

JW Group Insurance and Risk Managers Limited

**Directors' report and financial statements
for the period ended 30 June 2007
Registered number SC206834**

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Directors' report and financial statements

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Directors' report

The directors present their report and the audited financial statements for the 13 month period ended 30 June 2007

Business review and principal activities

The profit and loss account for the period is set out on page 7

The trading results for the period and the company's financial position at end of the period are shown in the attached financial statements

The results for the company show a pre tax profit of £283,223 for the period (prior year £73,836) and turnover of £4,157,884 (prior year £3,904,050) The company has net assets of £972,206 (2006 £958,721)

On 10 April 2007 the share capital of JW Group Limited, the parent company of JW Group Insurance and Risk Managers Limited, was purchased by Towergate Partnership Limited

On 30 June 2007 the business of the company together with its assets and liabilities were sold to Towergate Underwriting Group Limited, a fellow subsidiary undertaking within the Towergate Partnership Limited group The company therefore ceased to trade on that date The consideration received comprised the sum of the book value of tangible assets and liabilities and the market value of goodwill, as estimated by the directors based on advice from the group's investment banking advisors On 6 August 2007 the accounting reference date was lengthened from 31 May to 30 June to include this sale

Prior to 30 June 2007 the principal activity of the company was the provision of insurance services

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are now integrated with the principal risks of the Towergate Partnership Limited group and are not managed separately Accordingly, the principal risks and uncertainties of the Towergate Partnership Limited, which include those of the company from 10 April 2007, are discussed in the group's annual report which does not form part of this report

Key performance indicators

The directors of Towergate Partnership Limited manage the group's operations on a divisional basis For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of JW Group Insurance and Risk Managers Limited The development, performance and position of Towergate Partnership Limited, which includes the company from 10 April 2007, is discussed in the group's annual report which does not form part of this report

Dividend

A final dividend of £5,172,277 was paid during the year (prior year £5,785)

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the period were as follows

P Cullum	(appointed 10 April 2007)
A Homer	(appointed 10 April 2007)
T Philip	(appointed 10 April 2007)
I Patrick	(appointed 10 April 2007)
A Blanc	(appointed 10 April 2007)
A Adam	
K Davie	
D Davison	
J Grady	
R Marshall	
A Whitehill	
K Whittle	

The interests of the directors who held office at the end of the financial period in the shares of group companies are disclosed in the financial statements of the ultimate parent company

No directors have been granted share options in the shares of the company or other group companies

Political and charitable contributions

The company made charitable contributions during the current year of £1,940 (prior period £nil)

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

Barrie Scott Limited resigned as auditors on 10 April 2007 KPMG Audit Plc were appointed as auditors at that date and have indicated their willingness to continue in office

In accordance with sections 379A and 386 of the Companies Act 1985, the company has dispensed with the resolution to appoint auditors annually

By order of the board


T Philip
Director

19 May 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

Independent auditors' report to the members of JW Group Insurance and Risk Managers Limited

We have audited the financial statements of JW Group Insurance and Risk Managers Limited for the 13 month period ended 30 June 2007 which comprise the Profit and Loss account, the Balance Sheet, the Reconciliation of Movements in Shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities on page 5.

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.

KPMG Audit Plc

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

19 May 2008

**Profit and Loss Account
for the period ended 30 June 2007**

	<i>Note</i>	Period ended 30 June 2007	Year ended 31 May 2006
		£	£
Turnover – discontinued operations	2	4,157,884	3,904,050
Administrative expenses		(3,926,372)	(3,875,920)
Operating profit – discontinued operations		231,512	28,130
Other interest receivable and similar income		69,843	64,225
Interest payable and similar charges	6	(18,132)	(18,519)
Profit on ordinary activities before taxation		283,223	73,836
Profit on disposal of portfolio		5,010,637	
Tax on profit on ordinary activities	7	(192,936)	(43,393)
Retained profit for the financial year		5,100,924	30,443

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 10 19 form part of these financial statements

Balance Sheet as at 30 June 2007/31 May 2006

	<i>Note</i>	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Intangible assets	8			740,000	
Tangible assets	9			261,201	
Investments	10			3,676	
					1,004,877
Current assets					
Debtors	11	972,206		1,346,248	
Cash at bank and in hand				2,495,704	
		972,206		3,841,952	
Creditors , amounts falling due within one year	12			(3,773,272)	
Net current assets			972,206		68,680
Total assets less current liabilities			972,206		1,073,557
Creditors , amounts falling due after more than one year	13				(105,586)
Provisions for liabilities and charges	14				(9,250)
Net assets			972,206		958,721
Capital and reserves					
Called up share capital	15		759,917		675,079
Share premium account	16		212,289		212,289
Profit and loss account	20				71,353
Equity shareholders' funds			972,206		958,721

The notes on pages 10 19 form part of these financial statements

These financial statements were approved by the board of directors on 19 May 2008 and were signed on its behalf by



TD Philip
Director

**Reconciliation of movements in shareholder's funds
 for the period ended 30 June 2007**

	2007 £	2006 £
Profit for the financial period/year	5,100,924	30,443
Increase in share capital (note 15)	84,838	84,408
Dividends	(5,172,277)	(5,785)
	<hr/>	<hr/>
Net increase in shareholder's funds	13,485	109,066
Opening shareholder's funds	958,721	849,655
	<hr/>	<hr/>
Closing shareholder's funds	972,206	958,721
	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

As the Company is a wholly owned subsidiary of a company incorporated in Great Britain, the Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

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

As the Company is a wholly owned subsidiary of Towergate Partnership Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Towergate Partnership Limited within which this Company is included, can be obtained from the address given in note 17.

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 monthly instalments over its estimated useful life. This is generally taken as twenty years.

Tangible fixed assets and depreciation

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

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

No depreciation is provided on freehold land and buildings.

Leases

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

Notes (Continued)

1 Accounting policies (continued)

Post retirement benefits

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

Taxation

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

Turnover

Turnover comprises net commission receivable on business incepting up to the period/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

	2007 £	2006 £
Profit on ordinary activities before interest is stated after charging / (crediting):		
Auditors' remuneration		
Audit of these financial statements	17,780	3,500
Amortisation	124,170	238,001
Depreciation	73,148	166,405
Operating lease rentals		
Other	387	773
Loss on disposal of fixed assets	20,878	215,993

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

	2007 £	2006 £
Directors' emoluments	427,228	342,248
Company contributions to money purchase pension schemes	20,549	10,014
	<u>447,777</u>	<u>352,272</u>

The aggregate emoluments of the highest paid director were £72,579 (2006 £60,047) and company pension contributions of £4,469 (2006 £3,563) were made to a money purchase scheme on his behalf

	Number of directors 2007	2006
Retirement benefits are accruing to the following number of directors under Money purchase schemes	<u>7</u>	<u>6</u>

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

5 Staff numbers and costs

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

	Number of employees 2007	Number of employees 2006
Administration	<u>96</u>	<u>102</u>

Notes (Continued)

5 Staff numbers and costs (continued)

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

	Number of employees 2007	Number of employees 2006
Administration	96	102

The aggregate payroll costs of these persons were as follows

	2007 £	2006 £
Wages and salaries	2,351,149	2,024,111
Social security costs	207,520	197,671
Pension costs	175,813	121,318
	2,734,482	2,343,100

6 Interest payable and similar charges

	2007 £	2006 £
Bank loans and overdrafts	1,532	1,710
Finance charges re finance leases and hire purchase contracts	16,600	16,600
Interest on overdue tax		209
	18,132	18,519

7 Taxation

	2007 £	2006 £
UK Corporation tax at 30%	161,879	46,691
Deferred taxation	31,057	
Adjustments in respect of prior periods		(3,298)
	192,936	43,393

Notes (Continued)

7 Taxation (continued)

The current tax charge for the period is lower (2006 higher) than the standard rate of corporation tax of 30% (2006 30%) The differences are explained below

	2007 £	2006 £
Current tax reconciliation		
Profit on ordinary activities before tax	5,293,860	73,836
Current tax at 30%	1,588,158	22,151
Effects of		
Expenses not deductible for tax purposes	46,085	41,015
Profit on disposal of discontinued operations	(1,503,191)	
Depreciation in excess of capital allowances	30,827	
Capital allowances in excess of depreciation		(16,475)
	161,879	46,691

There are no known factors affecting future tax charges

8 Intangible fixed assets

	Goodwill £	Total £
Cost		
At beginning of the period	1,188,500	1,188,500
Additions		
Disposals	(1,188,500)	(1,188,500)
At end of period		
Amortisation		
At beginning of the period	448,500	448,500
Disposals	(572,670)	(572,670)
Charged in period	124,170	124,170
At end of period		
Net Book Value At 30 June 2007		
At 31 May 2006	740,000	740,000

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

Notes (Continued)

9 Tangible fixed assets

	Motor Vehicles	Fixtures, Fittings and Equipment	Total
	£	£	£
Cost			
At beginning of period	133,051	559,113	692,164
Additions		15,081	15,081
Disposals	(73,851)		(73,851)
Sold to Towergate Underwriting Group Limited	(59,200)	(574,194)	(633,394)
	<hr/>	<hr/>	<hr/>
At end of period	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of period	64,155	366,808	430,963
Depreciation on disposals	(48,973)		(48,973)
Charge for period	24,735	48,413	73,148
Sold to Towergate Underwriting Group Limited	(39,917)	(415,221)	(455,138)
	<hr/>	<hr/>	<hr/>
At end of period	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2007	<hr/>	<hr/>	<hr/>
At 31 May 2006	68,896	192,305	261,201
	<hr/>	<hr/>	<hr/>

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

	2007 £	2006 £
Net book value		
Motor vehicles		68,893
Fixtures, fittings & equipment		67,074
	<hr/>	<hr/>
		135,967
	<hr/>	<hr/>
Depreciation charged during year		
Motor vehicles	16,313	33,271
Fixtures, fittings & equipment	37,882	77,298
	<hr/>	<hr/>
	54,195	110,569
	<hr/>	<hr/>

Notes (Continued)

10 Investments

	Shares in Group Undertakings	Listed investments	Total £
Cost (or valuation)			
At beginning of year	80	3,596	3,676
Disposals	(80)		(80)
Sold to Towergate Underwriting Group Limited		(3,596)	(3,596)
	<hr/>	<hr/>	<hr/>
At end of year	<hr/>	<hr/>	<hr/>
Provisions			
At beginning of year	<hr/>	<hr/>	<hr/>
At end of year	<hr/>	<hr/>	<hr/>
Net book value At 30 June 2007	<hr/>	<hr/>	<hr/>
At 31 May 2006	<hr/> <hr/> 80	<hr/> <hr/> 3,596	<hr/> <hr/> 3,676

Investments in the following company (incorporated and registered in Scotland) which was previously considered to be a subsidiary undertaking of the company, was disposed of in the period

Subsidiary undertakings	Class of shares held	Proportion of shares held	Principal activity
JW Group Inspection Services Scotland Limited	Ordinary	80%	Inspection services

Notes (Continued)

11 Debtors

	2007	2006
	£	£
Insurance debtors		1,132,983
Amounts owed by group undertakings	972,206	128,677
Other debtors		36,101
Prepayments and accrued income		48,487
	<hr/> 972,206 <hr/>	<hr/> 1,346,248 <hr/>

12 Creditors: amounts falling due within one year

	2007	2006
	£	£
Bank overdraft		812,044
Insurance creditors		2,561,421
Amounts owed to group undertakings		110,622
Amounts owed to participating interest		8,305
Corporation tax		46,691
Taxation and social security		55,621
Other creditors		56,584
Accruals and deferred income		53,684
Obligations under finance leases and hire purchase contracts		68,300
	<hr/> <hr/>	<hr/> 3,773,272 <hr/>

13 Creditors: amounts falling due after one year

	2007	2006
	£	£
Obligations under finance leases and hire purchase contracts	<hr/> <hr/>	<hr/> 105,586 <hr/>

Notes (Continued)

14 Provisions for liabilities and charges

	Deferred tax provision £	Total £
At beginning of year	9,250	9,250
Charge to the profit and loss account for the year	31,057	31,057
	(40,307)	(40,307)
	<hr/>	<hr/>
At end of year	<hr/>	<hr/>

15 Called up share capital

	2007 £	2006 £
Authorised		
Ordinary shares of £1 each	1,000,000	1,000,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
Ordinary shares of £1 each	759,917	675,079
	<hr/>	<hr/>

84,838 Ordinary shares were issued at par on 19 March 2007

16 Profit and loss account and other reserves

	Share premium account £	Profit and loss account £	Total £
Profit and loss account			
At beginning of period	212,289	71,353	283,642
Profit for the financial period		5,100,924	5,100,924
Dividends paid		(5,172,277)	(5,172,277)
	<hr/>	<hr/>	<hr/>
At end of period	<hr/>	<hr/>	<hr/>

Notes (Continued)

17 Related party disclosures

The company's immediate parent undertaking is JW Group Limited, a company incorporated in Scotland. The company's ultimate parent undertaking is Towergate Partnership Limited, a company incorporated in England and Wales.

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

2 County Gate
Staceys Street
Maidstone
Kent
ME14 1ST

18 Controlling party

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