Annual Report and Accounts | 2008

BrokerDirect Plc

A better way to insure

Annual Report and Accounts 2008

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2958427

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Registered Auditors
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Chief executive officer's report

Overview

As I forecast last year, profits have again risen to record levels. Other highlights of the year were major announcements in relation to Commercial business. This progress has been achieved against a volatile economic environment, which presents difficulties but also opportunities. We can expect lower premium income as policyholders reduce or cancel cover affecting policy count and average premiums. At the same time, we can expect some market hardening as insurers compensate for loss of investment income and hardening reinsurance rates. This is good for income and also for the expansion of our new Commercial businesses where rising premiums will encourage brokers and policyholders to look at alternatives. Vigilance will be needed to counter the anticipated effect of the recession on fraudulent and inflated claims.

Results

After investment in our Commercial Lines diversification strategy, pre-tax profits still increased to £2,184,122 (2007 £1,678,493). This was mostly due to significant increases in Personal Lines Written Premium as a result of new product and distribution deals launched in 2007. Broker Direct Personal Lines Written Premium is expected to be lower year on year in the first half of 2009 but I expect to see recovery in the second half. The main reason was the need to strengthen our rates ahead of market in order to achieve target account profitability.

Market and products

The market continues to be difficult, however, diversification of Personal Lines products and services has meant that the effect on the company has been less than would previously have been the case. The Company now distributes 26 Personal Lines products (including Light Commercial Vehicle) underwritten by 6 carriers. In 2009, the Company expects 67% of business to be written on products in which Broker Direct owns the Intellectual Property and the balance will be carriers' own products distributed by Broker Direct; 39% of business will come from outside the Broker Direct agency base through White Label and Third Party Administration arrangements. Insurers increasingly understand the benefits of the Broker Direct business model and in Q4 2008 we announced our first product underwritten by RSA. I expect more new carrier announcements in 2009. Zurich continues to write the majority of our Personal Lines business and is proving to be a reliable long-term partner. We launched our Motor Accident Management service Elite, in Q4 2008 and I am confident that we will be able to provide the financial benefits and level of service that our brokers expect in this growing market sector.

OurNetwork

In 2008, I believe we put in place the building blocks of a successful strategy for the growth of our Commercial Lines business. We launched OurNetwork a full-service business support network and its electronic trading platform OurMarket based on our own revolutionary software. We acquired Insurance Compliance Services a leading FSA Compliance advice company and its sister company HR Experts. I expect these developments to form the backbone of our future expansion and I believe that they will provide our agents and shareholders with substantial benefits. They allow us to restate our mission:

- A level playing field for brokers
- Profitable business for our underwriters
- An effective channel
- Profit from scale and synergy

By succeeding in our mission we expect to become an increasingly valuable trading partner for our brokers and an increasingly valuable investment.

The technology under-pinning OurMarket has been proven with a wide variety of insurance policy classes and the first comparative quotation system was launched at the end of the year. During 2009, we intend to deliver the main volume SME insurance contracts on a comparative full-cycle basis underwritten by a range of mainstream carriers and also markets new to brokers. We will launch other popular lines with market-leading solus products.

To complete a one-stop shop for members, we are complementing OurMarket with easy access to the Lloyd's and London market through our Lloyd's authorised broker HBA. This service will be branded BDLondon and will provide access to over 50 markets.

Broker support for OurNetwork has been excellent, passing the 200 mark in early March 2009. We are well on the way to 300 members and I believe that we will become the largest network in terms of membership. I confidently expect that brokers will support the wide variety of opportunities which OurNetwork insurers are providing. To guide us we have created a Broker Advisory Board of six successful brokers with varied business models and I thank them for their commitment and contribution.

Acquisitions

We have maintained our strategy to acquire brokers who wish to exit, realise value in their businesses and be confident that those businesses will continue and prosper under the ownership of Broker Direct. However, many of the prices being offered in the market were unsustainable and consequently we only acquired one such business, Bevan Fox Insurance.

As our Commercial strategy yields substantial new vertical integration opportunities, we are ready to re-enter the market and we announced our first new purchase in April 2009. We value highly the acquisitions of Insurance Compliance Services Ltd (ICS) and HR Experts Ltd and expect the companies to continue to grow in their various markets. The acquisition of ICS has given OurNetwork members their own in-house source of Compliance advice, and given existing ICS clients access to OurNetwork. We have ambitious plans to develop this potential.

People

Barry Fehler kindly accepted our offer to become non-Executive Chairman and took over the post in September 2008. Barry, a successful insurance broker, has been a non-executive Director since Broker Direct's foundation and we value his advice and guidance. We plan to further strengthen the Board this year.

Paul Brierley was recruited to spearhead our Commercial business development and he has had terrific support from insurers, who recognise that OurNetwork is a sustainable proposition bringing genuine benefits to the industry.

The growth we have experienced over recent years necessitated additional head-office premises in Bolton. The Company signed a lease on newly refurbished offices, fitted them out and occupied in the summer of 2008. This has doubled our space and substantially enhanced our business interruption protection measures.

Outlook

The investments in our new initiatives have required calls on our cash which have been met out of our current cash reserves and current funding facilities. Our plans for 2009 have been scrutinised, are tracking our expectations and we believe that our cash balances and facilities are sufficient to meet our operational requirements.

2008's results represents 64p per share EBITDA (2007: 45p). The Board is continuing to pursue means of creating a liquid share market and access to additional capital for acquisitions.

Finally I would like to congratulate the Institute of Insurance Brokers for the strong contribution that it has made to political debate during its first year without Andrew Paddick at the helm. We support the IIB and plan to strengthen the co-operation between the organisations.

Roy Green
Chief Executive Officer

7th April 2009

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2008.

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

In 2008, the Group progressed its diversification and vertical integration program including:

- The establishment of Our Network Services Limited, a service to support like-minded brokers to retain their independence by aggregating their demand to obtain enhanced products, service levels and commissions from insurers and gain access to support services at discounted rates.
- The acquisition of Insurance Compliance Services Limited (ICS) and the complementary business HR Experts Limited (HRE).
- The acquisition of the goodwill and selected assets from Bevan Fox Insurance Partnership.
- The introduction of an online full-cycle quote and complete trading system.

In 2009, we anticipate the roll-out of many new products in both personal and commercial lines, together with further integration of operations between the business units. The principal risks and opportunities can be summarised as follows:

- Aggressive price competition in the personal lines marketing, notably with the impact of price comparison websites for motor insurance.
- The threat from, but also opportunity to compete with, motor claims management companies.
- The need for the OurNetwork business to provide a sustainable solution for both its members and suppliers.
- The expansion of our commercial lines operations through both the introduction of new products traded online, and the broking of non standard and large risks through our Lloyd's and London Market operation, HBA Limited.
- The opportunity for each trading business to assist in attracting new agents to Broker Direct Plc and HBA Limited, clients to ICS and HRE, and members to OurNetwork.
- Through the benefits of vertical integration, to be able to challenge the broker consolidators in acquiring brokers.
- In this time of economic recession, being vigilant of heightened fraud potential and bad debt exposure and recognising there may be lower insurance cover requirements.

The Group's result for the year ended 31 December 2008 is a profit after tax of £1,441,643 (2007: £1,407,269). The Company's profit and loss account shows a profit after taxation for the year of £1,630,880 (2007: £1,479,761). The directors propose a dividend of £Nil per share (2007: 5p), subject to shareholder approval at the AGM.

A review of the business for the year ended 31 December 2008 is included within the Chief Executive Officer's report on pages 2 and 3.

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

	2008	2007
Profit before tax to turnover	**8.7%**	8.5%
Current ratio	**1.1**	1.3
Profit before tax per employee	**£8,951**	£9,804
Sales per employee	**£103,012**	£115,286
EBITDA per share	**65.4p**	44.4p

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 that 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, finance leases 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.

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:

Roy Green	Chief Executive	Executive	
Barry Fehler	Broker Liaison Director and Chairman	Non–Executive	
Andrew Paddick	Chairman	Non–Executive	Deceased 24 January 2008
Iain Gray	Finance Director	Executive	
Neil Harris	Insurance Director	Executive	
Terry Stanley	Director	Executive	

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.

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 £6,733 (2007: £6,214).

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 2008 was 39 days (2007 : 58 days).

Post balance sheet events
As part of the ongoing organic and acquisition growth strategy, on 3 April 2009, Broker Direct Retail Holdings Limited acquired Barry Fenton Insurance Brokers Limited, an insurance brokerage based in Scunthorpe.

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 Officer

7th April 2009

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 2008, 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 Group 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 Group 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

The sudden death of Andrew Paddick has meant that the Committee has only one member, a reflection of the fact that the Board also only has one non-executive director. Should the Group appoint a new non-executive director, that individual is expected to also join this Committee

In last year's Remuneration Committee Report, it was noted that the Group had performed exceptionally well, reporting a profit on operating activities before interest and tax of £1.4 million, and I am delighted to report another record result of £1.9 million for 2008

The Board recognised early that the economy would be entering a period of upheaval and whilst we believe the Group will continue to perform well, the directors agreed in 2008 to both postpone their annual salary reviews and accept only 50% of their performance bonus entitlements

In 2009, subject to the achievement of acceptable financial performance, the Remuneration Committee intends to re-commence annual salary reviews.

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 2008, 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 Chief Executive Officer'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.

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 2008 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 2008.

Grant Thornton UK LLP

Grant Thornton UK LLP

Registered Auditors
Chartered Accountants
Manchester

7th April 2009

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 Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's report on pages 2 to 3. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Directors' report on pages 4 to 7. In addition the Directors' report includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with long term contracts with a number of brokers and insurers across different geographic areas. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

The directors have reviewed the accounting policies in accordance with FRS 18 "Accounting Policies" and have concluded that no changes were required from the previous year, except as disclosed in the income recognition policy in relation to provisions for claims handling and premium administration costs and potential commission clawback.

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 2008. The acquisition of the subsidiaries is dealt with by the acquisition method of accounting. The results of companies acquired are included in the Group profit and loss account from the date that control passes.

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
Computer – Hardware	3 years
Computer – Software Development	5 years
Equipment	4 years
Furniture and fittings	4 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 relation to claims handling and premium administration costs and potential commission clawback for policies, the Group's accounting policy has been revised such that these provisions (technical reserves) are now analysed between amounts to be recognised within one year and amounts to be recognised after more than one year. This allocation to current liabilities is a prudency measure to reflect management's calculation of the amount that would be released to revenue to match against expenses that would be incurred in the event of a substantial reduction in sales in the forthcoming 12 months. This has resulted in £242,523 (2007: £Nil) of the technical provision being treated as recognised within one year and £1,398,764 (2007: £1,446,882) of the technical provisions being treated as recognised after more than one year.

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.

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 "other reserve".

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

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Consolidated profit and loss account

The accompanying notes form part of these financial statements.

	Note	2008 £	2007 £
Sales and commission			
Continuing activities		**24,636,163**	19,101,262
Acquisitions		**589,193**	715,936
		25,225,356	19,817,198
Movement in deferred commission		**(90,318)**	(103,267)
Turnover	1	**25,135,038**	19,713,931
Cost of sales		**(10,183,625)**	(8,835,053)
Gross profit		**14,951,413**	10,878,878
Other operating charges	2	**(13,066,115)**	(9,453,827)
Profit/(loss) on operating activities before interest and taxation			
Continuing activities		**1,784,728**	1,509,856
Acquisitions		**100,570**	(84,805)
		1,885,298	1,425,051
Net interest	3	**298,824**	253,442
Profit on ordinary activities before taxation	1	**2,184,122**	1,678,493
Taxation	5	**(742,479)**	(271,224)
Profit for the financial year	16	**1,441,643**	1,407,269

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

Consolidated balance sheet

The accompanying notes form part of these financial statements.

	Note	2008 £	2007 £
Fixed assets			
Intangible assets	8	**4,463,574**	994,227
Tangible assets	9	**1,425,772**	714,383
		5,889,346	1,708,610
Current assets			
Debtors	11	**8,660,551**	8,220,955
Cash at bank and in hand		**5,722,743**	3,756,402
		14,383,294	11,977,357
Creditors: amounts falling due within one year	12	**(12,973,080)**	(9,253,451)
Net current assets		**1,410,214**	2,723,906
Total assets less current liabilities		**7,299,560**	4,432,516
Creditors: amounts falling due after one year	13	**(3,062,164)**	(1,520,096)
Net assets		**4,237,396**	2,912,420
Capital and reserves			
Called up share capital	15	**785,437**	785,437
Special reserve	16	**96,858**	96,858
Share option reserve	16	**160,567**	78,531
Profit and loss account	16	**3,194,534**	1,951,594
Equity shareholders' funds	17	**4,237,396**	2,912,420

The financial statements were approved by the Board of Directors on 7th April 2009.

R Green
Chief Executive

Iain Gray

I Gray
Director

Company balance sheet

The accompanying notes form part of these financial statements.

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	9	**1,360,904**	671,382
Investments	10	**3,000**	1,650,548
		1,363,904	2,321,930
Current assets			
Debtors	11	**10,107,263**	7,205,124
Cash at bank and in hand		**3,722,267**	3,018,082
		13,829,530	10,223,206
Creditors: amounts falling due within one year	12	**(8,370,793)**	(8,014,446)
Net current assets		**5,458,737**	2,208,760
Total assets less current liabilities		**6,822,641**	4,530,690
Creditors: amounts falling due after one year	13	**(2,297,834)**	(1,520,096)
Net assets		**4,524,807**	3,010,594
Capital and reserves			
Called up share capital	15	**785,437**	785,437
Special reserve	16	**96,858**	96,858
Share option reserve	16	**160,567**	78,531
Profit and loss account	16	**3,481,945**	2,049,768
Equity shareholders' funds		**4,524,807**	3,010,594

The financial statements were approved by the Board of Directors on 7th April 2009.

R Green
Chief Executive

I Gray
Director

Consolidated cash flow statement

The accompanying notes form part of these financial statements.

	Note	2008 £	2006 £
Net cash inflow/(outflow) from operating activities	18	**4,861,199**	(235,400)
Returns on investments and servicing of finance			
Finance lease interest paid		**(29,833)**	(8,889)
Interest received		**328,657**	262,331
Net cash inflow from returns on investments and servicing of finance		**298,824**	253,442
Taxation		**(208,810)**	(28,229)
Capital expenditure			
Purchase of tangible fixed assets		**(193,775)**	(395,383)
Proceeds from sale of fixed assets		**8,298**	44,700
Net cash outflow from capital expenditure		**(185,477)**	(350,683)
Acquisitions			
Purchase of unincorporated business		**(219,391)**	–
Net cash from purchase of subsidiaries		**257,356**	2,322,591
Purchase of subsidiary undertakings	21	**(2,534,262)**	(443,873)
Net cash (outflow)/inflow from acquisitions		**(2,496,297)**	1,878,718
Equity dividends paid		**(198,703)**	(79,481)
Financing			
Capital element of finance lease rentals and agreements		**(104,395)**	(37,801)
Net cash outflow from financing		**(104,395)**	(37,801)
Increase in cash in the year	19	**1,966,341**	1,400,566

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:

	2008 £	2007 £
Auditors' remuneration:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**26,450**	24,910
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	**36,801**	16,802
– tax services	**25,392**	8,646
– other services pursuant to legislation	**4,830**	7,050
Amortisation of goodwill	**194,047**	64,732
Depreciation of tangible fixed assets – owned	**454,784**	241,891
– leased	**65,273**	45,149
Profit on sale of fixed assets	**(969)**	(15,510)
Gain on foreign currency	**(19,349)**	(12,240)
Operating lease charges – land and buildings	**592,636**	210,144
Operating lease charges – other	**15,674**	29,161

2 Other operating charges

	2008 £	2007 £
Staff costs	**7,392,365**	5,374.615
Administration expenses	**719,032**	420,050
Other operating costs	**4,954,718**	3,659,162
	13,066,115	9,453,827

3 Net Interest

	2008 £	2007 £
Interest income on bank deposits	**328,657**	262,331
Interest payable on finance leases and hire purchase	**(29,833)**	(8,889)
	298,824	253,442

4 Directors and employees

	2008 £	2007 £
Group Staff costs during the year were as follows:		
Wages and salaries	**6,361,458**	4,634,194
Social security costs	**602,185**	409,282
Pension costs	**428,722**	331,139
	7,392,365	5,374,615

4 Directors and employees (continued)

The average number of employees during the year was:	**2008 Number**	2007 Number
Management	**36**	25
Other	**208**	150
	244	175

Remuneration in respect of directors was as follows:	**2008 £**	2007 £
Emoluments	**722,475**	873,658
Pension costs	**65,388**	83,478
	787,863	957,136

During the year, 7 directors (2007: 6 directors) participated in money purchase pension schemes.

Company

Staff costs during the year were as follows:	**2008 £**	2007 £
Wages and salaries	**5,366,735**	4,252,089
Social security costs	**500,899**	368,896
Pension costs	**400,740**	309,742
	6,268.374	4,930,727

The average number of employees during the year was:	**2008 Number**	2007 Number
Management	**24**	22
Other	**197**	137
	221	159

Remuneration in respect of directors was as follows:	**2008 £**	2007 £
Emoluments	**593,112**	700,743
Pension costs	**50,562**	64,523
	643,674	765,266

During the year, 4 directors (2007: 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:

	2008 £	2007 £
Emoluments	**163,747**	172,754
Pension Costs	**17,602**	17,985
	181,349	190,739

5 Tax on profit on ordinary activities

The taxation charge is based on the profit for the year and represents:	**2008** **£**	2007 £
UK corporation tax at 29% (2007: 30%)	**(752,638)**	(77,224)
Deferred tax (note 14)	**10,159**	(194,000)
	(742,479)	(271,224)

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 29% (2007: 30%). The differences are explained as follows:

	2008 **£**	2007 £
Profit on ordinary activities before tax	**2,184,122**	1,678,493
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 29% (2007: 30%)	**637,108**	503,548
Effect of:		
Expenses not deductible for tax purposes	**91,067**	65,712
Differences between capital allowances and depreciation	**5,776**	(10,942)
Short term timing differences	**18,983**	27,384
Trade losses utilised	**(296)**	(503,685)
Change in tax rate	**–**	(298)
Marginal relief	**–**	(4,495)
	752,638	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 £1,630,880 (2007: £1,479,761).

7 Dividends

	2008 **£**	2007 £
Proposed equity dividends – Nil (2007: 5p) per share	**–**	198,703

8 Intangible fixed assets

The Group

	Goodwill on business acquired £	Goodwill on consolidation £	Total £
Cost			
At 1 January 2008	32,000	1,035,093	1,067,093
Final fair value adjustment	–	633,740	633,740
On acquisition	397,917	2,631,737	3,029,654
	429,917	4,300,570	4,730,487
Amortisation			
At 1 January 2008	28,500	44,366	72,866
Provided in the period	18,422	175,625	194,047
At 31 December 2008	46,922	219,991	266,913
Net book amount			
At 31 December 2008	**382,995**	**4,080,579**	**4,463,574**
At 31 December 2007	**3,500**	**990,727**	**994,227**

9 Fixed assets

Group

	Leasehold improvements £	Computers, furniture, fittings, cars & equipment £	Total £
Cost			
At 1 January 2008	145,382	2,344,328	2,489,710
Additions	328,112	852,186	1,180,298
On acquisition	7,962	103,109	111,071
Disposals	–	(27,031)	(27,031)
At 31 December 2008	481,456	3,272,592	3,754,048
Depreciation			
At 1 January 2008	145,382	1,629,945	1,775,327
Provided in the year	60,800	459,257	520,057
On acquisition	2,363	50,231	52,594
Disposed in the year	–	(19,702)	(19,702)
At 31 December 2008	208,545	2,119,731	2,328,276
Net book amount			
At 31 December 2008	**272,911**	**1,152,861**	**1,425,772**
At 31 December 2007	**–**	**714,383**	**714,383**

Included in the total net book value is £200,423 (2007: £127,894) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £65,273 (2007: £45,149).

9 Fixed assets (continued)

Company

	Leasehold improvements £	Computers, furniture, fittings, cars & equipment £	Total £
Cost			
At 1 January 2008	145,382	2,144,221	2,289,603
Additions	328,112	847,427	1,175,539
Disposals	–	(26,265)	(26,265)
At 31 December 2008	473,494	2,965,383	3,438,877
Depreciation			
At 1 January 2008	145,382	1,472,839	1,618,221
Provided in the year	59,680	419,471	479,151
Disposed in the year	–	(19,399)	(19,399)
At 31 December 2008	205,062	1,872,911	2,077,973
Net book amount			
At 31 December 2008	**268,432**	**1,092,472**	**1,360,904**
At 31 December 2007	**–**	**671,382**	**671,382**

Included in the total net book value of motor vehicles is £200,423 (2007: £127,894) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £65,273 (2007: £45,149).

10 Fixed asset investments

	Subsidiary undertaking £
Cost	
At 1 January 2008	1,650,548
Additions	540,685
Transfers to subsidiary undertakings	(2,188,233)
	3,000
Net book value	
At 31 December 2008	3,000
At 31 December 2007	1,650,548

Included within additions is £538,685 relating to balances not recognised in earlier years, due to a variation in the terms of the acquisition, on the acquisition of HBA Limited which occurred on 1 March 2007.

10 Fixed asset investments (continued)

At 31 December 2008, the Company had the following principal subsidiaries which are registered in England and Wales.

Name of subsidiary	Nature of Business	Class of share capital held	Proportion held	Held by
Broker Direct Retail Holdings Limited	Holding Company	Ordinary shares	100%	Broker Direct Plc
Broker Direct Acquisitions Limited	Holding Company	Ordinary shares	100%	Broker Direct Plc
Our Network Services Limited	Dormant	Ordinary shares	100%	Broker Direct Plc
Greenhalgh & Gregson Limited	Insurance Broker	Ordinary	100%	Broker Direct Retail Holdings Limited
Fitzsimons Insurance Consultants Limited	Insurance Broker	Ordinary	100%	Broker Direct Retail Holdings Limited
Insurance Compliance Services Limited	Management Consultants	Ordinary	100%	Broker Direct Acquisitions Limited
HR Experts Limited	Management Consultants	Ordinary	100%	Broker Direct Acquisitions Limited
HBA Limited	Insurance Broker	Ordinary	100%	Broker Direct Acquisitions Limited

11 Debtors

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Broker and policyholder receivables	**6,598,702**	**4,447,933**	6,389,044	5,455,468
Insurer receivables	**1,378,945**	**1,378,945**	1,449,073	1,449,073
Amount owed by Group undertaking	**–**	**3,813,628**	–	325
Prepayments and accrued income	**431,918**	**293,835**	232,895	200,018
Other debtors	**171,006**	**92,539**	80,122	28,240
Deferred taxation asset (see note 14)	**79,980**	**80,383**	69,821	72,000
	8,660,551	**10,107,263**	8,220,955	7,205,124

12 Creditors: amounts falling due within one year

	Restated Group 2008 £	**Restated Company 2008 £**	Restated Group 2007 £	Restated Company 2007 £
Payable to insurers	**9,011,187**	**5,921,323**	6,518,045	5,380,935
Payable to group companies	**–**	**–**	–	9,811
Technical reserves	**242,523**	**242,523**	–	–
Deferred consideration	**1,165,806**	**–**	996,859	996,859
Pension contributions	**92,891**	**92,891**	59,285	59,285
Corporation tax	**752,638**	**705,775**	170,294	93,090
Other taxation and social security costs	**228,323**	**203,680**	221,558	216,743
Accruals and deferred income	**1,188,159**	**968,947**	1,228,391	1,198,704
Obligations under finance leases and hire purchase contracts	**291,553**	**235,654**	59,019	59,019
	12,973,080	**8,370,793**	9,253,451	8,014,446

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

13 Creditors: amounts falling due after more than one year

	Restated Group 2008 £	**Restated Company 2008 £**	Restated Group 2007 £	Restated Company 2007 £
Technical reserves	**1,398,764**	**1,398,764**	1,446,882	1,446,882
Obligations under finance leases and hire purchase contracts	**1,128,887**	**778,707**	73,214	73,214
Deferred acquisitions costs	**400,000**	**–**	–	–
Deferred income	**134,513**	**120,363**	–	–
	3,062,164	**2,297,834**	1,520,096	1,520,096

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

	Group 2008 £	**Company 2008 £**	Group 2007 £	Company 2007 £
Within one year	**291,553**	**235,654**	59,019	59,019
Between two to five years	**1,128,887**	**778,707**	73,214	73,214
	1,420,440	**1,014,361**	132,233	132,233

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

14 Deferred taxation

The potential deferred taxation asset is as follows:

	Group 2008 £	**Company 2008 £**	Group 2007 £	Company 2007 £
Accelerated capital allowances	**38,375**	**38,778**	37,821	40,000
Technical reserves	**41,605**	**41,605**	32,000	32,000
Deferred tax asset	**79,980**	**80,383**	69,821	72,000

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 2008 £	**Company 2008 £**	Group 2007 £	Company 2007 £
Deferred tax asset brought forward	**69,821**	**72,000**	266,000	266,000
Provision on acquisition	**–**	**–**	(2,179)	–
Reversal of timing differences on trading losses	**–**	**–**	(194,000)	(194,000)
Other timing differences	**10,159**	**8,383**	–	–
Deferred taxation asset recognised (see note 11)	**79,980**	**80,383**	69,821	72,000

15 Called up share capital

	2008 £	2007 £
Authorised		
6,000,000 "A" ordinary shares of £0.20 (2007: £0.20) each	**1,200,000**	1,200,000
Allotted		
3,974,061 "A" ordinary shares of £0.20 (2007: £0.20) each	**794,812**	794,812
Called up		
Fully paid		
3,911,561 "A" ordinary shares of £0.20 (2007: £0.20) each	**782,312**	782,312
Partly paid		
62,500 "A" ordinary shares of £0.20 (2007: £0.20) each one quarter called up and paid	**3,125**	3,125
	785,437	785,437

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 note 22.

16 Reserves

Group

	Special reserve £	Share option reserve £	Profit and loss account £	Total £
At 1 January 2008	96,858	78,531	1,951,594	2,126,983
Share option reserve	–	82,036	–	82,036
Profit for the year	–	–	1,441,643	1,441,643
Dividend	–	–	(198,703)	(198,703)
At 31 December 2008	**96,858**	**160,567**	**3,194,534**	**3,451,959**

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 2008	96,858	78,531	2,049,768	2,225,157
Share option reserve	–	82,036	–	82,036
Profit for the year	–	–	1,630,880	1,630,880
Dividend	–	–	(198,703)	(198,703)
At 31 December 2008	**96,858**	**160,567**	**3,481,945**	**3,739,370**

17 Reconciliation of movements in shareholders' funds

Group

	2008 £	2007 £
Profit for the financial year	**1,441,643**	1,407,269
Dividends paid	**(198,703)**	(79,481)
Share option reserve	**82,036**	78,531
Shareholders' funds at 1 January	**2,912,420**	1,506,101
Shareholders' funds at 31 December	**4,237,396**	2,912,420

18 Net cash inflow/(outflow) from operating activities

	2008 £	2007 £
Operating profit	**1,885,298**	1,425,051
Profit on sale of fixed assets	**(969)**	(15,510)
Depreciation	**520,057**	287,040
Amortisation	**194,047**	64,732
Share option reserve	**82,036**	78,531
Increase in debtors	**(334,750)**	(2,660,253)
Increase in creditors	**2,515,480**	585,009
Net cash inflow/(outflow) from operating activities	**4,861,199**	(235,400)

19 Reconciliation of net cash flow to movement in net funds

	2008 £	2007 £
Increase in cash in the year	**1,966,341**	1,400,566
Cash outflow from finance leases and hire purchase contracts	**104,395**	37,801
Movement in net funds in the year	**2,070,736**	1,438,367
Finance leases and hire purchase contracts acquired with subsidiaries	**(406,078)**	–
Inception of new finance leases and hire purchase contracts	**(986,523)**	(87,362)
Net funds at 1 January	**3,624,169**	2,273,164
Net funds at 31 December	**4,302,304**	3,624,169

20 Analysis of changes in net funds

	At 1 January 2008 £	Cashflows £	Acquisitions £	Non-cash items £	At 31 December 2008 £
Cash in hand and at bank	3,756,402	1,966,341	–	–	**5,722,743**
Finance leases and hire purchase contracts	(132,233)	104,395	(406,078)	(986,523)	**(1,420,439)**
	3,624,169	2,070,736	(406,078)	(986,523)	**4,302,304**

Cash at hand and in bank includes both insurance client and operational monies. Insurance client monies include unsettled premiums and claims and commission not yet transferred into the operational bank accounts. At 31 December 2008, £2,704,574 (2007: £676,283) of the total £5,722,743 (2007: £3,756,402) cash held was insurance client monies and operational monies amounted to £3,018,169 (2007: £3,080,119).

21 Acquisitions

Insurance Compliance Services Limited

On 30 June 2008, Broker Direct Acquisitions Limited acquired the entire share capital of Insurance Compliance Services Limited. The purchase of the subsidiary undertaking is accounted for by the acquisition method of accounting. The results of the company acquired are included in the consolidated profit and loss account of Broker Direct Plc from the date that control passed, being 30 June 2008.

The assets and liabilities of the acquired company on 30 June 2008 were as follows:

	Provisional fair value £
Fixed assets	43,333
Trade debtors	40,639
Other debtors	6,634
Prepayments and deferred income	51,435
Cash at bank and in hand	201,378
Creditors	(250,766)
	92,653
Goodwill	2,432,753
	2,525,406
Satisfied by	
Cash consideration	2,525,406

The summary profit and loss of Insurance Compliance Services Limited, excluding fair value adjustments, for the period from 1 January 2008 to 30 June 2008, the date of acquisition was as follows:

	£
Turnover	259,500
Administrative expenses	(245,325)
Net interest receivable	1,759
Profit on ordinary activities before taxation	15,934

The profit after taxation for the year ended 31 December 2008 was £70,481.

21 Acquisitions (continued)

HR Experts Limited

On 30 June 2008, Broker Direct Acquisitions Limited acquired the entire share capital of HR Experts Limited. The purchase of the subsidiary undertaking is accounted for by the acquisition method of accounting. The results of the company acquired are included in the consolidated profit and loss account of Broker Direct Plc from the date that control passed, being 30 June 2008.

The assets and liabilities of the acquired company on 30 June 2008 were as follows:

	Provisional fair value £
Trade debtors	2,115
Prepayments and deferred income	499
Cash at bank and in hand	55,978
Trade creditors	(3,855)
Accruals	(1,195)
	53,542
Goodwill	198,984
	252,526
Satisfied by	
Cash consideration	252,526

The summary profit and loss of Insurance Compliance Services Limited, excluding fair value adjustments, for the period from 1 January 2008 to 30 June 2008, the date of acquisition was as follows:

	£
Turnover	32,594
Purchases	(2,050)
Administration expenses	(17,002)
Profit on ordinary activities before taxation	13,542

The profit after taxation for the year ended 31 December 2008 was £28,029.

21 Acquisitions (continued)

Bevan Fox

On 1 April 2008, Greenhalgh & Gregson Limited acquired certain assets of the Bevan Fox Insurance Partnership. The purchase of these assets has been accounted for by the acquisition method of accounting and any purchased goodwill arising has been capitalised as an intangible asset.

The assets and liabilities acquired at 1 April 2008 were as follows:

	Provisional fair value £
Goodwill	397,917
Tangible assets	15,144
	413,061
Consideration	219,391
Contingent consideration	193,670
	413,061

On 30 June 2008, the above assets and liabilities were transferred at cost from Greenhalgh & Gregson Limited to Broker Direct Retail Holdings Limited.

HBA Limited

On 1 March 2007, the Company acquired the entire share capital of HBA Limited. The purchase of the subsidiary undertaking was accounted for by the acquisition method of accounting. The results of the company acquired were included in the consolidated profit and loss account of the Group from the date that control passed, being 1 March 2007.

On 31 August 2008, the investment in HBA Limited was transferred from the Company to Broker Direct Acquisitions Limited, a subsidiary of the Company.

The assets and liabilities transferred were as follows.

	£
Investments	1,572,136
Consideration	200,000
Deferred consideration	1,372,136
	1,572,136

Whilst the investment in HBA was held in the Company, the fair value of the acquired net assets was varied from the provisional fair value of £467,192. The final fair value of the acquired net assets is £372,136.

21 Acquisitions (continued)

HBA Limited

The contingent consideration was finalised in the year under review at £1,572,136, being an increase of £538,685, with £100,000 already being paid.

As a result of the finalisation of the fair value of the net assets and the deferred contingent consideration, consolidated goodwill on this acquisition has increased from £566,260 to £1,200,000. Accordingly, the amortisation charge for the year of this element of consolidated goodwill has been revised to £86,389.

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. The results of the company acquired were included in the consolidated profit and loss account of the Group from the date that control passed, being 1 December 2007, to 31 December 2007.

On 30 June 2008, the investment in Fitzsimons Limited was transferred at cost from the Company to Broker Direct Retail Holdings Limited.

The assets and liabilities transferred were as follows.

	Fair value £
Investments	**212,408**
Consideration	**212,408**

Greenhalgh & Gregson Limited

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

On 30 June 2008, the investment in Greenhalgh & Gregson Limited was transferred at cost the Company to Broker Direct Retail Holdings Limited.

The assets and liabilities transferred were as follows.

	Fair value £
Investments	**403,689**
Consideration	**403,689**

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 2008	Granted	31 December 2008	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

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 certain directors.

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

22 Share based payments (continued)

The fair values were calculated using the Black Scholes Model. The inputs into the model were as follows;

Title	Date of issue	Number Granted	Share price (£)	Exercise Price	Expected volatility (%)	Expected life (years)	Risk free rate (%)	Expected Dividend Yield	Fair Value at grant date (£)
No 1 Approved Share Option Scheme	13 April 2007	740,000	0.79	1	64.96	2	5.25	–	235,594
No 4 Management Share Option Scheme	14 March 2008	100,000	0.80	1.1	44.38	3	5.25	2.1	14,018

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 2 years.

The Company recognised total expenses of £82,036 (2007: £78,531) related to equity-settled share-based payment transactions during the year.

23 Leasing commitments

Operating lease payments amounting to £604,298 (2007 : £272,857) are due within one year. The leases to which these amounts relate expire as follows :

	2008 Land and buildings £	**2008** Other £	2007 Land and buildings £	2007 Other £
Operating leases which expire:				
– within one year	**39,615**	**7,429**	–	18,761
– within two to five years	**353,008**	**3,792**	210,144	43,952
– over five years	**200,454**	**–**	–	–
	593,077	**11,221**	210,144	62,713

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 £428,722 (2007 : £331,139). Contributions amounting to £92,891 (2007 : £59,285) were payable to the scheme at 31 December 2008 and are included in creditors.

25 Contingent liabilities

There were no contingent liabilities at 31 December 2008 or 31 December 2007.

26 Related party transactions

As the parent of four wholly owned subsidiaries, being HBA Limited, Greenhalgh & 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 2008, provided resolution and other general administration services during the year. The fees for these services were £30,025 (2007 : £13,394).

Included in trade creditors is £5,831 (2007: £Nil) due to the Institute of Insurance Broker Group.

27 Post balance sheet events

As part of the ongoing organic and acquisition growth strategy, on 3 April 2009, Broker Direct Retail Holdings Limited acquired Barry Fenton Insurance Brokers Limited, an insurance brokerage based in Scunthorpe.

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