BrokerDirect Plc
A better way to insure

annual report & accounts 2011

Contents

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2958427

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Registered Auditors
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Chairman's Report

In 2011 the company continued its recovery from the events of 2010. Profitability returned to the core business, and a major opportunity arose to bid for a new Third Party Administration (TPA) contract which has now been won. Restructuring continued with the sale of the retail broking businesses. Our company is repositioned to capitalise on its unique combination of strengths: broker support and Personal Lines servicing.

The company's ongoing business is mainly in three areas: Personal Lines insurance related activities, Lloyd's and London broking, and Compliance Consultancy.

The Personal Lines insurance businesses serve the intermediary and insurer markets and cover both Motor and Household sectors. There are three business models, based on our historical strengths and focused on future market developments:

- Broker Direct branded product distribution and management through the company's own broker agency base,
- Third Party Administration for insurers,
- Broker claims management now serviced through a separate wholly owned company, BD Elite Ltd.

Premiums administered fell slightly at a time of significant product replacement activity. Costs were lower as a result of the actions taken in 2010.

Third Party Administration utilises the strengths developed in the Broker Direct branded product distribution and management business to provide insurers with individual services such as claims handling, product distribution and premium administration. The business grew and has won two new contracts.

Much management effort was spent on securing a TPA contract to distribute Zurich Personal Lines products to the intermediary market. The contract will substantially contribute to future income and profitability, and will provide valuable stability and give the company added strength.

BD Elite is now well established and broker recruitment is strong. The business broke even in 2011 and ended the year on a profitable run-rate. The business handles all claims from the clients of its brokers and earns income from policy sales and from third party claims management.

The Lloyd's and London business, HBA Ltd, grew in 2011 despite a difficult market with falling average premiums.

Insurance Compliance Services Ltd has successfully diversified into the Lloyd's and London cover holder audit market.

During 2011 the company sold its retail broker businesses. The impairment charges recorded in 2010 were in relation to these businesses and the sale has resulted in some further diminution in value and related closure costs in the 2011 result. The sale marks the end of an unsuccessful venture. Once it became clear that the concept was not going to meet its objectives, decisive action was taken which has enabled management to focus on the company's main strengths.

Results

The headline small loss was not anticipated in the interim half year profit statement. It is due to additional retail closure costs not apparent at the time and masks an improving performance in our other businesses.

The Company declared a pre-tax loss of £39,635 [2010 loss (£1,758,766)]. It incurred an exceptional loss on the closure of its retail business of (£552,475). Profit before exceptional items was £573,418 [2010 loss (£196,075)]. Income on continuing operations grew modestly to £23,404,055 [2010 £22,374,659].

The company attracted a tax liability on the sale of the Retail operation which can be off-set against profits on similar transactions in the future.

Markets

Average Motor premiums continued to increase for much of 2011 but carriers are now experiencing market resistance to rate increases. Government is taking action to reduce claims costs. Legislation and administrative action is not yet clear but may have far reaching effects on the handling of non-fault claims.

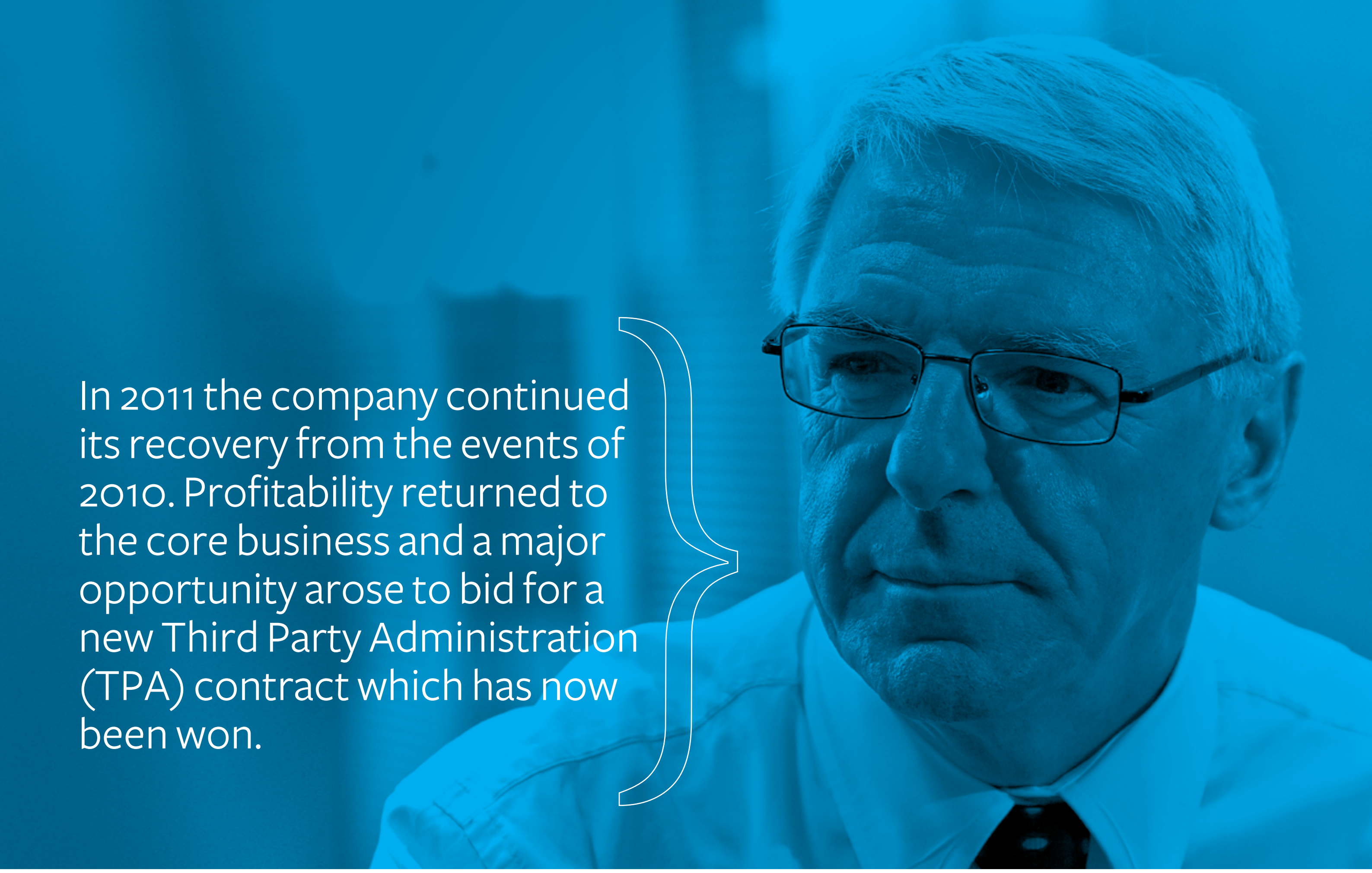
New technology to combat fraud and misrepresentation is being rolled out during 2012 and will have material effects on distribution, pricing and underwriting.

There is increasing insurer interest in telematics-based products possibly stimulated by the EU Gender Directive but production volumes are low. The successor regime to the FSA, the Financial Conduct Authority, will come into force at the end of 2012. Broker market share continues to provide ample opportunities for growth.

Outlook

The company's start to 2012 has been slow due to the effect of lower than expected market premium inflation on carriers' competitiveness. Where carriers are seeing acceptable results they are taking action to increase production but volumes for the year are expected to be lower than 2011.

The Zurich TPA contract will have a positive impact on 2012 profitability and is expected to make a substantial contribution from 2013 onwards.



In 2011 the company continued its recovery from the events of 2010. Profitability returned to the core business and a major opportunity arose to bid for a new Third Party Administration (TPA) contract which has now been won.

Government action on claims costs means that the BD Elite business model will change in the next year or so. However, management expect that the ethical service based approach on which the business is founded and its base of small brokers should create value in the new environment.

The company has a number of contract negotiations underway which if successful will increase income and diversity. The company's low costs and broker market focus provide insurers with attractive solutions. Examples are: to reach over 2000 smaller brokers cost effectively; to respond quickly to niche opportunities with brokers of all sizes; to outsource claims to a company which understands insurance.

Karl Bedlow, Zurich Personal Lines Managing Director, said on the announcement of the TPA contract, "The low-cost operating models which underpin Broker Direct will help to ensure delivery of a competitive Zurich-branded proposition".

Personnel

In my last report I outlined significant changes to the Board which focused on succession planning. I am now delighted to announce that Ann Tomlinson has joined the Board. A Claims Manager by training Ann has been with Broker Direct since its inception and is responsible for developing our strong Claims and TPA capabilities. She brings to the Board practical and market knowledge and good sense.

The staff and management of Broker Direct have responded magnificently in these changing times. Firstly coping with the difficulties which arose in 2010 and then in 2011 rising to the challenge of winning new contracts. The company has greatly benefitted from their efforts.

Roy Green
Chairman

17th May 2012

Report of the Directors

The directors present their annual report and audited financial statements for the year ended 31 December 2011.

Principal activity

Broker Direct Plc (BD) is an insurance management business, offering product development, distribution, underwriting analysis, premium administration, claims handling and sophisticated management information. BD's subsidiaries offer complementary insurance related products and services.

Review of the business

A review of the business for the year ended 31 December 2011 is included within the Chairman's report on pages 4 to 5.

The Group's result for the year ended 31 December 2011 is a loss before tax of £39,635 (2010: loss £1,758,766). The Company's profit and loss account shows a profit after taxation for the year of £355,996 (2010: loss £1,807,626). The directors do not propose a dividend at this time (2010: nil).

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

	2011	2010
Loss before tax to turnover	**(0.2%)**	(7.4%)
Current ratio	**1.1**	1.0
Loss before tax per employee	**(£166)**	(£6,791)
Sales per employee	**£101,342**	£91,370
E/(L)BITDA per share	**12p**	(10.9p)
Staff stability index in continuing operations **	**88.7%**	74.7%

** percentage of staff employed 12 month previously who continue to be employees.

Future developments

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

Going concern

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

Principal risks and uncertainties

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

Operational risk management objectives and policies

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

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

Risk is recognised and accepted as a normal element of doing business. The Group manages its risk appetite through the application of a risk framework cycle involving:

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

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

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

The directors 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 : price risk, interest rate risk and currency risk.

Price risk

The Group's exposure to price risk consists mainly of movements in competitors' pricing policies in the insurance market. The Group has focused and is successfully diversifying its panel of strategic partners to reduce its exposure to any one class of business or insurer. By way of illustration the following table shows how the group have diversified it class and sources of business over the past four years.

	2011	2010	2009	2008
Group income derived from one class of business – continuing operations**	**21%**	27%	58%	71%
Group income derived from one class of business – all operations **	**18%**	27%	58%	71%
Number of recognised sources of business – continuing operations	**26**	31	16	10
Number of recognised sources of business – all operations	**31**	31	16	10

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

Going forward, the objective is to further diversify the income sources in the core businesses.

Interest rate risk

The low interest rate environment throughout 2011, together with modest cash deposits, resulted in only nominal interest income in the year. Consequently loss of such income is not material to the financial integrity of the business.

The Group's borrowings are a mixture of fixed interest leases and variable interest borrowings. For a 1% increase in interest rates, the budgeted cost of borrowing in 2012 would increase by circa £10,000 (2011: circa £26,000).

Currency risk

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

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

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

Currency gains/losses can arise through timing differences between:

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

Credit Risk

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

The principal trade debtor credit risks are:

- Broker agencies: Income due is netted off against premiums collected and then settled to the insurers on a net basis. The Group defines acceptance criteria for the appointment of new broker agencies, then applies and monitors them against agreed credit and settlement terms. The single largest broker agency represents 12% of group turnover. Bad debt experience in 2011 was negligible;

- Policyholders paying by instalment: Income due is netted off against premiums collected and then settled to the insurers on a net basis. The Group only accepts instalment business by electronic direct debit instruction. Debt management and cancellation terms are agreed with the Group's insurance partners to minimise the bad debt exposure. Bad debt experience in 2011 was negligible; and

- Third party administration and claims handling services: The Group is not involved in collecting premiums so cannot set-off its income earned. Consequently, those income streams are invoiced for subsequent settlement by insurers and key partners. Insurers and key partners are pre-vetted for their financial stability.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs, the FSA's capital resource requirements and to invest cash assets safely and profitably.

The Group policy during the year was to:

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

Reserving Risk

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

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

Directors

The directors who served during the year are shown below:

Iain Gray	Operations & Group Finance Director	Executive
Roy Green	Chairman	
Neil Harris	Insurance Director	Non-Executive
Kedric Rhodes	Director	Non-Executive
Terry Stanley	Group Chief Executive	Executive

Ann Tomlinson was appointed to the Board on 1 March 2012 in the Executive position of Operations Director.

Statement of directors' responsibilities

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

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

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

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 £3,462 (2010: £5,554).

Creditor payment policy

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 2011 was 38 days (2010: 25 days).

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

Terry Stanley
Chief Executive Officer

17th May 2012

Report of the Remuneration Committee

Introduction

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

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

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

During 2011 the members of the Committee were:

Roy Green- Chairman of Remuneration Committee

Neil Harris - Non Executive Director

Kedric Rhodes - Non Executive Director

Executive Directors' Remuneration policy – objectives

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

Directors' Service Contracts

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

Remuneration Committee Report

Terry Stanley and Iain Gray, appointed to their new executive responsibilities in 2010 have had a tough start to their terms but have risen well to the challenge resulting in a return to profitability.

In 2010, the entire Board took a 10% cut in pay and the former and current executives reduced their notice period to six months from the previous 2 years in response to financial uncertainty. At the same time a pay freeze was imposed across the company.

As the company returned to profitability by mid-2011, the Committee decided to reverse the 10% pay cut and management lifted the staff pay freeze.

In 2012, the Committee have reviewed the executives' pay, and plan to review bonus and share options in light of their new responsibilities.

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

We have audited the financial statements of Broker Direct Plc for the year ended 31 December 2011 which comprise the principal accounting policies, consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities as set out on page 8 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2011 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Kevin Engel
Senior Statutory Auditor
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

17th May 2012

Grant Thornton

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 were required from the previous year.

During the year, the directors have amended the estimation method used to calculate the deferred income accrual policy for the policy servicing income stream to reflect a more accurate estimate of the costs associated with administering certain claims. As a result of this refinement, the deferred income balance for policy servicing income is £270,000 higher at 31 December 2011 than at 31 December 2010. The resultant expense has been recorded within other operating costs during the year.

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

Going Concern

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

At 31 December 2011, operational cash balances amounted to £1,228,258 (note 21) (2010: £794,296) and other loans amount to £1,482,506. Following the prior year loan renegotiation, £1,000,822 of other loans fall due for payment within one year and will be settled using the deferred consideration proceeds of £645,992, also due within one year, and operational cash balances.

The directors have prepared consolidated forecasts for the 3 years' ending 31 December 2014. The forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash balances. Review of the forecasts and consideration of the Group's resources, together with its long standing relationships with insurers and brokers and the previously renegotiated borrowing repayment terms, support the directors' belief that the Group is capable of trading through the continued economic turbulence.

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

Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2011. 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

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

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

Tangible fixed assets and depreciation

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

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

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

Investments

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

Turnover

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

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

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

In addition, income from service charges is received for providing instalment premium funding. A proportion of this income is deferred and released to the profit and loss account throughout the term of the policy in equal monthly instalments.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contract is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Cash at bank an in hand

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

Leased assets

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

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

Insurance debtors and creditors

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

Contributions to pension funds

Defined contribution schemes

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

Deferred taxation

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

Employee share schemes

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

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

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

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

Foreign currencies

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

Exceptional items

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

During the year, the Group has recognised impairment and restructuring costs as exceptional items (see note 1).

Consolidated profit and loss account

	Note	2011 £	2010 £
Turnover			
- Continuing operations		**23,404,055**	22,374,659
- Discontinued operations		**816,681**	1,290,223
	1	**24,220,736**	23,664,882
Cost of sales	2	**(11,414,926)**	(10,451,331)
Gross profit		**12,805,810**	13,213,551
Other operating charges	2	**(12,232,392)**	(14,892,079)
Profit/(loss) on operating activities before interest and taxation			
- Continuing operations		**527,869**	(575,121)
- Discontinued operations		**45,549**	(1,103,407)
		573,418	(1,678,528)
Operating profit/(loss) before exceptional items		**573,418**	(196,075)
Goodwill written off	2	**-**	(1,156,026)
Restructuring costs	2	**-**	(326,427)
Loss on operating activities before interest and taxation		**573,418**	(1,678,528)
Loss on sale of operations – discontinued operations	1	**(552,475)**	-
Net interest	3	**(60,578)**	(80,238)
Loss on ordinary activities before taxation	1	**(39,635)**	(1,758,766)
Taxation	5	**(427,878)**	81,770
Loss for the financial year	17	**(467,513)**	(1,676,996)

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

Consolidated balance sheet

	Note	2011 £	2010 £
Fixed assets			
Intangible assets	7	**3,011,867**	4,594,688
Tangible assets	8	**393,385**	703,709
		3,405,252	5,298,397
Current assets			
Debtors	10	**9,390,040**	7,786,451
Cash at bank and in hand		**5,988,073**	4,889,104
		15,378,113	12,675,555
Creditors: amounts falling due within one year	11	**(14,579,601)**	(12,180,169)
Net current assets		**798,512**	495,386
Total assets less current liabilities		**4,203,764**	5,793,783
Creditors: amounts falling due after more than one year	12	**(1,617,001)**	(2,870,518)
Provisions for liabilities	14	**(301,346)**	(177,880)
Net assets		**2,285,417**	2,745,385
Capital and reserves			
Called up share capital	16	**785,437**	785,437
Special reserve	17	**96,858**	96,858
Share option reserve	17	**48,272**	40,727
Profit and loss account	17	**1,354,850**	1,822,363
Shareholders' funds	18	**2,285,417**	2,745,385

The financial statements were approved and authorised for issue by the Board of Directors on 17th May 2012.

Company No. 2958427

T E Stanley
Chief Executive Officer

I J Gray
Operations and Finance Director

The accompanying notes form part of these financial statements.

Company balance sheet

	Note	2011 £	2010 £
Fixed assets			
Tangible assets	8	**359,962**	606,399
Investments	9	**5,000**	4,000
		364,962	610,399
Current assets			
Debtors	10	**8,475,575**	7,951,669
Cash at bank and in hand		**3,132,892**	2,784,115
		11,608,467	10,735,784
Creditors: amounts falling due within one year	11	**(6,448,903)**	(6,392,379)
Net current assets		**5,159,564**	4,343,405
Total assets less current liabilities		**5,524,526**	4,953,804
Creditors: amounts falling due after more than one year	12	**(1,127,628)**	(905,328)
Provisions for liabilities	14	**(162,760)**	(177,880)
Net assets		**4,234,138**	3,870,596
Capital and reserves			
Called up share capital	16	**785,437**	785,437
Special reserve	17	**96,858**	96,858
Share option reserve	17	**48,272**	40,727
Profit and loss account	17	**3,303,571**	2,947,574
Shareholders' funds		**4,234,138**	3,870,596

The financial statements were approved and authorised for issue by the Board of Directors on 17th May 2012.

Company No. 2958427

T E Stanley
Chief Executive Officer

I J Gray
Operations and Finance Director

The accompanying notes form part of these financial statements.

Consolidated cash flow statement

	Note	2011 £	2010 £
Net cash inflow/(outflow) from operating activities	19	**1,595,162**	(1,169,867)
Returns on investments and servicing of finance			
Finance lease interest paid		**(43,838)**	(60,841)
Other loan interest paid		**(44,917)**	(46,459)
Interest received		**28,177**	27,062
Net cash outflow from returns on investments and servicing of finance		**(60,578)**	(80,238)
Taxation		**(65,664)**	(139,775)
Capital expenditure			
Purchase of tangible fixed assets		**(142,030)**	(78,288)
Proceeds from sale of fixed assets		**31,629**	70,516
Net cash outflow from capital expenditure		**(110,401)**	(7,772)
Acquisitions and disposals			
Purchase of subsidiary undertakings		**-**	(987,329)
Net proceeds from disposal of operations – discontinued operations	22	**347,386**	-
Net cash inflow/(outflow) from acquisitions and disposals		**347,386**	(987,329)
Financing			
Receipt of other loans		**-**	585,108
Repayment of other loans		**(473,880)**	(437,945)
Capital element of finance lease and hire purchase contracts		**(133,056)**	(293,301)
Net cash outflow from financing		**(606,936)**	(146,138)
Increase/(decrease) in cash in the year	20	**1,098,969**	(2,531,119)

The accompanying notes form part of these financial statements.

1 Turnover and loss on ordinary activities before taxation

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

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

		2011	2010
		£	£
The loss on ordinary activities before taxation is stated after charging/(crediting):			
Auditors' remuneration:			
Fees payable to the Group's auditors for the audit of the Group's annual financial statements		**28,428**	27,600
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		**37,492**	46,800
– tax services		**33,360**	24,600
– other services pursuant to legislation		**3,708**	4,800
Amortisation of goodwill		**193,415**	329,925
Depreciation of tangible fixed assets	– owned	**315,028**	409,226
	– leased	**87,376**	174,196
Loss on sale of fixed assets		**18,320**	6,698
Loss/(gain) on foreign currency		**83,792**	(2,623)
Operating lease charges – land and buildings		**643,899**	541,433
Operating lease charges – other		**3,320**	3,320
Exceptional items - loss on sale of operations		**552,475**	-

2 Cost of sales and other operating charges

			2011			2010
			£			£
	Continuing operations	**Discontinued operations**	**Totals**	Continuing operations	Discontinued operations	Totals
Cost of sales	**11,414,926**	**-**	**11,414,926**	10,451,037	294	10,451,331
Other operating charges						
Staff costs (note 4)	**6,627,243**	**478,730**	**7,105,973**	7,676,393	791,105	8,467,498
Other operating costs	**4,382,724**	**222,168**	**4,604,892**	3,898,890	441,954	4,340,844
Administration expenses	**451,293**	**70,234**	**521,537**	597,033	4,251	601,284
Exceptional items – goodwill written off	**-**	**-**	**-**	-	1,156,026	1,156,026
Exceptional items – restructuring costs	**-**	**-**	**-**	326,427	-	326,427
Total other operating charges	**11,461,260**	**771,132**	**12,232,392**	12,498,743	2,393,336	14,892,079

2 Cost of sales and other operating charges (continued)

Exceptional items

During the prior year, the Group undertook a restructuring exercise, which gave rise to £Nil (2010: £326,427) of costs being charged to income within other operating charges. Also during the prior year, the Group assessed the carrying value of the goodwill on a value in use basis and determined that it was appropriate to write down the carrying value of goodwill relating to a number of prior acquisitions by way of an impairment charge of £1,156,026.

3 Net interest

	2011	2010
	£	£
Interest income on bank deposits	**28,177**	27,062
Interest payable on finance leases and hire purchase contracts	**(43,838)**	(59,910)
Interest payable on other loans	**(44,917)**	(47,390)
	(60,578)	(80,238)

4 Directors and employees

Group

	2011	2010
Staff costs during the year were as follows :	**£**	£
Wages and salaries	**6,099,629**	7,281,380
Social security costs	**577,963**	688,728
Pension costs	**428,381**	497,390
	7,105,973	8,467,498

	2011	2010
The average number of employees during the year was:	**Number**	Number
Management	**37**	28
Other	**202**	231
	239	259

Redundancy costs are included in total staff costs in the current year.

	2011	2010
Remuneration in respect of directors was as follows:	**£**	£
Emoluments	**389,848**	448,899
Pension costs	**39,609**	45,669
	429,457	494,568

During the year, 4 directors (2010: 4 directors) participated in money purchase pension schemes.
No directors exercised share options in the current or prior year.

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

	2011	2010
	£	£
Emoluments	**106,604**	119,535
Pension Costs	**12,391**	11,319
	118,995	130,854

5 Tax on loss on ordinary activities

	2011	2010
The taxation charge/(credit) is based on the loss for the year and represents:	**£**	£
Current tax:		
UK corporation tax at 26.49% (2009: 28%)	**321,633**	261,399
Adjustment in respect of prior periods	**-**	(3,880)
Total current tax	**321,633**	(3,880)

	2011	2010
	£	£
Deferred tax:		
Origination and reversal of timing differences	**119,021**	(83,192)
Adjustment in respect of prior periods	**(28,922)**	1,485
Effect of tax rate changes on opening balance	**16,146**	3,817
Total deferred tax (note 15)	**106,245**	(28,423)

Tax on loss on ordinary activities	**427,878**	(81,770)

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 26.49% (2009: 28%). The differences are explained as follows:

	2011	2010
	£	£
Loss on ordinary activities before tax	**(39,635)**	(1,758,766)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.49% (2009: 28%)	**(10,499)**	(492,454)
Effect of:		
Expenses not deductible for tax purposes	**328,817**	371,669
Depreciation in excess of capital allowances	**9,465**	108,612
Short term timing differences	**7,450**	(23,964)
Unrelieved tax losses and other deductions	**(10,122)**	36,137
Previous period adjustments	**–**	(3,880)
Marginal relief	**(3,478)**	–
	321,633	(3,880)

6 Profit for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's profit for the year was £355,997 (2010: £1,807,626 loss).

7 Intangible fixed assets

Group

	Goodwill on business acquired £	Goodwill on consolidation £	Total £
Cost			
At 1 January 2011	593,808	6,055,675	6,649,483
Amortisation			
At 1 January 2011	395,624	1,659,171	2,054,795
Provided in the period	7,841	185,574	193,415
Impairment	168,468	1,220,938	1,389,406
At 31 December 2011	571,933	3,065,683	3,637,616
Net book amount			
At 31 December 2011	**21,875**	**2,989,992**	**3,011,867**
At 31 December 2010	**198,184**	**4,396,504**	**4,594,688**

Disposal

Following the disposal of the trades of certain Group companies during the year (note 1), the carrying value of any remaining associated goodwill was written off resulting in charges to the profit and loss account of £1,389,406 (note 22).

8 Tangible fixed assets

Group

	Leasehold improvements £	Fixtures & fittings £	Cars £	Computers and other equipment £	Total £
Costs					
At 1 January 2011	563,537	329,696	112,504	3,086,253	4,091,990
Additions	1,272	–	23,405	117,352	142,029
Disposals	–	(22,116)	(38,020)	(178,194)	(238,330)
At 31 December 2011	564,809	307,580	97,889	3,025,411	3,995,689
Depreciation					
At 1 January 2011	407,785	269,815	66,196	2,644,485	3,388,281
Provided in the year	103,073	40,013	16,724	242,594	402,404
Disposed in the year	–	(16,210)	(21,305)	(150,866)	(188,381)
At 31 December 2011	510,858	293,618	61,615	2,736,213	3,602,304
Net book amount					
At 31 December 2011	**53,951**	**13,962**	**36,274**	**289,198**	**393,385**
At 31 December 2010	**155,752**	**59,881**	**46,308**	**441,768**	**703,709**

Included in the total net book value is £144,855 (2010: £139,175) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £87,376 (2010: £155,683).

Company

	Leasehold improvements £	Fixtures & fittings £	Cars £	Computers and other equipment £	Total £
Costs					
At 1 January 2011	555,575	221,200	94,649	2,784,926	3,656,350
Additions	1,272	–	19,740	95,565	116,577
Disposals	–	–	(16,500)	(6,863)	(23,363)
At 31 December 2011	556,847	221,200	97,889	2,873,628	3,749,564
Depreciation					
At 1 January 2011	400,321	172,302	60,435	2,416,893	3,049,951
Provided in the year	102,575	35,440	13,555	207,991	352,026
Disposed in the year	–	–	(12,375)	(7,535)	(12,375)
At 31 December 2011	502,896	207,742	61,615	2,617,349	3,389,602
Net book amount					
At 31 December 2011	**53,951**	**13,458**	**36,274**	**256,279**	**359,962**
At 31 December 2010	**155,254**	**48,898**	**34,214**	**368,033**	**606,399**

Included in the total net book value is £144,855 (2010: £139,175) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £87,376 (2010: £155,683).

9 Fixed asset investments

	Subsidiary undertaking £
Cost	
At 1 January 2011	**4,000**
Additions	**1,000**
At 31 December 2011	**5,000**

On 17 May 2011, the company acquired 100,000 ordinary £0.01 shares in BD Elite Limited at par. BD Elite Limited was incorporated on 17 May 2011.

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	Insurance Services	Ordinary shares	100%	Broker Direct Plc
Greenhalgh & Gregson Limited	Insurance Broker	Ordinary shares	100%	Broker Direct Retail Holdings Limited
Fitzsimons Insurance Consultants Limited	Insurance Broker	Ordinary shares	100%	Broker Direct Retail Holdings Limited
Insurance Compliance Services Limited	Management Consultants	Ordinary shares	100%	Broker Direct Acquisitions Limited
HR Experts Limited	Management Consultants	Ordinary shares	100%	Broker Direct Acquisitions Limited
HBA Limited	Insurance Broker	Ordinary shares	100%	Broker Direct Acquisitions Limited
Barry Fenton Insurance Brokers Limited	Insurance Broker	Ordinary shares	100%	Broker Direct Retail Holdings Limited
Intelligent Trading Solutions Limited	Dormant	Ordinary shares	100%	Broker Direct Plc
BD Elite Limited	Dormant	Ordinary shares	100%	Broker Direct Plc

10 Debtors

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Broker and policyholder debtors	**7,123,041**	**2,869,587**	6,574,476	2,748,421
Insurer debtors	**654,828**	**654,828**	549,950	549,950
Deferred acquisition costs (note 22)	**645,992**	**–**	–	–
Amount owed by Group undertaking	**–**	**4,120,813**	–	4,227,732
Prepayments and accrued income	**439,194**	**355,867**	337,186	204,770
Other debtors	**446,937**	**292,947**	138,546	38,673
Deferred tax asset (note 15)	**80,048**	**181,533**	186,293	182,123
	9,390,040	**8,475,575**	7,786,451	7,951,669

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

11 Creditors: amounts falling due within one year

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Other loans	**1,000,822**	–	–	–
Payable to insurers	**11,468,774**	**5,183,788**	10,138,443	4,864,557
Technical reserves	**–**	**–**	105,448	98,235
Pension contributions	**67,878**	**63,905**	95,216	67,778
Corporation tax	**321,633**	**105,701**	65,663	65,663
Other taxation and social security costs	**218,722**	**152,008**	250,186	176,947
Accruals and deferred income	**1,262,330**	**704,059**	1,317,892	911,878
Obligations under finance leases and hire purchase contracts	**239,442**	**239,442**	207,321	207,321
	14,579,601	**6,448,903**	12,180,169	6,392,379

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

Included in payables to insurers is £524,148 (2010 : £435,077), which is secured by way of a fixed and floating charge over the assets of the company.

12 Creditors: amounts falling due after more than one year

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Other loans	**481,684**	**–**	1,956,386	–
Technical reserves	**890,683**	**890,683**	671,958	671,958
Obligations under finance leases and hire purchase contracts	**236,945**	**236,945**	402,122	402,122
Deferred income	**7,689**	**–**	17,932	9,128
	1,617,001	**1,127,628**	3,048,398	1,083,208

13 Borrowings

Borrowings are repayable as follows:

Within one year	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Other loans	**1,000,822**	**–**	–	–
Amounts due under finance leases and hire purchase contracts	**239,442**	**239,442**	207,321	207,321
After one year and within two years				
Other loans	**188,351**	**–**	553,441	–
Amounts due under finance leases and hire purchase contracts	**205,671**	**205,671**	209,391	209,391
After two years and within five years				
Other loans	**293,333**	**–**	1,402,945	–
Amounts due under finance leases and hire purchase contracts	**31,274**	**31,274**	192,731	192,731
	1,958,893	**476,387**	2,565,829	609,443

During the year, the Group repaid £473,880 of the other loan from the proceeds of the trade disposals (note 22).

Group and Company

The other loans are repayable within five years and are secured by a charge over the company's shareholding in Broker Direct Retail Holdings Limited, by Broker Direct Acquisitions Limited's shareholding in Insurance Compliance Services Limited, by a fixed charge over the assets of Insurance Compliance Services Limited and by a capped cross guarantee with Broker Direct Retail Holdings Limited.

14 Provisions for liabilities

Group

The movement in the provisions during the year was:	Commission clawback provision £	Onerous lease provision £	Total £
At 1 January 2011	177,880	-	177,880
Utilised in the year	(177,880)	-	(177,880)
Additional provision for the year	225,330	76,016	301,346
At 31 December 2011	**225,330**	**76,016**	**301,346**

Onerous lease provision

An onerous lease provision was created as the group expects to receive no further benefit under a lease contract that it is still committed to pay despite no longer utilising the property within the business following the trade disposals during the year.

Commission clawback provision

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

14 Provisions for liabilities (continued)

The movement in the provisions during the year was:	Commission clawback provision £
At 1 January 2011	177,880
Utilised in the year	(177,880)
Additional provision for the year	162,760
At 31 December 2011	**162,760**

15 Deferred taxation

The potential deferred taxation asset is as follows:

	Group 2011 £	**Company 2011 £**	Group 2010 £	Company 2010 £
Depreciation in excess of capital allowances	**158,957**	**154,707**	166,781	162,611
Technical reserves	**26,826**	**26,826**	19,512	19,512
Capital gains	**(105,735)**	**–**	–	–
Deferred tax asset	**80,048**	**181,533**	186,293	182,123

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 2011 £	**Company 2011 £**	Group 2011 £	Company 2011 £
Deferred tax asset brought forward	**186,293**	**182,123**	108,403	106,772
Profit and loss account movement in the year (note 5)	**(106,245)**	**(590)**	77,890	75,351
Deferred tax asset carried forward (note 10)	**80,048**	**181,533**	186,293	182,123

16 Called up share capital

	2011 £	2010 £
Authorised		
6,000,000 "A" ordinary shares of £0.20 (2010 : £0.20) each	**1,200,000**	1,200,000
Allotted		
3,974,061 "A" ordinary shares of £0.20 (2010 : £0.20) each	**794,812**	794,812
Called up		
Fully paid		
3,911,561 "A" ordinary shares of £0.20 (2010 : £0.20) each	**782,312**	782,312
Partly paid		
62,500 "A" ordinary shares of £0.20 (2010 : £0.20) each one quarter called up and paid	**3,125**	3,125
	785,437	785,437

16 Called up share capital (continued)

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

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

A number of share options have been granted to directors and staff and these are detailed in note 23.

17 Reserves

Group

	Special reserve £	Share option reserve £	Profit and loss account £	Total £
At 1 January 2011	96,858	40,727	1,822,363	1,959,948
Share option reserve (note 23)	–	7,545	–	7,545
Loss for the year	–	–	(467,513)	(467,513)
At 31 December 2011	**96,858**	**48,272**	**1,354,850**	**1,499,980**

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

Company

	Special reserve £	Share option reserve £	Profit and loss account £	Total £
At 1 January 2011	96,858	40,727	2,947,574	3,085,159
Share option reserve (note 23)	–	7,545	–	7,545
Profit for the year	–	–	355,997	355,997
At 31 December 2011	**96,858**	**48,272**	**3,303,571**	**3,448,701**

18 Reconciliation of movements in shareholders' funds

Group

	2011 £	2010 £
Loss for the financial year	**(467,513)**	(1,676,996)
Share option reserve	**7,545**	19,909
Shareholders' funds at 1 January 2011	**2,745,385**	4,402,472
Shareholders' funds at 31 December 2011	**2,285,417**	2,745,385

19 Net cash inflow from operating activities

	2011 Discontinued £	2011 Continued £	2011 Total £	2010 £
Operating profit/(loss)	45,549	527,869	**573,418**	(1,678,528)
Loss on sale of fixed assets	15,695	2,625	**18,320**	6,698
Depreciation	10,993	391,411	**402,404**	583,422
Amortisation	-	193,415	**193,415**	329,925
Impairment charge	-	-	**-**	1,156,026
Share option reserve	-	7,545	**7,545**	19,909
(Increase)/decrease in debtors	233,577	(1,297,419)	**(1,063,842)**	1,826,877
Increase/(decrease) in creditors	(412,542)	1,876,445	**1,463,902**	(3,414,196)
Net cash inflow/(outflow) from operating activities	(106,728)	1,701,890	**1,595,162**	(1,169,867)

20 Reconciliation of net cash flow to movement in net funds

	2011 £	2010 £
Increase/(decrease) in cash in the year	**1,098,969**	(2,531,119)
Cash outflow from other loans	**473,880**	437,946
Cash outflow from finance leases and hire purchase contracts	**133,056**	293,300
Movement in net funds in the year	**1,705,905**	(1,799,873)
Inception of other loans on acquisitions	**–**	(585,108)
Net funds at 1 January	**2,323,275**	4,708,256
Net funds at 31 December	**4,029,180**	2,323,275

21 Analysis of changes in net funds

	At 1 January 2011 £	Cashflows £	At 31 December 2011 £
Cash in hand and at bank	4,889,104	1,098,969	**5,988,073**
Other loans	(1,956,386)	473,880	**(1,482,506)**
Finance leases and hire purchase contracts	(609,443)	133,056	**(476,387)**
	2,323,275	1,705,905	**4,029,180**

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 2011, £4,759,815 (2010: £4,094,808) of the total £5,988,073 (2010: £4,889,104) cash held was insurance client monies and operational monies amounted to £1,228,258 (2010: £794,296).

No cash was disposed of as part of the disposal of operations (note 22).

22 Disposals

During the year, the trades of subsidiary undertakings, Greenhalgh & Gregson Limited, Fitzsimons Insurance Consultants Limited and Barry Fenton Insurance Brokers Limited, were sold to a third party. A summary of these disposals is as follows:

Date of disposal	31 July 2011 Barry Fenton Insurance Brokers Limited £	7 September 2011 Greenhalgh & Gregson Limited £	7 September 2011 Fitzsimons Insurance Consultants Limited £	Total £
Net assets disposed of	–	–	–	–
Consideration (see below)	1,023,099	212,785	108,714	**1,344,598**
Less: costs of disposal	(57,043)	(153,310)	(37,537)	**(247,890)**
Profit on disposal (as reported in each entity)	**966,056**	**59,475**	**71,177**	**1,096,708**
Costs incurred in Broker Direct Retail Holdings Limited (see below)				**(259,777)**
Consolidated goodwill disposed of (note 7)				**(1,389,406)**
Consolidated loss on disposal				**(552,475)**
Consideration satisfied by:				
Cash				**545,606**
Deferred contingent consideration				**645,992**
				1,191,598
Net cash inflow arising on disposal:				
Cash consideration				**545,606**
Disposal costs				**(198,220)**
				347,386

On 22 December 2011, the assets and liabilities within these entities were hived up to the Broker Direct Retail Holdings, their immediate parent company by way of dividend. Following the hive up of the assets and liabilities, exceptional costs of £259,777 were incurred in relation to additional disposal costs of £106,777 and a reduction in the expected deferred consideration of £153,000.

An element of the disposal consideration is contingent upon the results within those trades during the 12 months following acquisition. The directors have considered the conditions that existed at 31 December 2011 in order to assess the appropriate level of deferred contingent consideration to be recognised in the financial statements. Accordingly, the directors consider that, taking into account events occurring since the year end, the amounts recognised within debtors at the 31 December 2011 represent their best estimate of the amounts virtually certain of being received for the disposal.

23 Share Based Payments

All schemes are equity settled. 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. 120,000 options under this scheme were granted to certain directors in 2000. All of these options lapsed without exercise on 1 August 2010. The requirement to expense share options only applies to those granted since 7 November 2002, accordingly no share based payment charge has been recognised in relation to this scheme in current or previous periods.

No 4 Enterprise Management Incentive Scheme

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

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

On 14 March 2008, the Company granted a further 100,000 options under this scheme, all of which lapsed during 2009.

No 5 Company Share Option Plan

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

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

23 Share Based Payments (continued)

Prior to any modification, the vesting period is generally one to two years. If the option remains unexercised after a period of 10 years from the date of grant, the options expire. The movement in the number of share options is set out below:

	2011			2010		
	Number Granted	**Weighted average Exercise price £**	**Weighted average remaining contractual life**	Number Granted	Weighted average Exercise price £	Weighted average remaining contractual life
Outstanding and exercisable at 1 January	**765,000**	**1.01**	**6 years 5 months**	790,000	1.00	7 years 5 months
Granted	**-**	**-**	**-**	(25,000)	1.00	6 years 6 months
Outstanding and exercisable at 31 December	**765,000**	**1.01**	**5 years 5 months**	790,000	1.01	6 years 5 months

Assumptions:

The Group uses the Black-Scholes model to fair value the Group's share options which resulted in a fair value charge of £7,545 (2010: £19,909) and a corresponding credit to other reserves.

24 Leasing commitments

Operating lease payments amounting to £597,041 (2010: £646,034) are due within one year. The leases to which these amounts relate expire as follows:

	2011		2010	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Annual commitments under operating leases which expire:				
– within one year	**–**	**–**	–	–
– within two to five years	**116,210**	**3,320**	161,734	3,320
– over five years	**477,511**	**–**	480,980	–
	593,721	**3,320**	642,714	3,320

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

25 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 £428,381 (2010: £497,390). Contributions amounting to £67,878 (2010: £95,216) were payable to the scheme at 31 December 2011 and are included in creditors.

26 Contingent liabilities

There were no contingent liabilities at 31 December 2011 or 31 December 2010.

27 Related party transactions

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

Group and Company

Included in other debtors at 31 December 2011 is £Nil (2010: £4,832) due from Roy Green, a Director of the Company, for a car he purchased from the Company during the prior year. The maximum amount due during the year was £4,832 (2010: £5,999).

28 Controlling party

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

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