annual report and accounts 2006

Broker Direct
A better way to insure

Contents

Company registration number:
2958427

Registered Office:
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Directors:
A Paddick
B Fehler
R Green
I Gray
N Harris
T Stanley

Broker Direct
A better way to insure

Secretary:
I Gray

Bankers:
National Westminster Bank Plc
Fifth Floor
1 Spinningfields Square
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M3 3AP

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

Chairman' s report

I am very pleased to report that Broker Direct Plc (BD) group made a profit before tax of £356,219 during 2006 on gross written premiums of £64 million, an increase of nearly 400% on 2005 (£100,784) which was itself a similar increase on the previous year. My expectations for 2007 are very encouraging as the Company matures and benefits from its sophisticated information technology driven infrastructure, high calibre workforce and market presence.

The Board has proposed a maiden dividend of 2p per share which will be submitted for shareholder approval at the 2007 AGM. Under current accounting standards this dividend will be deducted from reserves when paid. I hope that this will be the first of an increasing income stream for shareholders, in addition to significant increases in the Company's market (share) value over the coming years.

Those shareholders who took up their allocations of the 1,000,000 shares disposed of by Allianz Cornhill in 2005 at 20p each, have seen a dramatic increase in value. At the time of writing, the last auction (1 June 2007) price was £1.00 and 31,321 were traded. We continue to focus on increasing shareholder value and once again, I would remind shareholders that auctions are held on the first Friday of every month (excluding public holidays) at www.sharemark.co.uk – the site also lists all the Company's official announcements, previous reports and accounts, etc.

An increasing number of insurance broking principals are reaching retirement age and in many firms there is no succession, which is resulting in growing sales and acquisition activity in the sector. This has both advantages and disadvantages for BD. Where a shareholder/agent firm is the purchaser of another in the locality our business is usually secure, indeed often increases. However, where insurance broking practices have been purchased by insurance companies, there is the temptation of 'cherry picking' the better risks for the parent company's own underwriting account. Whilst our relationships with the major insurance broking business consolidators are generally very good, we must be mindful that upon the exit of current owners the situation could change, especially if purchased by a company seeking to control distribution and the placement of policies. For this reason, wherever appropriate it is our intention to endeavour to keep shareholder/agent firms in the Institute of Insurance Brokers/ BD family by making acquisitions ourselves – and a wholly-owned subsidiary Broker Direct Retail Holdings Ltd has been incorporated for the purpose. In October 2006 we made our first purchase, which was a small Bolton based broker, Greenhalgh and Gregson Limited whose results for the final quarter 2006 are incorporated in the consolidated accounts.

In order to increase our range of product offerings and take advantage of the capacity and entrepreneurial underwriting flair in the Lloyd's and London market, in March 2007 BD acquired the entire share capital of HBA Limited, an established City insurance broking practice, which under the new BD ownership has gained Lloyd's provisional accreditation. The firm has recently moved into new offices and, once settled in, shareholder/agents will receive more information about the important facilities they now own and should utilise as much as possible.

I would like to take this opportunity of congratulating the main Board – Chief Executive Roy Green, Finance Director Iain Gray, Insurance Director Neil Harris and Broker Services & Marketing Director Terry Stanley – on a job well done during 2006. I also congratulate the Senior Managers and staff who have all helped contribute towards this growing success story.

Andrew N Paddick
Chairman

12 June 2007

Report of the Directors

The Directors present their annual report and audited financial statements for the year ended 31 December 2006.

Principal activity

Broker Direct Plc (BD) is an insurance management and underwriting agency offering product development, distribution, underwriting analysis, premium administration, full claims handling facilities and sophisticated management information.

Review of the business

BD has an agency base of approximately 1000 brokers with over 1500 locations, over 700 of which are shareholders in the Company.

BD started with Private Motor insurance but has developed into Light Commercial Vehicle, Household and now has a growing number of Commercial Insurance Products. All business lines are transacted electronically.

The Company also offers its services "unbundled", distributing other insurers' product to its agents and operating beyond its agency base in various Third Party Administration arrangements.

BD therefore currently competes in the market place in the following ways:

- Development, distribution and control of BD's own products for which external capacity is provided by insurers;
- Distribution of other Insurers' or Underwriting Agencies' products where underwriting and pricing are the responsibility of the insurer or underwriting agency. These are either badged as BD products or retain the insurers product identity.
- Third Party Administration arrangements for distribution into an insurer's chosen agencies.

We recognise the growing trend among many insurers to look for complementary partnerships. Our strategy is to work with our shareholding brokers and insurer partners to create the greatest mutual benefit from our complementary strengths.

The Company continues to monitor and respond to market activity. This has resulted in the acquisition of Greenhalgh & Gregson Limited, an insurance broker located in Bolton. The Company is working on new products, services and routes to market which will support its continued income diversification and growth.

The Group implements and monitors its performance against the following strategic objectives:

- To provide our brokers with products and facilities that meet their market needs
- To maintain uninterrupted profitability

The Group's result for the year ended 31 December 2006 is a profit of £623,806 (2005 : £100,784). The Company's profit and loss account shows a profit after taxation for the year of £649,488 (2005 : £100,784). The Directors propose a dividend of 2p per share (2005 : £Nil), subject to shareholder approval at the AGM.

A review of the business for the year ended 31 December 2006 is included within the Chairman's Statement on page 4.

Report of the Directors (continued)

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

	2006	2005
Profit before tax to turnover	**2.3%**	0.1%
Current ratio	**1.1**	1.1
Profit before tax per employee	**£2,805**	£933
Sales per employee	**£119,860**	£102,990
EBITDA per share	**12.1p**	5.8p

Financial risk management objectives and policies

The Group uses various financial instruments including loans, cash, equity capital and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks which are described in more detail below.

The main risks arising from the Group's financial instruments are:

- Market risks
- Credit risks
- Liquidity risk

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

Market Risk

Market risk encompasses three types of risk being 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 personal lines motor insurance market. The Group has access to actuarial advice and employs underwriters, analysts and business development executives to review underwriting performance and ensure competitive and profitable rates are offered to the market.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group exposure to interest rate fluctuations on its borrowings is managed through the use of fixed interest facilities.

Currency risk

The Group does not transact foreign currency business. On rare occasions it is necessary for the Group to settle motor insurance claims in Euros. Any loss or gain on foreign exchange is borne by the insurance company underwriting the policy rather than by the Group.

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 major UK high street banks only. The principal credit risk arises therefore from trade debtors.

Report of the Directors (continued)

The principal trade debtor credit risks are:

- Broker agencies: The Group defines acceptance criteria for the appointment of new broker agencies then applies and monitors them against agreed credit and settlement terms. Where there is deemed to be a substantial individual or collective credit risk, the Group agrees debt capping and other arrangements with its insurance partners to ring fence the exposure.
- Policyholders paying by instalment: The Group will only accept 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.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The Group policy throughout the year has been to:

- Hold cash balances in readily accessible treasury deposits
- Utilise leasing facilities for substantial asset acquisitions

Directors

The Directors who served during the year are shown below:

Andrew Paddick	Chairman	Non–Executive
Roy Green	Chief Executive	Executive
Barry Fehler	Broker Liaison Director	Non–Executive
Iain Gray	Finance Director	Executive
Neil Harris	Insurance Director	Executive
Terry Stanley	Broker Services and Marketing Director	Executive

Directors' interests

The interest of the Directors in office at the end of the year, in the shares of the Company at 1 January 2006 and 31 December 2006, were as follows :

Directors Name	Share Type	31 December 2006	1 January 2006
Andrew Paddick	"A" Ordinary shares	225,522	186,675
Barry Fehler	"A" Ordinary shares	7,300	7,300
Roy Green	"A" Ordinary shares	171,613	171,613
Iain Gray	"A" Ordinary shares	157,012	157,012
Neil Harris	"A" Ordinary shares	50,000	50,000
Terry Stanley	"A" Ordinary shares	125,000	125,000

According to the register of Directors' interests, no rights to subscribe for shares in or debentures of the Company were granted to any of the Directors or their immediate families, or exercised by them, during the financial year.

Report of the Directors (continued)

Transactions in which Directors had a material interest

The Institute of Insurance Brokers Group, of which Andrew Paddick and Barry Fehler are Directors, provided dispute resolution services during the year. The fees for these services were £12,215 (2005 : £6,767).

South Essex Insurance Brokers (SEIB), of which Barry Fehler is the Managing Director, are nominated advisers to Broker Direct Plc as follows :

Company insurances:	Office
	Company Cars

No fee is paid directly for these services, though SEIB do receive commission from the providing insurers.

Share Options and employee share ownership

Employee involvement in the overall performance of the Group has been encouraged by employee share options schemes.

The Company adopted an approved share option scheme in 1996 - the No 1 Approved Share Option Scheme. Options under this scheme have been granted to certain Directors.

The Company established an unapproved share option scheme - No 3 Unapproved Share Option. However on 31 December 2006 this scheme lapsed.

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 and, between 10 April 2007 and 13 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) over a maximum of 300,000 of its shares to certain employees and a maximum of 440,000 of its shares to the following Directors as set out below:

Name of Director	Maximum Number of Shares
Andrew Paddick	100,000
Roy Green	100,000
Neil Harris	80,000
Terry Stanley	80,000
Iain Gray	80,000

The options have an exercise price of £1.00 and are subject to a financial performance target. The total number of shares over which each option may be exercised will depend upon Broker Direct Plc's pre-tax profit for the financial year ending 31 December 2009 and each option may only be exercised (to the extent that such performance target has been satisfied) at such time as the 2009 pre-tax profit has been formally determined by the Board.

Share options for the Directors

The Board believes that share ownership strengthens the link between personal interests and those of shareholders and encourages long term improvement in the Group's performance. All options to be granted in the future will be at the discretion of the Board.

Report of the Directors (continued)

Details of the share options granted to Directors are set out below:

No 1 Approved Share Option Scheme

	1 January 2006	Granted	31 December 2006	Exercise price	Exercise date
Roy Green	30,000	–	30,000	£1	1 August 2000 – 1 August 2010
Iain Gray	30,000	–	30,000	£1	1 August 2000 – 1 August 2010
Neil Harris	30,000	–	30,000	£1	1 August 2000 – 1 August 2010
Terry Stanley	30,000	–	30,000	£1	1 August 2000 – 1 August 2010

Purchase of own shares

The capital of the Company was by virtue of a special resolution, and with the sanction of an order of the High Court of Justice dated 28 August 2006, reduced from £6,000,000 divided in to 6,000,000 "A" ordinary shares of £1 each to £1,200,000 divided into 6,000,000 "A" ordinary shares at 20 pence each. As at the date of recognition of this order, 3,911,561 of such shares are in issue and fully paid and 62,500 of such shares are partly paid up to the extent of 5 pence each and none of the remaining shares have been issued.

Directors' responsibilities for the financial statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to :

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable 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 maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are 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.

Report of the Directors (continued)

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.

Charitable and political contribution
Donations to charitable organisations amounted to £2,519 (2005: £Nil).

Creditor payment policy
The Company does not follow any formal code of practice on payment to its creditors. However, it is the Company's policy to :

- settle to the terms of payment with its suppliers when agreeing the terms of each transaction
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts
- pay in accordance with its contractual and other legal obligations

The payment policy applies to all creditors for revenue and capital suppliers of goods and services without exception.

The Company's average creditor payment period at 31 December 2006 was 47 days (2005: 42 days).

Post balance sheet events
In order to increase the range of product offerings and take advantage of the capacity and entrepreneurial underwriting flair in the Lloyd's and London market, in March 2007 the Group acquired the entire share capital of HBA Limited, an established City insurance broking practice, which under the new Group ownership has gained Lloyd's provisional accreditation. The firm has recently moved into new offices.

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

A N Paddick
Chairman

12 June 2007

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 of 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

The members of the Committee are:

Barry Fehler – Chairman of Remuneration Committee

Andrew Paddick

Executive Directors' Remuneration Policy – objectives

- To provide packages that attract, retain and motivate the Executive Directors
- Link rewards to the performance of both the Company and the individual
- Align the interests of Directors and shareholders in promoting the Group's progress

Directors' service contracts

The service contracts for Roy Green, Neil Harris, Terry Stanley and Iain Gray are in a similar form. The term in each case is for a rolling term of two years. The Company may give three months notice at any time subject to paying not more than two years compensation (except in specific circumstances when no compensation will be payable).

Report

It is gratifying to note that the efforts of the past few years are now translating into both sales growth and underlying profitability. In 2006 the Directors received salary reviews for the first time in 4 years and were paid half of the bonus they earned in 2001.

As stated in the Chairman's Report, Broker Direct is a growing success story and in recognition of this, in 2007 the remainder of the 2001 bonus will be paid to the Directors and a salary review and incentive scheme that rewards increasing profitability has been agreed for the year.

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

We have audited the financial statements of Broker Direct Plc for the year ended 31 December 2006 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 25. These financial statements have been prepared in accordance with 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Directors' report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

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 if, in our opinion, the Directors' report is not 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Report and the Report of the Remuneration Committee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group'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.

Report of the independent auditors to the members of Broker Direct Plc (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group and the Company's affairs as at 31 December 2006 and of the profit of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements for the year ended 31 December 2006.

Grant Thornton UK LLP

Grant Thornton UK LLP

Registered Auditors
Chartered Accountants
Manchester

12 June 2007

Principal accounting policies

Basis of preparation

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

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

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

Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2006. The acquisition of the subsidiaries is dealt with by the acquisition method of accounting.

Goodwill

Goodwill arising on consolidation representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life of 20 years.

In accordance with FRS 10, the value of goodwill will be subject to review at the end of the first financial year following acquisition and may be subject to review at the end of the accounting period in which events or changes of circumstances indicate that the carrying value may not be recoverable.

Depreciation

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 lives. The periods generally applicable are:

Leasehold improvements	4 years	Equipment	4 years
Computer – Hardware	3 years	Furniture and fittings	4 years
Computer – Software Development	5 years	Cars	3 years

Investments

Investments are included at cost.

Deferred acquisition costs

Acquisition costs comprise the commission expenses of acquiring policies written during the year. Acquisition costs that relate to a subsequent financial year are deferred to the extent that they are attributable to income unearned at the balance sheet date. The amount not yet passed through the profit and loss account is held in the balance sheet.

Turnover

Turnover is the amount receivable for goods and services provided. VAT is chargeable on products relating to Uninsured Loss Recovery services and Financial Services Authority professional advisory services.

Principal accounting policies (continued)

Income recognition

Motor

Income from commission is received for selling and administering annual insurance policies.

- Income from commission is received for providing instalment premium funding and is recognised in the profit and loss account at policy inception. A provision is maintained to meet potential subsequent bad debt.
- In addition, income from a service charge is also 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.

Non Motor

- Income received from other product lines is 100% recognised in the profit and loss account, when written, less a provision for cancelled policies and potential future clawback of policies that could lapse in the future.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. 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.

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

In accordance with FRS 20 "Share based payment", any difference between the exercise price of share options granted and the market value of the underlying ordinary shares at that date of grant is charged to the profit and loss account over the period to which the relevant performance criteria relates.

Consolidated profit and loss account

	Note	**2006 £**	2005 £
Sales and commission			
Continuing activities		15,181,852	11,122,882
Acquisitions		40,341	–
		15,222,193	11,122,882
Movement in deferred commission		32,973	470,402
Turnover	1	15,255,166	11,593,284
Cost of sales		(8,879,967)	(6,933,175)
Gross profit		6,375,199	4,660,109
Other operating charges	2	(6,139,449)	(4,649,832)
Profit/(loss) on operating activities before interest and taxation			
Continuing activities		259,664	10,277
Acquisitions		(23,914)	–
		235,750	10,277
Interest receivable and similar income	3	120,469	90,507
Profit on ordinary activities before taxation	1	356,219	100,784
Taxation	5	267,587	–
Profit for the financial year	16	623,806	100,784

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

The accompanying notes form part of these financial statements.

Consolidated balance sheet

	Note	**2006** **£**	2005 £
Fixed assets			
Intangible assets	8	311,066	–
Tangible assets	9	537,462	539,130
		848,528	539,130
Current assets			
Debtors	11	5,279,343	4,171,313
Cash at bank and in hand		2,356,725	1,089,768
		7,636,068	5,261,081
Creditors: amounts falling due within one year	12	(6,920,750)	(4,886,073)
Net current assets		715,318	375,008
Total assets less current liabilities		1,563,846	914,138
Creditors: amounts falling due after one year	13	(57,745)	(31,843)
Net assets		1,506,101	882,295
Capital and reserves			
Called up share capital	15	785,437	3,927,186
Special reserve	16	96,858	–
Profit and loss account	16	623,806	(3,044,891)
Equity shareholders' funds	17	1,506,101	882,295

The financial statements were approved by the Board of Directors on 12 June 2007.

A N Paddick
Chairman

R Green
Director

The accompanying notes form part of these financial statements.

Company balance sheet

	Note	**2006** £	2005 £
Fixed assets			
Tangible assets	9	524,237	539,130
Investments	10	373,055	–
		897,292	539,130
Current assets			
Debtors	11	5,229,033	4,171,313
Cash at bank and in hand		2,273,862	1,089,768
		7,502,895	5,261,081
Creditors: amounts falling due within one year	12	(6,810,659)	(4,886,073)
Net current assets		692,236	375,008
Total assets less current liabilities		1,589,528	914,138
Creditors: amounts falling due after one year	13	(57,745)	(31,843)
Net assets		1,531,783	882,295
Capital and reserves			
Called up share capital	15	785,437	3,927,186
Special reserve	16	96,858	–
Profit and loss account	16	649,488	(3,044,891)
Equity shareholders' funds		1,531,783	882,295

The financial statements were approved by the Board of Directors on 12 June 2007.

A N Paddick
Chairman

R Green
Director

The accompanying notes form part of these financial statements.

Consolidated cash flow statement

	Note	**2006** £	2005 £
Net cash inflow/(outflow) from operating activities	18	1,475,852	(142,100)
Returns on investments and servicing of finance			
Interest received		120,469	90,507
Net cash inflow from returns on investments and servicing of finance		120,469	90,507
Capital expenditure			
Purchase of tangible fixed assets		(159,606)	(287,612)
Proceeds from sale of fixed assets		2,148	5,745
Net cash outflow from capital expenditure		(157,458)	(281,867)
Acquisitions			
Purchase of subsidiary undertaking	21	(209,816)	–
Net cash outflow from acquisitions		(209,816)	–
Financing			
Capital element of finance lease rentals		(28,235)	–
Net cash outflow from financing		(28,235)	–
Increase/(decrease) in cash in the year	19	1,200,812	(333,460)

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

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

The turnover and profit on ordinary activities before taxation is stated after:

	2006 **£**	2005 £
Auditors' remuneration:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	23,500	21,840
Fees payable to the Group's auditor for other services		
– tax services	10,986	10,330
– other services pursuant to legislation	3,525	–
Amortisation of goodwill	8,134	–
Depreciation of tangible fixed assets – owned	204,868	216,902
– leased	33,810	5,142
Loss/(profit) on sale of fixed assets	352	(363)
Operating lease charges – land and buildings	210,144	210,144
Operating lease charges – other	7,144	7,144

2 Other operating charges

	2006 **£**	2005 £
Staff costs	3,650,447	2,785,337
Administration expenses	366,173	312,726
Other operating costs	2,122,829	1,551,769
	6,139,449	4,649,832

3 Interest receivable and similar income

	2006 **£**	2005 £
Interest income on bank deposits	120,469	90,507

4 Directors and employees

Group

Staff costs during the year were as follows:	**2006** **£**	2005 **£**
Wages and salaries	3,105,723	2,345,716
Social security costs	291,428	232,862
Pension costs	253,296	206,759
	3,650,447	2,785,337

Notes to the financial statements (continued)

4 Directors and employees (continued)

The average number of employees during the year was:	**2006 Number**	2005 Number
Management	20	20
Other	96	74
	116	94

Remuneration in respect of Directors was as follows:	**2006 £**	2005 £
Emoluments	497,055	444,312
Pension costs	63,553	56,565
	560,608	500,877

During the year, 4 Directors (2005: 4 Directors) participated in money purchase pension schemes.

Company

Staff costs during the year were as follows:	**2006 £**	2005 £
Wages and salaries	3,095,395	2,345,716
Social security costs	290,545	232,862
Pension costs	252,758	206,759
	3,638,698	2,785,337

The average number of employees during the year was:	**2006 Number**	2005 Number
Management	20	20
Other	95	74
	115	94

Remuneration in respect of Directors was as follows:	**2006 £**	2005 £
Emoluments	488,227	444,312
Pension costs	63,182	56,565
	551,409	500,877

During the year, 4 Directors (2005: 4 Directors) participated in money purchase pension schemes.

Directors' remuneration disclosed above includes amounts paid to the highest paid Director for both the Group and the Company:

	2006 £	2005 £
Emoluments	129,265	118,842
Pension Costs	17,575	15,944
	146,840	134,786

Notes to the financial statements

5 Tax on profit on ordinary activities

The taxation charge is based on the profit for the year and represents:	**2006 £**	2005 £
UK corporation tax at 28% (2005: 30%)	–	–
Adjustment in respect of prior year	(9)	–
Deferred tax	267,596	–
	267,587	–

Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 28% (2005: 30%). The differences are explained as follows:

	2006 £	2005 £
Profit on ordinary activities before tax	356,219	100,784
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2005: 30%)	99,741	30,235
Effect of:		
Expenses not deductible for tax purposes	27,890	13,964
Differences between capital allowances and depreciation	(2,952)	39,086
Short term timing differences	(138,270)	50,043
Trade losses utilised	–	(133,328)
Increase in unused losses	13,591	–
	–	–

6 Profit for the financial year

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent company's profit for the year was £649,488 (2005: £100,784).

7 Dividends

	2006 £	2005 £
Proposed equity dividends at 2p per share	79,481	–

Notes to the financial statements (continued)

8 Intangible fixed assets

Group

	Goodwill on business acquired £	Goodwill on consolidation £	**Total £**
Cost			
Additions	–	290,700	290,700
On acquisition	28,500	–	28,500
	28,500	290,700	319,200
Amortisation			
Provided in the year	(4,500)	(3,634)	(8,134)
At 31 December 2006	(4,500)	(3,634)	(8,134)
Net book amount at 31 December 2006	24,000	287,066	311,066

9 Fixed assets

Group

	Leasehold improvements £	Computers, furniture, fittings, cars & equipment £	**Total £**
Cost			
At 1 January 2005	145,382	1,593,926	1,739,308
Additions	–	225,456	225,456
On acquisition	–	14,054	14,054
Disposals	–	(30,655)	(30,655)
At 31 December 2006	145,382	1,802,781	1,948,163
Depreciation			
At 1 January 2005	(142,914)	(1,057,264)	(1,200,178)
Provided in the year	(605)	(238,073)	(238,678)
Disposed in the year	–	28,155	28,155
At 31 December 2006	(143,519)	(1,267,182)	(1,410,701)
Net book amount			
At 31 December 2006	1,863	535,599	537,462
Net book amount			
At 31 December 2005	2,468	536,662	539,130

Included in the total net book value is £85,681 (2005: £53,641) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £33,810 (2005: £5,142).

Notes to the financial statements (continued)

9 Fixed assets (continued)

Company

	Leasehold improvements £	Computers, furniture, fittings, cars & equipment £	**Total £**
Cost			
At 1 January 2005	145,382	1,593,926	1,739,308
Additions	–	225,456	225,456
Disposals	–	(30,655)	(30,655)
At 31 December 2006	145,382	1,788,727	1,934,109
Depreciation			
At 1 January 2005	(142,914)	(1,057,264)	(1,200,178)
Provided in the year	(605)	(237,244)	(237,849)
Disposed in the year	–	28,155	28,155
At 31 December 2006	(143,519)	(1,266,353)	(1,409,872)
Net book amount			
At 31 December 2006	1,863	522,374	524,237
Net book amount			
At 31 December 2005	2,468	536,662	539,130

Included in the total net book value is £85,681 (2005: £53,641) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £33,810 (2005: £5,142).

10 Fixed asset investments

	Subsidiary undertaking £
Cost	
Additions	373,055
Amounts written off	
Provided for in the year	–
Net book value	
At 31 December 2006	373,055

Notes to the financial statements (continued)

10 Fixed asset investments (continued)

At 31 December 2006, the Company had the following principal subsidiaries which are registered in England and Wales.

Name of subsidiary	Class of shares Capital held	Proportion held by Company	Nature of business	Aggregate of capital and reserves £	Loss for financial period ended 31 December 2006 £
Greenhalagh and Gregson Limited	£1 Ordinary shares	100%	Retail insurance	65,172	(24,690)
Broker Direct Retail Holdings Limited	£0.01 Ordinary shares	100%	Dormant	1,000	–

11 Debtors

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Broker and policyholder receivables	3,888,110	3,831,905	3,246,365	3,246,365
Insurer receivables	923,280	923,280	553,584	553,584
Deferred acquisition costs	–	–	93,437	93,437
Amount owed by Group undertaking	–	10,000	–	–
Prepayments and accrued income	159,857	156,202	237,096	237,096
Other debtors	42,096	41,646	40,831	40,831
Deferred taxation asset (see note 14)	266,000	266,000	–	–
	5,279,343	5,229,033	4,171,313	4,171,313

Included in other debtors is an amount of £1,190 (2005: £5,000) in respect of a loan to a Director (Mr T Stanley). There is no fixed repayment term on this Director's loan and the interest rate is set at 5% per annum.

12 Creditors: amounts falling due within one year

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Bank overdraft and loan	889	–	–	–
Payable to insurers	4,742,882	4,645,324	3,211,365	3,211,365
Technical reserves	1,005,956	1,005,956	598,258	598,258
Deferred acquisition costs	46	46	93,437	93,437
Pension contributions	19,390	19,390	20,787	20,787
Taxation and social security costs	136,754	132,684	106,047	106,047
Accruals and deferred income	989,906	982,332	842,965	842,965
Obligations under finance leases and hire purchase contracts	24,927	24,927	13,214	13,214
	6,920,750	6,810,659	4,886,073	4,886,073

Notes to the financial statements (continued)

13 Creditors: amounts falling due after more than one year

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Obligations under finance leases and hire purchase contracts	57,745	57,745	31,843	31,843

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Within one year	24,927	24,927	13,214	13,214
In the two to five years	57,745	57,745	31,843	31,843
	82,672	82,672	45,057	45,057

14 Deferred taxation

The potential deferred taxation asset is as follows:

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Accelerated capital allowances	44,242	45,247	65,213	65,213
Technical reserves	42,602	42,602	196,572	196,572
Tax losses carried forward	484,014	484,014	417,024	417,024
Deferred taxation asset	570,858	571,863	678,809	678,809

The deferred taxation asset has been recognised to the extent that in the Directors' opinion the 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:

	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Provision on acquisition	(1,596)	–	–	–
Credit to the profit and loss account:				
Reversal of timing differences on trading losses	266,000	266,000		
Reversal of provision on acquisition	1,596	–	–	–
Deferred taxation asset recognised (see note 11)	266,000	266,000	–	–

At 31 December 2006, tax losses available for offset against future trading profits were £1,613,380 (2005: £1,568,078).

Notes to the financial statements (continued)

15 Called up share capital

	2006 £	2005 £
Authorised		
6,000,000 "A" ordinary shares of £0.20 (2005: £1) each	1,200,000	6,000,000
	1,200,000	6,000,000
Allotted		
3,974,061 "A" ordinary shares of £0.20 (2005: £1) each	794,812	3,974,061
	794,812	3,974,061

	2006 £	2005 £
Called up		
Fully paid 3,911,561 "A" ordinary shares of £0.20 (2005: £1) each	782,312	3,911,561
Partly paid 62,500 "A" ordinary shares of £0.20 (2005: £1) each one quarter called up	3,125	15,625
	785,437	3,927,186

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 was, by virtue of a Special Resolution and with the sanction of an Order of the High Court of Justice dated 23 August 2006, reduced from £6,000,000 divided into 6,000,000 "A" Ordinary shares of £1 each to £1,200,000 divided into 6,000,000 "A" Ordinary shares of £0.20 each. As at the date of the registration of this Order, 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 these are detailed in the Directors' report. In addition, the Company had established No 3 Unapproved Share Option Scheme. No options had been granted and the scheme lapsed on 31 December 2006.

The Company established the 2006 Share Option Scheme on 20 July 2006. No options have been granted in this scheme. Options will be vested at the discretion of the Board and no more than 1 million shares may be granted. No option may be granted after 20 July 2016.

Notes to the financial statements (continued)

16 Reserves

Group

	Special reserve £	Profit and loss account £	Total £
At 1 January 2006	–	(3,044,891)	(3,044,891)
Capital reduction	96,858	3,044,891	3,141,749
Profit for the year	–	623,806	623,806
At 31 December 2006	96,858	623,806	720,664

The special reserve was created by the reduction in share capital, as detailed in note 15, 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 special reserve.

Company

	Special reserve £	Profit and loss account £	Total £
At 1 January 2006	–	(3,044,891)	(3,044,891)
Capital reduction	96,858	3,044,891	3,141,749
Profit for the year	–	649,488	649,488
At 31 December 2006	96,858	649,488	746,346

17 Reconciliation of movements in shareholders' funds

Group

	2006 £	2005 £
Profit for the financial year	623,806	100,784
Opening shareholders' funds	882,295	781,511
Closing shareholders' funds	1,506,101	882,295

18 Net cash inflow/(outflow) from operating activities

	2006 £	2005 £
Operating profit	235,750	10,277
Loss/(profit) on sale of fixed assets	352	(363)
Depreciation	238,678	222,044
Amortisation	8,134	–
(Increase)/decrease in debtors	(708,788)	624,925
Increase/(decrease) in creditors	1,701,726	(998,983)
Net cash inflow/(outflow) from operating activities	1,475,852	(142,100)

Notes to the financial statements (continued)

19 Reconciliation of net cash flow to movement in net funds

	2006 **£**	2005 £
Increase/(decrease) in cash in the year	1,200,812	(333,460)
Cash outflow from finance leases and hire purchase contracts	28,235	–
Movement in net funds in the year	1,229,047	(333,460)
Cash acquired with subsidiary	65,256	–
Inception of new finance leases and hire purchase contracts	(65,850)	(45,057)
Opening net funds	1,044,711	1,423,228
Closing net funds	2,273,164	1,044,711

20 Analysis of changes in net funds

	At 1 January 2006 £	**Cashflows £**	**Acquisitions £**	**Non-cash items £**	**At 31 December 2006 £**
Cash in hand and at bank	1,089,768	1,200,145	66,812	–	2,356,725
Bank loans and overdraft	–	667	(1,556)	–	(889)
	1,089,768	1,200,812	65,256	–	2,355,836
Finance leases and hire purchase contracts	(45,057)	28,235	–	(65,850)	(82,672)
	1,044,711	1,229,047	65,256	(65,850)	2,273,164

21 Acquisitions

On 19 October 2006, the Company acquired the entire share capital of Greenhalgh and Gregson Limited. The purchase of the subsidiary undertaking has been accounted for by the acquisition method of accounting and any goodwill arising has been capitalised as an intangible asset. The results of the Company acquired are included in the consolidated profit and loss account from the date that control passed, being 19 October 2006.

Notes to the financial statements (continued)

21 Acquisitions (continued)

The assets and liabilities of the acquired company on 19 October 2006 were as follows:

	Book value £	Adjustment £	Provisional fair value £
Intangible assets	28,500	–	28,500
Tangible fixed assets	16,925	(2,871)	14,054
Debtors	137,239	(4,000)	133,239
Cash at bank and in hand	66,812	–	66,812
Loans and overdraft	(1,556)	–	(1,556)
Creditors	(156,613)	(3,081)	(159,694)
	91,307	(9,952)	81,355
Goodwill			290,700
			372,055
Satisfied by			
Cash consideration			209,816
Deferred contingent consideration			162,239
			372,055

The provisional fair value adjustments made in respect of the acquisition can be summarised as follows:

	£
Provision of legal and professional fees	3,081
Write off tangible fixed assets to estimated realisable value	2,871
Write off accrued commissions to estimated realisable value	4,000
	9,952

The acquired business made the following contributions to, and utilisation of, group cash flow:

	£
Net cash inflow from operating activities	14,392
Net cash inflow from taxation	23
Increase in cash	14,415

Notes to the financial statements (continued)

21 Acquisitions (continued)

The summary profit and loss of Greenhalgh and Gregson Limited, excluding fair value adjustments, for the period from 1 May 2006 to 19 October 2006, the date of acquisition was as follows:

	£
Turnover	114,478
Administrative expenses	(117,005)
Net interest receivable	973
Loss on ordinary activities before taxation	(1,554)
Tax on loss on ordinary activities	(83)
Loss on ordinary activities after taxation	(1,637)

The profit after taxation for the year ended 30 April 2006 was £1,370.

22 Leasing commitments

Operating lease payments amounting to £217,288 (2005: £217,288) are due within one year. The leases to which these amounts relate expire as follows:

	2006		2005	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Operating leases which expire:				
– within two to five years	–	7,144	–	7,144
– over five years	210,144	–	210,144	–
	210,144	7,144	210,144	7,144

There were no other revenue commitments at 31 December 2006 or 31 December 2005.

23 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 £253,296 (2005: £206,759). Contributions amounting to £19,390 (2005: £20,787) were payable to the scheme and are included in creditors.

24 Contingent liabilities

There were no contingent liabilities at 31 December 2006 or 31 December 2005.

25 Post balance sheet events

In order to increase the range of product offerings and take advantage of the capacity and entrepreneurial underwriting flair in the Lloyd's and London market, in March 2007 the Group acquired the entire share capital of HBA Limited, an established City insurance broking practice, which under the new Group ownership has gained Lloyd's provisional accreditation. The firm has recently moved into new offices.

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