Broker Direct
A better way to insure

annual report and accounts 2007

2007

Contents

Broker Direct
A better way to insure

Company registration number:
2958427

Registered Office:
Higham Business Centre
Midland Road
Higham Ferrers
Northamptonshire
NN10 8DW

Directors:
B Fehler
R Green
I Gray
N Harris
T Stanley

Secretary:
I Gray

Bankers:
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

Sadly I am writing in the absence of Andrew Paddick whose loss I am sure we all feel. I shall be Acting Chairman until arrangements for a permanent Chairman are made by the Board.

I am very pleased to announce that profit before tax has risen sharply to £1,678,493 (2006 £356,219) on increased turnover. This dramatic rise is due to the economies of scale present in the Broker Direct business model, which delivers huge savings due to the advanced use of technology. At a time when the whole market is striving for change Broker Direct can demonstrate in the most dramatic terms the value of this approach. We are now poised to introduce these savings into the Commercial market where I am confident that we can be equally successful.

The product range is still predominantly motor but this year has seen significant increases in Household. The launch of new Commercial products with the development of our own full cycle trading platform provides an exciting new opportunity. This technology is at the leading edge of insurance product delivery and we expect it to be revolutionary.

The acquisition market is very competitive with multiples rising dramatically, we will continue to purchase where the deal is right. We have now bought four companies from our own resources and we have a loan facility on commercial terms for further acquisitions if needed. During the year we acquired Fitzsimons Insurance Brokers and, earlier this year Bevan Fox. Typically brokers are happier to sell to us than some of our competitors because we offer a better post acquisition environment for business and staff continuity.

We also acquired HBA Ltd in 2007 and through this, successfully launched the Lloyd's operations for our brokers in Quarter 4. We have seen growing demand and a growing number of strong relationships with regional brokers. Our emphasis has been on service standards focussed on the needs of our members. The head of HBA's UK broker operations is herself an ex- provincial broker and understands your needs. So if you have not done so I urge you to give your own Lloyd's broker a try.

Prospects for 2008 are good. Motor market strengthening is allowing us to increase market share and this year will see significant announcements to increase our commercial value to members. Further ahead, the impact of these offerings and increasing Retail profitability are all planned to be good for profit and for member service.

2007's result represents 44.6p per share EBITDA (2006: 12.1p) and it is clear that the time has come to prepare the company for a flotation probably on AIM. The purpose of this float will be to provide liquidity for shareholders wishing to realise value and will potentially provide funds for acquisition and other activities.

The Board recommends a dividend of 5p to shareholders on the register at the time of the AGM.

Roy Green
Acting Chairman

25 June 2008

Report of the Directors

The Directors present their annual report and audited financial statements for the year ended 31 December 2007.

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 700 brokers with over 1500 locations, over 650 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.

Throughout the year, the Group continued its diversification and integration strategy. Organic growth has been achieved through both pricing and service refinement and the introduction of new products. The Group also acquired HBA Limited, a Lloyds insurance broker based in the City of London, and Fitzsimons Insurance Consultants Limited, a retail insurance broker located in Stockport. 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 2007 is a profit after tax of £1,407,269 (2006: £623,806). The Company’s profit and loss account shows a profit after taxation for the year of £1,479,761 (2006: £649,488). The Directors propose a dividend of 5p per share (2006: 2p), subject to shareholder approval at the AGM.

A review of the business for the year ended 31 December 2007 is included within the Chairman’s Statement on page 2.

Report of the Directors (continued)

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

	2007	2006
Profit before tax to turnover	**8.5%**	2.3%
Current ratio	**1.1**	1.1
Profit before tax per employee	**£9,804**	£3,071
Sales per employee	**£115,286**	£119,860
EBITDA per share	**44.4p**	12.1p

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

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. Any currency exposure is borne by the insurers.

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	Deceased 24 January 2008
Roy Green	Chief Executive and Acting Chairman	Executive	
Barry Fehler	Broker Liaison Director	Non–Executive	
Iain Gray	Finance Director	Executive	
Neil Harris	Insurance Director	Executive	
Terry Stanley	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 2007 and 31 December 2007, were as follows :

Directors Name	Share Type	31 December 2007	1 January 2007
Andrew Paddick	"A" Ordinary shares	248,438	225,522
Barry Fehler	"A" Ordinary shares	7,300	7,300
Roy Green	"A" Ordinary shares	171,613	171,613
Iain Gray	"A" Ordinary shares	160,512	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, except as described within the share option section in the Report to the Directors.

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 were Directors in 2007, provided dispute resolution services during the year. The fees for these services were £13,394 (2006: £12,215).

Share Options and employee share ownership

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

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.

Details of the share options granted are set out below:

No 1 Approved Share Option Scheme

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:

Name of Director	1 January 2007	Granted	31 December 2007	Exercise price	Exercise date
Roy Green	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
Iain Gray	30,000	–	30,000	£1	1 August 2000 – 1 August 2010

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.

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.

Report of the Directors (continued)

Andrew Paddick died unexpectedly on 24 January 2008. It is the intention of the Board to honour the share options granted to him to the extent that the 2009 financial performance targets outlined above are met.

On 14 March 2008, 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 100,000 of its shares to the Director of Sales and Marketing.

The options have an exercise price of £1.10 and are subject to financial performance targets. The total number of shares over which the option may be exercised will depend upon the gross written premium in excess of a base gross written premium for Broker Direct Products for Commercial business and/or such other business as is agreed, written in each of 2009, 2010 and 2011.

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 £6,214 (2006: £2,519).

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 2007 was 58 days (2006: 47 days).

Post balance sheet events

As part of the ongoing organic and acquisition growth strategy, the Company (through its subsidiary Greenhalgh & Gregson Limited) acquired the goodwill and selected assets of Bevan Fox Associates, an insurance brokerage based in Tamworth on 31 March 2008.

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

Roy Green
Chief Executive

25 June 2008

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

During 2007, the members of the Committee were:

Barry Fehler	– Chairman of Remuneration Committee
Andrew Paddick	– (Deceased 24 January 2008)

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

Broker Direct Plc has performed exceptionally well in 2007, reporting the best results in its history. As highlighted in last year's Report, the incentive scheme was implemented and, consequently, this year it is anticipated that the Directors will only receive an annual salary review recognising the ongoing success of the Company. The sudden and sad loss of our Chairman, Andrew Paddick, has further motivated the Board to drive the business on, creating a substantial legacy of which he would be proud.

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 2007, which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 27. 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 2007 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 2007.

Grant Thornton UK LLP

Grant Thornton UK LLP

Registered Auditors
Chartered Accountants
Manchester

25 June 2008

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 2007. 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.

Turnover

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

Income recognition

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, claims handling and premium administration costs and potential commission clawback for policies that could cancel in the future.

In addition, income for 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.

Principal accounting policies (continued)

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

All share-based payment arrangements granted after 7 November 2002 are recognised in the financial statements. FRS 20 has been applied to grants before 7 November 2002 only where the Group/Company has disclosed publicly the fair value of those equity instruments, determined as at the grant date in accordance with FRS 20.

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.

Consolidated profit and loss account

	Note	**2007** **£**	2006 £
Sales and commission			
Continuing activities		19,101,262	15,181,852
Acquisitions		715,936	40,341
		19,817,198	15,222,193
Movement in deferred commission		(103,267)	32,973
Turnover	1	19,713,931	15,255,166
Cost of sales		(8,835,053)	(8,879,967)
Gross profit		10,878,878	6,735,199
Other operating charges	2	(9,462,716)	(6,139,449)
Profit/(loss) on operating activities before interest and taxation			
Continuing activities		1,500,966	259,664
Acquisitions		(84,805)	(23,914)
		1,416,162	235,750
Interest receivable and similar income	3	262,331	120,469
Profit on ordinary activities before taxation	1	1,678,493	356,219
Taxation	5	(271,224)	267,587
Profit for the financial year	16	1,407,269	623,806

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	**2007** **£**	2005 £
Fixed assets			
Intangible assets	8	994,227	311,066
Tangible assets	9	714,382	537,462
		1,708,609	848,528
Current assets			
Debtors	11	8,220,955	5,279,343
Cash at bank and in hand		3,756,402	2,356,725
		11,977,357	7,636,068
Creditors: amounts falling due within one year	12	(10,700,332)	(6,920,750)
Net current assets		1,277,025	715,318
Total assets less current liabilities		2,985,634	1,563,846
Creditors: amounts falling due after one year	13	(73,214)	(57,745)
Net assets		2,912,420	1,506,101
Capital and reserves			
Called up share capital	15	785,437	785,437
Special reserve	16	96,858	96,858
Share option reserve	16	78,531	–
Profit and loss account	16	1,951,594	623,806
Equity shareholders' funds	17	2,912,420	1,506,101

The financial statements were approved by the Board of Directors on 25 June 2008.

R Green
Chief Executive

Iain Gray

I Gray
Director

The accompanying notes form part of these financial statements.

Company balance sheet

	Note	**2007** **£**	2006 £
Fixed assets			
Tangible assets	9	671,382	524,237
Investments	10	1,650,548	373,055
		2,321,930	897,292
Current assets			
Debtors	11	7,205,124	5,229,033
Cash at bank and in hand		3,018,082	2,273,862
		10,223,206	7,502,895
Creditors: amounts falling due within one year	12	(9,461,328)	(6,810,659)
Net current assets		761,878	692,236
Total assets less current liabilities		3,083,808	1,589,528
Creditors: amounts falling due after one year	13	(73,214)	(57,745)
Net assets		3,010,594	1,531,783
Capital and reserves			
Called up share capital	15	785,437	785,437
Special reserve	16	96,858	96,858
Share option reserve	16	78,531	–
Profit and loss account	16	2,049,768	649,488
Equity shareholders' funds		3,010,594	1,531,783

The financial statements were approved by the Board of Directors on 25 June 2008.

R Green
Chief Executive

Iain Gray

I Gray
Director

The accompanying notes form part of these financial statements.

Consolidated cash flow statement

	Note	**2007** **£**	2006 £
Net cash (outflow)/inflow from operating activities	18	(244,289)	1,475,852
Returns on investments and servicing of finance			
Interest received		262,331	120,469
Net cash inflow from returns on investments and servicing of finance		262,331	120,469
Taxation		(28,229)	–
Capital expenditure			
Purchase of tangible fixed assets		(395,383)	(159,606)
Proceeds from sale of fixed assets		44,700	2,148
Net cash outflow from capital expenditure		(350,683)	(157,458)
Acquisitions			
Purchase of subsidiary undertakings	21	(443,873)	(209,816)
Net cash outflow from acquisitions		(443,873)	(209,816)
Equity dividends paid		(79,481)	–
Financing			
Capital element of finance lease rentals		(37,801)	(28,235)
Net cash outflow from financing		(37,801)	(28,235)
(Decrease)/increase in cash in the year	19	(922,025)	1,200,812

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:

	2007 **£**	2006 £
Auditors' remuneration:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	24,910	22,912
Fees payable to the Group's auditor for other services		
– fees payable to the Group's auditor for the audit of the subsidiaries' annual financial statements	16,802	2,938
– tax services	8,646	10,986
– other services pursuant to legislation	7,050	2,350
Amortisation of goodwill	64,732	8,134
Depreciation of tangible fixed assets – owned	241,891	204,868
– leased	45,149	33,810
(Profit)/loss on sale of fixed assets	(15,510)	352
Operating lease charges – land and buildings	210,144	210,144
Operating lease charges – other	29,161	7,144

2 Other operating charges

	2007 **£**	2006 £
Staff costs	5,374,615	3,650,447
Administration expenses	420,050	366,173
Other operating costs	3,668,051	2,122,829
	9,462,716	6,139,449

3 Interest income

	2007 **£**	2006 £
Interest income on bank deposits	262,331	120,469

4 Directors and employees

Group

Staff costs during the year were as follows:

	2007 **£**	2006 **£**
Wages and salaries	4,634,194	3,105,723
Social security costs	409,282	291,428
Pension costs	331,139	253,296
	5,374,615	3,650,447

Notes to the financial statements (continued)

4 Directors and employees (continued)

The average number of employees during the year was:	**2007 Number**	2006 Number
Management	25	20
Other	150	96
	175	116

Remuneration in respect of Directors was as follows:	**2007 £**	2006 £
Emoluments	873,658	497,055
Pension costs	83,478	63,553
	957,136	560,608

During the year, 6 Directors (2006: 4 Directors) participated in money purchase pension schemes.

Company

Staff costs during the year were as follows:	**2007 £**	2006 **£**
Wages and salaries	4,252,089	3,095,395
Social security costs	368,896	290,545
Pension costs	309,742	252,758
	4,930,727	3,638,698

The average number of employees during the year was:	**2007 Number**	2006 Number
Management	22	20
Other	137	95
	159	115

Remuneration in respect of Directors was as follows:	**2007 £**	2006 £
Emoluments	700,743	488,227
Pension costs	64,523	63,182
	765,266	551,409

During the year, 4 Directors (2006: 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:

	2007 £	2006 £
Emoluments	172,754	129,265
Pension Costs	17,985	17,575
	190,739	146,840

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:	**2007** **£**	2006 £
UK corporation tax at 30% (2006: 28%)	(77,224)	–
Adjustment in respect of prior year	–	(9)
Deferred tax	(194,000)	267,596
	(271,224)	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 30% (2006: 28%). The differences are explained as follows:

	2007 **£**	2006 £
Profit on ordinary activities before tax	1,678,493	356,219
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 28%)	503,548	99,741
Effect of:		
Expenses not deductible for tax purposes	65,712	27,890
Differences between capital allowances and depreciation	(10,942)	(2,952)
Short term timing differences	27,384	–
Trade losses utilised	(503,685)	(138,270)
Change in tax rate	(298)	–
Marginal relief	(4,495)	–
Increase in unused losses	–	13,591
	77,224	–

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 £1,479,761 (2006: £649,488).

7 Dividends

	2007 **£**	2006 £
Proposed equity dividends at 5p (2006: 2p) per share	198,703	79,481

Notes to the financial statements (continued)

8 Intangible fixed assets

Group

	Goodwill on business acquired £	Goodwill on consolidation £	**Total £**
Cost			
At 1 January 2007	28,500	290,700	319,200
Additions	–	744,393	744,393
On acquisition	3,500	–	3,500
	32,000	1,035,093	1,067,093
Amortisation			
At 1 January 2007	4,500	3,634	8,134
Provided in the year	24,000	40,732	64,732
At 31 December 2007	28,500	44,366	72,866
Net book amount			
At 31 December 2007	3,500	990,727	994,227
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 2007	145,382	1,849,487	1,994,869
Additions	–	482,745	482,745
On acquisition	–	123,325	123,325
Disposals	–	(111,229)	(111,229)
At 31 December 2007	145,382	2,344,328	2,489,710
Depreciation			
At 1 January 2007	143,519	1,313,888	1,457,407
Provided in the year	1,863	285,177	287,040
On acquisition	–	112,920	112,920
Disposed in the year	–	(82,039)	(82,039)
At 31 December 2007	145,382	1,629,946	1,775,328
Net book amount			
At 31 December 2007	–	714,382	714,382
At 31 December 2006	1,863	535,599	537,462

Included in the total net book value is £127,894 (2006: £132,056) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £45,149 (2006: £33,810).

Notes to the financial statements (continued)

9 Fixed assets (continued)

Company

	Leasehold improvements £	Computers, furniture, fittings, cars & equipment £	**Total £**
Cost			
At 1 January 2007	145,382	1,788,727	1,934,109
Additions	–	449,533	449,533
Disposals	–	(94,039)	(94,039)
At 31 December 2007	145,382	2,144,221	2,289,603
Depreciation			
At 1 January 2007	143,519	1,266,353	1,409,872
Provided in the year	1,863	276,227	278,090
Disposed in the year	–	(69,741)	(69,741)
At 31 December 2007	145,382	1,472,839	1,618,221
Net book amount			
At 31 December 2007	–	671,382	671,382
At 31 December 2006	1,863	522,374	524,237

Included in the total net book value of motor vehicles is £127,894 (2006: £85,681) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £45,149 (2006: £33,810).

10 Fixed asset investments

	Subsidiary undertaking £
Cost	
At 1 January 2007	373,055
Additions	1,277,493
At 31 December 2007	1,650,548
Amounts written off	
At 1 January 2007 and 31 December 2007	–
Net book value	
At 31 December 2007	1,650,548
At 31 December 2006	373,055

Notes to the financial statements (continued)

10 Fixed asset investments (continued)

At 31 December 2007, 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
Greenhalgh and Gregson Limited	£1 Ordinary shares	100%	Retail insurance broker
Broker Direct Retail Holdings Limited	£0.01 Ordinary shares	100%	Dormant
HBA Limited	£1 Ordinary shares	100%	Retail insurance broker
Fitzsimons Insurance Consultants Limited	£1 Ordinary shares	100%	Retail insurance broker

11 Debtors

	Group 2007 £	**Company 2007 £**	Group 2006 £	Company 2006 £
Broker and policyholder receivables	6,389,044	5,455,468	3,888,110	3,831,905
Insurer receivables	1,449,073	1,449,073	923,280	923,280
Amount owed by Group undertaking	–	325	–	10,000
Prepayments and accrued income	232,895	200,018	159,857	156,202
Other debtors	80,122	28,240	42,096	41,646
Deferred taxation asset (see note 14)	69,821	72,000	266,000	266,000
	8,220,955	7,205,124	5,279,343	5,229,033

Included in other debtors for 2006 is an amount of £1,190 in respect of a loan to a director (Mr T Stanley). This was repaid in 2007 and interest was set at 5% per annum.

Notes to the financial statements (continued)

12 Creditors: amounts falling due within one year

	Group 2007 £	**Company 2007 £**	Group 2006 £	Company 2006 £
Bank overdraft and loan	–	–	889	–
Payable to insurers	6,518,045	5,380,935	4,742,882	4,645,324
Payable to group companies	–	9,811	–	–
Technical reserves	1,446,882	1,446,882	1,005,956	1,005,956
Deferred consideration	996,859	996,859	163,240	163,240
Pension contributions	59,285	59,285	19,390	19,390
Corporation tax	170,294	93,090	–	–
Other taxation and social security costs	221,558	216,743	136,754	132,684
Accruals and deferred income	1,228,390	1,198,704	826,712	819,138
Obligations under finance leases and hire purchase contracts	59,019	59,019	24,927	24,927
	10,700,332	9,461,328	6,920,750	6,810,659

13 Creditors: amounts falling due after more than one year

	Group 2007 £	**Company 2007 £**	Group 2006 £	Company 2006 £
Obligations under finance leases and hire purchase contracts	73,214	73,214	57,745	57,745

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

	Group 2007 £	**Company 2007 £**	Group 2006 £	Company 2006 £
Within one year	59,019	59,019	24,927	24,927
Between two to five years	73,214	73,214	57,745	57,745
	132,233	132,233	82,672	82,672

14 Deferred taxation

The potential deferred taxation asset is as follows:

	Group 2007 £	**Company 2007 £**	Group 2006 £	Company 2006 £
Accelerated capital allowances	37,821	40,000	44,242	45,247
Technical reserves	32,000	32,000	42,602	42,602
Tax losses carried forward	–	–	484,014	484,014
Deferred taxation asset	69,821	72,000	570,858	571,863

Notes to the financial statements (continued)

14 Deferred taxation (continued)

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:

	Group 2007 £	**Company 2007 £**	Group 2006 £	Company 2006 £
Deferred tax asset brought forward	266,000	266,000	–	–
Provision on acquisition	(2,179)	–	(1,596)	–
Reversal of timing differences on trading losses	(194,000)	(194,000)	266,000	266,000
Reversal of provision on acquisition	–	–	1,596	–
Deferred taxation asset recognised (see note 11)	69,821	72,000	266,000	266,000

At 31 December 2007 there were no tax losses available for offset against future trading (2006: £1,613,380).

15 Called up share capital

	2007 £	2006 £
Authorised		
6,000,000 "A" ordinary shares of £0.20 (2006: £0.20) each	1,200,000	1,200,000
	1,200,000	1,200,000
Allotted		
3,974,061 "A" ordinary shares of £0.20 (2006: £0.20) each	794,812	794,812
	794,812	794,812

	2007 £	2006 £
Called up		
Fully paid 3,911,561 "A" ordinary shares of £0.20 (2006: £0.20) each	782,312	782,312
Partly paid 62,500 "A" ordinary shares of £0.20 (2006: £0.20) each one quarter called up and paid	3,125	3,125
	785,437	785,437

Notes to the financial statements (continued)

15 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 the Report of the Directors.

16 Reserves

Group

	Special reserve £	Share option reserve £	Profit and loss account £	Total £
At 1 January 2007	96,858	–	623,806	720,664
Share option reserve	–	78,531	–	78,531
Profit for the year	–	–	1,407,269	1,407,269
Dividend	–	–	(79,481)	(79,481)
At 31 December 2007	96,858	78,531	1,951,594	2,126,983

The special reserve was created by the 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 special reserve.

Company

	Special reserve £	Share option reserve £	Profit and loss account £	Total £
At 1 January 2007	96,858	–	649,488	746,346
Share option reserve	–	78,531	–	78,531
Profit for the year	–	–	1,479,761	1,479,761
Dividend	–	–	(79,481)	(79,481)
At 31 December 2007	96,858	78,531	2,049,768	2,225,157

Notes to the financial statements (continued)

17 Reconciliation of movements in shareholders' funds

Group

	2007 £	2006 £
Profit for the financial year	1,407,269	623,806
Dividends paid	(79,481)	–
Share option reserve	78,531	–
Shareholders' funds at 1 January 2007	1,506,101	882,295
Shareholders' funds at 31 December 2007	2,912,420	1,506,101

18 Net cash (outflow)/inflow from operating activities

	2007 £	2006 £
Operating profit	1,416,162	235,750
(Profit)/loss on sale of fixed assets	(15,510)	352
Depreciation	287,040	238,678
Amortisation	64,732	8,134
Share option reserve	78,531	–
Increase in debtors	(2,660,253)	(708,788)
Increase in creditors	585,009	1,701,726
Net cash (outflow)/inflow from operating activities	(244,289)	1,475,852

19 Reconciliation of net cash flow to movement in net funds

	2007 £	2006 £
(Decrease)/increase in cash in the year	(922,025)	1,200,812
Cash outflow from finance leases and hire purchase contracts	37,801	28,235
Movement in net funds in the year	(884,224)	1,229,047
Cash acquired with subsidiary	2,322,591	65,256
Inception of new finance leases and hire purchase contracts	(87,362)	(65,850)
Net funds at 1 January 2007	2,273,164	1,044,711
Net funds at 31 December 2007	3,624,169	2,273,164

20 Analysis of changes in net funds

	At 1 January 2007 £	**Cashflows £**	**Acquisitions £**	**Non-cash items £**	**At 31 December 2007 £**
Cash in hand and at bank	2,356,725	(922,914)	2,322,591	–	3,756,402
Bank loans and overdraft	(889)	889	–	–	–
	2,355,836	(922,025)	2,322,591	–	3,756,402
Finance leases and hire purchase contracts	(82,672)	37,801	–	(87,362)	(132,233)
	2,273,164	(884,224)	2,322,591	(87,362)	3,624,169

Notes to the financial statements (continued)

21 Acquisitions

HBA Limited

On 1 March 2007, the Company acquired the entire share capital of HBA 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 1 March 2007.

The assets and liabilities of the acquired company on 1 March 2007 were as follows:

	Provisional fair value £
Debtors	469,922
Cash at bank and in hand	2,216,381
Creditors	(2,219,111)
	467,192
Goodwill	566,667
	1,033,859
Satisfied by	
Cash consideration	100,000
Deferred contingent consideration	933,859
	1,033,859

The acquired business made the following post acquisition utilisation of group cash flow:

	£
Net cash outflow from operating activities	(1,647,619)
Net cash outflow from taxation	(29,235)
Decrease in cash	(1,676,854)

The summary profit and loss of HBA Limited, excluding fair value adjustments, for the period from 1 January 2007 to 1 March 2007, the date of acquisition was as follows:

	£
Turnover	56,846
Administrative expenses	(171,588)
Net interest receivable	2,153
Loss on ordinary activities before taxation	(112,589)
Exceptional items	400,352
Tax on profit on activities	(96,987)
Profit on activities after taxation	190,776

The profit after taxation for the year ended 31 December 2006 was £24,424.

Notes to the financial statements (continued)

21 Acquisitions (continued)

Fitzsimons Insurance Consultants Limited

On 1 December 2007, the Company acquired the entire share capital of Fitzsimons Insurance Consultants 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 1 December 2007.

The assets and liabilities of the acquired company on 1 December 2007 were as follows:

	Provisional fair value £
Intangible assets	3,500
Tangible assets	10,405
Debtors	7,616
Cash at bank and in hand	106,210
Creditors	(61,823)
	65,908
Goodwill	146,092
	212,000
Satisfied by	
Cash consideration	150,000
Deferred contingent consideration	62,000
	212,000

The acquired business made no contributions to, or utilisation of, group cash flow.

The summary profit and loss of Fitzsimons Insurance Consultants Limited, excluding fair value adjustments, for the previous year of trading from 1 December 2006 to 30 November 2007, the date of acquisition was as follows:

	£
Turnover	130,657
Administrative expenses	(125,588)
Net interest receivable	2,564
Loss on ordinary activities before taxation	7,633
Tax on profit on activities	(1,505)
Profit on activities after taxation	6,128

Greenhalgh and Gregson Limited

During 2007, the Company made a final settlement payment of £193,873 to the previous owners of Greenhalgh and Gregson Limited – purchased on 19 October 2006. This was £31,634 more than the consideration had been provided for at 31 December 2006.

Notes to the financial statements (continued)

22 Share based payments

Details of the share options granted are set out below:

No 1 Approved Share Option Scheme

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:

Name of Director	1 January 2007	Granted	31 December 2007	Exercise price	Exercise date 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

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.

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:

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.

On 14 March 2008, 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 100,000 of its shares to the Director of Sales and Marketing.

The options have an exercise price of £1.10 and are subject to financial performance targets. The total number of shares over which the option may be exercised will depend upon the gross written premium in excess of a base gross written premium for Broker Direct Products for Commercial business and/or such other business as is agreed, written in each of 2009, 2010 and 2011.

Notes to the financial statements (continued)

23 Leasing commitments

Operating lease payments amounting to £272,857 (2006: £217,288) are due within one year. The leases to which these amounts relate expire as follows:

	2007		2006	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Operating leases which expire:				
– within one year	–	18,761	–	–
– within two to five years	210,144	43,952	–	7,144
– over five years	–	–	210,144	–
	210,144	62,713	210,144	7,144

There were no other revenue commitments at 31 December 2007 or 31 December 2006.

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 £409,282 (2006: £253,296). Contributions amounting to £59,285 (2006: £19,390) were payable to the scheme and are included in creditors.

25 Contingent liabilities

There were no contingent liabilities at 31 December 2007 or 31 December 2006.

26 Post balance sheet events

As part of the ongoing organic and acquisition growth strategy, on 31 March 2008, the Company (through its subsidiary Greenhalgh & Gregson Limited) acquired the goodwill and selected assets of Bevan Fox Associates, an insurance brokerage based in Tamworth.

27 Related party transactions

As the parent of four wholly owned subsidiaries, being HBA Limited, Greenhalgh and Gregson Limited, Fitzsimons Insurance Consultants Limited and Broker Direct Retail Holdings Limited, the Company is exempt from the requirements of Financial Reporting Standard 8 “Related Party Disclosures” to disclose transactions with the subsidiaries on the grounds that the consolidated financial statements are publicly available from Companies House.

The Institute of Insurance Brokers Group, of which Andrew Paddick and Barry Fehler were directors in 2007, provided dispute resolution services during the year. The fees for these services were £13,394 (2006 : £12,215).

Broker Direct
A better way to insure

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 Higham Business Centre, Midland Road, Higham Ferrers, Northamptonshire NN10 8DW.
Authorised and regulated by the Financial Services Authority No. 307607.