

**annual report** and accounts

2013

## Contents

Chairman's report	<b>4 – 5</b>
Directors' report	<b>6 – 8</b>
Strategic report	<b>9 – 10</b>
Report of the remuneration committee	<b>11</b>
Report of the independent auditors	<b>12</b>
Principal accounting policies	<b>13 – 15</b>
Consolidated profit and loss account	<b>16</b>
Consolidated balance sheet	<b>17</b>
Company balance sheet	<b>18</b>
Consolidated cash flow statement	<b>19</b>
Notes to the financial statements	<b>20 – 33</b>

**Company registration number:**

2958427

**Registered Office:**

Deakins Park  
Hall Coppice Road  
Egerton  
Bolton  
BL7 9RW

**Directors:**

R Green  
I J Gray  
T E Stanley  
J K Rhodes  
J A Tomlinson  
B Bradshaw

**Secretary:**

I J Gray

**Bankers:**

Barclays Commercial Bank  
51 Mosley Street  
Manchester  
M60 2AU

National Westminster Bank Plc  
Fifth Floor  
1 Spinningfields Square  
Deansgate  
Manchester  
M3 3AP

**Auditors:**

Grant Thornton UK LLP  
Registered Auditors  
Chartered Accountants  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

# Chairman's Report

## Overview

It has been another difficult year financially but there are signs that our strategy is working albeit more slowly than we would wish.

The main factors affecting the group's financial performance were a lack of expected volume, which has led to changes in Broker Direct's business profile and events leading up to the disposal of HBA, our Lloyd's broker.

HBA was acquired in 2007 to access London markets for Broker Direct product and facilities and to provide better access for Broker Direct agents. After several years of substantial growth in income and broker business expansion we nevertheless felt that in the continuing soft market, profitability and critical mass were going to be difficult to achieve.

The business has now been disposed of, but the disposal process resulted in increased support costs and was at a considerable loss to book value. These losses and some contingent liabilities are reflected as exceptional items in the 2013 group results.

The company saw a reduction in Gross Written Premium from agency products. The effect was largely offset by increased TPA business but income was down on an already low level from 2012. Household insurance was a growing proportion of the company's business.

These events have put a strain on the company's financial resources and as anticipated in the 2012 Report and Accounts, loan arrangements have been restructured so that repayments will not recommence before 2015. Cash continued to be depleted in early 2014 but with new products and contracts on stream and lower costs this is now reduced and expected to cease.

A significant positive result of the above actions is that Broker Direct now has a lower cost base and a strong infrastructure, and despite the financial difficulties the business position has promising features and new opportunities.

Knowledge, professionalism and speed of service, the cornerstone of our proposition to brokers has been externally validated under the major outsourcing contract which we announced last year and scores us in excess of 93% for overall broker satisfaction. During the year the company entered an agreement with one of the fastest growing companies in the industry and we are confident that it will lead to many more opportunities to launch supplementary products. This agreement provides the underwriting capacity for a Broker Direct designed and managed household product which commenced production in early 2014. The agreement provides significant profit share opportunities and is a milestone in Broker Direct's progress in the household market.

Insurance Compliance Services Ltd (ICS) performed well and provides a steady profit stream. It continues to be

acknowledged as a premier compliance service to brokers. ICS provide a mix of consultancy, compliance visits, on line materials and help line support to suit the needs and the pockets of brokers of all sizes. In addition it provides a well regarded cover-holder audit service to the London market.

BD Elite Ltd profitability was on budget, an excellent result in view of the major changes to Personal Injury regulations reported last year. The company's focus on service and reliability has meant that at a time when a significant number of operators have left the market, Elite has seen growth in income, profit and broker partners. BDElite was the first Claims Management Company to have their full product suite of Legal Expense products, go live on the Open GI Market Place platform, significantly improving the ease with which brokers can administer the products. The company has also been shortlisted for Claims Management Company of the Year at the Claims Innovation Awards 2014.

## Results

The group has declared a pre-tax loss of £1,517,761 (2012 loss £296,830). Income was down 7.6% to £18,086,339 (2012 £19,578,649) due to reduced written premium on which Broker Direct and HBA earn commission income. The increase in cost of sales (mostly broker commission) to £8,466,791 (2012 £8,228,266) is largely due to a change in reporting policy such that the commissions payable to brokers on products offered through BD Elite Ltd are now recognised in the profit and loss account in line with group accounting policy. This is offset by a reduction in other operating charges of £10,849,769 (2012 £11,558,590). These include a one-off impairment charge of £710,834 reducing the goodwill value HBA to £0 prior to its disposal in 2014, plus £274,024 of costs accrued relating to that disposal.

Operating losses on continuing operations were £290,395. Cash decreased by £57,200 (2012 £512,606) but was supported by a new loan facility of £500,000 concluded in November 2013. This is being used in part to pay taxation of £184,345 on the prior year sale of the retail businesses.

## Markets

Average Motor premiums fell during the year putting pressure on our volumes as our insurers maintained or improved their underwriting result. Premiums continued to fall in the first quarter 2014. There have been many significant changes in the motor market over the last few years due to regulation and new technology. This may still be causing uncertainty.

Competition in the household market increased during 2013. Profitability was affected by the floods but we do not expect material rate strengthening.

Many insurers are entering the personal lines insurance market for the first time but are not providing product to small brokers. The market is seen as difficult to reach effectively by insurers without experience and good relationships. We predicted this and part of our strategy is to attract these insurers.

IT development timescales and costs are a constant headache for most large institutions and this continues to fuel the TPA market. There has been a lull in market wide IT innovation but a number of initiatives are being planned by large brokers and by broker system suppliers. The DVLA are actively planning to give access to license records at the point of sale. Growth in telematics has not been rapid.

The accident management market served by BDElite remains uncertain with reviews underway by a number of bodies. The Competition and Markets Authority are expected to report later in 2014 particularly in relation to post accident services, controls and costs. The Ministry of Justice and the Transport Select Committee are looking into medical issues particularly whiplash. The Financial Conduct Authority (FCA) is expected to report in 2014 on point of sale practices relating to legal expenses and other add-on products.

Increasing activity is expected from the FCA and this is expected to fuel demand for compliance services.

## Outlook

### Broker Direct Agency and TPA

As always production volume will be sensitive to competitor pricing. Broker Direct's business should see some modest gains in 2014 but these could be reversed if the market continues to soften. Unlike recent years there are no new innovations or regulations expected to affect volume during 2014 but the effects of previous initiatives may not yet be fully worked through.

The company now has a varied and strong prospect list for new insurer partners and products. We believe this is due to our unique position as the only independent large scale full service personal lines distribution channel between insurers and brokers. There are a number of ways we provide real value both through our agency base and as a TPA provider. These are illustrated by the current range of prospective partners which include insurers that are new to the broker market, insurers that are looking for product expertise in the broker market and established players looking for a quick and low cost way to launch new product. The latter include arrangements targeting both small and national brokers.

### BDElite

The excellent reception that we get from brokers and consumers should ensure a continued increase in market share.

The Accident Management market could be seriously affected by Government action resulting from the reports referred to under Markets above, however on balance we expect that the consumer benefit provided by its products and services will ensure the future of the sector.

### ICS

Increasing activity by the FCA is expected to stimulate demand for the compliance services provided by ICS..

## Personnel

The Board thanks the management and staff for their hard work, loyalty and sacrifices and our best wishes go to those who have departed as a result of our need to reduce costs.

Neil Harris one of our founding Directors retired at the end of the year. Neil was involved in the initial development of the company and the successful launch of the share prospectus. He served as a full time Executive Director until 2010 and provided invaluable technical expertise. He directed the development of one of the company's greatest assets our Claims operation. We wish him a long and fulfilled retirement.

## Dividend

The management and Board thank the shareholders for their patience in this transitional time. The Board's priority is to strengthen the company's finances, reduce debt and provide a prudent level of cost cover. During this period we ask for further forbearance. As you will see from the Remuneration Committee Report this is matched by pay reductions by the Directors.

## Business Lines

The Group provides a range of inter-related products and services to insurers and brokers.

### Broker Direct Agency

Broker Direct branded product distribution and full servicing through the company's own broker agency base.

### TPA

Third Party Administration services to insurers including Claims administration, Premium administration and electronic product distribution.

### BD Elite Ltd.

Broker claims administration and uninsured loss recovery service.

### HBA Ltd.

Lloyd's Broker – disposed of in 2014.

### Insurance Compliance Services Ltd.

Regulatory compliance services for Insurance Brokers and Intermediaries plus audit and general compliance services for Insurers and Lloyd's syndicates.



### Roy Green

Chairman

19th May 2014

# Directors' Report

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

## Directors

The directors who served during the year are shown below:

Iain Gray	Finance Director	Executive
Roy Green	Chairman	Non-Executive
Neil Harris	Director	Non-Executive (retired 31st December 2013)
Kedric Rhodes	Director	Non-Executive
Terry Stanley	Chief Executive	Executive
Ann Tomlinson	Operations Director	Executive
Barbara Bradshaw	Director	Non-Executive (appointed 25th April 2013)

## Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, the Strategic 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company and of the profit or loss of the group and 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 accounting 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 group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each of the directors is aware there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Financial risk management objectives and policies

The directors review and agree policies for managing the financial risks and these are summarised below. These policies are unchanged from previous years.

### Market Risk

Market risk encompasses three types of risk: price risk, interest rate risk and currency risk.

*Price risk*

The Group's exposure to price risk consists mainly of movements in competitors' pricing policies in the insurance market. The Group is managing its exposure to any one class of business or insurer by working closely with a selected panel of strategic partners who support a range of personal lines general insurance product offerings. By way of illustration the following table shows the diversity of its sources of business:

	<b>2013</b>	2012
Group income derived from single largest source of business **	<b>26%</b>	16%
Number of recognised sources of business to the Group – continuing operations	<b>18</b>	23
Number of personal lines products distributed by Broker Direct – continuing operations	<b>23</b>	22
Number of new personal lines products being developed by Broker Direct, to be distributed in the following year	<b>3</b>	1

\*\* Income is deemed to be net of commissions ceded to insurance brokers.

Going forward, the objective is to balance the income sources across the core businesses.

*Interest rate risk*

The low interest rate environment throughout 2013, together with modest cash deposits, resulted in only nominal interest income in the year. Consequently loss of such income is not material to the financial integrity of the business.

The Group's borrowings are a mixture of fixed interest leases and variable interest borrowings. For a 1% increase in interest rates, the budgeted cost of borrowing in 2014 would increase by circa £14,000 (2013: circa £10,000).

*Currency risk*

Other than at the subsidiary HBA Limited, the Group does not transact foreign currency business.

On rare occasions, Broker Direct Plc settles motor insurance claims in Euros when any loss or gain on foreign exchange is borne by the insurance company underwriting the policy rather than by Broker Direct.

HBA Limited (HBA), conducts business primarily in 3 currencies; UK Sterling, Euro and South African Rand. The business is conducted in currency such that insurance premiums are quoted, collected and settled in currency and insurance claims likewise. HBA's currency exposure is therefore limited to the commission it earns on the premiums placed.

Currency gains/losses can arise through timing differences between:

1. when the brokerage is recognised;
2. when the cash is receipted into the business and deposited in the Client Trust Bank Account; and
3. when the cash is transferred from the Client Trust Account to the Company's office account.

UK Sterling strengthened against both the Euro & Rand currencies in 2013. If the exchange rates had been stable relative to 2012, HBA's retained brokerage income would have been £26,000 higher (2012: £54,000 higher).

**Credit Risk**

The Group's principal assets are cash deposits and trade debtors. The credit risk associated with cash deposits is limited as the accounts are held with a major UK high street bank only. The principal credit risk arises therefore from trade debtors.

The principal trade debtor credit risks are:

- Broker agencies: Broker Direct and HBA collect premiums from brokers and pass them on to the insurers underwriting the risk. Premiums are settled to the insurers after deducting commission and expenses due for servicing the policies. If a broker fails to settle their debt, then Broker Direct is still obliged to settle the balance due to the insurer. The Group defines acceptance criteria for the appointment of new broker agencies, then applies and monitors them against agreed credit and settlement terms. The single largest broker agency represents 7% of group turnover (2012: 10%). Bad debt experience in 2013 was negligible (2012: negligible);

## Directors' Report continued

- Policyholders paying by instalment: The Group only accepts instalment business by electronic direct debit instruction. Debt management and cancellation terms are agreed with the Group's insurance partners to minimise the bad debt exposure. Bad debt experience in 2013 was negligible (2012: negligible);
- Third party administration and claims handling services: Income streams are invoiced for subsequent settlement by insurers and key partners. Insurers and key partners are pre-vetted for their financial stability.

### Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient working capital is available to meet foreseeable needs and the Financial Conduct Authority's capital resource requirements for insurance intermediaries are met.

The Group policy during the year was unchanged. To:

- Hold cash balances in readily accessible treasury deposits
- Utilise fixed interest, asset leasing facilities
- Utilise variable rate borrowing facilities for premium instalment business.

### Reserving Risk

Broker Direct maintains reserves which are released against the costs of servicing insurance policies inception in prior underwriting periods. Notably the business holds reserves for:

- policy administration; the Company incurs costs over the policy year to administer the policy. The reserve is released to income against those costs;
- claims handling; the Company is paid in advance to administer claims and therefore holds a reserve for release to income as the expenses of handling claims arise; and
- commission claw-back; where policies cancel mid-term and premiums are returned to policyholders, the Company must likewise return the element of its commission income associated with those cancellations, this return is met via a release from the commission clawback reserve.

There is a risk that these reserves are insufficient to meet the future servicing requirements.

### Employment policies

The Group maintains a policy of offering employment opportunities that are free from discrimination on any grounds, other than unsuitability for the position in question, whether this relates to initial selection for employment, promotion or any other employment matter. Equal consideration is given to disabled people, where they have the appropriate experience, qualifications and ability to do the job.


### Employee involvement

We seek to employ staff who will take the opportunity presented to make positive contributions to the development of the business, and it is the approach of the Group to be as open as possible with staff and obtain their feedback.

### Auditors

Grant Thornton UK LLP have indicated their willingness to be re-appointed and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



**Iain Gray**

Finance Director

19th May 2014



### Review of the business

A review of the business for the year ended 31 December 2013 is included within the Chairman's report on pages 4 and 5.

The Group's result for the year ended 31 December 2013 is a loss before tax of £1,517,761 (2012: loss £296,830). The Company's profit and loss account shows a loss after taxation for the year of £822,394 (2012: loss £297,623). The directors do not propose a dividend at this time (2012: nil).

The following table sets out the Group's key performance indicators:

	2013	2012
Loss before tax to turnover	<b>(8.4%)</b>	(1.5%)
Current ratio	<b>1.0</b>	1.0
Loss before tax per employee	<b>(£8,249)</b>	(£1,514)
Sales per employee	<b>£98,295</b>	£99,891
E/(L)BITDA per share	<b>(11p)</b>	5p
Staff stability index in continuing operations **	<b>97.2%</b>	92.3%

\*\* percentage of staff employed at year end with at least 12 months service.

### Future developments

Future developments are included within the Chairman's report on pages 4 and 5.

### Going concern

The directors consider it is appropriate to adopt the going concern basis in preparing these financial statements. In accordance with current best practice further commentary in this regard is set out in the Accounting Policies accompanying the financial statements.

### Principal risks and uncertainties

Risk and uncertainty are recognised as normal elements of doing business. The Group manages its risk appetite through the application of a risk framework cycle involving:

- identification
- probability
- impact
- mitigation
- contingency
- review

Major risks are managed through the implementation and monitoring of policies and procedures, including:

- Corporate governance
- Business Interruption & Recovery
- Treating Customers Fairly, Agency Management
- Conflicts of Interest, Gifts & Inducements, Supplier Procurement and Management
- Whistleblowing, Anti Money Laundering, Anti Fraud, Anti Bribery and Corruption
- Data Inventory, Protection, Usage and Destruction, and IT Security
- Staff Recruitment, Training and Competency, Health & Safety

The directors monitor key performance and strategic indicators and agree actions to either mitigate against negative movements or exploit opportunities.

# Strategic Report continued

The key business risks affecting the Group are set out below:

## **Operational risk**

The management of the business and the nature of the group's strategy are subject to a number of risks in its operation such as fraud, failure of management control systems and failure of data systems.

The directors have set out below what they consider to be the main operational risks facing the business.

### *Partners and Competitors*

BD's income is primarily derived from the amount of premium processed on behalf of our insurer partners. The personal lines insurance market is highly price sensitive and as a result is intensely competitive. BD is therefore heavily reliant on our insurer partners' appetite for sales, relative to the pricing actions of our competitors. Consequently, BD continually works to deliver a complementary range of products and services, underwritten by a selected panel of insurers.

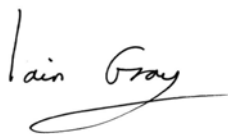
### *Technology*

Utilising technology is fundamental to the efficient distribution and servicing of our products and services. Systems need to price risks correctly, produce accurate policy documentation and transmit comprehensive data between the brokers and Broker Direct Plc. To this end, we work closely with both our insurer partners and our brokers' software system providers in implementing fresh technologies.

### *Legislation*

In 2013 legislation came into force that banned the payment or receipt of a fee for referring claimants to a personal injury solicitor, reduced the level of fees earned by claimant solicitors and removed the recoverability of some costs incurred by claimants in pursuing damages for their personal injuries. Whilst we have successfully re-engineered our processes to ensure compliance with these regulations, the revenue from that source has halved during the year. There is also the prospect of new regulations, possibly as early as late 2014, which may have further implications for the business.

BY ORDER OF THE BOARD



**Iain Gray**

Finance Director

19th May 2014

# Report of the Remuneration Committee

## Introduction

The Remuneration Committee recognises that directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice.

To avoid potential conflicts of interest, the Board of Directors has delegated responsibility for determining executive remuneration to a Committee comprising of the Chairman and non-executive directors, who:

- Are knowledgeable of the business
- Are responsive to the shareholders' interests
- Have no personal financial interest in the remuneration decisions they are taking.

During 2013 the members of the Committee were:

Roy Green – Chairman of Remuneration Committee

Neil Harris – Non Executive Director

Kedric Rhodes – Non Executive Director

Barbara Bradshaw – Non Executive Director

## Executive Directors' Remuneration policy – objectives

- To provide packages which attract, retain and motivate the executive directors
- Link rewards to the performance of both the Group and the individual
- Align the interests of directors and shareholders in promoting the Group's progress.

## Directors' Service Contracts

The service contract for Terry Stanley, Iain Gray and Ann Tomlinson are in a similar form. The term in each case is for a rolling term of six months. The Group may give three months' notice at any time subject to paying no more than six months compensation (except in specific circumstances when no compensation will be payable).

## Remuneration Committee Report

The existing share option scheme expired on 31 December 2013 and the Remuneration Committee decided to approve a replacement scheme. The scheme which takes effect from 1 May 2014, will reward management and the Executive Directors on the achievement of new targets which have been designed to create significant increases in share value. The Remuneration Committee is also actively looking at a bonus scheme to be implemented as finances allow.

As reported in last year's accounts, during 2013 the management team took a minimum 10% reduction in salary and the Board took a 14% reduction in remuneration. In 2014 the Board agreed to defer part of their remuneration until an appropriate cash balance is achieved.

BD Elite Ltd is now a wholly owned subsidiary of the group and its Directors and staff who were previously employed by Broker Direct have now transferred to the company. A separate share scheme is being investigated which will reward the Executive Directors of BD Elite on the performance of the company. Because of its status as a wholly owned subsidiary, different arrangements will be necessary and the Board is taking specialist advice.

# Report of the independent auditors to the members of Broker Direct Plc

## **Independent auditor's report to the members of Broker Direct Plc**

We have audited the financial statements of Broker Direct Plc for the year ended 31 December 2013 which comprise the principal accounting policies, consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 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**

As explained more fully in the statement of directors' responsibilities as set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Strategic Report and Directors' Report for the financial year 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

## **Kevin Engel**

Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester  
19th May 2014



## **Basis of preparation**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable law and United Kingdom accounting standards.

The directors have reviewed the accounting policies in accordance with FRS 18 "Accounting Policies" and have concluded that no changes were required from the previous year.

The principal accounting policies of the Group are set out below.

## **Going Concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's report on pages 4 and 5. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report on pages 6 to 8 and the Strategic Report on pages 9 to 10. In addition, these reports include the Group's objectives, policies and processes for managing its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

At 31 December 2013, operational cash balances amounted to £864,163 (note 21) (2012: £863,092) and other loans amount to £1,342,233 (2012: £842,233).

The directors have prepared consolidated forecasts for the 2 years' ending 31 December 2015. The forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash balances. After review of the forecasts and consideration of the Group's resources, together with its long standing relationships with insurers and brokers and the renegotiated borrowing repayment terms (note 13), the directors believe that the Group is capable of trading through the continued economic turbulence.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

## **Basis of consolidation**

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2013. The acquisition of the subsidiaries is dealt with by the acquisition method of accounting. The results of companies acquired are included in the Group profit and loss account from the date that control passes. The results of companies disposed of will be included in the Group profit and loss account up to the date of disposal, and a gain or loss on disposal will also be recognised. This gain or loss is calculated as the difference between the fair value of the consideration received and the proportion of the identifiable net assets (including goodwill) of the subsidiary disposed of.

## **Goodwill**

Purchased goodwill arising on acquisitions represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Positive goodwill is capitalised and classified as an asset on the balance sheet and is amortised on a straight line basis over its estimated useful economic life, being twenty years. In accordance with FRS 10, goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable.

If the recoverable amount of any goodwill is estimated to be less than its carrying amount, the carrying amount of the goodwill is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

## **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Website development costs are included at cost, within Computer – software development, and amortised straight line over their useful economic lives.

## Principal accounting policies continued

Depreciation is calculated to write down the cost less the estimated residual value of all tangible fixed assets by equal monthly instalments over their expected useful economic lives. The periods generally applicable are:

Leasehold improvements	4 years straight line
Computer – hardware	3 years straight line
Computer – software development	5 years straight line
Equipment	4 years straight line
Furniture and fittings	4 years straight line
Cars	3 years straight line

### Investments

In respect of the parent company, investments are included at cost, net of provision for impairment.

### Turnover

Turnover is the amount receivable, by the Group, for services provided, exclusive of Value Added Tax (“VAT”). VAT is chargeable on services relating to motor accident management, insurance compliance and human resource consultancy.

Income from commission is received for selling and administering insurance policies and is recognised in the profit and loss account at policy inception. Provisions are maintained to meet potential subsequent bad debts and commission clawbacks for policies that could cancel in the future. Trade debtors are shown net of any provision for bad debts.

An element of commission income relates to post placement services for claims handling and premium administration, hence is deferred and released to the profit and loss account in the periods in which these services are provided. The claims handling and policy servicing deferred income accrual are included in “technical reserves” and are analysed between amounts to be recognised within one year and amounts to be recognised after more than one year.

In addition:

- income is received from insurer partners to help fund the development of the IT systems that support the distribution and administration of their products.
- income from service charges is received for providing instalment premium funding. A proportion of this income is deferred and released to the profit and loss account throughout the term of the policy in equal monthly instalments.

### Cash at bank and in hand

Cash received for insurance premiums, claims and commissions is held on trust in separate insurance client monies accounts until either settled to third parties or in the case of commissions, transferred to group operational cash balances. Cash at hand and in bank therefore includes both insurance client and operational monies (see note 21).

### Leased assets

Where the Group enters into a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee, the lease is treated as a finance lease. Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. Future instalments under such leases, net of finance charges, are included in creditors. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

### Insurance debtors and creditors

The Group acts as an agent of insurance companies in broking and administering insurance products and is liable as a principal for premiums due to those underwriters. The Group has followed generally accepted accounting practice for insurance brokers by showing debtors, creditors and cash balances relating to insurance business as assets and liabilities of the Group itself. Revenue is recognised on such agency arrangements as set out in the turnover accounting policy.

## Contributions to pension funds

### Defined contribution schemes

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

### Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### Employee share schemes

All share-based payment arrangements granted after 7 November 2002 are recognised in the financial statements in accordance with *Financial Reporting Standard 20: Share-based Payment*.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to "share option reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised. Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

### Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are taken into account in arriving at the operating profit.

### Exceptional items

Exceptional items are material items of income and expenditure, which due to their size or nature require separate disclosure in the financial statements to allow a better understanding of the financial performance of the year and in comparison to prior periods.

During the current year, the Group has impaired the value and accrued costs in relation to the disposal of a subsidiary. In 2012, the Group recognised losses on sale of operations. These items have been recognised as exceptional items (see note 1).

### Key estimates and judgements

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historic experience and other factors that are considered to be relevant and are reviewed on an ongoing basis. Actual results may differ from these estimates.

The Directors have considered the key assumptions used to estimate the Group's assets and liabilities as at the balance sheet date, and believe these assumptions to be entirely appropriate. The estimates and judgements most likely to have a significant effect are in the following areas:

- Going concern (refer to Going Concern accounting policy)
- Technical reserves (refer to Turnover accounting policy)
- Impairment of goodwill (refer to Goodwill accounting policy).

With respect to these policies, the directors consider that there are no individual underlying assumptions to which the monetary amount is particularly sensitive.

# Consolidated profit and loss account

	Note	2013 £	2012 £
<b>Turnover</b>	1	<b>18,086,339</b>	19,578,649
<b>Cost of sales</b>	2	<b>(8,466,791)</b>	(8,228,266)
<hr/>			
<b>Gross profit</b>		<b>9,619,548</b>	11,350,383
Other operating charges	2	<b>(11,123,831)</b>	(11,558,590)
<hr/>			
<b>Loss on operating activities before interest and taxation</b>		<b>(1,504,283)</b>	(208,207)
<hr/>			
Operating loss before exceptional items		<b>(519,425)</b>	(208,207)
Impairment of goodwill	7	<b>(710,834)</b>	–
Costs in relation to the disposal of a subsidiary	1	<b>(274,024)</b>	–
<hr/>			
Loss on operating activities before interest and taxation		<b>(1,504,283)</b>	(208,207)
<hr/>			
Loss on sale of operations – discontinued operations	1	–	(48,982)
Net interest	3	<b>(13,478)</b>	(39,641)
<hr/>			
<b>Loss on ordinary activities before taxation</b>	1	<b>(1,517,761)</b>	(296,830)
Taxation	5	<b>32,434</b>	20,073
Loss for the financial year	17	<b>(1,485,327)</b>	(276,757)
<hr/>			
<b>Loss per share attributable to the owners of the parent Company</b>			
- Basic (pence)	1	<b>(0.38)</b>	(0.06)

There were no recognised gains or losses other than the loss for the year.

The accompanying notes form part of these financial statements.



# Consolidated balance sheet

	Note	2013 £	2012 £
<b>Fixed assets</b>			
Intangible assets	7	<b>1,927,384</b>	2,825,043
Tangible assets	8	<b>252,975</b>	367,658
		<b>2,180,359</b>	3,192,701
<b>Current assets</b>			
Debtors	10	<b>7,940,628</b>	6,866,420
Cash at bank and in hand		<b>5,418,267</b>	5,475,467
		<b>13,358,895</b>	12,341,887
<b>Creditors: amounts falling due within one year</b>	11	<b>(12,962,585)</b>	(12,122,416)
<b>Net current assets</b>		<b>396,310</b>	219,471
<b>Total assets less current liabilities</b>		<b>2,576,669</b>	3,412,172
<b>Creditors: amounts falling due after more than one year</b>	12	<b>(1,929,900)</b>	(1,242,778)
<b>Provisions for liabilities</b>	14	<b>(140,395)</b>	(166,907)
<b>Net assets</b>		<b>506,374</b>	2,002,487
<b>Capital and reserves</b>			
Called up share capital	16	<b>785,437</b>	785,437
Special reserve	17	<b>96,858</b>	96,858
Share option reserve	17	<b>31,313</b>	42,099
Profit and loss account	17	<b>(407,234)</b>	1,078,093
<b>Shareholders' funds</b>	18	<b>506,374</b>	2,002,487

The financial statements were approved and authorised for issue by the Board of Directors on 19th May 2014.

Company No. 2958427



**T E Stanley**

Chief Executive Officer



**I J Gray**

Operations and Finance Director

The accompanying notes form part of these financial statements.

# Company balance sheet

	Note	2013 £	2012 £
<b>Fixed assets</b>			
Tangible assets	8	<b>233,376</b>	341,308
Investments	9	<b>5,000</b>	5,000
		<b>238,376</b>	346,308
<b>Current assets</b>			
Debtors	10	<b>9,556,241</b>	8,072,937
Cash at bank and in hand		<b>3,349,050</b>	3,087,947
		<b>12,905,291</b>	11,160,884
<b>Creditors: amounts falling due within one year</b>	11	<b>(8,887,132)</b>	(6,720,565)
<b>Net current assets</b>		<b>4,018,159</b>	4,440,319
<b>Total assets less current liabilities</b>		<b>4,256,535</b>	4,786,627
<b>Creditors: amounts falling due after more than one year</b>	12	<b>(1,082,992)</b>	(750,245)
<b>Provisions for liabilities</b>	14	<b>(76,383)</b>	(106,040)
<b>Net assets</b>		<b>3,097,160</b>	3,930,342
<b>Capital and reserves</b>			
Called up share capital	16	<b>785,437</b>	785,437
Special reserve	17	<b>96,858</b>	96,858
Share option reserve	17	<b>31,313</b>	42,099
Profit and loss account	17	<b>2,183,552</b>	3,005,948
<b>Shareholders' funds</b>		<b>3,097,160</b>	3,930,342

The financial statements were approved and authorised for issue by the Board of Directors on 19th May 2014.

Company No. 2958427



**T E Stanley**

Chief Executive Officer



**I J Gray**

Operations and Finance Director

The accompanying notes form part of these financial statements.

# Consolidated cash flow statement

	Note	2013 £	2012 £
<b>Net cash (outflow) from operating activities</b>	19	<b>(58,237)</b>	(22,103)
<b>Returns on investments and servicing of finance</b>			
Finance lease interest paid		<b>(11,437)</b>	(31,016)
Other loan interest paid		<b>(22,290)</b>	(27,406)
Interest received		<b>20,249</b>	18,781
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(13,478)</b>	(39,641)
<b>Taxation</b>		<b>(184,219)</b>	(6,279)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		<b>(86,395)</b>	(234,759)
Proceeds from sale of fixed assets		<b>11,667</b>	7,000
<b>Net cash outflow from capital expenditure</b>		<b>(74,728)</b>	(227,759)
<b>Acquisitions and disposals</b>			
Net proceeds from disposal of operations – discontinued operations		–	634,411
<b>Net cash inflow from acquisitions and disposals</b>		–	634,411
<b>Financing</b>			
Repayment of other loans		–	(640,273)
New loans		<b>500,000</b>	–
Capital element of finance lease and hire purchase contracts		<b>(226,538)</b>	(210,962)
<b>Net cash inflow/(outflow) from financing</b>		<b>273,462</b>	(851,235)
<b>(Decrease)/increase in cash in the year</b>	20	<b>(57,200)</b>	(512,606)

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## 1 Turnover and loss on ordinary activities before taxation

The turnover and loss on ordinary activities before taxation are attributable to the principal activity of the Group which is carried out entirely within the United Kingdom.

The analysis of turnover by class of business, net assets and results, as required by the Companies Act 2006 and SSAP 25 Segmental Reporting, has not been provided as, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Group.

	2013 £	2012 £
<b>The loss on ordinary activities before taxation is stated after charging/(crediting):</b>		
Auditors' remuneration:		
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	<b>31,422</b>	36,780
Fees payable to the Group's auditors for other services:		
– fees payable to the Group's auditors for the audit of the subsidiaries' annual financial statements	<b>12,854</b>	12,480
– tax services	<b>5,800</b>	10,200
– other services pursuant to legislation	<b>3,955</b>	3,840
Amortisation of goodwill	<b>186,825</b>	186,824
Depreciation of tangible fixed assets – owned	<b>146,963</b>	186,927
– leased	<b>37,881</b>	62,897
Loss on sale of fixed assets	<b>4,566</b>	3,662
Loss on foreign currency	<b>35,795</b>	26,346
Operating lease charges – land and buildings	<b>474,768</b>	584,504
Operating lease charges – other	<b>3,350</b>	3,320
Exceptional Items:		
Goodwill impairment	<b>710,834</b>	–
Costs in relation to the disposal of a subsidiary	<b>274,024</b>	–
Loss on sale of operations	<b>–</b>	48,982

### Loss on sale of operations

During 2011, the trades of Group companies, Greenhalgh & Gregson Limited, Fitzsimons Insurance Consultants Limited and Barry Fenton Insurance Brokers Limited, were disposed of, resulting in a loss on disposal of £552,475. Further losses of £48,982 were incurred during 2012.

### Impairment review and costs accrued in relation to the disposal of a subsidiary

The value of the Group's investment in HBA Limited has been impaired during 2013 by £710,834 to recognise its anticipated disposal value. In addition, £274,024 of costs associated with the disposal has been accrued in the 2013 financial statements.

### Earnings per share

	2013 £	2012 £
(Loss)/profit on operating activities before interest and taxation	<b>(1,504,283)</b>	(208,207)
Net interest	<b>(13,478)</b>	(39,641)
Taxation	<b>32,434</b>	20,073
<b>(Loss)/profit for the year</b>	<b>(1,485,327)</b>	(227,775)
Weighted average shares in issue (number) – Basic	<b>3,974,061</b>	3,974,061
– Diluted	<b>4,071,084</b>	4,739,061
Earnings per share (pence) – Basic	<b>(0.31)</b>	(0.06)

# Notes to the financial statements continued

## 2 Cost of sales and other operating charges

	2013 £	2012 £
Cost of Sales	<b>8,466,791</b>	8,228,266
Staff costs	<b>6,409,861</b>	6,859,424
Administration expenses	<b>408,812</b>	492,865
Other operating costs	<b>4,305,158</b>	4,206,301
	<b>11,123,831</b>	11,558,590

## 3 Net interest

	2013 £	2012 £
Interest income on bank deposits	<b>20,249</b>	18,781
Interest payable on finance leases and hire purchase contracts	<b>(11,437)</b>	(31,016)
Interest payable on other loans	<b>(22,290)</b>	(27,406)
	<b>(13,478)</b>	(39,641)

## 4 Directors and employees

### Group

	2013 £	2012 £
Staff costs during the year were as follows:		
Wages and salaries	<b>5,487,702</b>	5,23,822
Social security costs	<b>506,510</b>	574,540
Pension costs	<b>415,649</b>	461,062
	<b>6,409,861</b>	6,859,424

	2013 Number	2012 Number
The average number of employees during the year was:		
Management	<b>29</b>	33
Other	<b>155</b>	163
	<b>184</b>	196

Remuneration in respect of company directors was as follows:

	2013 £	2012 £
Emoluments	<b>444,533</b>	526,430
Pension costs	<b>45,215</b>	50,568
	<b>489,748</b>	576,998

During the year, 4 directors (2012: 5 directors) participated in money purchase pension schemes.

No directors exercised share options in the current or prior year.

Directors' remuneration disclosed above includes amounts paid to the highest paid director as follows:

	2013 £	2012 £
Emoluments	<b>123,154</b>	141,095
Pension costs	<b>17,869</b>	17,717
	<b>141,023</b>	158,812

# Notes to the financial statements continued

## 5 Tax on loss on ordinary activities

	<b>2013</b>	2012
	<b>£</b>	£
The taxation charge is based on the loss for the year and represents:		
Current tax:		
UK corporation tax at 23.25% (2012: 24.5%)	–	43,287
Adjustment in respect of prior periods	<b>(2,662)</b>	17,961
<b>Total current tax</b>	<b>(2,662)</b>	61,248
Deferred tax:		
Origination and reversal of timing differences	<b>(60,666)</b>	5,290
Adjustment in respect of prior periods	–	(100,748)
Effect of tax rate changes on opening balance	<b>30,894</b>	14,137
<b>Total deferred tax (note 15)</b>	<b>(29,772)</b>	(81,321)
<b>Tax on loss on ordinary activities</b>	<b>(32,434)</b>	(20,073)

### Factors affecting the tax (credit)/charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 23.25% (2012: 24.5%). The differences are explained as follows:

	<b>2013</b>	2012
	<b>£</b>	£
Loss on ordinary activities before tax	<b>(1,517,761)</b>	(296,830)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	<b>(352,879)</b>	(72,715)
Effect of:		
Expenses not deductible for tax purposes	<b>285,430</b>	124,871
Depreciation in excess of capital allowances	<b>(15,161)</b>	(948)
Short term timing differences	<b>(7,281)</b>	(3,829)
Unrelieved tax losses and other deductions	<b>89,891</b>	–
Previous period adjustments	<b>(2,662)</b>	17,961
Marginal relief	–	(4,092)
<b>Total</b>	<b>(2,662)</b>	61,248

## 6 Loss for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's loss for the year was £822,396 (2012: £297,623).

**7 Intangible fixed assets**

<b>Group</b>	<b>Goodwill on business acquired £</b>	<b>Goodwill on consolidation £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2013	593,808	6,055,675	6,649,483
<b>Amortisation</b>			
At 1 January 2013	573,183	3,251,257	3,824,440
Provided in the period	1,250	185,575	186,825
Impairment review	–	710,834	710,834
At 31 December 2012	574,433	4,147,666	4,722,099
<b>Net book amount</b>			
At 31 December 2013	<b>19,375</b>	<b>1,908,009</b>	<b>1,927,384</b>
At 31 December 2012	20,625	2,804,418	2,825,043

As at 31 December 2013, the Group assessed the carrying value of its investment in HBA Limited and determined that it was appropriate to write down the carrying value to zero by way of an impairment charge based on the expected proceeds for the disposal of that subsidiary.

**8 Tangible fixed assets**

<b>Group</b>	<b>Leasehold improvements £</b>	<b>Fixtures &amp; fittings £</b>	<b>Cars £</b>	<b>Computers and other equipment £</b>	<b>Total £</b>
<b>Costs</b>					
At 1 January 2013	566,343	310,285	99,890	3,211,281	4,187,799
Additions	1,356	–	–	85,039	86,395
Disposals	–	–	(24,350)	–	(24,350)
At 31 December 2013	567,699	310,285	75,540	3,296,320	4,249,844
<b>Depreciation</b>					
At 1 January 2013	554,339	307,028	45,905	2,912,870	3,820,142
Provided in the year	10,850	1,787	22,106	150,101	184,844
Disposed in the year	–	–	(8,117)	–	(8,117)
At 31 December 2013	565,189	308,815	59,894	3,062,971	3,996,869
<b>Net book amount</b>					
<b>At 31 December 2013</b>	<b>2,510</b>	<b>1,470</b>	<b>15,646</b>	<b>233,349</b>	<b>252,975</b>
At 31 December 2012	12,004	3,257	53,985	298,412	367,658

Included in the total net book value is £49,172 (2012: £99,077) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £37,881 (2012: £62,897).

# Notes to the financial statements continued

## 8 Tangible fixed assets (continued)

### Company

	Leasehold improvements £	Fixtures & fittings £	Cars £	Computers and other equipment £	Total £
<b>Costs</b>					
At 1 January 2013	558,381	221,825	99,890	3,055,717	3,935,813
Additions	1,356	–	–	81,330	82,686
Disposals	–	–	(24,350)	–	(24,350)
At 31 December 2013	559,737	221,825	75,540	3,137,047	3,994,149
<b>Depreciation</b>					
At 1 January 2013	546,377	220,120	45,905	2,782,103	3,594,505
Provided in the year	10,849	1,288	22,106	140,142	174,385
Disposed in the year	–	–	(8,117)	–	(8,117)
At 31 December 2013	557,226	221,408	59,894	2,922,245	3,760,773
<b>Net book amount</b>					
<b>At 31 December 2013</b>	<b>2,511</b>	<b>417</b>	<b>15,646</b>	<b>214,802</b>	<b>233,376</b>
At 31 December 2012	12,004	1,705	53,985	273,614	341,308

Included in the total net book value is £49,172 (2012: £99,077) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £37,881 (2012: £62,897).



## 9 Fixed asset investments

<b>Cost</b>	<b>Subsidiary undertakings £</b>
At 1 January and 31 December 2013	<b>5,000</b>

At 31 December 2013, the Company had the following principal subsidiaries which are registered in England and Wales.

<b>Name of subsidiary</b>	<b>Nature of Business</b>	<b>Class of share capital held</b>	<b>Proportion held</b>	<b>Held by</b>
Broker Direct Retail Holdings Limited	Holding Company	Ordinary shares	100%	Broker Direct Plc
Broker Direct Acquisitions Limited	Holding Company	Ordinary shares	100%	Broker Direct Plc
Our Network Services Limited	Insurance Services	Ordinary shares	100%	Broker Direct Plc
Greenhalgh & Gregson Limited	Dormant	Ordinary shares	100%	Broker Direct Retail Holdings Limited
Fitzsimons Insurance Consultants Limited	Dormant	Ordinary shares	100%	Broker Direct Retail Holdings Limited
Insurance Compliance Services Limited	Management Consultants	Ordinary shares	100%	Broker Direct Acquisitions Limited
HR Experts Limited	Management Consultants	Ordinary shares	100%	Broker Direct Acquisitions Limited
HBA Limited	Insurance Broker	Ordinary shares	100%	Broker Direct Acquisitions Limited
Barry Fenton Insurance Brokers Limited	Dormant	Ordinary shares	100%	Broker Direct Retail Holdings Limited
Intelligent Trading Solutions Limited	Dormant	Ordinary shares	100%	Broker Direct Plc
BD Elite Limited	Motor Accident Management	Ordinary shares	100%	Broker Direct Plc

# Notes to the financial statements continued

## 10 Debtors

	<b>Group 2013 £</b>	<b>Company 2013 £</b>	Group 2012 £	Company 2012 £
Broker and policyholder debtors	<b>6,855,134</b>	4,847,664	5,405,934	2,875,225
Insurer debtors	<b>432,858</b>	432,857	646,890	646,890
Amount owed by Group undertakings	–	3,731,013	–	3,888,216
Prepayments and accrued income	<b>351,628</b>	269,580	577,091	485,587
Other debtors	<b>109,867</b>	85,600	75,136	16,876
Deferred tax asset (note 15)	<b>191,141</b>	189,527	161,369	160,143
	<b>7,940,628</b>	<b>9,556,241</b>	6,866,420	8,072,937

Amounts owed by Group undertakings are repayable on demand, however the directors consider it unlikely that these will be demanded for repayment within twelve months of the balance sheet date.

## 11 Creditors: amounts falling due within one year

	<b>Group 2013 £</b>	<b>Company 2013 £</b>	Group 2012 £	Company 2012 £
Other loans	–	–	354,850	–
Payable to insurers	<b>11,114,164</b>	<b>7,715,173</b>	9,809,612	5,601,952
Pension contributions	<b>52,909</b>	<b>41,263</b>	66,537	60,938
Corporation tax	<b>189,722</b>	<b>86,100</b>	376,602	143,325
Other taxation and social security costs	<b>189,644</b>	<b>88,158</b>	209,590	111,594
Accruals and deferred income	<b>1,378,388</b>	<b>918,680</b>	1,087,203	584,734
Obligations under finance leases and hire purchase contracts	<b>37,758</b>	<b>37,758</b>	218,022	218,022
	<b>12,962,585</b>	<b>8,887,132</b>	12,122,416	6,720,565

Amounts due under finance lease and hire purchase contracts are secured on the assets to which they relate.

Included in payables to insurers is £207,947 (2012: £388,772), which is secured by way of a fixed and floating charge over the assets of the Group.

## 12 Creditors: amounts falling due after more than one year

	<b>Group 2013 £</b>	<b>Company 2013 £</b>	Group 2012 £	Company 2012 £
Other loans	<b>1,342,233</b>	<b>500,000</b>	487,383	–
Technical reserves creditor	<b>520,130</b>	<b>520,130</b>	702,842	702,842
Obligations under finance leases and hire purchase contracts	<b>1,129</b>	<b>1,129</b>	47,403	47,403
Deferred income	<b>66,408</b>	<b>61,733</b>	5,150	–
	<b>1,929,900</b>	<b>1,082,992</b>	1,242,778	750,245

**13 Borrowings**

Borrowings are repayable as follows:

	<b>Group 2013</b>	<b>Company 2013</b>	Group 2012	Company 2012
	£	£	£	£
<b>Within one year</b>				
Other loans	-	-	354,849	-
Amounts due under finance leases and hire purchase contracts	<b>37,758</b>	<b>37,758</b>	218,022	218,022
<b>After one year and within two years</b>				
Other loans	<b>973,466</b>	<b>500,000</b>	310,646	-
Amounts due under finance leases and hire purchase contracts	<b>1,129</b>	<b>1,129</b>	44,516	44,516
<b>After two years and within five years</b>				
Other loans	<b>368,767</b>	-	176,736	-
Amounts due under finance leases and hire purchase contracts	-	-	2,887	2,887
	<b>1,381,120</b>	<b>538,887</b>	1,107,656	265,425

**Group and Company**

The other loans are made up of two elements:

- £500,000 unsecured loan repayable on demand. Management believes that this will not be called up within 12 months.
- £842,233 repayable within three years in quarterly instalments commencing in or after January 2015. This is secured by a charge over the company's shareholding in Broker Direct Retail Holdings Limited, by Broker Direct Acquisitions Limited's shareholding in Insurance Compliance Services Limited, by a fixed charge over the assets of Insurance Compliance Services Limited and by a capped cross guarantee with Broker Direct Retail Holdings Limited.

**14 Provisions for liabilities****Group**

	<b>Commission clawback provision</b>	<b>Onerous lease provisions</b>	<b>Total</b>
	£	£	£
The movement in the provisions during the year was:			
At 1 January 2013	120,907	46,000	166,907
Utilised in the year	(120,907)	(23,000)	(143,907)
Additional provision for the year	87,395	30,000	117,395
At 31 December 2013	<b>87,395</b>	<b>53,000</b>	<b>140,395</b>

**Onerous lease provision**

A provision has been created as the group expects to receive no further benefit under lease and software contracts that it is still committed to pay despite no longer utilising the assets within the business following the trade disposals in 2011.

**Commission clawback provision**

A provision is maintained to meet potential commission clawbacks for policies that could cancel in the future.

# Notes to the financial statements continued

## 14 Provisions for liabilities (continued)

### Company

	<b>Commission clawback provision £</b>
The movement in the provisions during the year was:	
At 1 January 2013	106,040
Utilised in the year	(106,040)
Additional provision for the year	76,383
At 31 December 2013	<b>76,383</b>

## 15 Deferred taxation

The potential deferred taxation asset is as follows:

	<b>Group 2013 £</b>	<b>Company 2013 £</b>	Group 2012 £	Company 2012 £
Depreciation in excess of capital allowances	<b>109,033</b>	<b>107,419</b>	140,285	139,059
Technical reserves	<b>8,058</b>	<b>8,058</b>	21,084	21,084
Trade losses	<b>74,050</b>	<b>74,050</b>	–	–
Deferred tax asset	<b>191,141</b>	<b>189,527</b>	161,369	160,143

The deferred taxation asset has been recognised to the extent that in the directors' opinion the Group's and Company's forecasts indicate there will be suitable taxable profits from which the partial reversal of the underlying timing differences can be deducted, this is shown below:

	<b>Group 2013 £</b>	<b>Company 2013 £</b>	Group 2012 £	Company 2012 £
Deferred tax asset brought forward	<b>161,369</b>	<b>160,143</b>	80,048	181,533
Profit and loss account movement in the year (note 5)	<b>29,772</b>	<b>29,384</b>	81,321	(21,390)
Deferred tax asset carried forward (note 10)	<b>191,141</b>	<b>189,527</b>	161,369	160,143

## 16 Called up share capital

	<b>2013 £</b>	2012 £
<b>Authorised</b>		
6,000,000 "A" ordinary shares of £0.20 (2011 : £0.20) each	<b>1,200,000</b>	1,200,000
<b>Allotted</b>		
3,974,061 "A" ordinary shares of £0.20 (2011 : £0.20) each	<b>794,812</b>	794,812
<b>Called up</b>		
Fully paid		
3,911,561 "A" ordinary shares of £0.20 (2011 : £0.20) each	<b>782,312</b>	782,312
Partly paid		
62,500 "A" ordinary shares of £0.20 (2011 : £0.20) each one quarter called up and paid	<b>3,125</b>	3,125
	<b>785,437</b>	785,437

# Notes to the financial statements continued

## 16 Called up share capital (continued)

All shares are equity shares, carrying the same right to dividends and priority on a winding up and are non-redeemable.

The capital of the Company is £1,200,000 divided into 6,000,000 'A' Ordinary shares of £0.20 each. 3,911,561 of such shares are in issue and fully paid up and 62,500 of such shares are partly paid up to the extent of £0.05 each and none of the remaining shares have been issued.

A number of share options have been granted to directors and staff and these are detailed in note 22.

## 17 Reserves

### Group

	Special reserve £	Share option reserve £	Profit and loss account £	Total £
At 1 January 2013	96,858	42,099	1,078,093	1,217,050
Share option reserve (note 22)	–	(10,786)	–	(10,786)
Loss for the year	–	–	(1,485,327)	(1,485,327)
At 31 December 2013	<b>96,858</b>	<b>31,313</b>	<b>(407,234)</b>	<b>(279,063)</b>

The special reserve was created by a reduction in share capital being set against the deficit on the profit and loss reserve. The reduction in share capital was greater than the deficit on the profit and loss reserve and this residual established the undistributable special reserve.

### Company

	Special reserve £	Share option reserve £	Profit and loss account £	Total £
At 1 January 2013	96,858	42,099	3,005,948	3,144,905
Share option reserve (note 23)	–	(10,786)	–	(10,786)
Loss for the year	–	–	(822,396)	(822,396)
At 31 December 2013	<b>96,858</b>	<b>31,313</b>	<b>2,183,552</b>	<b>2,311,723</b>

## 18 Reconciliation of movements in shareholders' funds

### Group

	2013 £	2012 £
Loss for the financial year	<b>(1,485,327)</b>	(276,757)
Share option reserve	<b>(10,786)</b>	(6,173)
Shareholders' funds at 1 January 2013	<b>2,002,487</b>	2,285,417
Shareholders' funds at 31 December 2013	<b>506,374</b>	2,002,487

# Notes to the financial statements continued

## 19 Net cash inflow from operating activities

	<b>2013</b>	2012
	<b>£</b>	£
Operating loss	<b>(1,504,283)</b>	(208,207)
Loss on sale of fixed assets	<b>4,566</b>	3,662
Depreciation	<b>184,844</b>	249,824
Amortisation and impairment review	<b>897,659</b>	186,824
Share option reserve	<b>(10,786)</b>	(6,173)
Decrease/(increase) in debtors	<b>(1,044,434)</b>	1,961,549
Increase/(decrease) in creditors	<b>1,414,197</b>	(2,209,582)
Net cash outflow from operating activities	<b>(58,237)</b>	(22,103)

## 20 Reconciliation of net cash flow to movement in net funds

	<b>2013</b>	2012
	<b>£</b>	£
(Decrease)/increase in cash in the year	<b>(57,200)</b>	(512,606)
Cash (inflow)/outflow from other loans	<b>(500,000)</b>	640,273
Cash outflow from finance leases and hire purchase contracts	<b>226,538</b>	210,962
Movement in net funds in the year	<b>(330,662)</b>	338,629
Net funds at 1 January	<b>4,367,809</b>	4,029,180
Net funds at 31 December	<b>4,037,147</b>	4,367,809

## 21 Analysis of changes in net funds

	<b>At 1 January</b>	<b>Cashflows</b>	<b>At 31</b>
	<b>2013</b>	<b>£</b>	<b>December</b>
	<b>£</b>	<b>£</b>	<b>2013</b>
			<b>£</b>
Cash in hand and at bank	5,475,467	(57,200)	<b>5,418,267</b>
Other loans	(842,233)	(500,000)	<b>(1,342,233)</b>
Finance leases and hire purchase contracts	(265,425)	226,538	<b>(38,887)</b>
	4,367,809	330,662	<b>4,037,147</b>

Cash at hand and in bank includes both insurance client and operational monies. Insurance client monies include unsettled premiums and claims and commission not yet transferred into the operational bank accounts. At 31 December 2013, £4,554,104 (2012: £4,612,375) of the total £5,418,267 (2012: £5,475,467) cash held was insurance client monies and operational monies amounted to £864,163 (2012: £863,092).

## 22 Share based payments

All schemes are equity settled. Details of the share options granted are set out below.

### **No 4 Enterprise Management Incentive Scheme**

At the Annual General Meeting on 20 July 2006, the shareholders passed a resolution authorising the establishment of the Broker Direct Plc 2006 Share Option Scheme.

In April 2007, the Company granted options (which were granted as qualifying Enterprise Management Incentives pursuant to Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003) to certain employees and directors. The total number of shares over which each option could be exercised depended upon Broker Direct Plc's profit before tax for the financial year ending 31 December 2009 and each option could only be exercised (to the extent that such performance target has been satisfied) at the time the 2009 pre-tax profit was formally determined by the Board. During the prior year, the options were modified such that the financial years on which the performance targets were based were extended to 31 December 2013. In line with FRS 20, the modification has not resulted in a change to the fair value of the options, however could have increased the number of options expected to vest over the extended vesting period.

84,436 shares have vested to qualifying individuals as at 31 December 2013.

Vested options are exercisable at any time until 20th January 2019.

### **No 5 Company Share Option Plan**

At the Annual General Meeting on 23 June 2009, the shareholders passed a resolution authorising the establishment of the Broker Direct Plc 2009 Company Share Option Plan adopted by Resolution of the Board of Directors on 11 December 2008.

These options were subject to various financial performance targets including Broker Direct Plc's profit before amortisation for the financial year ending 31 December 2009 and increasing revenues from existing and new income sources. During the year ended 31 December 2010, the options were modified such that the financial years on which the performance targets were based were extended to 31 December 2013. In line with FRS 20, the modification has not resulted in a change to the fair values of the option, however has increased the number of options now expected to vest over the extended vesting period.

12,587 shares have vested to qualifying individuals as at 31 December 2013.

### **Assumptions:**

The Group uses the Black-Scholes model to fair value the Group's share options. During the year the credit was £10,786 (2012: £6,173 credit) and a corresponding debit to other reserves.

# Notes to the financial statements continued

## 23 Leasing commitments

Operating lease payments amounting to £441,185 (2012: £584,905) are due within one year. The leases to which these amounts relate expire as follows:

	<b>Land and buildings £</b>	<b>2013 Other £</b>	Land and buildings £	2012 Other £
Annual commitments under operating leases which expire:				
– within one year	<b>231,358</b>	–	92,125	–
– within two to five years	<b>206,477</b>	<b>3,350</b>	215,631	3,320
– over five years	–	–	273,829	–
	<b>437,835</b>	<b>3,350</b>	581,585	3,320

At 31 December 2013, there is an onerous lease for a property which is no longer occupied following disposal of certain businesses during 2011. Accordingly, the annual commitment associated with this lease is not reflected above.

## 24 Pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £415,649 (2012: £461,062). Contributions amounting to £52,909 (2012: £66,537) were payable to the scheme at 31 December 2013 and are included in creditors.

## 25 Contingent liabilities

There were no contingent liabilities at 31 December 2013 or 31 December 2012.

## 26 Related party transactions

The company has taken advantage of the exemption within FRS 8 and has not disclosed transactions with wholly owned subsidiaries.

## 27 Controlling party

The directors do not consider that there is a controlling party of the entity.

## 28 Post balance sheet events

Broker Direct Acquisitions Limited sold its entire shareholding in HBA Limited on 31st March 2014.



## **29 Subsidiary company audit exemption**

Greenhalgh & Gregson Limited [company number 01884731] is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

Fitzsimons Insurance Consultant Limited [company number 02597609] is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

Barry Fenton Insurance Brokers Limited [company number 03328483] is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

Our Network Services Limited [company number 06600982] is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

BD Elite Limited [company number 07636844] is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

Broker Direct Acquisitions Limited [company number 06625914] is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

Insurance Compliance Services Limited [company number 04398255] is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

HR Experts Limited [company number 04293917] is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006

---

**Broker Direct Plc**  
Deakins Park  
Hall Coppice Road  
Egerton  
Bolton  
BL7 9RW

Tel: 01204 600 200  
Fax: 01204 600 255

Broker Direct Plc is registered in  
England No. 2958427.

**Registered Office:**  
Deakins Park  
Hall Coppice Road  
Egerton  
Bolton  
BL7 9RW

Authorised and regulated  
by the Financial Conduct Authority,  
firm reference number 307607.