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annual report and accounts **2018**

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Company registration number:

02958427

Registered Office:

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Directors:

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

Secretary:

I J Gray

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Barclays Commercial Bank
51 Mosley Street
Manchester
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Auditors:

Mazars
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Chairman's Report

Introduction

2018 has been a year in which Broker Direct made significant strides but frustratingly these have not yet translated into profit and as a result the Group is showing a large loss on the year.

I am delighted to report that Broker Direct has improved both its Managing General Agent (MGA) and Third Party Administration (TPA) prospects by gaining significant new contracts.

Broker Direct concluded a new arrangement with CPD Underwriting Solutions Ltd (CPD) a new underwriting agency led by ex-Chaucer Director Chris Dixon. The venture which commenced trading in January 2019, initially will write standard and non-standard private car, household, and commercial vehicle business through Broker Direct's agency base and its own selected larger brokers. Broker Direct has a 30% capital rights shareholding in CPD and is contracted to service all of CPD's business. The Board congratulates Chris Dixon on his new venture. This is a notable achievement as it is one of a very small number of such facilities granted in the past two years. It is a reflection of Chris' technical credibility combined with our distribution model focused on small brokers and servicing capabilities. The sources of capacity and re-insurance are rated in the range A- to AA.

The launch suffered delays due to the time taken obtaining capacity and reinsurance, so although most of the start-up costs for CPD (internal and external) were incurred in 2018, no revenues were posted during the year. The external element of these costs are shown as exceptional items. In other areas some badged products in our MGA stable saw significant reductions in premiums written, affecting income and adding to the loss.

During the year Broker Direct signed two more TPA agreements to service motor claims for significant start-up ventures. Each of these ventures is motivated by the use of insurtech in some form and have ambitious targets. Insurtech, a fast-developing range of new technologies for the insurance industry, is providing the catalyst for a raft of new start-up ventures which aim to change the way in which insurance is sold, underwritten and serviced.

Revenues from insurtech ventures doubled in 2018 but the true picture is still to emerge. Elsewhere TPA income and profit increased. TPA is now the largest source of revenue to the Group which provides bespoke, white labelled and efficient services for claims handling, premium collection and distribution to a growing range of insurer and MGA clients.

Both of our trading subsidiary companies saw increases in profit, in particular, at BDElite our accident management subsidiary profits grew strongly by 44% as the agency base continues to grow.

Insurance Compliance Services (ICS) our compliance company appointed a new Managing Director during the year and she has overseen an increase in revenues and profit.

Results

The Group made a pre-tax loss of £880,367 (2017: £416,695 profit), £879,348 after tax (2017: £351,600 profit).

Turnover fell to £18,756,016 (2017: £20,355,769). As a result, Cost of Sales (primarily broker commission) fell to £8,169,600 (2017: £9,455,562).

Other Operating Charges increased to £11,463,431 (2017: £10,486,996). Exceptional items associated with the CPD/AIE joint venture arrangement were £683,965 (2017: £101,633).

During the year the Group increased its debt financing by £665,879 to £726,893 (2017: £481,103 reduction to £61,014).

Markets

Motor rates decreased during 2018 but the final quarter showed an increase. We have seen an increase in frequency and average repair costs which will put upwards pressure on rates. Household premiums showed a small increase in the year, but higher in Q4 and this is likely to be because of increasing repair costs, particularly for escape of water. Again, we expect upwards pressure on household rates to continue.

Insurtech ventures continue to be announced, and may be creating an environment where TPA services are a valuable facility which can speed up time to market and enable insurers to focus on innovation.

The Government has announced changes to the motor claims environment in the Civil Liability Act and related regulations. The original plan, to implement changes from April 2019 has been delayed to April 2020 but the proposals remain unchanged: an increase in the small claims court limit, a tariff for minor personal injury claims, and a requirement for medical assessment reports prior to any settlement of personal injury claims.

Outlook

At the time of writing the outlook is promising but still unclear. At Broker Direct, significant work was done in 2018 which we believe will bear fruit in 2019 and beyond.

However, the market is competitive and it is too soon to call the results – we will know much more by the end of the year.

During 2019 we will see the roll-out of the CPD products and by the year-end we will be able to assess production levels and the profitability of the rates, and confirmed capacity for 2020. We expect the number of TPA contracts to increase and we will also see more settled levels of production from some TPA contracts and the initial impact of others.

We expect another year of growth and additional agencies from BDElite and we are planning to make preparations to prosper after the changes in government regulation for personal injury claims handling, now scheduled for 2020.

Under its new MD, ICS is exploring opportunities which could start to bear fruit during the year.

Personnel

The Board warmly welcomes Jill Hambley as Managing Director of ICS and we wish her all the very best for 2019 and beyond.



Roy Green

Chairman

4 April 2019

Business model

Our mission is to delight insurers, brokers and their clients with our service whilst also delivering excellent results to our insurer partners. In so doing, we can provide meaningful and rewarding jobs for our employees and deliver progressive returns for our shareholders.

The Group operates in three areas of UK general insurance broking, a mature and highly regulated marketplace:

1. Broker Direct provides product distribution, policy and premium administration and claims handling services.

Underpinned by sophisticated IT systems, the Company partners with insurers to provide:

- Product underwriting and servicing, in which the products are generally designed by, and branded 'Broker Direct'. The Company provides full end to end administration of the insurance policies.
- Services selected by insurers and provided in the insurer's name. The insurer selects a service(s) from product build and distribution, through premium administration, to claims handling.

Broker Direct only recognises and reports commission and fee income for providing the services in accordance with the delegated authorities, rather than the gross premiums processed. Where we do carry risk, for example in the commissions ceded to our insurance brokers, the Company recognises revenue inclusive of those commissions.

2. BDElite provides a 'Best in Class' suite of add-on products backed by excellent service.

The Company's income is primarily derived from:

- Commission retained on the sale of insurance policies, and
- referral and recommender fee income earned when handling the claims made on its motor legal expenses insurance policies.

3. Insurance Compliance Services is a well-established, highly-respected compliance support consultancy that combines technical knowledge with practical expertise to deliver solutions that are highly valued by its clients.

Up-to-date and punctual advice is key. The Company keeps abreast of changes and developments both to actual regulation and in terms of Financial Conduct Authority thinking. It then evaluates and assesses the relevance of developments from the specific perspective of its clients so they can rely on the advice being both current and pertinent to their business.

Coverage is provided across the UK by a highly qualified and experienced team. The support provided is both practical and pragmatic as many of the team have run their own businesses, so they understand the pressures that brokers face.

Financial metrics

	2018	2017
Revenue	£18.76m	£20.36m
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(£0.59m)	£0.68m
EBITDA per share	(15p)	17p
Operating profit before exceptional items	(£0.19m)	£0.46m
Profit/(Loss) before tax	(£0.88m)	£0.42m
Profit/(Loss) after tax	(£0.88m)	£0.35m
Profit/(Loss) after tax adjusted for non-controlling interest	(£0.94m)	£0.32m
Operational cash inflow/(outflow)	£1.0m	£0.1m
Net financial debt *	(£1.14m)	(£0.3m)

*Net financial debt is operational debt less operational cash balances and therefore excludes insurer balance.

Segmental reporting – contributions to profit before tax

	2018	2017
Profit/(Loss) before tax	(£1.19m)	£0.19m
Broker Direct Plc & Broker Direct Retail Holdings Ltd	£0.29m	£0.19m
BDElite Ltd	£0.11m	£0.10m
Insurance Compliance Services Ltd	£0.04m	£0.06m
Other Group companies	(£0.13m)	(£0.13m)
Amortisation	(£0.88m)	£0.42m
Consolidated profit/(loss) before adjustment for non-controlling interest	(£0.06m)	(£0.04m)
Adjustment for non-controlling interest	(£0.94m)	£0.38m
Consolidated profit before tax, after non-controlling interest	(£0.94m)	£0.38m

Principal risks and uncertainties

Our approach

Risk and uncertainty are recognised as normal elements of doing business. Effective risk management is embedded through:

- Identification, probability, impact assessment, mitigation, contingency and review of risks (both existing and emerging).
- Timely management information to enable appropriate monitoring, reporting, oversight and decision making.

The Board has ultimate responsibility for the Group's risk management. Oversight is delegated to the executive directors of the parent Company and to the Boards of the subsidiaries, to ensure that material risks facing the businesses and the Group have been identified and that appropriate arrangements are in place to manage, mitigate, monitor and report those risks effectively.

The risk management framework includes a documented Risk Framework & Strategy Policy as well as risk dashboards and risk registers that contain details of risks, controls, actions related to risk mitigation and ownership of each risk. The framework is used at Group level and within the regulated subsidiaries to ensure there is a consistent approach to risk management. The controls in place are regularly reviewed to ensure they are appropriate and proportionate to the size, nature and complexity of the businesses.

Internal control framework

The Group has an internal control framework based on a three lines of defence approach:

<i>First Line – Business Operations:</i>	<ul style="list-style-type: none"> ● has ownership, responsibility and accountability for day to day risk identification, assessment and management activity; ● directly owns and operates risk mitigating policies and controls and remedial actions; ● ensures compliance with all regulatory obligations and internal policies; and ● provides management assurance through monitoring and reporting incidents for governance oversight.
<i>Second Line – Oversight Functions:</i>	<ul style="list-style-type: none"> ● establishes policies, frameworks and standards; ● provides direction and guidance on effective risk, control and compliance; and ● oversight, challenge, monitoring and assurance.
<i>Third Line – Independent Assurance:</i>	<ul style="list-style-type: none"> ● independent challenge and assurance by external auditors, both statutory and from insurer partners; and ● an independent systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes.

Guidance and direction is provided to all colleagues through policies and procedures. The three lines of defence model ensures that the standards and appetites, as defined by these policies, function as intended and provide expected outcomes.

Through continuous and developing processes, the functions making up the three lines of defence ensure all known and emerging risks are managed and mitigated in line with our risk appetites. It is our policy to seek ‘Risks’ which affect our business, and react positively to manage breaches and incidents in a timely, professional and effective manner in line with our policies. This approach assists us in meeting our commitments to customers on behalf of carriers and in meeting our regulators requirements and good industry practice.

Compliance

The Compliance function provides regulatory risk oversight, and monitors compliance with the various regulatory and legal obligations of the Group, specifically those of the FCA. This monitoring together with regular interaction with the business functions, helps to provide input into such areas as training, marketing and the way the regulated firms deal with brokers and customers.

Fraud

Broker Direct maintains counter-fraud capabilities designed to both prevent fraudulent new business and mitigate exposure to fraudulent and exaggerated claims:

- At the point of quotation, data enrichment is used to identify and reduce exposure to potentially fraudulent applications;
- During the claims process, relational databases, external referencing and investigations are used to identify potentially fraudulent or exaggerated claims.

The Company has a seat on the board of the Insurance Fraud Investigators Group Ltd, a not for profit organisation dedicated to the detection and prevention of insurance fraud.

Risk Assessment

The key business risks affecting the Group have been classified as follows:

- Market risk
- Operational risk
 - Customer Service
 - Technology
 - Staff
 - Legislation & Regulation
- Financial risk
 - Credit
 - Liquidity
 - Interest Rates
 - Reserving
 - Currency

Market risk

Increased competition in the insurance market and changes in consumer behaviour impact profitability. The Group constantly monitors the markets in which it competes for pricing and other changes that could impact its commercial objectives.

Broker Direct's income is primarily derived from the amount of premium processed or serviced on behalf of our insurer partners. The personal lines insurance market continues to be highly price sensitive and as a result is intensely competitive. The Company's fortunes are therefore heavily reliant on our insurer partners' competitive appetites. We operate regular reviews with our insurers.

In 2019 we expect premium rate change volatility reflecting individual insurers' views on claims inflation, the uncertainty surrounding the proposed changes to the Ogden rate, and also from the planned whiplash reforms.

In 2018 we devoted considerable resources in preparing to launch a suite of new products through our new venture with CPD Underwriting Solutions Ltd and Accredited Insurance (Europe) Ltd. The level of pricing sophistication in the insurance markets continues to increase through improvements in both the breadth and quality of data being used and the mathematical techniques utilised to analyse the data. We have fully embraced this evolution in data and analytics in the development of these new products, underpinning risk selection targeted to deliver sustained strong loss ratios whilst gaining market share.

Broker Direct also utilises its infrastructure to provide a range of administration services to insurers for their branded products distributed through their own agency base. These services are tailored to each insurer's individual requirements. For instance current and previous contracts have included: a) Full, end to end product build, distribution,

premium administration and claims handling; b) Product build, distribution and premium administration; c) Full or partial claims handling alone. It remains a core strategic objective to attract more insurers and Managing General Agents to these services.

BDElite's income is derived primarily from commission retained on the sale of legal expenses insurance policies, together with referral and recommender fee income earned when handling the motor claims arising on those policies. In 2017 and 2018, the Company focused its resources in its growth strategy, in particular the Sales & Development resource was strengthened and targeted with accelerating the recruitment of additional brokers.

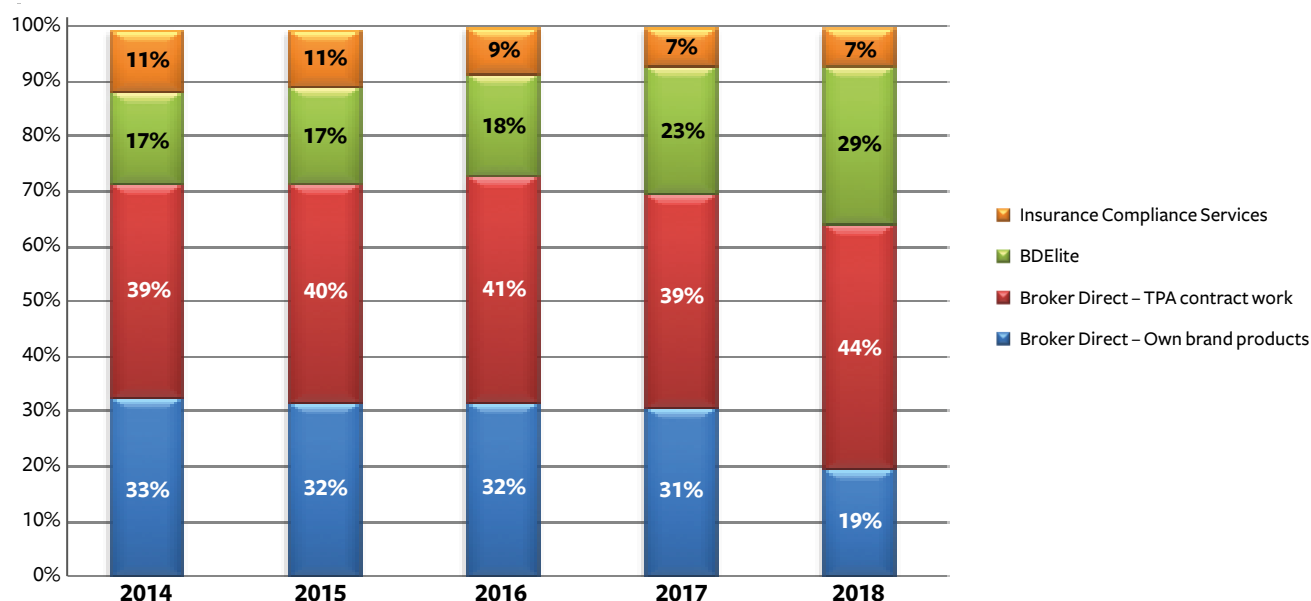
We continue to monitor the progress of the whiplash reforms. The implementation of (i) The Civil Liability Act (ii) An increase in the small claims court limit from £1,000 to £5,000 for motor personal injury claims, and (iii) A new online claims portal to allow 'Litigation in Person', is now not expected to occur until April 2020. Whilst the aim of the reforms is to reduce the volume of fraudulent whiplash claims, it is likely that it will also deter valid claimants who will no longer have access to legal representation. The Company is developing plans to assist such claimants.

Insurance Compliance Services' income is earned primarily from two sources;

- (i) the provision of regulatory compliance advice to insurance brokers, and
- (ii) conducting audits on behalf of Lloyds and other insurers who delegate underwriting control to independent firms – referred to as 'Coverholder Audits'.

In 2018 the Company welcomed Jill Hambley as Managing Director, to drive the company's growth plans.

Sources of retained revenue



Note: (i) Retained Revenue here is deemed to be net of commissions ceded to insurance brokers. (ii) In 2018 BDElite obtained its own FCA direct authorisation (the Company was previously an Appointed Representative of Broker Direct) and as a result, the insurer contracts for the 'BDElite' branded products were novated to it.

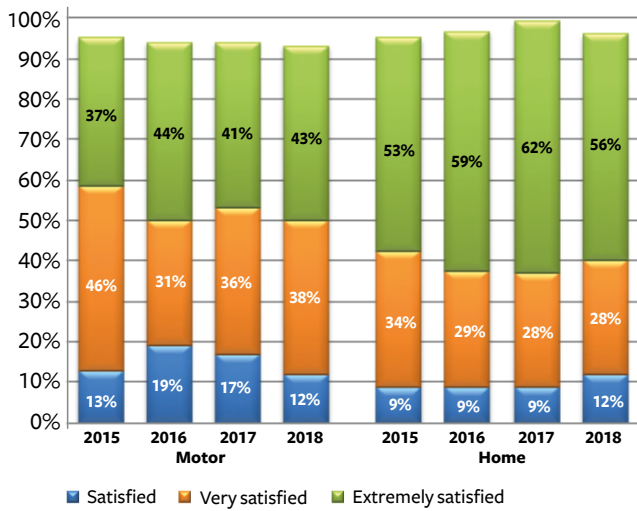
Operational risk

Customer Service

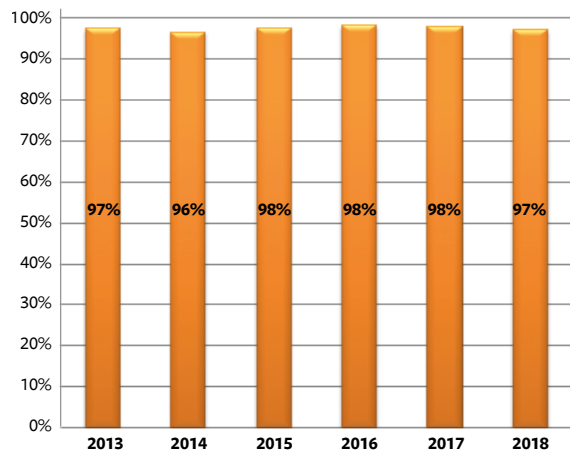
The Group's businesses exist to provide insurance services and consequently great attention is given to the delivery of those services. The business continually devotes resources into its efficient IT systems, coupled with staff recruitment, training and development to meet its mission to delight brokers and their clients.

Recognising that one of the key opportunities to demonstrate the value of insurance is when claims are made, both Broker Direct and BDElite request customer feedback after conclusion of their claims.

Claimant satisfaction with Broker Direct's service



Claimants who would recommend the BDElite service



Technology

Efficient utilisation of technology is fundamental to the distribution of products and provision of services. Systems need to price the risks correctly, produce accurate policy documentation and transmit comprehensive data between the brokers, Broker Direct, BDElite, insurers and others. To this end:

- (i) The companies work closely with their insurer partners and the brokers' software system providers to manage these complexities.
- (ii) The Group has digital programs targeted at keeping the businesses relevant in this increasingly digitised world.

We recognise the changes in the way that consumers purchase general insurance products (less use of traditional high street insurance brokers) in particular the use of price comparison websites and direct, and maintain regular reviews of the stability of retail brokers.

Advances in vehicle technology, in particular the move to autonomous vehicles, will fundamentally change the nature of motor insurance. Whilst we view broad adoption of fully automated vehicles as being many years away, it is undeniable that advances in driver assistance systems including the progressive implementation of partial automation will improve the safety of vehicles and in turn help to reduce the frequency and severity of accidents. However, we are also finding that the improvements in technology have made it more expensive to repair vehicles, which is offsetting to some extent the benefits from lower frequency of accidents.

We are also witnessing technology enabling changes in the type of insurance covers that consumers purchase. First evidenced with telematics (pay how you drive) and now evolving into products such as pay when you drive and smart home insurances. It is our intention to offer services to new providers of technology enabled products.

Digital interaction is expected to continue to grow for the foreseeable future, partly due to increasing user expectations from the convenience and ease of mobile technology. Our investment in a new omni channel communication system together with our agile approach will help us to engage with customers whenever, wherever and however they wish.

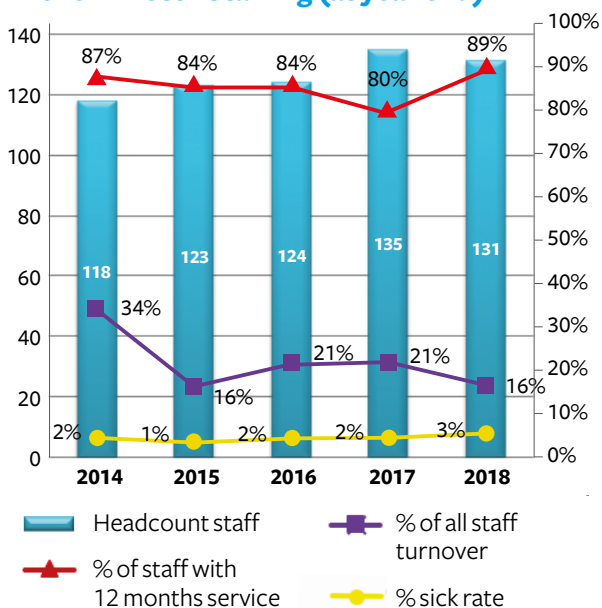
Accelerated advances or developments for which the Group is not prepared could place the Group at a competitive disadvantage. The Group constantly monitors developments to ensure that it remains informed, embraces innovation and change, and will position itself to adapt as appropriate.

Staff

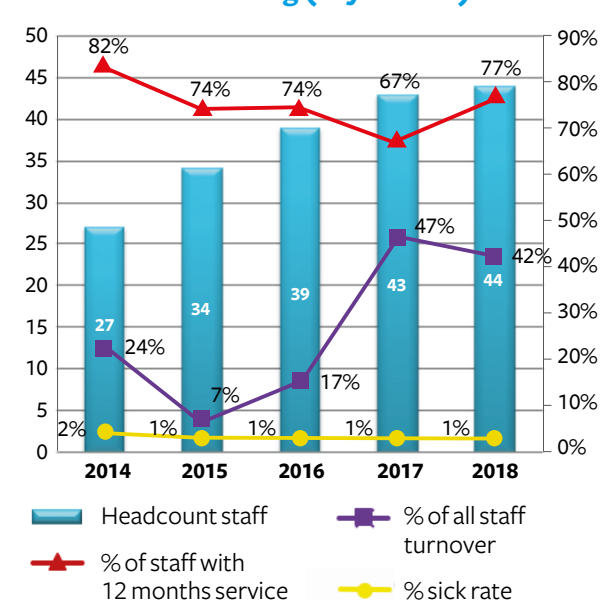
The Group recognises the importance of attracting and retaining high quality employees. The key HR outcomes we focus on are:

- Attract high calibre staff;
- Retain experienced & knowledgeable staff;
- Realise returns on investment in training and development;
- Be a great place to work.

Broker Direct - Staffing (at year end)



Broker Elite - Staffing (at year end)



In 2019 we are continuing to focus on employing teams of highly specialised people to deliver a great service to our partners, brokers and their customers. We are also working to streamline and automate mundane, predictable and repetitive tasks, to free staff to provide value added services that require their human intelligence.

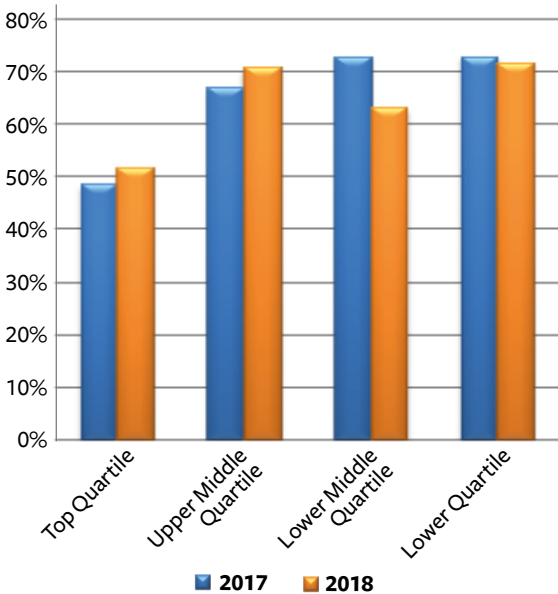
Gender Balance

The businesses are conscious and respectful of equality in the workplace.

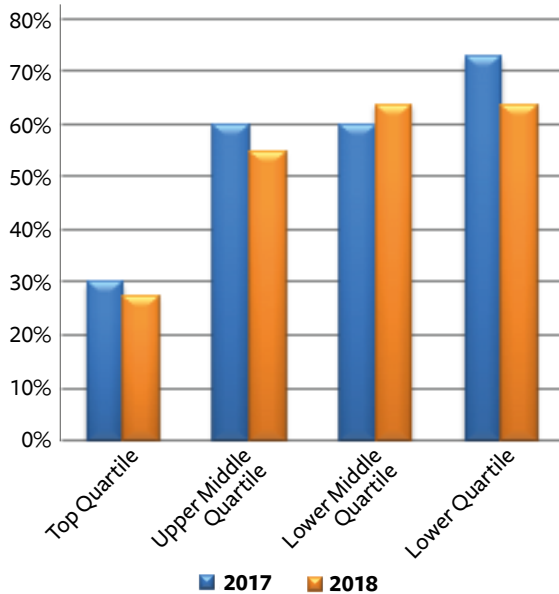
The Boards are satisfied that there is no gender bias.

We will continue to focus on capability, a flexible working culture and identifying and removing barriers to fairness, equality and inclusion.

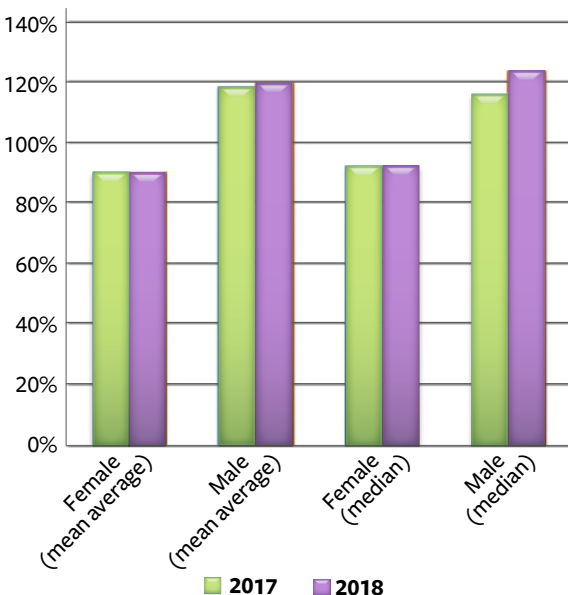
Broker Direct - Proportion of females across 4 equally sized remuneration quartiles



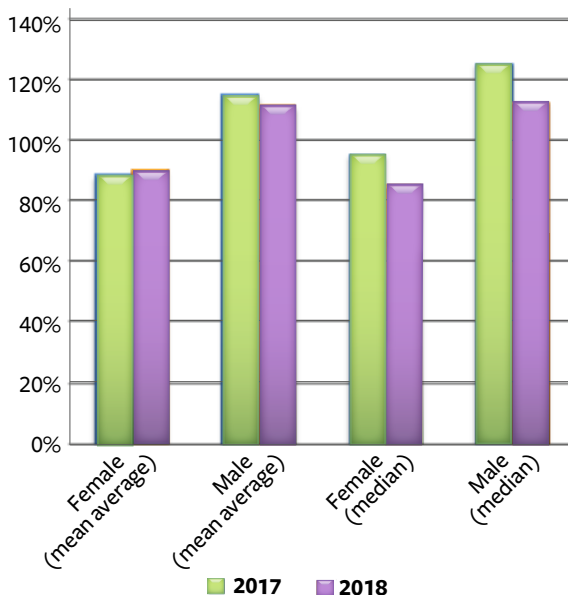
BDElite - Proportion of females across 4 equally sized remuneration quartiles



Broker Direct - Average remuneration by gender relative to average remuneration of 100%



BDElite - Average remuneration by gender relative to average remuneration of 100%



Legislation & Regulatory Compliance

The Group strategy is based on the current regulatory horizon.

Regulatory changes are often telegraphed well in advance through consultation and implementation periods which gives the Group early insight. The Group has an effective regulatory horizon scanning capability to review the potential implications for the Group and its regulated subsidiaries.

The trading entities will continue to take the opportunity to embrace change early and, where appropriate, adjust their strategic plans to accommodate that change.

2018 was a relatively stable legislative & regulatory environment for the businesses, arguably impacted by the amount of Government attention given to Brexit at the expense of domestic policy.

Brexit

Following the triggering of Article 50 on 29 March 2017, it was anticipated that the UK would leave the EU on 29 March 2019. However, on 27 March 2019 Parliament voted in favour of extending Article 50 and pushing back the Brexit date to 12 April 2019. At the date of this Report it is the Company's understanding that until 12 April all options remain on the table; the UK will still have a chance of a deal, no deal, a long extension or revoking Article 50.

We recognise that if and when Brexit happens the Group will undoubtedly experience some disruption. Clearly it is extremely difficult to plan fully when there is such a broad range of possible outcomes, but we believe the UK leaving the EU is not likely to materially impact the need for UK motorists and households to obtain insurance and it is unlikely to significantly affect demand for the Group's products and services, at least in the near term.

Whiplash reform

For BDElite, in 2018 the Government announced its intention to implement reforms in April 2020 (previously April 2019), to include:

- Banning offers to settle claims without the support of medical evidence;
- Introducing fixed tariff compensation for whiplash injuries;
- Increasing the small claims limit to £5,000 for road traffic accident personal injury claims.

Some aspects of the reforms are still unclear, in particular whether and to what extent a personal injury claimant (described as 'Litigants in Person') will be able to instruct a personal representative who is not legally qualified (described as a 'McKenzie Friend') to assist in handling their claim. The business is however preparing an eventuality plan based on current best thinking with contingencies.

Financial risk

Financial performance, financial position and cash flows are regularly stress tested using the principal financial and operational risks. Focus is applied to ensure compliance with FCA Solvency and other external requirements.

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:

- At Broker Direct and BDElite
 - Broker agencies: The Companies collect premiums from brokers and passes them on to the insurers who carry the underwritten risk exposure. We settle the premiums to the insurers after deducting our commissions and expenses for administering the policies and handling the claims. If a broker fails to settle their debt to us, we are still obliged to settle the balance due to the insurer. The Companies have strict acceptance criteria for the appointment of new broker agencies, and monitors the brokers against agreed credit and settlement terms. Bad debt experience in 2018 was £nil (2017: £nil).
- At Broker Direct
 - Policyholders paying by instalment: The Company only accepts instalment business by direct debit instruction. Debt management and cancellation terms are agreed with the Company's insurer partners to minimise the bad debt exposure. Bad debt experience in 2018 was negligible (2017: negligible);
 - Third party administration services: Income streams are invoiced for subsequent settlement by insurers and key partners. Insurers and key partners are pre-vetted and monitored for their financial stability.
- At BDElite Ltd

The Company receives fee income; (i) from at fault insurers for the provisions of rehabilitation services and (ii) from the suppliers of temporary replacement vehicles and legal services to motor accident claimants that we have referred and recommended to them.

The single largest fee income source represents 22% of Company retained revenue (2017: 22%).
- At Insurance Compliance Services Ltd

Brokers and insurers utilise a range of compliance services, the single largest customer represents less than 1% of Group turnover (2017: less than 1%).

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient working capital is available to meet (i) its foreseeable needs, (ii) the adequate resources obligations stipulated by the Financial Conduct Authority, and (iii) the financial covenants agreed with its bank.

The Group policy is to:

- Hold cash balances in readily accessible treasury deposits;
- Utilise fixed interest, asset leasing facilities;
- Utilise fixed rate bank finance borrowing.

As reported in the 2017 Report and Accounts, in 2018:

- The funding of premium instalment business was brought in house.

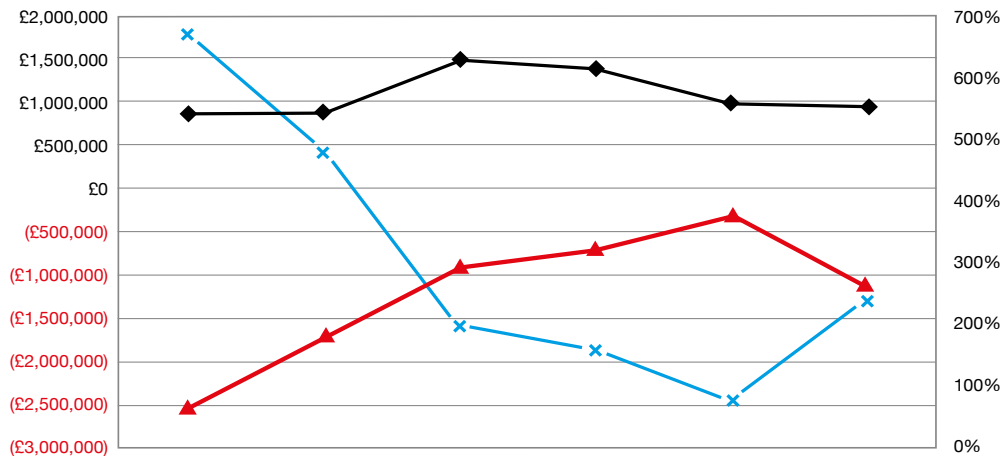
There was very little business conducted on instalments and the decision was taken to withdraw the facility. This has had no discernible affect on sales.

- As noted in the 2017 Report, the expense of delivering the new CPD products has resulted in a deterioration

in the Group's interest cover. The work to build and distribute the new CPD products (described further in the Chairman's Statement) required external funding for which a new fixed rate bank loan was drawn-down.

Whilst this has resulted in a deterioration in the 2018 debt gearing and net financial debt ratios, the Company is confident that the resultant new business revenue streams will reverse this trend in 2019.

Broker Direct Group



	Dec 13	Dec 14	Dec 15	Dec 16	Dec 17	Dec 18
Operating cash	£864,163	£894,389	£1,500,302	£1,405,154	£991,123	£966,389
Net financial debt	(£2,535,567)	(£1,734,509)	(£908,542)	(£698,662)	(£292,487)	(£1,139,183)
% Debt gearing	671%	481%	197%	159%	75%	240%

(i) Net Financial Debt, measured as operating cash balances less operating creditors ('operating creditors' excludes insurer balances, deferred income & technical provisions).

(ii) Debt Gearing, being operating creditors as a proportion of shareholders' funds.

Interest rate risk

The low interest rate environment in 2018 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.

In 2018 the Group's borrowings were a mixture of fixed interest leases and a fixed interest bank loan. In 2019 the Group's borrowings are expected to continue to be a mixture of fixed interest leases and fixed interest bank loan, and are therefore not susceptible to interest rate fluctuations.

Reserving risk

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

- Policy administration; the Company incurs costs over the policy year to administer the policy. The reserve is released to income against those costs;
- Claims handling; the Company is paid in advance to administer claims and therefore holds a reserve for release to income as the expenses of handling claims arise; and

- Commission claw-back; where policies cancel mid-term and premiums are returned to policyholders, the Company must likewise return the element of its commission income associated with those cancellations; this return is met via a release from the commission clawback reserve.

BDElite holds reserves for irrecoverable rehabilitation fees where the insurer either refuses to accept fault and therefore liability for a claim, or the at fault insurer disputes the value of the fees.

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

Foreign currency risk

The Group does not transact foreign currency business. On rare occasions, Broker Direct settles motor insurance claims in Euros but any loss or gain on foreign exchange is borne by the insurance company underwriting the policy rather than by Broker Direct.

BY ORDER OF THE BOARD

Iain Gray
Group Finance Director
4 April 2019

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2018.

Directors

The directors who served during the year are shown below:

Barbara Bradshaw	Director	Non-executive
Ann Golder	Operations Director	Executive
Iain Gray	Group Finance Director	Executive
Roy Green	Chairman	Non-executive
Kedric Rhodes	Director	Non-executive
Terry Stanley	Chief Executive	Executive

Directors' interests

The interests in the Company of the directors in office at the year-end is as follows:

	Shareholding	Share options vested	Share options granted, not vested
Barbara Bradshaw	36,283	-	-
Ann Golder	220,352	-	407,212
Iain Gray	237,673	-	427,958
Roy Green	171,613	-	-
Kedric Rhodes	19,280	-	-
Terry Stanley	226,599	-	427,958

Directors may only trade in the Company's shares in compliance with its Code for Transactions in Company Securities.

Directors' liabilities

The Company maintains Directors and Officers insurance cover for the directors.

Appointment of directors

The directors may appoint a person to be a director, either to fill a vacancy or as an additional director. A director so appointed shall hold office only until the next following annual general meeting and then shall be eligible for election and, if then not reappointed, shall vacate office.

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.

Dividends

The Company's Articles of Association provide that the members in general meeting may declare dividends in accordance with the respective rights of the members, but dividends shall not exceed the amount recommended by the directors. The Articles also provide that the directors may pay interim dividends out of profits of the Company available for distribution.

No interim dividend was paid during the year (2017: Nil).

The directors do not propose a final dividend for the year (2017: Nil).

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 Note 2 and the Accounting Policies accompanying the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Chairman's Statement, the Directors' Report, the Strategic Report, the Report of the Remuneration Committee 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Group and Parent Company's website.

The directors confirm that:

- so far as each of 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.

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.

Auditors

Mazars UK LLP have indicated their willingness to be re-appointed.

BY ORDER OF THE BOARD



Iain Gray

Group Finance Director

4 April 2019

Remuneration Committee Report

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 2018 the members of the Committee were:

Roy Green - Chairman of Remuneration Committee

Kedric Rhodes - Non-executive director

Barbara Bradshaw – Non-executive director

Executive directors' remuneration policy – objectives

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

Directors' service contracts

The service contract for Terry Stanley, Iain Gray and Ann Golder 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). There are no mandatory retirement clauses in any of the executive directors' service contracts.

Remuneration Committee report

The financial priority this year has been to preserve the Group balance sheet in view of the major expenditure on the CPD venture. As a result it was decided not to increase executive directors base salaries. This year's result means that directors have not earned bonus. Entitlement to bonus earned in 2017 has been carried forward.

The directors participate in two share option schemes, one of which has now expired and will be replaced subject to shareholder approval at the Annual General Meeting.

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

Opinion

We have audited the financial statements of Broker Direct Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated cash flow statement, the consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to United Kingdom exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 14.

The terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Group's and Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Group and Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

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.



Tim Hudson

Senior Statutory Auditor
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
One St Peter's Square, Manchester, M2 3DE

4 April 2019

Consolidated statement of comprehensive income

	Note	2018 £	2017 £
Turnover	5	18,756,016	20,355,769
Cost of sales		(8,169,600)	(9,455,562)
Gross profit		10,586,416	10,900,207
Other operating charges		(11,463,431)	(10,486,996)
(Loss)/Profit on operating activities before interest and taxation		(877,015)	413,211
Operating (loss)/profit before exceptional items		(193,050)	456,942
Exceptional items			
VAT over recovery	6		57,902
Start up costs for venture with CPD Underwriting Solutions Ltd	6	(683,965)	(101,633)
(Loss)/profit on operating activities after exceptionals and before interest and taxation		(877,015)	413,211
Interest receivable and similar income		11,494	12,742
Interest payable and similar charges		(14,846)	(9,258)
(Loss)/profit on ordinary activities before taxation	6	(880,367)	416,695
Taxation	8	1,019	(65,095)
(Loss)/profit for the financial year		(879,348)	351,600
(Loss)/profit for the year attributable to:			
Non-controlling interests		56,663	31,731
Owners of the parent company		(936,011)	319,869
Profit for the financial year		(879,348)	351,600
Profit per share attributable to the owners of the parent Company			
– Basic and Diluted (pence)	28	(23.25)	7.95

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

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

as at 31 December 2018

	Note	31 Dec 2018 £	31 Dec 2017 £
Fixed assets			
Investments	12	21,429	21,429
Intangible assets	10	1,154,763	1,287,130
Tangible assets	11	189,424	236,988
		1,365,616	1,545,547
Current assets			
Debtors	14	13,984,664	13,634,273
Cash at bank and in hand	13	4,890,413	3,403,170
		18,875,077	17,037,443
Creditors: amounts falling due within one year	15	(18,142,069)	(15,960,898)
Net current assets		733,008	1,076,545
Total assets less current liabilities		2,098,624	2,622,092
Creditors: amounts falling due after more than one year	16	(1,087,334)	(756,680)
Provisions for liabilities	17	(132,258)	(149,991)
Net assets		879,032	1,715,421
Capital and reserves			
Called up share capital	20	795,812	795,812
Share option reserve	21	181,260	128,301
Profit and loss account	21	(170,869)	765,142
Equity attributable to the owners of the parent company		806,203	1,689,255
Non-controlling interests		72,829	26,166
Shareholders' funds		879,032	1,715,421

The financial statements were approved and authorised for issue by the Board of Directors on 4 April 2019.

Company No. 02958427



T E Stanley
Chief Executive Officer



I J Gray
Group Finance Director

The accompanying notes form part of these financial statements.

Company statement of financial position

as at 31 December 2018

	Note	31 Dec 2018 £	31 Dec 2017 £
Fixed assets			
Intangible assets	10	–	–
Tangible assets	11	175,598	225,423
Investments	12	25,429	25,429
		201,027	250,852
Current assets			
Debtors	14	14,566,903	14,685,835
Cash at bank and in hand		4,158,082	3,074,673
		18,724,985	17,760,508
Creditors: amounts falling due within one year	15	(17,124,252)	(15,431,809)
Net current assets		1,600,733	2,328,699
Total assets less current liabilities		1,801,760	2,579,551
Creditors: amounts falling due after more than one year	16	(1,087,334)	(753,570)
Provisions for liabilities	17	(132,258)	(149,991)
Net assets		582,168	1,675,990
Capital and reserves			
Called up share capital	20	795,812	795,812
Share option reserve	21	181,260	128,301
Profit and loss account	21	(394,904)	751,877
Shareholders' funds		582,168	1,675,990

The Company made a loss of £1,146,781 in the year ended 31 December 2018 (2017: loss £244,620).

The financial statements were approved and authorised for issue by the Board of Directors on 4 April 2019.

Company No. 02958427



T E Stanley
Chief Executive Officer



I J Gray
Group Finance Director

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

	2018	2017
	£	£
Cash flows from operating activities		
(Loss)/profit for the financial year	(879,348)	351,600
Amortisation	129,838	129,838
Depreciation	159,718	153,431
(Profit) on sale of fixed assets	–	(2,211)
(Profit) on sale of shareholdings in subsidiaries	–	(19,990)
Share option expense	52,959	36,866
Interest paid	14,846	9,258
Interest received	(11,494)	(12,746)
Taxation	(1,019)	65,095
Decrease/(Increase) in debtors	(349,372)	840,422
(Decrease)/Increase in creditors	1,901,813	(1,446,889)
Cash from operations	1,017,941	104,674
Corporation tax paid	(73,601)	(110,042)
Net cash generated from operating activities	944,340	(5,368)
Cash flows from investing activities		
Payments to acquire investments	–	(21,129)
Proceeds from sale of tangible assets	–	8,664
Purchase of tangible and intangible fixed assets	(109,625)	(146,226)
Interest received	11,494	12,746
Sale of subsidiary undertakings	–	19,990
Net cash used in investing activities	(98,131)	(125,955)
Cash flows from financing activities		
(Loan repayments)/loan interest	(83,109)	(423,509)
Finance lease interest paid	(14,846)	(5,721)
Other loan interest paid	–	(3,537)
New finance leases and hire purchase contracts	800,800	–
Repayment of finance leases and hire purchase contracts	(51,811)	(57,595)
Issue of ordinary share capital	–	–
Equity dividends paid	(10,000)	–
Net cash from financing activities	641,034	(490,362)
Net increase/(decrease) in cash and cash equivalents	1,487,243	(621,685)
Cash and cash equivalents at the beginning of the year	3,403,170	4,024,855
Cash and cash equivalents at the end of the year	4,890,413	3,403,170

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

	Called up share capital	Share option reserve	Profit and loss account	Share- holders equity	Non- controlling Interest	Total Equity
	£	£	£	£	£	£
At 1 January 2017	795,812	91,435	445,273	1,332,520	(5,565)	1,326,955
Profit and total comprehensive income for the year	–	–	319,869	319,869	31,731	351,600
Increase in share option reserve	–	36,866	–	36,866	–	36,866
At 31 December 2017	795,812	128,301	765,142	1,689,255	26,166	1,715,421
Profit and total comprehensive income for the year	–	–	(936,011)	(936,011)	56,663	(879,348)
Increase in share option reserve	–	52,959	–	52,959	–	52,959
Non-controlling interest transactions	–	–	–	–	(10,000)	(10,000)
At 31 December 2018	795,812	181,260	(170,869)	806,203	72,829	879,032

Company statement of changes in equity

	Called up share capital £	Share option reserve £	Profit and loss account £	Total £
At 1 January 2017	795,812	91,435	996,497	1,883,744
(Loss) and total comprehensive income for the year	–	–	(244,620)	(244,620)
Increase in share option reserve	–	36,866	–	36,866
At 31 December 2017	795,812	128,301	751,877	1,675,990
(Loss) and total comprehensive income for the year	–	–	(1,146,781)	(1,146,781)
Increase in share option reserve	–	52,959	–	52,959
At 31 December 2018	795,812	181,260	(394,904)	582,168

1 Company information

Broker Direct Plc is incorporated in the United Kingdom. Its principal place of business and registered address is Deakins Park, Deakins Mill Way, Egerton, Bolton, BL7 9RW.

Broker Direct Plc was established in 1997 with a unique proposition: the establishment of a general insurance management operation for brokers, majority owned by brokers. Still, today, close to 100% of our shares are owned by brokers and staff and many of our broker shareholders are the same professional independent firms which first placed business through us and remains a key feature in our business.

We use our position in the market to secure attractive products, rates and commissions for our brokers, backed by leading edge technology which brings savings in time and costs through efficient online trading.

As Broker Direct has evolved we have added more companies and services to our Group. We now support brokers, not just in their core area of writing profitable and sustainable business, but also compliance and accident management services.

The expertise we have gained from these activities has enabled us to perform our services on behalf of other insurers, MGAs and Insurtechs on their behalf on a Third Party Administration (TPA) basis. This work, along with its prospects, has grown significantly and is the largest source of revenue to the Group.

We value the relationships we have established, both with our brokers and our supporting insurers, and we continually strive to provide high-quality, technology-lead support services to give savings in time and cost so that working with Broker Direct delivers benefits for all.

2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS 102’), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£) as this is the functional currency of the Group.

The Group financial statements consolidate the financial statements of Broker Direct Plc and all its subsidiary undertakings drawn up to 31 December each year.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company’s loss for the year was £1,146,781 (2017: Loss £244,620).

The individual accounts of Broker Direct Plc have also adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes.
- Financial instrument disclosures, including:
 - Categories of financial instruments
 - Items of income, expenses, gains or losses relating to financial instruments, and
 - Exposure to and management of financial risks.

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 Directors’ Report on pages 14 to 15 and the Strategic Report on pages 6 to 13.

At 31 December 2018, operational cash balances amounted to £966,389 (note 13) (2017: £991,123) and other loans amount to £717,691 (note 16) (2017: £Nil).

The directors have prepared consolidated forecasts for the 2 years’ ending 31 December 2020. The forecasts and projections, taking account of reasonably possible changes in trading performance, and potential impacts of Brexit, show that the Company should be able to operate within the level of its current cash balances. After review of the forecasts and consideration of the Group’s resources, together with its long standing relationships with insurers and brokers, 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.

3 Significant judgements and estimates

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

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

- Going concern (refer to note 2 – Basis of preparation, Going Concern);
- Technical reserves (refer to Turnover accounting policy);
- Impairment of goodwill (refer to Intangible Assets accounting policy);
- Intangible fixed assets and software development (refer to Intangible Assets accounting policy);
- Deferred tax (refer to Taxation accounting policy);
- Share options (refer to Employee Share Schemes accounting policy);
- Recoverability of inter-company debtor balances;
- Useful economic life of tangible fixed assets for depreciation (refer to Tangible Assets accounting policy).

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

4 Principal accounting policies

a) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given and liabilities incurred or assumed plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill.

b) Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

c) Investment in associates

Investments in associates are accounted for at cost less impairment in the individual financial statements.

d) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Purchased goodwill arising on acquisitions is amortised on a straight line basis over its estimated useful economic life, being twenty years. 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.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Product development costs are written off in full in the year that they are incurred in accordance with section 18 of Financial Reporting Standard 102.

Amortisation is charged so as to allocate the cost of intangibles over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following economic lives:

- Software development costs 5 years
- Goodwill 20 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

e) Tangible assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

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 (or to end of lease if shorter)
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

f) Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

g) Investments

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

h) Cash at bank and in hand

Cash received for insurance premiums, claims and commissions is held on trust in separate insurer 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 insurer and operational monies (see note 13).

i) 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.

j) Other debtors

Short term debtors are measured at transaction price, less any impairment.

Notes to the financial statements continued

k) Other creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including loans, are measured at fair value inclusive of unpaid interest accrued to date.

l) Leases

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

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

m) Operating leases

Rentals under operating leases are charged to the statement of comprehensive income account on a straight line basis over the lease term.

Benefits receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

n) Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the accounting period, taking into account the risks and uncertainties surrounding the obligation.

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of the absence.

o) Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors.

p) 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 and insurance compliance.

Income from commission is received for selling and administering insurance policies and is recognised in the statement of comprehensive income 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. Additional provisions are maintained to meet the costs of post placement services for claims handling and premium administration. These are included in “technical reserves” and are analysed between amounts to be recognised within one year and amounts to be recognised after more than one year.

In addition:

- Income is received from insurer partners to help fund the development of the IT systems that support the distribution and administration of their products. This is recognised in the statement of comprehensive income in the month in which the expense is incurred.
- Income from service charges is received for providing instalment premium funding. A proportion of this income is deferred and released to the statement of comprehensive income throughout the term of the policy in equal monthly instalments.

q) Employee benefits

Employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

r) 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 102*.

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 statement of comprehensive income 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.

s) Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the statement of comprehensive income. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest to the assets of the Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

t) Exceptional items

Items which are material either because of their size or their nature, and which are non-recurring, are presented separately within the Statement of Comprehensive Income. The separate reporting of exceptional items helps provide a better picture of the Company’s underlying performance.

Notes to the financial statements continued

5 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.

Turnover, analysed by category, was as follows:

	2018	2017
	£	£
Rendering of services and commissions	18,756,016	20,355,769

6 Profit on ordinary activities before taxation

	2018	2017
	£	£
The profit 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	40,044	39,622
- for other services	5,100	-
Amortisation of goodwill	129,838	129,838
Depreciation of intangible fixed assets	2,529	(2,618)
Depreciation of tangible fixed assets - owned	108,485	101,066
- leased	48,704	54,983
Gain on sale of fixed assets	-	(2,211)
Operating lease charges – land and buildings	242,703	314,413
Exceptional items:		
VAT over recovery	-	(57,902)
Start up costs for venture with CPD Underwriting Solutions Ltd	683,965	101,633

VAT Assessment

Following the disclosure in the 2016 Report and Accounts of a comprehensive review into the recognition and treatment of transactions for VAT purposes, in July 2017 the Company and HMRC agreed the underpaid tax which was £57,902 below the amount provided for in the 2016 results.

Start up costs for venture with CPD Underwriting Solutions Ltd

In December 2018, CPD and Broker Direct completed a delegated authority agreement with Accredited Insurance (Europe) Ltd to underwrite and administer insurance products. The distribution and administration of the products has been delegated to Broker Direct which expended significant sums in the year to prepare for the launch from January 2019. This expenditure is considered exceptional as it is not being recovered from insurers. Instead it will be recovered out of revenues earned on future product sales.

	2018	2017
	£	£
Expenditure can be analysed as follows:		
Administration	225,509	58,800
Development	385,851	42,833
Testing	72,605	-
	683,965	101,633

7 Directors and employees

Group

	2018	2017
	£	£
Staff costs during the year were as follows :		
Wages and salaries	5,402,030	5,018,683
Social security costs	488,991	452,857
Pension costs	472,542	441,679
	6,363,563	5,913,219

The Company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pension provider. Pension payments recognised as an expense during the year amount to £472,542 (2017: £441,679).

	2018	2017
	Number	Number
The average number of employees during the year was:		
Management	25	24
Other	148	141
	173	165

Remuneration in respect of company directors was as follows:

	2018	2017
	£	£
Emoluments	484,969	526,539
Pension costs	62,233	60,416
	547,202	586,955

During the year, 3 directors (2017: 3 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:

	2018	2017
	£	£
Emoluments	141,131	156,459
Pension costs	20,124	19,959
	161,255	176,418

Company

	2018	2017
	£	£
Staff costs during the year were as follows:		
Wages and salaries	3,783,200	3,630,315
Social security costs	334,368	324,705
Pension costs	354,872	327,456
	4,472,440	4,282,476

The Company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pension provider. Pension payments recognised as an expense during the year amount to £354,872 (2017: £327,456).

	2018	2017
	Number	Number
The average number of employees during the year was:		
Management	18	17
Other	105	102
	123	119

Notes to the financial statements continued

Remuneration in respect of company directors was as follows:

	2018	2017
	£	£
Emoluments	484,969	526,539
Pension costs	62,233	60,416
	547,202	586,955

During the year, 3 directors (2017: 3 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:

	2018	2017
	£	£
Emoluments	141,131	156,459
Pension costs	20,124	19,959
	161,255	176,418

8 Tax on profit on ordinary activities

	2018	2017
	£	£
The taxation charge is based on the profit for the year and represents:		
Current tax:		
UK corporation tax at 19% (2017: 19%)	(137)	109,235
Adjustment in respect of prior periods	-	(38,155)
Total current tax	(137)	71,080
Deferred tax:		
Origination and reversal of timing differences	(986)	(5,409)
Adjustment in respect of prior periods	-	(1,208)
Resulting from a change in tax rate	104	632
Total deferred tax (note 18)	(882)	(5,985)
Total tax charge on profit on ordinary activities	(1,019)	65,095

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 19% (2017: 19%). The differences are explained as follows:

	2018	2017
	£	£
(Loss)/profit on ordinary activities before tax	(880,367)	416,695
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19%)	(167,270)	80,200
Effect of:		
Expenses not deductible for tax purposes	38,545	34,090
Effect of reduction in opening deferred tax on change of rate	-	-
Adjustment for tax rate differences	104	631
Effect of current year events on prior period current tax	-	(38,156)
Effect of current year events on prior period deferred tax	-	(1,207)
Losses carried forward	127,602	(10,463)
	(1,019)	65,095

9 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 loss for the year was £1,146,781 (2017: Loss £244,620).

10 Intangible fixed assets

Group

	Computer Software Development £	Goodwill on business acquired £	Goodwill on consolidation £	Total £
Cost				
At 1 January and 31 December 2018	1,151,533	593,808	4,593,404	6,338,745
Depreciation and impairment				
At 1 January 2018	1,142,273	579,433	3,329,909	5,051,615
Provided in the year	2,529	1,250	128,588	132,367
Impairment	–	–	–	–
At 31 December 2018	1,144,802	580,683	3,458,497	5,183,982
Net book amount				
At 31 December 2018	6,731	13,125	1,134,907	1,154,763
At 31 December 2017	9,260	14,375	1,263,495	1,287,130

Amortisation of intangible fixed assets is included in administration expenses.

Company

	Computer Software Development £
Cost	
At 1 January and 31 December 2018	1,105,920
Depreciation	
At 1 January and 31 December 2018	1,105,920
Net book amount	
At 31 December 2018	–
At 31 December 2017	–

Amortisation of intangible fixed assets is included in administration expenses.

The Company's insurance transaction processing system is included within software development costs and has a carrying value of £Nil (2017: £Nil).

Notes to the financial statements continued

11 Tangible fixed assets

Group

	Leasehold improvements £	Fixtures & fittings £	Cars £	Computers and other equipment £	Total £
Costs					
At 1 January 2018	604,879	221,886	69,995	2,396,602	3,293,362
Additions	25,928	2,905	–	80,792	109,625
Disposals	–	–	–	–	–
At 31 December 2018	630,807	224,791	69,995	2,477,394	3,402,987
Depreciation					
At 1 January 2018	582,956	221,445	37,273	2,214,700	3,056,374
Provided in the year	14,032	840	18,898	123,419	157,189
Disposed in the year	–	–	–	–	–
At 31 December 2018	596,988	222,285	56,171	2,338,119	3,213,563
Net book amount					
At 31 December 2018	33,819	2,506	13,824	139,275	189,424
At 31 December 2017	21,923	441	32,722	181,902	236,988

Included in the total net book value is £11,724 (2017: £53,502) in respect of motor vehicles and computer equipment held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £41,778 (2017: £54,983).

Company

	Leasehold improvements £	Fixtures & fittings £	Cars £	Computers and other equipment £	Total £
Costs					
At 1 January 2018	604,879	221,425	69,995	2,327,437	3,223,736
Additions	25,928	2,906	–	67,656	96,490
Disposals	–	–	–	–	–
At 31 December 2018	630,807	224,331	69,995	2,395,093	3,320,226
Depreciation					
At 1 January 2018	582,955	221,425	37,273	2,156,660	2,998,313
Provided in the year	14,033	726	18,898	112,658	146,315
Disposed in the year	–	–	–	–	–
At 31 December 2018	596,988	222,151	56,171	2,269,318	3,144,628
Net book amount					
At 31 December 2018	33,819	2,180	13,824	125,775	175,598
At 31 December 2017	21,924	–	32,722	170,777	225,423

Included in the total net book value is £11,724 (2017: £53,502) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £41,778 (2017: £48,704).

12 Fixed asset investments**Group****Investment in associates**

£

At 1 January and 31 December 2018	21,429
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The shareholding in associate is capital rights only and does not carry rights to dividends.

Company**Investment in subsidiaries and associates**

£

At 1 January and 31 December 2018	25,429
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The shareholding in associate is capital rights only and does not carry rights to dividends.

At 31 December 2018, the Company had the following principal subsidiaries which are registered in England and Wales:

	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
Insurance Compliance Services Limited	Management Consultants	Ordinary shares	100%	Broker Direct Acquisitions Limited
BDElite Limited	Motor Accident Management	Ordinary shares	80%	Broker Direct Plc

As 31 December 2018, the Company had the following principal associate which was registered in England and Wales:

	Nature of Business	Class of share capital held	Proportion held	Held by
CPD Underwriting Solutions Ltd	Underwriting consultancy and Managing General Agent	Ordinary shares	30%	Broker Direct Plc

These shares are capital rights only and are not entitled to dividends.

13 Cash at bank and in hand

Cash at bank and in hand includes both insurer monies held in trust and operational monies. Insurer monies include unsettled premiums and claims and commission not yet transferred into the operational bank accounts.

	At 1 January 2018 £	Movement £	At 31 December 2018 £
Operational cash at bank and in hand	991,123	(24,734)	966,389
Insurer cash at bank and in hand	2,412,047	1,511,977	3,924,024
Total cash at bank and in hand	3,403,170	1,487,243	4,890,413

Notes to the financial statements continued

14 Debtors

	Group	Company	Group	Company
	2018	2018	2017	2017
	£	£	£	£
Broker and policyholder debtors	12,714,418	12,500,974	12,326,432	12,282,363
Insurer debtors	716,005	420,854	772,417	558,449
Amount owed by Group undertakings	–	1,219,966	–	1,428,859
Prepayments and accrued income	375,210	321,332	341,323	312,305
Other debtors	104,882	28,263	120,971	29,786
Corporation Tax	137	137	–	–
Deferred tax asset (note 18)	74,012	75,377	73,130	74,073
	13,984,664	14,566,903	13,634,273	14,685,835

Amounts owed by Group undertakings are repayable on demand; however the debts will only be called in to the extent that the undertaking is able to pay it without financial hardship.

15 Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2018	2018	2017	2017
	£	£	£	£
Bank loan	257,967	257,967	–	–
Payable to insurers	16,521,423	16,126,929	14,677,624	14,651,504
Pension contributions	43,764	40,846	35,656	34,700
Corporation tax	–	–	73,601	17,010
Other taxation and social security costs	243,438	101,386	200,804	91,945
Accruals and deferred income	1,066,275	587,922	928,375	596,611
Obligations under finance leases and hire purchase contracts	9,202	9,202	44,838	40,039
	18,142,069	17,124,252	15,960,898	15,431,809

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

16 Creditors: amounts falling due after more than one year

	Group	Company	Group	Company
	2018	2018	2017	2017
	£	£	£	£
Technical reserves creditor	598,888	598,888	721,019	721,019
Bank loan	459,724	459,724	–	–
Obligations under finance leases and hire purchase contracts	–	–	16,176	16,176
Deferred income	28,722	28,722	19,485	16,375
	1,087,334	1,087,334	756,680	753,570

Loans are repayable as follows:

	Group 2018	Company 2018	Group 2017	Company 2017
	£	£	£	£
Within one year				
Bank loan	257,967	257,967	–	–
Amounts due under finance leases and hire purchase contracts	9,202	9,202	44,838	40,039
After one year and within two years				
Bank loan	271,190	271,190	–	–
Amounts due under finance leases and hire purchase contracts	–	–	3,188	3,188
After two years and within five years				
Bank loans	188,534	188,534	–	–
Amounts due under finance leases and hire purchase contracts	–	–	12,988	12,988
	726,893	726,893	61,014	56,215

Group and Company

The bank loan is repayable over three years in monthly instalments that commenced in September 2018. The loan is secured by fixed and floating charges over Broker Direct Plc and a cross guarantee between Broker Direct Plc, Broker Direct Retail Holdings Limited, Broker Direct Acquisitions Limited and Insurance Compliance Services Limited. The interest rate on the loan is fixed at 5.03% p.a.

17 Provisions for liabilities

Group and Company

Commission clawback provision

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

The movement in the provisions during the year were:

	Commission clawback provision	Dilapidation provision	Total
	£	£	£
At 1 January 2018	49,991	100,000	149,991
Utilised in the year	(49,991)	–	(49,991)
Additional provision for the year	32,258	–	32,258
At 31 December 2018	32,258	100,000	132,258

Notes to the financial statements continued

18 Deferred taxation

The potential deferred taxation asset is as follows:

	Group 2018 £	Company 2018 £	Group 2017 £	Company 2017 £
Depreciation in excess of capital allowances	27,636	29,001	26,172	27,115
Technical reserves	46,376	46,376	46,958	46,958
Deferred tax asset	74,012	75,377	73,130	74,073

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 2018 £	Company 2018 £	Group 2017 £	Company 2017 £
Deferred tax asset brought forward	73,130	74,073	67,145	68,858
Profit and loss account movements in the year (note 8)	882	1,304	5,985	5,215
Deferred tax asset carried forward (note 14)	74,012	75,377	73,130	74,073

The amount of the net reversal of deferred tax expected to occur next year is £33,164 (2017: £39,459), relating to the reversal of existing timing differences on tangible fixed assets and provisions.

The Group has a deferred tax asset of £406,757 (2017: £406,757) that has not been provided for in the accounts. This relates to capital losses of £2.4m (2017: £2.4m) arising on the sale of subsidiaries in 2011.

19 Financial instruments

	31 December 2018 £	31 December 2017 £
Financial assets that are debt instruments measured at amortised cost	18,425,717	16,622,990
Financial liabilities measured at amortised cost	19,118,222	16,593,165

Financial assets measured at amortised cost comprise of cash and debtors. Financial liabilities measured at cost comprise of loans and creditors.

20 Called up share capital

	2018 £	2017 £
Authorised		
6,000,000 "A" ordinary shares of £0.20 (2017: £0.20) each	1,200,000	1,200,000
Allotted		
4,025,934 "A" ordinary shares of £0.20 (2017: £0.20) each	805,187	805,187
Called up		
Fully paid		
3,963,434 "A" ordinary shares of £0.20 (2017: £0.20) each	792,687	792,687
Partly paid		
62,500 "A" ordinary shares of £0.20 (2017: £0.20) each one quarter called up and paid	3,125	3,125
	795,812	795,812

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. 3,963,434 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.

21 Reserves

Called-up share capital – represents the nominal value of shares that have been issued and paid.

Share option reserve – the provision required to date for the fair value of share options likely to vest in employee schemes currently in place.

Profit and loss account – includes all current and prior period retained profits and losses.

Non-controlling interest – includes the amount of capital and reserves attributable to minority interests.

22 Share based payments

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

	Scheme 4(b)	Scheme 5	Scheme 6	All schemes
Exercise price	£1.00	£1.20	£1.00	£1.00
Granted at 1 January 2018	536,846	687	965,001	1,502,534
Granted in the year	0	0	0	0
Forfeited during the year	(10,000)	0	0	(10,000)
Exercised during the year	0	0	0	0
Expired during the year	0	0	0	0
Granted at 31 December 2018	526,846	687	965,001	1,492,534
Exercisable at 31 December 2018	0	687	0	687

No 4(b) Enterprise Management Incentive Scheme (2014)

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 May 2014, 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.

- a) For the executive directors, the total number of shares over which each option can be exercised depends upon Broker Direct Plc's consolidated profit before amortisation and tax for the financial years ending 31 December 2014 to 31 December 2019 and each option can only be exercised (to the extent that such performance target has been satisfied).

Nil shares have vested to qualifying individuals as at 31 December 2018.

Vested options are exercisable at any time until 30 April 2024.

- b) For the managers, the total number of shares over which each option can be exercised depends upon Broker Direct Plc's Company profit before tax for the financial years ending 31 December 2014 to 31 December 2019 and each option can only be exercised (to the extent that such performance target has been satisfied).

In 2018 the Company cancelled 10,000 granted options.

Nil shares have vested to qualifying individuals as at 31 December 2018.

Vested options are exercisable at any time until 30 April 2024.

Notes to the financial statements continued

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. The options were subsequently modified such that the financial years on which the performance targets were based were extended to 31 December 2013. In line with FRS 102, the modification did not result in a change to the fair values of the option, however it could have increased the number of options expected to vest over the extended vesting period.

687 shares have vested to qualifying individuals as at 31 December 2018.

Vested options were exercisable at any time until 19 January 2019. The options did not vest, consequently they are cancelled in 2019.

No 6 Enterprise Management Incentive Scheme (2016)

At the Annual General Meeting on 16 May 2016, the shareholders passed a resolution authorising the establishment of the Broker Direct Plc 2016 Share Option Scheme.

In July 2016, 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 directors.

- a) The options may only vest and be exercised on a sale of the Company.
- b) The number of option shares over which the option may be exercised is determined with reference to the sale proceeds.

Because the shares only vest and are exercisable on a sale of the Company, nil shares have vested to qualifying individuals as at 31 December 2018.

Vested options are exercisable at any time until 20 July 2026.

Assumptions:

The Group uses the Black-Scholes model to fair value the Group's share options. During the year £52,959 (2017: £36,866) was expensed, with a corresponding credit (2017: credit) to other reserves.

23 Leasing commitments

Future operating lease payments are due as follows:

	2018	2017
	Land and buildings	Land and buildings
	£	£
Operating lease payments payable:		
– within one year	232,498	177,470
– within two to five years	499,388	731,891
	731,886	909,361

24 Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities at 31 December 2018 or 31 December 2017.

25 Related party transactions

The Company has taken advantage of the exemption within FRS 102 (section 33) and has not disclosed transactions with wholly owned subsidiaries.

Management determine that the key management personnel are the directors of the Group and Company whose remuneration is disclosed in note 7.

In the year the group paid fees of £128,503 (2017: £125,010) to CPD Underwriting Solutions Limited, an associate of Broker Direct Plc. No amounts were outstanding at year end.

26 Financial risk management

The Group is exposed to a variety of financial risks as summarised below.

- Credit risk.
- Liquidity risk.
- Interest rate risk.
- Reserving risk.
- Foreign currency risk.

The directors review and agree policies for managing these risks, which are addressed in more detail in the Strategic Report.

27 Controlling party

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

28 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to the shareholders of the parent company as the numerator.

The share option exercise prices are higher than the value at which the Company shares have traded during both 2017 and 2018 and therefore have no dilutive effect on the earnings per share.

The weighted average number of shares for the purposes of both basic and diluted earnings per share is as follows:

	2018	2017
Weighted average number of shares used in basic and diluted earnings per share	4,025,934	4,025,934

29 Subsidiary company audit exemption

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

BDElite Limited (company number 07636844) is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

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

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

Broker Direct Retail Holdings Limited (company number 05947615) is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

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