the period is higher (2012: higher) than the standard rate of corporation tax in the UK 23.25% (2012: 24.5%). The differences are explained below.

	2013 £	2012 £
Loss on ordinary activities before tax	(29,259,455)	(15,865,985)
	<hr/>	<hr/>
Current tax at 23.25% (2012: 24.5%)	(6,802,823)	(3,887,166)
Expenses not deductible for tax purposes	31,877	92,779
Impairment of investment	3,499,131	-
Capital allowances in excess of depreciation charge	245,994	(61,293)
Movements in general provisions	-	-
Short term timing differences	124	-
Dividends	-	(640,843)
Profit on disposal of portfolio	(414,741)	1,605,926
Deferred consideration	(608,569)	-
	<hr/>	<hr/>
Current tax charge for the period	(4,049,007)	(2,890,597)
	<hr/>	<hr/>

#### **Factors affecting future tax charges:**

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 25% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012, and a further reduction to 21% (effective from 1 April 2014) and then 20% (effective 1 April 2015) was enacted on 17 July 2013.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rate of 20% 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.

## Notes (continued)

### 8 Intangible fixed assets

	Trade marks £
<b>Cost</b>	
At start and end of year	45,724
<b>Amortisation</b>	
At start of year	8,573
Charge for year	2,287
At end of year	10,860
<b>Net book value</b>	
At 31 December 2013	34,864
At 31 December 2012	37,151

### 9 Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Furniture and equipment £	Computer equipment £	Total £
<b>Cost</b>					
At start of year	175,543	19,227	16,002	9,503,593	9,714,365
Intercompany transfer	-	-	-	(4,224,004)	(4,224,004)
Additions	114,783	-	7,211	1,524,354	1,646,348
Disposals	(238,846)	-	-	-	(238,846)
<b>At 31 December 2013</b>	<b>51,480</b>	<b>19,227</b>	<b>23,213</b>	<b>6,803,943</b>	<b>6,897,863</b>
<b>Depreciation</b>					
At start of year	175,073	2,417	4,061	7,050,582	7,232,133
Intercompany transfer	-	-	-	(3,560,724)	(3,560,724)
Charge for period	115,251	2,883	3,249	908,856	1,030,239
Eliminated on disposal	(238,847)	-	-	-	(238,847)
<b>At 31 December 2013</b>	<b>51,477</b>	<b>5,300</b>	<b>7,310</b>	<b>4,398,714</b>	<b>4,462,801</b>
<b>Net book value</b>					
At 31 December 2013	3	13,927	15,903	2,405,229	2,435,062
At 31 December 2012	470	16,810	11,941	2,453,011	2,482,232

## Notes (continued)

### 10 Investments

	Shares in group undertakings £
<b>Cost (or valuation)</b>	
At beginning of the year	1,587,221,622
Additions	3,563,107
Disposals	(36,709,429)
	<hr/>
At end of the year	1,554,075,300
	<hr/>
<b>Amounts provided or written off</b>	
At beginning of year	-
Provisions during the year	15,050,026
	<hr/>
At end of year	15,050,026
	<hr/>
<b>Net book value</b>	
<b>At 31 December 2013</b>	1,539,025,274
	<hr/>
At 31 December 2012	1,587,221,622
	<hr/>

Additions in the year relate to the acquisition of 2,137,000 £1 ordinary shares issued at a premium in FICL Holdco Limited.

Disposals relate to the disposal of Folgate Insurance Company Limited of £36,264,404 and a buy-back of minority interest deferred consideration in Towergate Financial (Group) Limited of £445,025.

Provisions raised during the year relate to investments held in the Broker Network Group and FICL Holdco Limited.

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
FICL Holdco Limited	100	% Holding company

## Notes (continued)

### 11 Debtors

	2013 £	2012 £
Amounts owed by group undertakings	249,523,941	268,663,194
Corporation tax	5,185,226	4,418,724
Other debtors	3,071,503	5,687,528
Prepayments and accrued income	1,457,683	5,271,086
Deferred tax	1,101,607	1,027,368
	<hr/> 260,339,960	<hr/> 285,067,900

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

	2013 £	2012 £
Amounts owed to group undertakings	318,174,668	327,730,861
Taxation and social security	618,059	702,746
Deferred consideration*	590,911	3,208,662
Other creditors	3,061,417	2,333,878
Accruals and deferred income	5,215,781	11,642,991
Loan stock	-	27,580,149
Bank loan*	-	6,137,500
	<hr/> 327,660,836	<hr/> 379,336,787

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

	2013 £	2012 £
Deferred consideration*	5,052,901	5,499,427
Bank loan*	-	29,140,191
	<hr/> 5,052,901	<hr/> 34,639,618

## Notes (continued)

### 14 Analysis of debt

#### Analysis of debt:

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

	2013 £	2012 £
Debt can be analysed as falling due:		
In one year or less, or on demand	590,911	9,346,162
Between one and two years	-	13,411,927
Between two and five years	5,052,901	24,626,509
	<hr/>	<hr/>
Total debt	5,643,812	47,384,598
Less: capitalised loan costs	-	(3,398,818)
	<hr/>	<hr/>
	<b>5,643,812</b>	<b>43,985,780</b>
	<hr/>	<hr/>

### 15 Provisions for liabilities and charges

	E&O provision £
<b>Cost (or valuation)</b>	
At beginning of the year	1,038,590
Intercompany transfer	(80,000)
Utilised during year	(2,507,564)
Charged to profit and loss in the period	3,545,234
	<hr/>
<b>At 31 December 2013</b>	<b>1,996,260</b>
	<hr/>
At 31 December 2012	1,038,590
	<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 company was sold to a subsidiary of Towergate Insurance Limited during the period:

Folgate Insurance Company Limited



## Notes (continued)

### 17 Called up share capital

	2013 £	2012 £
<i>Allotted, called up and fully paid</i>		
1,406,098,502 Ordinary shares of £ 1 each	1,406,098,502	1,406,098,502
	<u>1,406,098,502</u>	<u>1,406,098,502</u>

### 18 Reserves

	Share Premium reserve £	Profit and loss Account £
At start of the year	107,100,000	(13,134,765)
Loss for the financial year	-	(23,469,209)
	<u>107,100,000</u>	<u>(36,603,974)</u>

### 19 Reconciliation of movements in shareholders' funds

	2013 £	2012 £
Loss for the financial year	(23,469,209)	(12,581,641)
Increase in share capital	-	11,900,000
Increase in share premium	-	107,100,000
	<u>(23,469,209)</u>	<u>106,418,359</u>
Net increase in shareholders' funds	(23,469,209)	106,418,359
Shareholders' funds at beginning of year	1,500,063,737	1,393,645,378
	<u>1,500,063,737</u>	<u>1,393,645,378</u>
Shareholders' funds at end of year	1,476,594,528	1,500,063,737
	<u>1,476,594,528</u>	<u>1,500,063,737</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.

	2013 Paid to/ (received from)	2013 Outstanding at year end	2012 Paid to/ (received from)	2012 Outstanding at year end
	£	£	£	£
Moray Firth Insurance Brokers Limited	271,865	(1,227,163)	291,062	(975,029)
Towergate Financial (London) Limited	308,530	(373,155)	(526,761)	(228,381)
Towergate Financial (West) Limited	2,059,047	(3,148,732)	1,458,667	(1,293,289)
Towergate Financial (Huddersfield) Limited	(3,171)	16,527	3,087	13,356
Towergate Financial (North) Limited	644,035	(874,806)	(943,225)	(274,355)
Towergate Financial (Scotland) Limited	128,308	638,116	(463,634)	576,417
Towergate Financial (East) Intermediate Limited	19,140	858,095	7,595	877,236
Towergate Financial (East) Limited	307,430	(712,491)	438,822	(590,797)
Towergate Financial (West) Holdings Limited	(3,171)	17,671	3,087	14,500
Towergate Financial (Scotland) Holdings Limited	(3,171)	647,996	518,087	644,825
Towergate Financial (East) Holdings Limited	(433,709)	1,078,310	81,661	644,601
Towergate Financial (North) Holdings Limited	(3,171)	422,949	3,177	439,778
Oyster Risk Solutions Limited	34,172	(886,622)	141,756	(832,414)
MP Bolshaw & Co Limited	-	34,438	(1,792)	34,438
Hayward Aviation Limited	1,630,619	(20,919,552)	1,790,670	(19,489,222)
The Hayward Holding Group Limited	-	1,688,050	-	1,688,050
Towergate Financial (Group) Limited	(2,718,355)	17,470,198	767,386	14,765,814
Antur (West Wales) Limited	60,504	(90,701)	(30,197)	(30,197)
Antur Insurance Services Limited	(277,037)	369,017	91,980	91,980
B.I.B (Darlington) Limited	(75,196)	231,899	182,812	182,812
B.I.B Underwriters Limited	(102,475)	509,978	407,503	407,503
Bishop Skinner Insurance Brokers Limited	(97,117)	258,793	161,676	161,676
Chorlton Cloughley Group Limited	-	-	71,917	71,917
Execcover Limited	5,829	(5,994)	(165)	(165)
Fenton Insurance Solutions Limited	(227,923)	361,242	133,319	133,319
Four Counties Insurance Brokers Limited	(283,967)	462,947	178,980	178,980
Arthur Marsh & Son Limited	(160,990)	297,707	136,716	136,716
Oyster Property Insurance Specialists	(202,394)	348,750	146,356	146,356
Walter Ainsbury Son Limited	-	-	90,319	90,319
Morgan Law Limited	(36,618)	36,618	-	-
Suddard Davies & Associates Limited	(37,914)	37,914	-	-

## **Notes (continued)**

### **23 Contingent liabilities**

#### **Guarantees**

On 10 May 2013 Towergate Finance Plc completed a partial refinancing of the group's borrowings and outstanding bank debt at that date of £394million was repaid in full. As part of the refinancing a new £85million Revolving Credit Facility with a syndicate of banks, led by Lloyds Banking Group plc ("Towergate Facilities") were put in place and Senior Secured Floating Rate Notes of £396million were issued by Towergate Finance Plc. In addition, £14.6million of Senior Secured Notes were exchanged for additional 10.5% Senior Notes.

The obligations of Towergate Finance plc under the Towergate Facilities as well as its obligations under the Floating Rate Senior Secured Notes, the 8.5% Senior Secured Notes and the 10.5% Senior Notes are guaranteed by Towergate Holdings II Limited and all its material and certain other subsidiaries. These companies are listed below:

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  
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  
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.