BrokerDirect Plc
A better way to insure

ANNUAL REPORT AND ACCOUNTS

2020

Contents

Company registration number:
02958427

Registered Office:
Deakins Park
Deakins Mill Way
Egerton
Bolton
BL7 9RW

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

Secretary:
I J Gray

Bankers:
Barclays Commercial Bank
51 Mosley Street
Manchester
M60 2AU

Auditors:
Mazars
One St Peter's Square
Manchester
M2 3DE

Chairman's Report

Overview

Group income and profit grew but was limited by COVID-19. Claims volumes were hit by the lighter traffic during lockdown and business activity was reduced. Nevertheless, the Group has made significant strides in establishing new levels of income in both Agency and in Proficient's third party claims administration.

Insurance Compliance Services Limited was sold in October. The company was acquired in 2008 as a strategic purchase and has been consistently profitable. However, the direction of the Group has not realised the expected synergies so when we were approached with an acceptable cash offer we were happy to sell. The remittance is in three annual instalments.

Broker Direct

Proficient third-party claims volumes were hit by the lockdown which also reduced the opportunity to write new business on some products. There were major areas of Proficient business which were relatively unaffected but overall revenue was less than forecast. The Company added an additional insurer to its list as a result of recommendation. As expected, market awareness of Proficient is increasing with increased marketing and sales activity.

Agency written premiums rose to over £46m. The product range was widened by the introduction of a non-standard motor policy and there was a substantial contribution from the renewal book and from new brokers coming on stream. We believe that Agency is now providing more relevant products to independent brokers than for some considerable time.

BDElite

Revenue was hit by the COVID-19 lockdowns which reduced claim numbers. Broker recruitment activity was also curtailed although where the market opened up, we were satisfied with the remarkable level of success that we experienced.

As always, we continue to get excellent reports on customer satisfaction.

Results

The Group made a pre-tax profit of £773,225 (2019: £402,153), £693,961 after tax (2019: £395,669).

Turnover increased to £24,281,582 (2019: £22,466,474). Gross profit increased to £13,770,611 (2019: £12,861,589).

Markets

Not surprisingly it seems to have been a somewhat quieter year across the industry but as the lockdown eases we expect that to change; work being done behind the scenes should contribute to a bounce back as soon as lockdown is over.

The Whiplash reforms, long-promised, are now more confidently expected in May. These reforms are expected to cause short term market activity as the motor and accident management markets respond to the elimination of over 90% of accident management fees relating to legal services.

The FCA have announced plans to eliminate the practice of "price walking" where existing policyholders' premiums increase at renewal regardless of the new business price being quoted. New rules are expected to be introduced this year or early 2022 and should help most brokers. The market is expecting to see an increase in competitiveness in the run-up to this change.

2020 saw more withdrawals from the UK motor market, which continues to be regarded as being extremely competitive.

Outlook

The lockdown is continuing to suppress volumes, but we all hope for a return to normal sometime this year.

In particular there is substantial potential for Proficient as lockdown is eased and products that have been held up are launched by our clients. Proficient is providing services to some of the most far-sighted new entrants and we expect to see their books grow significantly.

CPD, our main underwriting partner, expects to maintain its capacity arrangement and to launch new products in more specialist areas of the UK motor market. As we approach the end of the first three years of trading under this venture, the performance of products, technology and costs is being reviewed. This and the market changes described make volumes somewhat uncertain this year. New brokers are coming on stream regularly as software houses complete projects.

BDElite income is expected to fall in the immediate aftermath of the whiplash reforms, although we see many opportunities in the market disruption that follows. The Company continues to introduce new products and its service is well loved by over 400 brokers, it is identifying new opportunities and can be expected to continue to grow.

COVID-19 has given us the opportunity to experiment with new ways of working, all necessary but some proving better than others. This is an example of management's permanent focus on appropriate technology, efficiency and flexibility which will be particularly significant in 2021.

The outlook continues to be promising, the Group has many opportunities, and we anticipate a significant bounce back, however the result of the current circumstances is that profits will be under pressure this year.

Personnel

The furlough scheme was used to mitigate the effect of lockdown on staff levels and we have implemented home working for some. The management and staff have delivered an outstanding result in difficult conditions.

The Board are grateful for the contribution over the years of the management and staff of ICS and wish them all success in their new home.

Asset Match

The Company has appointed Asset Match to facilitate trading in the ordinary shares. Asset Match, a firm authorised and regulated by the Financial Conduct Authority, operate an electronic off-market dealing facility.

Shareholders wishing to trade shares on Asset Match must do so through a UK stockbroker. The preferred broker is shareDeal active (www.sharedealactive.co.uk). However please contact Asset Match to confirm whether your existing broker is set-up to deal.

The Asset Match trading facility operates under its own code of practice which governs the behaviour of participants and the running of the periodic auctions. Asset Match operates an open auction system where volumes of bids and offers at different prices are displayed on its website together with the closing date of the auction. At the end of each auction period Asset Match pass this information through a non-discretionary algorithm that determines a "market-derived" share price based on supply and demand and allocates transactions accordingly. Bids and offers may be made and withdrawn at any time before the closing date of each auction.

Shareholders are encouraged to register at www.assetmatch.com and direct any enquiries to dealing@assetmatch.com or alternatively Tel. 020 7248 2788. Asset Match Limited, New Broad Street House, 35 New Broad Street, London, EC2N 1NH

Roy Green
Chairman

21 April 2021

Business model

The Group operates in three areas of UK general insurance, 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 and managing general agents (MGAs) to provide:

   - Agency: Product distribution, policy servicing and claims handling, via the Company's 700+ network of UK insurance brokers.
   - Proficient: Third party administration services on behalf of insurers and MGAs who select a service or range of services from product build and distribution, through premium administration, to claims handling.

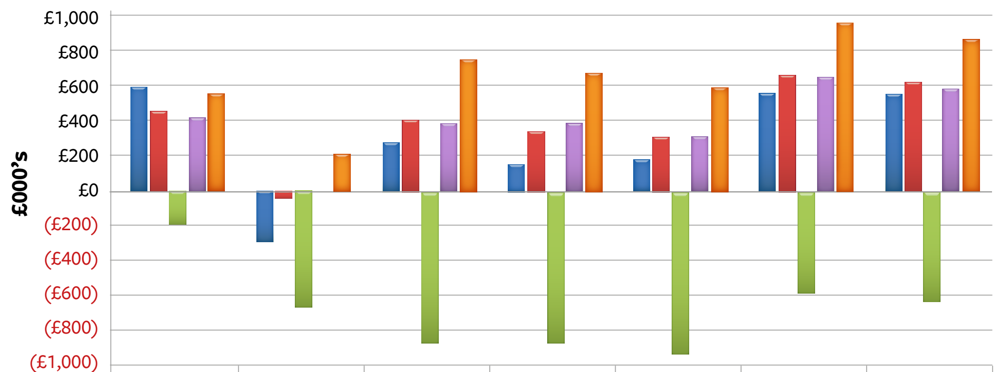
2. **BDElite's mission is to provide a 'Best in Class' suite of add-on products backed by excellent service.**

   The company's income is primarily derived from:

   - commission earned 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.

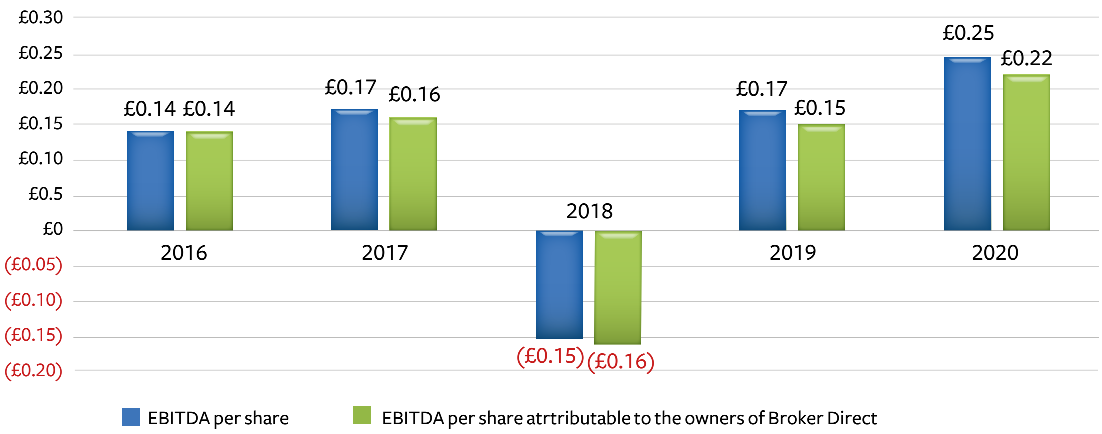
The Group only recognises and reports commission and fee income for providing the services in accordance with the delegated authorities, rather than the gross premiums processed. Where a company carries the financial risk, for example in the commissions ceded to our insurance brokers, the Company recognises revenue inclusive of those commissions.

Profit metrics

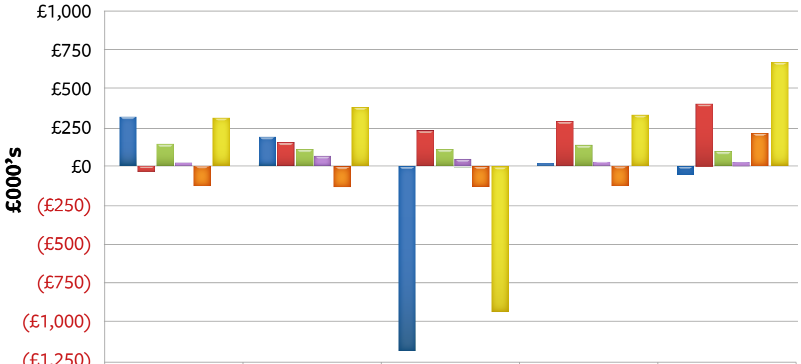


	Operating Profit/(Loss) before exceptional items	Exceptional items	Profit/(Loss) before tax	Profit/(Loss) after tax	Profit/(Loss) after tax adjusted for non-controlling interest	EBITDA (Earnings before interest, tax, depreciation and amortisation)	EBITDA attributable to the owners of Broker Direct
2016	£600	(£300)	£290	£160	£190	£570	£570
2017	£460	(£40)	£420	£350	£320	£680	£640
2018	(£190)	(£680)	(£880)	(£880)	(£940)	(£590)	(£640)
2019	£420	£0	£400	£400	£320	£670	£600
2020	£561	£212	£773	£694	£613	£991	£891

Earnings Before Interest, Tax, Depreciation & Amorisation (EBITDA) per Share



Segmental reporting – contributions to Group profit before tax



	2016	2017	2018	2019	2020
Broker Direct	£319	£190	(£1,187)	£16	(£57)
BDElite adjusted for minority interest	(£28)	£149	£228	£284	£401
Insurance Compliance Services	£140	£105	£110	£137	£98
Our Network	£16	£65	£41	£24	£19
Amortisation, impairment, gain on sale of subsidiary	(£129)	(£129)	(£129)	(£129)	£212
Group Profit before tax attributable to Broker Direct shareholders	£318	£379	(£937)	£331	£673

Note: Insurance Compliance Services is 10 months only to 30/10/20 when the subsidiary was sold (2019: 12 months)

Key Stakeholder Relationships

The Board recognises its responsibility to promote the success of the Company for the benefit of the members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board recognises the growing public expectation that businesses should act as good corporate citizens, serving a far wider set of stakeholders than just Broker Direct's shareholders. The Board believe that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company both for the benefit of its members as a whole, and in regard to the other matters as detailed in S.172 (a) - (f) Companies Act 2006.

The directors engage with stakeholders in a number of ways, including; sharing appropriate management information in a timely manner; meetings (compliant with public health guidance); bulletins and vlogs.

Decisions are taken in the interests of business sustainability and longevity. Generally, this means building on what we do well, cementing our relationships and targeting new opportunities that exploit our skill-sets. Further information is provided in the risk analyses later in this Strategic Report.

Principal risks and uncertainties

The directors promote risk awareness through:

- Horizon scanning, continually monitoring the business environment to identify emerging issues and early warning signs;
- maintaining an organisational risk aware culture, where everyone is encouraged to raise their insights or concerns which can be accelerated to the Board where appropriate; and
- avoiding complacency. Optimism bias undermines effective risk management.

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); and
- 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 businesses 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:

First Line – Business Operations:

- 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.

Second Line – Oversight Functions:

- establishes policies, frameworks and standards;
- provides direction and guidance on effective risk, control and compliance; and
- oversight, challenge, monitoring and assurance.

Third Line – Independent Assurance:

- 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 risk 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 out '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 regulatory 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; and
- the Company is represented 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

Additionally, as with most companies, we are dealing with a new layer of uncertainty associated with the COVID-19 pandemic which has challenged and disrupted both our business and our usual management and governance processes. Whilst this uncertainty is likely to decrease over time, no-one can be sure of the length and extent of social distancing restrictions, access to financial support measures made available by the government, or the impact on the economy.

COVID-19 Pandemic

The need to weather global systemic shocks is not new. Having endured the effects of the financial crisis of 2008 which threatened the near collapse of the international banking system, we are now living through the impact of COVID-19.

Whilst a pandemic has formed part of the Companies' business continuity plans for many years, we could not have envisaged the ultimate level of impact and, as importantly, the various government responses to the crisis. Our response has, by necessity been fluid. The steps taken are designed to:

- respond to government regulations and guidance as they evolve;

- protect the health, safety and wellbeing of our staff, clients and suppliers;
- minimise disruption to the services we provide;
- maintain financial discipline; and
- maintain business continuity.

The Group has identified the principal risks and uncertainties in relation to COVID-19 that are material to the business, notably:

- liquidity and Financing;
- health, safety, wellbeing and retention of employees;
- disruption to supply chain;
- IT systems resilience.

The Pandemic has negatively impacted the business, primarily:

- the cost of rapidly redeploying staff to home working;
- disruption in the supply chain;
- significant decline in claim volumes.

The Group has adopted the following Government support schemes:

- Coronavirus Job Retention Scheme;
- postponement in settling one calendar quarter of VAT in 2020. This will now be settled commencing June 2021.

There is further explanation at Note 2 to the Financial Statements.

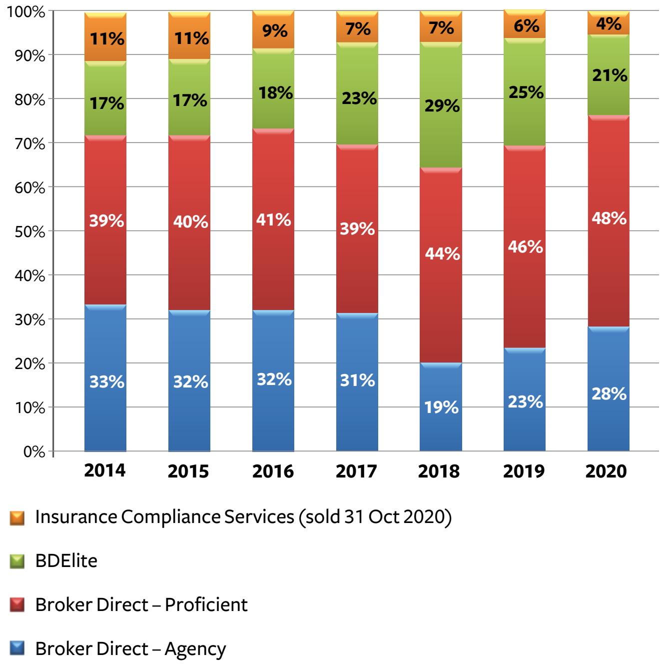
The Board will continue to dynamically respond to the evolving situation, notably:

- develop and implement mitigating actions and processes to ensure that the businesses continue to operate an effective control environment, addressing key reporting and other controls on which we place reliance historically but which may not prove effective in the current circumstances;
- considering how we will secure reliable and relevant information, on a continuing basis, in order to manage the future operations, including the flow of financial information from significant subsidiary, joint venture and associate entities;
- paying attention to working capital maintenance, ensuring that sufficient resources remain to continue to meet the companies' needs; and
- making forward-looking assessments and estimates when preparing these financial statements that provide insights into the board's assessment of business viability and the methods and assumptions underlying that assessment.

The economic impact of COVID-19 will be long lasting. Some businesses will be hurt more than others and, conversely, some will recover faster than others. Clearly, it is the Board's objective to navigate the crisis and position the Group for sustainable growth.

Market Risk

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. (iii) Insurance Compliance Services Ltd was divested on 31st October 2020.

The Group is committed to building strong positive relationships with a range of insurers, brokers and managing general agents.

Broker Direct

Revenues are primarily derived from the amount of premium, the number of policies and the number of claims processed on behalf of our insurer and MGA (Managing General Agent) partners. The personal lines insurance market continues to be highly price sensitive and as a result is intensely competitive. As with previous years, in 2021 we expect the Company's fortunes to continue to be heavily reliant on our partners' competitive appetites.

Agency

In 2020, Broker Direct continued the heavy investment started in 2018, to launch and service a suite of products through the joint venture with CPD Underwriting Solutions Ltd. Five products were launched in the first half of 2019 on which £25 million of premium was written in the year. In 2020, six products wrote £41m. In 2021, we expect further growth from both the established products and additional new product launches.

Underwriting performance will always be a priority concern for our insurers and therefore for ourselves. Regular internal and external reviews are conducted with the results reported at least monthly to insurers.

Proficient

Broker Direct utilises its infrastructure to provide a range of administration services to insurers and MGAs for their branded products distributed through their own agency bases. 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.

In 2020, one new claims handling agreement went live, and we are pro-actively seeking additional deals in 2021.

Claims volumes were subdued in the year, reflecting the reduction in road traffic as a result of the COVID-19 lockdown measures.

BDElite

In addition to our core Motor Legal Expense Insurance (LEI) products, we offer a range of add-on products including Household LEI, Vehicle Breakdown, Home Emergency, Property Assistance and Commercial LEI.

Revenues are derived primarily from:

- commission retained on the sale of legal expenses insurance policies; and
- referral and recommender fee income earned when handling the motor claims arising on those policies.

2020 was a challenging year for the company. The COVID-19 related lockdowns had a direct effect on vehicle use and a consequent significant reduction in the volume of claims. The business adapted well to the pandemic, thanks in part to the government's Coronavirus Job Retention Scheme (the 'Furlough' scheme).

We continue to monitor the progress of the whiplash reforms, notably 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'. The aim of the reforms is to reduce the volume of fraudulent and exaggerated whiplash claims. The Government's latest target is to have the measures effective from 1st May 2021. Whilst the final rules are still unknown, the company has extensively planning for the eventuality and is confident of its post-reform future.

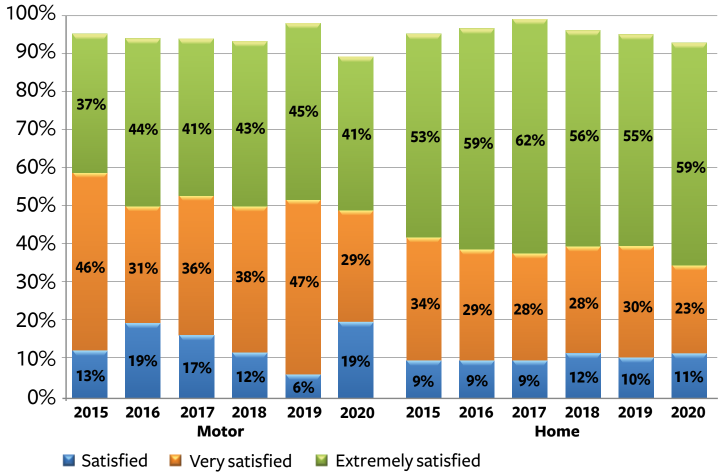
Operational Risk

Customer Service

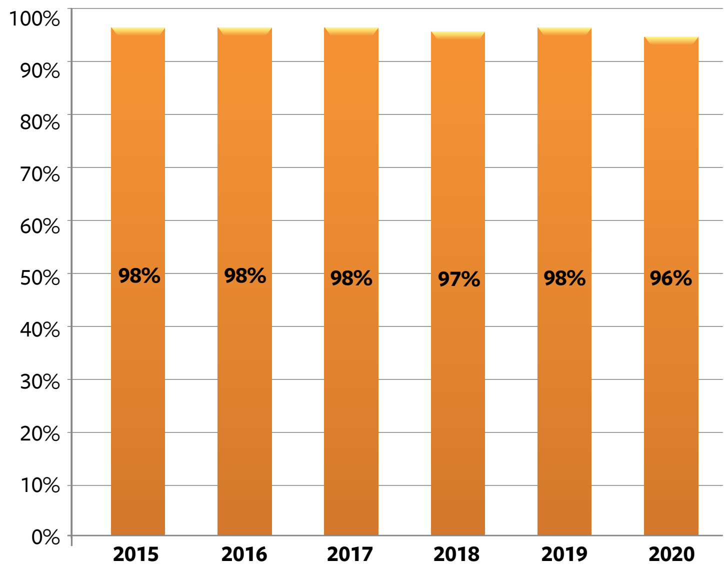
The Group's businesses exist to provide services and consequently great attention is given to the delivery of those services. The business continually invests in efficient IT systems coupled with staff recruitment, training and development to meet its mission to delight brokers and their clients.

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



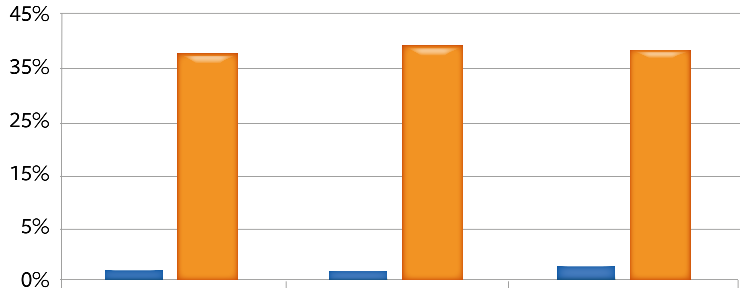
The Company Boards believe the small drop off in the scores is a reflection of the disruption in the claims supply chain caused by the Government's various lockdown measures in response to the COVID-19 pandemic. The Boards are confident of a return to higher scores when normality returns.

Complaints

The Group's ethos is to promote fairness and integrity in customer service. Our aim is to ensure that all complaints are identified and dealt with in a consistent manner and that we comply with best practice and regulatory requirements. We analyse our data and processes to identify areas where improvements can be made and take corrective or preventative action.

Broker Direct continued to receive relatively low volumes of complaints:

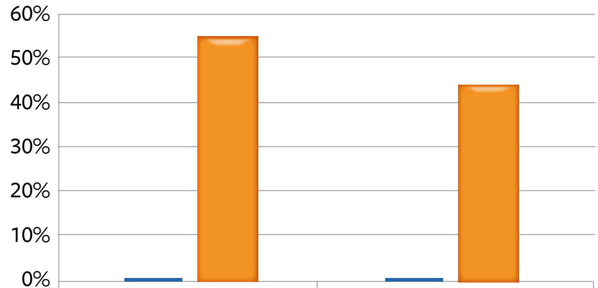
Broker Direct – Complaints



	2018	2019	2020
Complaints received to Claims notified	0.9%	0.8%	1.1%
Complaints upheld to complaints closed	37.5%	39.0%	38.5%

The 'Complaints' cover Underwriting, Broker Services and Claims types.

BDElite – Complaints



	2019	2020
Complaints received to Claims notified	0.5%	0.7%
Complaints upheld to complaints closed	51.1%	40.7%

Although the Group has experienced a negative movement in complaints received to claims notified, the Board:

- is satisfied that the Group has appropriate oversight and maintained a compliant complaint culture during an unprecedented year, and
- anticipates an improvement when normality returns.

The Group's complaints upheld rates are significantly lower than the latest statistics reported by the Financial Conduct Authority (for H1 2020) who state:

- 56% upheld rate for Insurance and Pure Protection (excluding PPI) firms, and
- 51% upheld rate for General Insurance Intermediary firms.

Supplier failure

The Group relies on a large number of external suppliers including a number of strategic suppliers who, if they were to fail, could materially undermine the Group's ability to continue to operate and deliver its strategic objectives.

The Group has policies and procedures in place to manage and monitor the supplier procurement process and contract management in the trading entities which are categorised according to their risk profile. The Group monitors the key risks in each trading entity and the processes in place to ensure that the risk is within appetite.

Technology

Technology can transform how businesses get to market, not only opening up new opportunities but also creating new threats. Challengers are rapidly attacking more established and complex organisations, offering wider and easier access to products and services. For example, advances in technology, such as electric and autonomous vehicles, and connected homes will fundamentally change the nature of insurance.

Accelerating advances or developments for which the Group is not prepared would place the businesses at a competitive disadvantage. The Group routinely monitors developments to ensure that the businesses remain informed, embrace innovation and change, and stay flexible to adapt their business model as appropriate.

Cyber exposure: The Group is increasingly exposed to digital business disruption and data loss. A major cyber event could lead to the Group not being able to access external data critical to the operation of a modern insurance business due to a lack of trust in the Group's ability to protect customer data. In addition to maintaining cyber insurance cover, the Group continues to invest in resources and technology, to ensure that it continues to protect itself from the various and changing cyber threats.

Staff

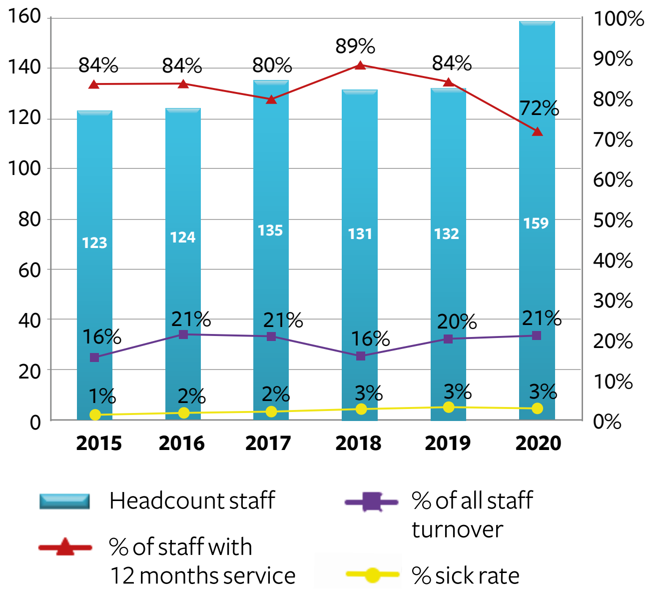
The protection and retention of our staff and their associated corporate memory is crucial to the companies' ability to weather the current COVID-19 storm and to rebuild when the opportunity arises.

The key HR outcomes we focus on are:

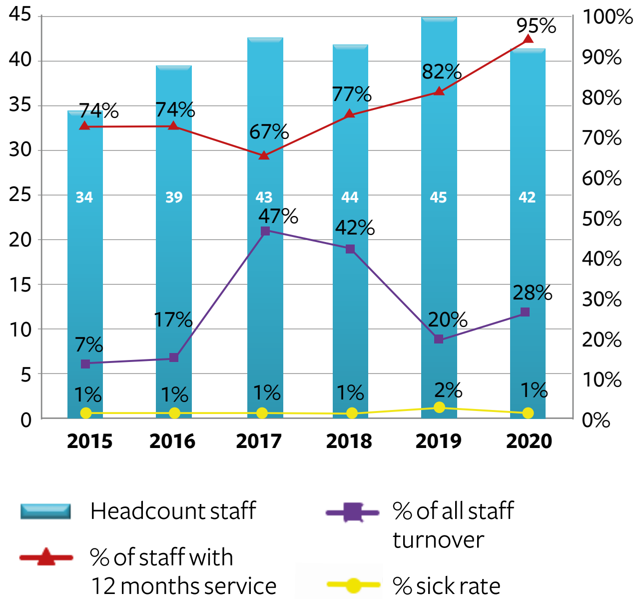
- attract high calibre staff;
- retain experienced & knowledgeable staff;
- realise returns on investment in training and development; and
- be a great place to work.

The Pandemic induced disruption to working practices and changing resource demands has led to the need for new forms of management and control. With the redeployment of many staff to home working, some of our risk management processes, internal controls and employee engagement activities have been adapted to remain workable or have otherwise been relaxed. Such changes were unavoidable or considered necessary in the short-term to maintain our operations. The Company Boards monitor such changes carefully, and alternative mitigating controls have been introduced where necessary and practicable to support the operation of an effective control environment. The Boards are committed to enhancing the channels of communication during this time, to ensure staff are listened to and are able to continue working effectively.

Broker Direct - Staffing



BDElite - Staffing



National demographic trends are reshaping the country's workforce. For example, the work expectations of the 'millennial' generation create both threats and opportunities for the Group.

The focus is to:

(i) provide a flexible, supportive working environment;

(ii) encourage career development;

(iii) employ teams of highly specialised people to deliver a great service to our partners, brokers and their customers; and

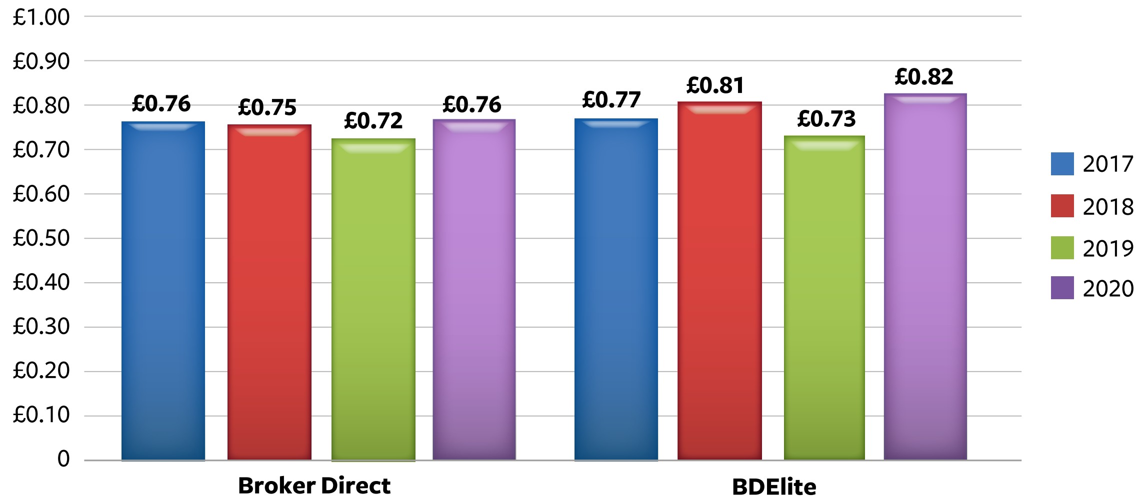
(iv) streamline and automate mundane, predictable and repetitive tasks, to free staff to provide value-add services requiring human intelligence.

Gender Balance

The Groups is:

- conscious and respectful of equality in the workplace; and
- committed to ensuring a fair workplace for all, focusing on capability, a flexible working culture and identifying and removing barriers to fairness, equality and inclusion.

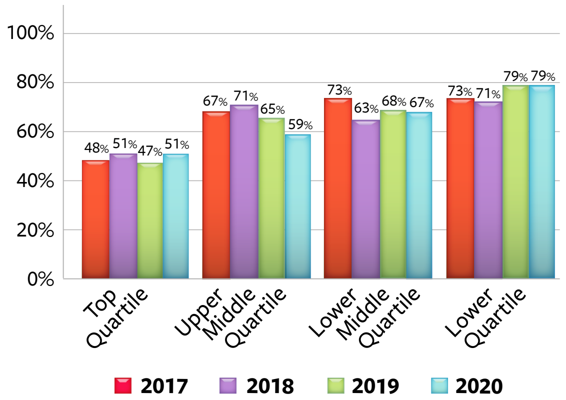
For every £1 earned by a male, a female earns



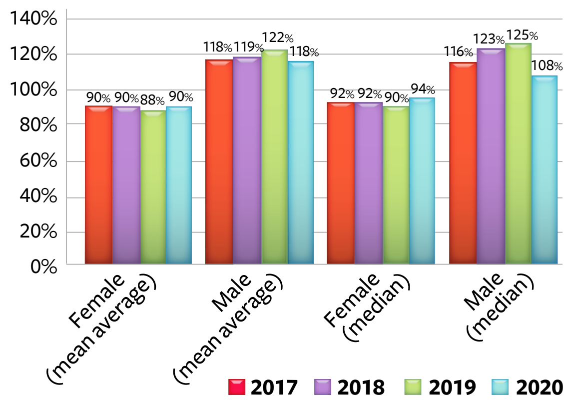
The Board is satisfied that:

- The Group has equal pay for the same or similar work.
- Pay and bonus practices are consistently applied across all employees, irrespective of gender, and are regularly reviewed to ensure consistency.

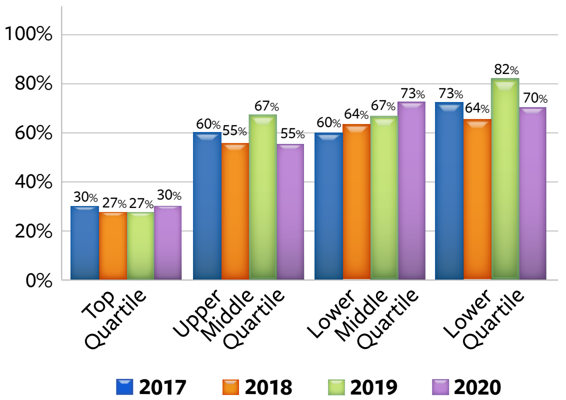
Broker Direct – Proportion of females across 4 equally sized remuneration quartiles



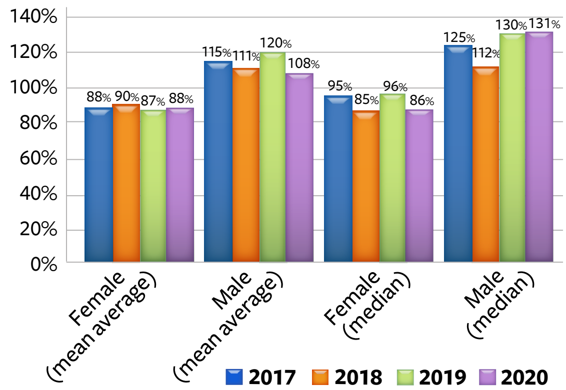
Broker Direct – Average remuneration by gender relative to average remuneration of 100%



BDElite – Proportion of females across 4 equally sized remuneration quartiles



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



Legislation & Regulatory Compliance

The insurance regulatory environment is constantly evolving both at a regulatory and legislative level, with varying degrees of impact on the Group businesses. A shift in the regulatory landscape could introduce constraints therefore increasing the risk to income and/or an increase in capital requirements. Equally, however, changes to the regulatory landscape could present opportunities. The Group strategy is based on the current regulatory horizon.

The Group has an effective regulatory horizon scanning capability to review the potential implications for the Group. The trading entities take the opportunity to embrace change early and, where appropriate, adjust the strategic plans to accommodate that change.

Given the government's attention on dealing with the COVID-19 pandemic and Brexit negotiations, it is unsurprising that 2020 was a relatively stable legislative & regulatory environment for the businesses.

Whiplash reform

The Government has routinely stated its continuing intention to implement a program of reforms in the whiplash personal injury claims arena, to include:

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

The latest Government announcement is that the reforms will be implemented in May 2021. BDElite is confident of its continuing success post reform, is alert to the possibilities and regularly updates its eventuality plans according to developments.

Financial Risk

Financial performance, financial position and cash flows are regularly stress tested, including for reductions in premium and other income, retention rates and business volumes.

Credit Risk

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

The principal trade debtor credit risks are:

- Broker Agencies: Both Broker Direct and BDElite collect premiums from brokers to pass onto the insurers who carry the underwritten risk exposure. Settlement to the insurers is 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.

  At Broker Direct, the broker placing the largest amount of premium represented 16% of total premium placed (2019: 11%).

  The Company has strict acceptance criteria for the appointment of new broker agencies and monitors the brokers against agreed credit and settlement terms. Bad debt experience is negligible.
- Proficient: Broker Direct's third party administration services are invoiced monthly in arrears, for settlement within 30 days. Insurers and Managing General Agents are pre-vetted and monitored for their financial stability.
- In addition to commission income on policy sales, BDElite Ltd receives fee income: (i) from at fault insurers for the provisions of rehabilitation services; (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 represented:
  - 10% of Company retained revenue (2019: 12%);
  - 2% of Group retained revenue (2019: 3%).

Liquidity Risk

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

The Group policy during the year was unchanged, to:

- hold cash balances in readily accessible treasury deposits;
- utilise fixed interest, asset leasing and borrowing facilities.

The costs of building the new CPD products required additional, external funding in 2018 for which a bank loan was agreed. The debt was fully repaid in 2020.

Working capital maintenance is always a primary focus for the business. During such a period of pandemic related uncertainty, it would be irresponsible for the Board to recommend a dividend.

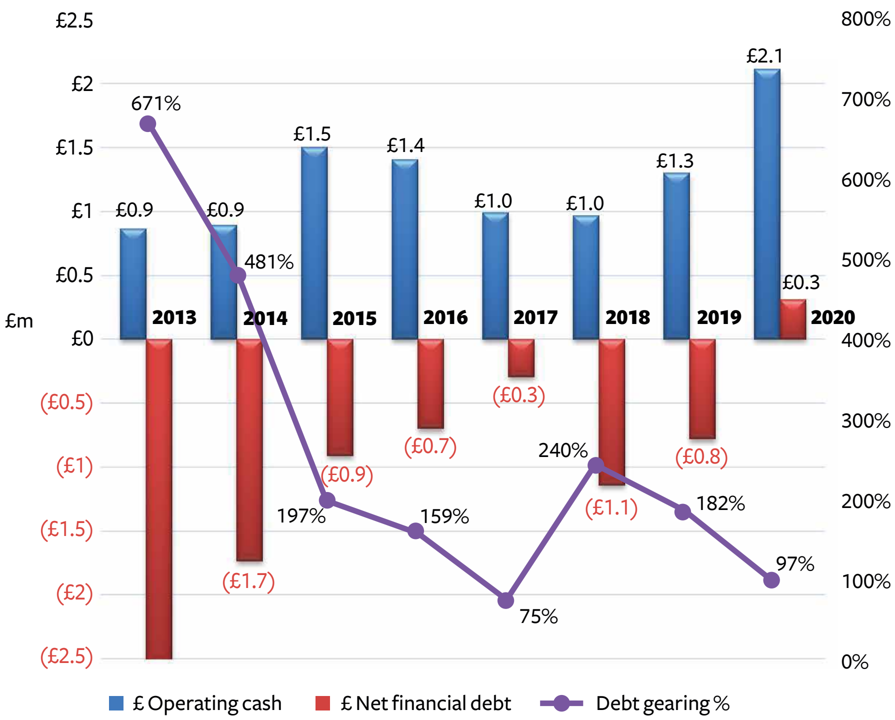
If necessary, the Board believes it would be successful in accessing further cash through financing facilities, notably through the government backed Coronavirus Business Interruption Loan Scheme.

Interest Rate Risk

The Group's modest cash deposits resulted in only nominal interest income in the year and the low interest rate environment of recent years continues into 2021. Consequently, loss of such income is not material to the financial integrity of the business.

In 2021, the Group's borrowings relate to fixed interest leases and are therefore not susceptible to interest rate fluctuations.

Broker Direct - Group Financial Indebtedness



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

(ii) Debt gearing, being operating creditor balances as a proportion of shareholders' funds at year end.

Reserving Risk

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

- Potential bad debt.
- Policy administration; the Company incurs costs over the policy year to administer the policy. The reserve is released to income against those costs; and
- Claims handling; where the Company is paid in advance to administer claims, it holds a reserve for release to income as the expenses of handling those claims arise; and
- Commission claw-back; where policies cancel mid-term, and the Company returns an element of its commission income associated with those cancellations; this return is met via a release from the commission clawback reserve.

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

BDElite hold a reserve 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 this reserves insufficient.

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
21 April 2021

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2020.

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	228,363	-	321,667
Iain Gray	245,199	-	321,667
Roy Green	171,613	-	-
Kedric Rhodes	19,280	-	-
Terry Stanley	234,403	-	321,667

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 (2019: Nil).

The directors do not propose a final dividend for the year (2019: Nil).

Going concern

The directors consider it appropriate to adopt the going concern basis in preparing these financial statements. Further commentary in this regard is set out in the Accounting Policies and Note 2 to the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Chairman's Report, 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 websites.

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

Iain Gray
Group Finance Director
21 April 2021

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; and
- have no personal financial interest in the remuneration decisions they are taking.

During 2020 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 Executives have earned bonuses this year, which have again been deferred and salaries are still largely capped. There is still uncertainty, however it is the intention of the committee to uncap salaries and pay bonuses along with the relevant dividends as the expected developments unfold.

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 2020 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 2020 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 group and the parent 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 course of 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.

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 their 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 17, 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 the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the group and the parent company, and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

21 April 2021

Consolidated statement of comprehensive income

	Note	2020			2019		
		Continuing operations £	**Discontinued operations £**	**Total £**	Continuing operations £	Discontinued operations £	Total £
Turnover	5	**23,723,392**	**558,190**	**24,281,582**	21,591,723	874,751	22,466,474
Cost of sales		**(10,383,866)**	**(127,105)**	**(10,510,971)**	(9,399,284)	(205,601)	(9,604,885)
Gross profit		**13,339,526**	**431,085**	**13,770,611**	12,192,439	669,150	12,861,589
Other operating charges		**(13,171,957)**	**(354,203)**	**(13,526,160)**	(11,909,295)	(532,164)	(12,441,459)
Other operating income	5	**321,305**	**21,094**	**342,399**	–	–	–
Operating profit		**488,874**	**97,976**	**586,850**	283,144	136,986	420,130
Profit on disposal of Operations	6	**211,590**	**–**	**211,590**	–	–	–
Impairment of investment	6	**(21,429)**	**–**	**(21,429)**	–	–	–
Interest receivable and similar income		**14,332**	**–**	**14,332**	12,373	–	12,373
Interest payable and similar expenses		**(18,118)**	**–**	**(18,118)**	(30,350)	–	(30,350)
Profit before tax		**675,249**	**97,976**	**773,225**	265,167	136,986	402,153
Tax on profit	8	**(79,264)**	**–**	**(79,264)**	(5,901)	(583)	(6,484)
Profit after tax for the financial year		**595,985**	**97,976**	**693,961**	259,266	136,403	395,669
Profit for the year attributable to:							
Non-controlling interests		**81,182**	**–**	**81,182**	71,254	–	71,254
Owners of the parent company		**514,803**	**97,976**	**612,779**	188,012	136,403	324,415
Profit for the financial year		**595,985**	**97,976**	**693,961**	259,266	136,403	395,669
Profit per share attributable to the owners of the parent company							
- Basic and Diluted (pence)		**12.79**	**2.43**	**15.22**	4.67	3.39	8.06

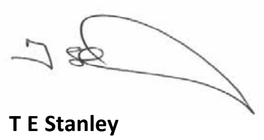
There were no recognised gains or losses other than the profit for the year.

Consolidated statement of financial position

	Note	31 Dec 2020 £	31 Dec 2019 £
Fixed assets			
Investments	12	**–**	21,429
Intangible assets	10	**200**	1,024,881
Tangible assets	11	**232,212**	183,745
		232,412	1,230,055
Current assets			
Debtors	15	**17,477,159**	16,059,289
Debtors receivable after more than one year	16	**426,288**	–
Cash at bank and in hand	14	**8,630,315**	9,875,302
		26,533,762	25,934,591
Creditors: amounts falling due within one year	17	**(23,577,324)**	(24,765,975)
Net current assets		**2,956,438**	1,168,616
Total assets less current liabilities		**3,188,850**	2,398,671
Creditors: amounts falling due after more than one year	18	**(1,148,122)**	(1,118,145)
Provisions for liabilities	19	**(172,017)**	(135,009)
Net assets		**1,868,711**	1,145,517
Capital and reserves			
Called up share capital	22	**795,812**	795,812
Share option reserve	23	**136,977**	110,117
Profit and loss account	23	**770,656**	155,504
Equity attributable to the owners of the parent company		**1,703,445**	1,061,433
Non-controlling interests		**165,266**	84,084
Shareholders' funds		**1,868,711**	1,145,517

The financial statements were approved and authorised for issue by the Board of Directors on 21 April 2021.

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 2020

	Note	31 Dec 2020 £	31 Dec 2019 £
Fixed assets			
Tangible assets	11	**216,047**	174,005
Investments	12	**5,000**	26,429
		221,047	200,434
Current assets			
Debtors	15	**17,090,757**	16,538,926
Cash at bank and in hand		**7,583,994**	8,994,581
		24,674,751	25,533,507
Creditors: amounts falling due within one year	17	**(22,781,595)**	(23,703,743)
Net current assets		**1,893,156**	1,829,764
Total assets less current liabilities		**2,114,203**	2,030,198
Creditors: amounts falling due after more than one year	18	**(1,146,757)**	(1,118,145)
Provisions for liabilities	19	**(172,017)**	(135,009)
Net assets		**795,429**	777,044
Capital and reserves			
Called up share capital	22	**795,812**	795,812
Share option reserve	23	**136,977**	110,117
Profit and loss account	23	**(137,360)**	(128,885)
Shareholders' funds		**795,429**	777,044

The Company made a loss of £21,496 in the year ended 31 December 2020 (2019: profit £264,060).

The financial statements were approved and authorised for issue by the Board of Directors on 21 April 2021.

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

	2020	2019
	£	£
Cash flows from operating activities		
Profit before tax: Continuing operations	**595,985**	258,682
Discontinued operations	**97,976**	136,987
Amortisation	**1,042**	132,924
Depreciation	**133,821**	119,964
Profit on sale of fixed assets	**–**	(3,400)
Impairment of investment in CPD Underwriting Solutions Limited	**21,429**	–
Gain on sale of Insurance Compliance Services Limited	**(211,590)**	–
Share option expense/(credit)	**26,860**	(71,143)
Interest expense	**18,118**	30,350
Interest income	**(14,332)**	(12,372)
Taxation	**79,264**	6,484
Increase in debtors	**(1,010,105)**	(2,081,111)
(Decrease)/increase in creditors	**(658,936)**	6,924,638
Cash (utilised)/generated from operations	**(920,468)**	5,442,003
Corporation tax paid	**–**	–
Net cash (utilised)/generated from operating activities	**(920,468)**	5,442,003
Cash flows from investing activities		
Proceeds from sale of tangible assets	**–**	5,500
Net cash inflow from sale of discontinued operations	**320,117**	–
Purchase of tangible and intangible fixed assets	**(194,147)**	(119,426)
Interest received	**14,332**	12,372
Net cash generated from/(utilised in) investing activities	**140,302**	(101,554)
Cash flows from financing activities		
Loan repayments	**(459,724)**	(257,967)
Finance lease interest paid	**–**	(135)
Loan interest paid	**(18,118)**	(30,215)
Repayment of finance leases and hire purchase contracts	**–**	(9,202)
Unclaimed dividends returned to reserves	**13,021**	1,959
Equity dividends paid	**–**	(60,000)
Net cash from financing activities	**(464,821)**	(355,560)
Net (decrease)/increase in cash and cash equivalents	**(1,244,987)**	4,984,889
Cash and cash equivalents at the beginning of the year	**9,875,302**	4,890,413
Cash and cash equivalents at the end of the year	**8,630,315**	9,875,302

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 2019	**795,812**	**181,260**	**(170,869)**	**806,203**	**72,829**	**879,032**
Profit and total comprehensive income for the year	–	–	324,414	**324,414**	71,255	**395,669**
Decrease in share option reserve	–	(71,143)	–	**(71,143)**	–	**(71,143)**
Unclaimed dividends returned to reserves	–	–	1,959	**1,959**	–	**1,959**
Non-controlling interest transactions	–	–	–	**–**	(60,000)	**(60,000)**
At 31 December 2019	**795,812**	**110,117**	**155,504**	**1,061,433**	**84,084**	**1,145,517**
Profit and total comprehensive income for the year	–	–	612,779	**612,779**	81,182	**693,961**
Increase in share option reserve	–	26,860	–	**26,860**	–	**26,860**
Unclaimed dividends returned to reserves	–	–	13,021	**13,021**	–	**13,021**
Post-acquisition reserves removed from group on sale of ICS	–	–	(10,648)	**(10,648)**	–	**(10,648)**
At 31 December 2020	**795,812**	**136,977**	**770,656**	**1,703,445**	**165,266**	**1,868,711**

Company statement of changes in equity

	Called up share capital	Share option reserve	Profit and loss account	Total
	£	£	£	**£**
At 1 January 2019	**795,812**	**181,260**	**(394,904)**	**582,168**
(Loss) and total comprehensive income for the year	–	–	264,060	**264,060**
Increase in share option reserve	–	(71,143)	–	**(71,143)**
Unclaimed dividends returned to reserves	–	–	1,959	**1,959**
At 31 December 2019	**795,812**	**110,117**	**(128,885)**	**777,044**
Loss and total comprehensive income for the year	–	–	(21,496)	**(21,496)**
Increase in share option reserve	–	26,860	–	**26,860**
Unclaimed dividends returned to reserves	–	–	13,021	**13,021**
At 31 December 2020	**795,812**	**136,977**	**(137,360)**	**795,429**

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.

The business was established in 1997 with a unique proposition: the establishment of a general insurance management operation for brokers, majority owned by brokers.

Today, the Broker Direct Group supplies a range of insurance related capabilities including product build, distribution, premium collection and claims handling, compliance consultancy and accident management services.

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 £21,496 (2019: Profit £264,060).

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; and
- 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 16 to 17 and the Strategic Report on pages 6 to 15.

At 31 December 2020, operational cash balances amounted to £2,113,174 (Note 14) (2019: £1,301,794) and other loans amount to £Nil (Note 16) (2019: £459,724).

The directors have adopted the going concern basis in preparing these accounts after assessing the principal risks and having considered the severe impact of COVID-19. The major variables are the depth(s) and duration of COVID-19 together with the possible government responses. We regularly and routinely scenario plan on the primary assumption that our operations will continue to remain open, to sell our products and provide our services in compliance with government regulations and guidance.

Recognising that the situation is far from stable, the directors routinely consider the impact on revenues, profits and cashflows. The virus has impacted across many functions of the business from supply chain to the ability of our staff to provide services. It has most significantly manifested itself in marked reductions in claims volumes, correlating with the severity of the lockdown measures introduced by the Government and devolved administrations.

After making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group will have adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing these financial statements.

In the event of the business deteriorating to such an extent that additional action is needed, the directors will consider further spend containment measures including the deferral or cancellation of projects and staff redundancies.

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);
- Valuation of investment in associate company;
- Recoverability of deferred consideration debtor balance on the sale of Insurance Compliance Services Limited.

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) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon a disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

e) Government grants

The Group accounts for government grants (including the Coronavirus Job Retention Scheme) using the accruals model. Revenue-based grants that are receivable as compensation for expenses or losses already incurred are recognised in income in the period in which they are receivable.

f) 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;
- tow 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; and
- 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.

g) 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

h) 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.

i) Investments

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

j) 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 14).

k) 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.

l) Other debtors

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

m) 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.

n) 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 statement of comprehensive income 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.

o) 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.

p) 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.

q) 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.

r) 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 profit and loss account at the later of transaction receipt or effective date. 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.

s) Employee benefits

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

t) 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.

u) 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.

v) 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.

5 Turnover, other operating income and profit on ordinary activities before taxation

The turnover, other operating income 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 and other operating income, analysed by category, was as follows:

	Continuing operations £	Discontinuing operations £	**2020 Total £**	**Continuing operations £**	**Discontinuing operations £**	2019 Total £
Turnover						
Rendering of services and commission	**23,723,392**	**558,190**	**24,281,582**	21,591,723	874,751	22,466,474
Other operating income						
Government grants	**321,305**	**21,094**	**342,399**	–	–	–

6 Profit on ordinary activities before taxation

	2020 £	2019 £
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	**54,000**	44,533
Amortisation of goodwill	**1,042**	129,838
Amortisation of intangible fixed assets	**4,888**	3,086
Depreciation of tangible fixed assets - owned	**128,933**	113,139
- leased	**–**	6,825
Gain on sale of fixed assets	**–**	(3,400)
Operating lease charges – land and buildings	**270,611**	270,611
Exceptional items:		
Impairment of investment in CPD Underwriting Solutions Limited	**21,429**	–
Gain on sale of Insurance Compliance Services Limited	**(211,590)**	–

7 Directors and employees

Group

Staff costs during the year were as follows:	**2020 £**	2019 £
Wages and salaries	**5,846,634**	5,503,250
Social security costs	**531,259**	514,541
Pension costs	**456,378**	469,748
	6,834,271	6,487,539

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 £456,378 (2019: £469,748).

The average number of employees during the year was:	**2020 Number**	2019 Number
Management	**25**	23
Other	**160**	146
	185	169

Remuneration in respect of Company directors was as follows:	**2020** **£**	2019 £
Emoluments	**545,158**	504,504
Pension costs	**63,342**	62,324
	608,500	566,828

During the year, 3 directors (2019: 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:

	2020 **£**	2019 £
Emoluments	**159,121**	147,227
Pension costs	**21,012**	20,215
	180,133	167,442

Company

Staff costs during the year were as follows:	**2020** **£**	2019 £
Wages and salaries	**4,319,934**	3,867,402
Social security costs	**396,455**	354,613
Pension costs	**339,878**	348,738
	5,056,267	4,570,753

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 £339,878 (2019: £348,738).

The average number of employees during the year was:	**2020** **Number**	2019 Number
Management	**17**	16
Other	**117**	105
	134	121

Remuneration in respect of Company directors was as follows:	**2020** **£**	2019 £
Emoluments	**545,158**	504,504
Pension costs	**63,342**	62,324
	608,500	566,828

During the year, 3 directors (2019: 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:

	2020 **£**	2019 £
Emoluments	**159,121**	147,227
Pension costs	**21,012**	20,215
	180,133	167,442

8 Tax on profit on ordinary activities

The taxation charge is based on the profit for the year and represents:	**2020** **£**	2019 £
Current tax:		
UK corporation tax at 19% (2019: 19%)	**100,724**	–
Adjustment in respect of prior periods	**–**	137
Total current tax	**100,724**	137
Deferred tax:		
Origination and reversal of timing differences	**(18,023)**	15,055
Resulting from a change in tax rate	**–**	(8,708)
Adjustments in respect of prior years	**(3,437)**	–
Total deferred tax (Note 19)	**(21,460)**	6,347
Total tax charge on profit on ordinary activities	**79,264**	6,484

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%). The differences are explained as follows:

	2020 **£**	2019 £
Profit on ordinary activities before tax	**773,225**	402,153
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	**146,913**	76,409
Effect of:		
Expenses not deductible for tax purposes	**9,245**	14,673
Effect of reduction in opening deferred tax on change of rate	**–**	(8,707)
Gain on disposal of subsidiary, not chargeable to tax	**(40,201)**	–
Effect of disposal of subsidiary	**(18,616)**	–
Other short term differences	**–**	(1)
Effect of current year events on prior period current tax	**–**	137
Adjustment in respect of prior year’s deferred tax	**(3,437)**	–
Losses brought forward now utilised	**(14,640)**	(99,783)
Losses carried forward	**–**	23,756
	79,264	6,484

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 £21,496 (2019: Profit £264,060).

10 Intangible fixed assets

Group

	Computer software development £	Goodwill on business acquired £	Goodwill on consolidation £	Total £
Cost				
At 1 January 2020	1,154,575	593,808	4,593,404	6,341,787
Additions relating to discontinued operation	3,952	–	–	3,952
Disposals	(5,969)	–	–	(5,969)
Disposals relating to discontinued operation (Note 13)	(46,638)	(593,808)	(4,593,204)	(5,233,650)
At 31 December 2020	1,105,920	–	200	1,106,120
Amortisation				
At 1 January 2020	1,147,888	581,933	3,587,085	5,316,906
Provided in the year	4,888	1,042	–	5,930
Disposals	(5,969)	–	–	(5,969)
Disposals relating to discontinued operation (Note 13)	(40,887)	(582,975)	(3,587,085)	(4,210,947)
At 31 December 2020	1,105,920	–	–	1,105,920
Net book amount				
At 31 December 2020	**–**	**–**	**200**	**200**
At 31 December 2019	6,687	11,875	1,006,319	1,024,881

Amortisation of intangible fixed assets is included in administration expenses.

Company

	Computer software development £
Cost	
At 1 January and 31 December 2020	1,105,920
Depreciation	
At 1 January and 31 December 2020	1,105,920
Net book amount	
At 31 December 2020	**–**
At 31 December 2019	–

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 (2019: £Nil).

11 Tangible fixed assets

Group

	Leasehold improvements £	Fixtures & fittings £	Cars £	Computers and other equipment £	Total £
Costs					
At 1 January 2020	630,807	224,791	70,645	2,572,128	3,498,371
Additions	–	485	–	189,709	190,194
Disposals	–	–	–	(206,063)	(206,063)
Disposals relating to discontinued operation (Note 13)	–	(460)	–	(71,220)	(71,680)
At 31 December 2020	630,807	224,816	70,645	2,484,554	3,410,822
Depreciation					
At 1 January 2020	610,559	223,127	45,719	2,435,222	3,314,627
Provided in the year	12,949	944	6,495	108,545	128,933
Disposals	–	–	–	(206,063)	(206,063)
Disposals relating to discontinued operation (Note 13)	–	(345)	–	(58,542)	(58,887)
At 31 December 2020	623,508	223,726	52,214	2,279,162	3,178,610
Net book amount					
At 31 December 2020	**7,299**	**1,090**	**18,431**	**205,392**	**232,212**
At 31 December 2019	20,248	1,664	24,926	136,906	183,744

Included in the total net book value is £4,900 (2019: £4,900) 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 £Nil (2019: £6,825).

Company

	Leasehold improvements £	Fixtures & fittings £	Cars £	Computers and other equipment £	Total £
Costs					
At 1 January 2020	630,807	224,331	70,645	2,486,460	3,412,243
Additions	–	485	–	158,042	158,527
Disposals	–	–	–	(206,064)	(206,064)
At 31 December 2020	630,807	224,816	70,645	2,438,438	3,364,706
Depreciation					
At 1 January 2020	610,559	222,878	45,719	2,359,082	3,238,238
Provided in the year	12,949	848	6,495	96,193	116,485
Disposed in the year	–	–	–	(206,064)	(206,064)
At 31 December 2020	623,508	223,726	52,214	2,249,211	3,148,659
Net book amount					
At 31 December 2020	**7,299**	**1,090**	**18,431**	**189,227**	**216,047**
At 31 December 2019	20,248	1,453	24,926	127,378	174,005

Included in the total net book value is £4,900 (2019: £4,900) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £Nil (2019: £6,825).

12 Fixed asset investments

Group

	Investment in associates £
At 1 January 2020	**21,429**
Impairment of investment in CPD Underwriting Solutions Limited	**(21,429)**
At 31 December 2020	**–**

The carrying value of the shareholding in CPD Underwriting Solutions Limited was impaired to £Nil in 2020.

Company

	Investment in subsidiaries and associates £
At 1 January 2020	**26,429**
Impairment of investment in CPD Underwriting Solutions Limited	**(21,429)**
At 31 December 2020	**5,000**

The value of the shareholding in CPD Underwriting Solutions Limited was impaired to £Nil in 2020.

At 31 December 2020, 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
Proficient Insurance Administration Limited	Dormant	Ordinary shares	100%	Broker Direct Plc
OurNetwork Services Limited	Insurance Services	Ordinary shares	100%	Broker Direct Plc
BDElite Limited	Claims Management Solutions	Ordinary shares	80%	Broker Direct Plc

The Group sold its 100% shareholding in Insurance Compliance Services Limited on 30 October 2020 (see Note 13).

As 31 December 2020, 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 Disposal

The Board of Directors sold the subsidiary Insurance Compliance Services Limited to a third party during the year ended 31 December 2020. The disposal was completed on 30 October 2020 at which date control of the subsidiary was passed to the acquirer. The comparative figures have been restated to show separately the results of the discontinued operation as included in that period.

Sale of discontinued operations	£	**£**
Goodwill		1,006,120
Other net assets		190,630
Total net assets disposed of		**1,196,750**
Consideration received	1,435,898	
Less: Costs of disposal	(27,558)	
Net consideration received		**1,408,340**
Consolidated gain on disposal		**211,590**

Consideration satisfied by:	
Cash consideration received at the time of disposal	583,322
Deferred consideration	852,576
	1,435,898

Settlement of an element of the disposal consideration is deferred, and settlement of a further element is contingent upon the company's revenues during each of the 2 years following disposal. The directors have considered the conditions that existed at 31 December 2020 in order to assess the appropriate level of deferred consideration to be recognised in the financial statements. Accordingly, the directors consider that, taking into account events occurring since the year end, the amount recognised within debtors at the 31 December 2020 represent their best estimate of the amount receivable as a result of the disposal.

14 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 2020 £	Movement £	**At 31 December 2020 £**
Operational cash at bank and in hand	1,301,794	811,380	**2,113,174**
Insurer cash at bank and in hand	8,573,508	(2,056,367)	**6,517,141**
Total cash at bank and in hand	**9,875,302**	(1,244,987)	**8,630,315**

15 Debtors

	Group 2020 £	**Company 2020 £**	Group 2019 £	Company 2019 £
Broker and policyholder debtors	**15,257,632**	**15,044,771**	14,332,617	14,093,864
Insurer debtors	**972,203**	**713,822**	1,025,380	678,834
Amount owed by Group undertakings	**–**	**599,157**	–	1,148,863
Prepayments and accrued income	**594,334**	**553,594**	558,258	512,930
Other debtors	**563,927**	**95,692**	75,369	36,436
Deferred tax asset (Note 20)	**89,063**	**83,721**	67,665	67,999
	17,477,159	**17,090,757**	16,059,289	16,538,926

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.

16 Debtors receivable after more than one year

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Deferred consideration	**426,288**	**–**	–	–

17 Creditors: amounts falling due within one year

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Bank loan	**–**	**–**	271,190	271,190
Payable to insurers	**21,706,176**	**21,409,403**	22,785,937	22,349,317
Pension contributions	**51,425**	**46,554**	47,551	43,164
Other taxation and social security costs	**437,812**	**151,511**	237,450	104,339
Accruals and deferred income	**1,381,911**	**1,174,127**	1,423,847	935,733
	23,577,324	**22,781,595**	24,765,975	23,703,743

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

18 Creditors: amounts falling due after more than one year

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Technical reserves creditor	**1,141,350**	**1,141,350**	913,009	913,009
Bank loan	**–**	**–**	188,534	188,534
Deferred income	**6,772**	**5,407**	16,602	16,602
	1,148,122	**1,146,757**	1,118,145	1,118,145

Loans are repayable as follows:

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Within one year				
Bank loan	**–**	**–**	271,190	271,190
After one year and within two years				
Bank loan			188,534	188,534
	–	**–**	459,724	459,724

Group and Company

The loan was repaid on 30th October 2020. It was 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 was fixed at 5.03% p.a.

19 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 2020	105,009	30,000	135,009
Utilised in the year	(105,009)	–	(105,009)
Additional provision for the year	112,017	30,000	142,017
At 31 December 2020	**112,017**	**60,000**	**172,017**

20 Deferred taxation

The potential deferred taxation asset is as follows:

	Group 2020 £	**Company 2020 £**	Group 2019 £	Company 2019 £
Depreciation in excess of capital allowances	**5,987**	**8,531**	21,431	21,765
Technical reserves	**83,076**	**75,190**	46,234	46,234
Deferred tax asset	**89,063**	**83,721**	67,665	67,999

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 2020 £	**Company 2020 £**	Group 2019 £	Company 2019 £
Deferred tax asset brought forward	**67,665**	**67,999**	74,012	75,377
Statement of comprehensive income movements in the year (Note 8)	**21,460**	**15,722**	(6,347)	(7,378)
Disposal of subsidiary	**(62)**	**–**	–	–
Deferred tax asset carried forward (Note 14)	**89,063**	**83,721**	67,665	67,999

The amount of the net reversal of deferred tax expected to occur next year is £53,914 (2019: £21,433), relating to the reversal of existing timing differences on tangible fixed assets and provisions.

The Group has a deferred tax asset of £406,757 (2019: £406,757) that has not been provided for in the accounts. This relates to capital losses of £2.4m (2019: £2.4m) arising on the sale of subsidiaries in 2011. In addition, the Group has trading losses of £459,550 (2019: £254,151) to carry forward against future profits.

21 Financial instruments

	31 December 2020 £	31 December 2019 £
Financial assets that are debt instruments measured at amortised cost	24,997,789	25,307,137
Financial liabilities measured at amortised cost	24,459,650	25,780,147

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

22 Called up share capital

	2020 £	2019 £
Authorised		
6,000,000 'A' ordinary shares of £0.20 (2019: £0.20) each	**1,200,000**	1,200,000
Allotted		
4,025,934 'A' ordinary shares of £0.20 (2019: £0.20) each	**805,187**	805,187
Called up		
Fully paid		
3,963,434 'A' ordinary shares of £0.20 (2019: £0.20) each	**792,687**	792,687
Partly paid		
62,500 'A' ordinary shares of £0.20 (2019: £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 23.

23 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.

24 Share based payments

In accordance with Financial Reporting Standard 102, Scheme 6 is restricted to the sale of the Company and is therefore treated as a cash settled share-based payment transaction.

Details of the share options granted are set our below:

	Scheme 6
Exercise price	£1.00
Granted at 1 January 2020	965,001
Expired during the year	–
Granted at 31 December 2020	965,001
Exercisable at 31 December 2020	–

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. The options may only vest and be exercised on achieving Company performance targets.

Nil shares have vested to qualifying individuals as at 31 December 2020.

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 £26,860 was expensed, with a corresponding credit to other reserves (2019: £71,143 was released to profit with a corresponding debit to other reserves).

25 Leasing commitments

Future operating lease payments are due as follows:

	2020 Land and buildings £	2019 Land and buildings £
Operating lease payments payable:		
– within one year	**245,115**	245,112
– within two to five years	**94,208**	254,276
	339,323	499,388

26 Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities at 31 December 2020 or 31 December 2019.

27 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 had the following transactions with CPD Underwriting Solutions Ltd, an associate of Broker Direct Plc:

- fees paid to associate – £120,816 (2019: £130,612), nil outstanding at year end (2019: £Nil).
- commission received from associate – £8,171,892 of which £269,346 remained outstanding at the year end (2019: £5,030,176, £255,211 outstanding).

28 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.

29 Controlling party

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

30 Subsidiary company audit exemption

OurNetwork 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.

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.

Proficient Insurance Administration Limited's (company number 12311851) is entitled to and has taken advantage of the exemption from statutory audit conferred under Section 479A of the Companies Act 2006.

31 Non-Adjusting, Post Balance Sheet Event

At the Annual General Meeting on 16th September, the shareholders passed a resolution to cancel and withdraw the Broker Direct Plc 2016 Share Option Scheme (as amended) (the "2016 Scheme") and introduce a new scheme (the "2020 Scheme").

On 4th January 2021, the Company:

- cancelled all options granted under the 2016 Scheme; and
- granted options (which were granted as qualifying Enterprise Management Incentives pursuant to Schedule 5 of the Income Tax (Earning and Pensions) Act 2003) to certain directors and managers under the 2020 Scheme. The options may only vest and be exercised on achieving Company performance targets.

32 Government grants and other assistance

During 2020, the Group received £342,399 (2019: Nil) of financial assistance from the Government under the Coronavirus Job Retention Scheme. This was accounted for using the accruals model and income was recognised as the monies became receivable. There were no unfulfilled conditions or other contingencies attaching to this assistance.

In addition, the Group has deferred payment of its VAT liability for the quarter ending 30 April 2020. The liability of £123,167 will be paid in eight instalments commencing June 2021.

BrokerDirect Plc
A better way to insure

We are
Proficient

BDElite
Total Solutions Provider

BrokerDirect Plc
A better way to insure

Broker Direct Plc
Deakins Park
Deakins Mill Way
Egerton
Bolton
BL7 9RW

Tel: 01204 600 200
Fax: 01204 600 255