



safety in numbers

summary report 2005



Peter Cullum, Chairman

Chairman

I am delighted to have this first opportunity to write the introduction as Executive Chairman of the new Towergate Partnership Limited. 2005 was a significant year for us: we successfully merged two powerful specialist companies, Towergate Underwriting Limited and Folgate Partnership Limited, both highly successful in their own right. We also made 19 acquisitions, including leading 'virtual insurer' Fusion Insurance, which has strengthened further our substantial underwriting capability.

Joined up approach

Towergate Partnership has two distinct divisions as a result of the merger: underwriting and broking/distribution. The combined Gross Written Premium we controlled at the end of 2005 exceeded £1.25 bn. Towergate Partnership is now the largest independently owned insurance intermediary in Europe. This is particularly remarkable because both members of the 'Partnership' are so young. Towergate Underwriting was created in August 1997 and Folgate Partnership in April 2002. It has been my privilege to have launched both companies and to have overseen their merger in October 2005.

Setting the standard

We have a strong commitment to professional education and we never forget that it is extremely easy for customers to go elsewhere. Significantly, Towergate has substantially higher than average annual customer retention rates.

This is because we aim to offer value – local service backed by high professional standards.

Our skill and professionalism in acquiring quality brokers and underwriting agents is evidenced by our track record of successful business integration. It is also reflected in our firm position as the UK's largest 'consolidator' – a phrase which has become everyday industry parlance along with our 'virtual insurer' philosophy.

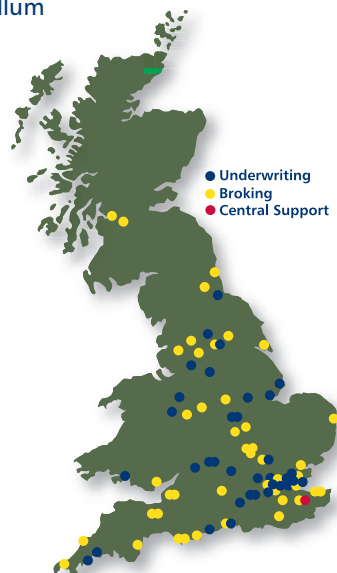
Our management team contains a wealth of talent, including four former insurance company Chief Executives. We undoubtedly have the intellectual capital to finally



dispense with the myth that non-life insurance is formulaic, unimaginative and non-entrepreneurial.

It is the exact opposite in Towergate.

Peter Cullum



Business overview

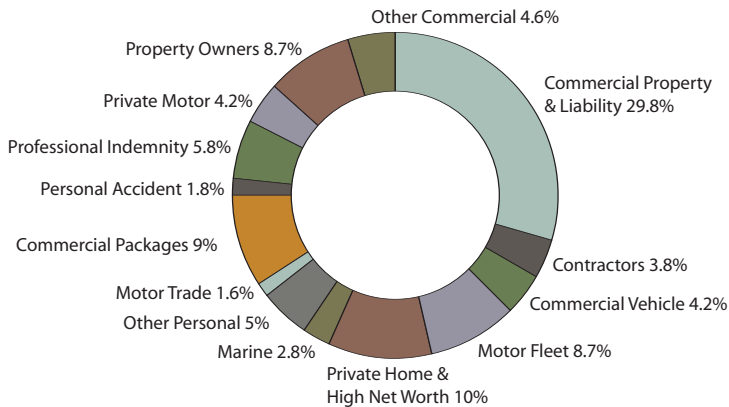
The successful growth of Towergate since 1997 is reflected in the Group's financial performance. To deliver the quality of service we demand for our clients, and to support our insurer partners in the longer term, it is important that the Group continues to meet its financial targets and provide financial strength appropriate to a group of our size. Financial success gives assurances to clients, insurers, staff and investors that the Group will continue to meet the requirements of all our stakeholders well into the future. Towergate Partnership now has net assets in excess of £100 million¹. Our principal regulated intermediary business, Towergate Underwriting Group Limited, now has net assets of £380 million¹.

Towergate Partnership aims to continue the rapid financial growth achieved since 1997 through further acquisitions and organic growth.

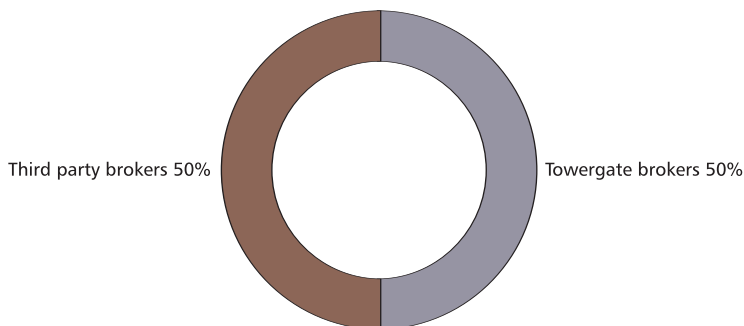
Towergate Partnership consists of over 35 specialist underwriting agencies and in the region of 50 regional broking businesses. Towergate now provides our broker and retail clients with 190 insurance products – a wider range of insurance solutions than that of any other insurer or intermediary in the UK. Our insurance products cross all aspects of commercial and personal insurance, ranging from motor and household to holiday homes, military kit for forces personnel and all aspects of commercial insurance for small and larger businesses.

Towergate places risks with over 100 specialist and non-specialist markets in the UK. The largest insurers continue to provide a significant proportion of the capacity required for our clients.

Premium base between the key product classes¹



Analysis of Towergate Gross Written Premium controlled²



¹ As at 31st December 2005
² Budgeted 2006

1997

Establishment of Towergate

1998

First year of operation
Revenue £4.5m
8 acquisitions in total

1999

Revenue £13m
16 acquisitions in total

2000

GWP £75m
Revenue £16.7m
28 acquisitions in total

2001

GWP £120m
Revenue £27m
36 acquisitions in total

2002

GWP £201m
Launch of Folgate
Revenue £43m
40 acquisitions in total

2003

GWP £409m
Revenue £75.5m
70 acquisitions in total

2004

GWP £669m
Towergate refinancing
Revenue £124m
86 acquisitions in total

2005

GWP £912m
Merger of Towergate & Folgate
Buy-out of RBS interests
Revenue £174.1m
105 acquisitions in total

Chief Executive Officer

Of the Gross Written Premium we control, 50% will come through our Underwriting division and 50% through our Retail Broking division. We do our utmost to harness the energy, customer insight and trading skills of our broking staff with the technical skills, the rigorous commitment to quality and professionalism of our underwriting staff.

At the same time we never forget that our customers' interests are our highest priority. Our satisfied customers remain our best sales advocates. So I conclude that the relationships we have with our customers are working – whether they be direct or intermediated; through our own brokers or via the wider broker market.

Please the crowd

We have in excess of half a million customers and our extensive training and development programme for our staff focuses on customer care. Treating customers fairly is not only morally right, it is the only way to build a sustainable relationship with the real source of our profit! So important is this aspect of Towergate that we have a dedicated team of staff who visit all locations to review customer relationships, carry out personal audits and specific training.

Entrepreneurial spirit

We remain convinced that the FSA regulatory regime sets a rational framework within which the industry should operate, without stifling entrepreneurial activity. The Chairman's achievement in being awarded the title of 'UK Entrepreneur of the Year' in 2005/6 reflects the Group's commitment to business innovation and flair. We are able to offer our customers an unparalleled 190 different insurance products, providing them with a real 'one-stop shop'.

Rather than using the term 'broker', our own intermediaries now describe the service they offer as 'risk solutions' – a closer definition of what they do for their customers. With the broad spread of products and risk management services at our disposal we can genuinely claim to be in the business of de-risking our commercial clients and enabling them to concentrate on the objective of creating jobs and generating profits as net contributors to UK PLC.



Andy Homer, Chief Executive Officer

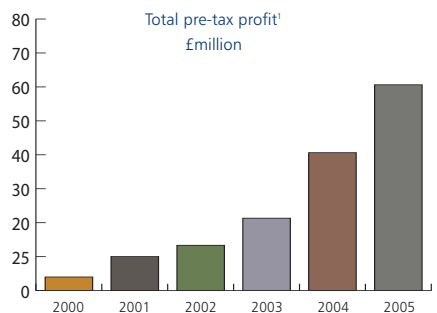
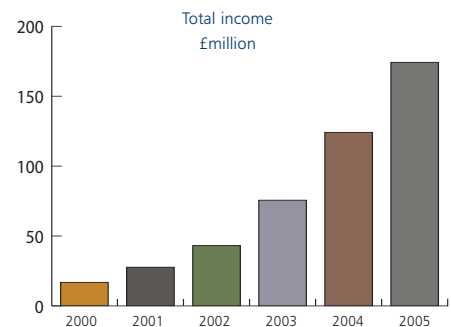
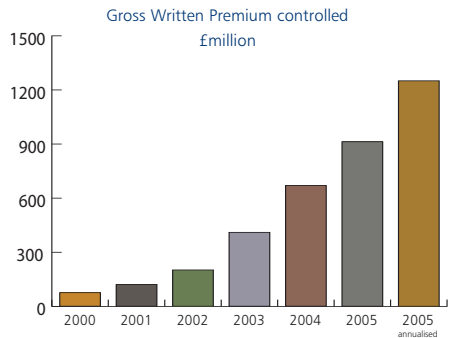
We are, furthermore, the only insurance intermediary in the UK that offers full-service work area recovery to our clients as part of their business continuity planning.

Growth ambitions

The opportunities for Towergate and its staff to grow the size of the broker and customer base we serve are boundless. We are only constrained by our own imagination.

A handwritten signature of Andy Homer in black ink.

Andy Homer



¹ Earnings before interest, tax, depreciation, directors' bonuses and amortisation

safety in numbers

At Towergate we believe that insurance is very much a 'people business'. However, ultimately it is the numbers that show the strength of an organisation and give reassurance to shareholders, customers, intermediaries, insurers, employees, and the great causes we support.

Here are some of our numbers:

No. 1 we are Europe's largest independent insurance intermediary

£1.25 billion gross written premium controlled¹

£174 million total 2005 income

40% growth in income 2005 v 2004

£61 m 2005 pre-tax profit²

4000+ agencies and outlets distributing our products

110 acquisitions successfully integrated³

190 insurance products – the widest range in the market

100 offices across the UK³

3047 exceptional people making things happen³

£500,000 raised for Help the Hospices and other good causes

¹ 2005 on annualised basis

² Earnings before interest, tax, depreciation, directors' bonuses and amortisation

³ As at 30th June 2006

Insurance from A-Z

In addition to all you would expect from a leading insurance service provider, Towergate has an unparalleled range of specialist insurance solutions including:

A	E	M	R
Accident Sickness & Unemployment Cover	Electrical Retailers/Wholesalers	Management Consultants Scheme	Radio Contractors
Advertising Agencies	Engineering	Marine Cargo & Liability	Restaurants
Agricultural Combined	Equine Package	Marketing Specialists	Retailers
Agricultural Fleet/Vehicle	Equipment Hirers	Material Damage	Risk Assessment Service
Agricultural Machinery Merchants	Event Cancellation/Adverse Weather	Military Home	S
Amateur Photographers	Events	Military Kit	Schemes/Specialty
Amusement Arcades	Excess Layer Liability	Military PA & Travel	Self Build
Amusement/Theme Parks	Expatriate Home	Model Agencies and Model Management	Shops
Aviation	F	Mortgage Brokers PI Cover	Sports & Leisure Clubs
B	Farm Motor	Mortgage Related Accident, Sickness & Unemployment	Stock Throughput
Bingo Halls	Farm Package	Motor	Supply Teachers
Boat Builders/Repairers/Traders	Film Producers	Motor for Specialist Entertainment Risks	Surgeries (Locum)
Bowling Alleys	Financial Failure	Motor Homes/RVs	T
Builders Merchants	Fleet & Mini Fleet	Motor Traders	Taxis & Mini Buses
C	Fleet Risk Management	Music Producers Combined	Thatched property
Cancellation, Abandonment & Non-Appearance Insurance	G	Musical Instrument Equipment	Tour Operators and Affinity Groups
Caravan Parks (Holiday, Touring & Residential)	Garden Centres	P	Combined Liability
Caravans	Golf Clubs	Park Homes	Travel
Charities	Golf Clubs (Personal) & Equipment	Personal Accident & Sickness (Commercial & Personal)	Travel (Group Business)
Clubs & Societies	Goods in Transit	Photo Laboratories	Travel (Tour Operators)
Commercial Combined	H	Photo Libraries	Travel Indemnity Bonds
Commercial Package	Hardware Shops	Photographic Studios	W
Commercial Vehicle	Health & Fitness Clubs	Post Production Facilities	Wine Bars
Complementary & Alternative Medicine Practitioners	High Net Worth	Previously Underpinned Properties	Y
Computer	Holiday Homes and Chalets	Private Car - Breakdown	Yacht/Boating Clubs
Confidential Death and Disablement	Home	Private Car - Standard	Yachts/Small Craft
Contractors	Hospices	Professional Indemnity Medical Malpractice	Z
Counselling and other Therapists	Hotels/Guest Houses	Professional Indemnity	Zoos & Safari Parks
Credit Insurance	K	Professional Photographers	
D	Kidnap, Extortion and Detention	Property	
Directors & Officers	L	Property Owners	
	Legal Expenses (Commercial)	Property Owners/Investors	
	Leisure Parks	Public Houses	
	Liability		

Towergate Underwriting Group Limited

Registered Office: Towergate House, 2 County Gate, Staceys Street, Maidstone, Kent ME14 1ST

Tel: 0870 908 3200 Fax: 0870 908 3201 www.towergate.co.uk

Registered in England No. 4043759