BrokerDirect Plc
A better way to insure

ANNUAL REPORT AND ACCOUNTS

2019

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

Introduction

I am pleased to say that the Company was back into profit in 2019 after the major investments that were made in 2017 and 2018. There are now opportunities for growth, which unfortunately and along with much else, are partly on hold due to Covid 19. However we believe that the problems are temporary and the effects will be reversible.

Our Third Party Administration activity has been our largest business for a number of years and continues to grow. Its market position and success now requires an independent identity and "Proficient: The Outsourcing Experts", was launched in January 2020, working with 7 insurer and MGA clients. The launch of Proficient, will increase our market facing presence in the outsourcing market where we expect to grow and continue to improve our capabilities. Proficient was awarded two new contracts in 2019, both in the Insurtech sector, and one contract was in run-off for reasons unconnected to our service. Third Party Administration income increased by £1.3m

Broker Direct's traditional broker agency business, providing personal lines products and services to insurance brokers, is now seeing initial results from investments in the venture with CPD Underwriting Solutions, reported previously. The new range of motor and home products which were launched during the first half of 2019 generated £25 million in premiums from a standing start in January. This was a pleasing outcome to a long lead-in period. Among our other agency carriers there has been some loss of insurer support for smaller mainstream books of business.

BDElite, which provides accident management services to broker clients, saw another year of increasing broker numbers, with little attrition except in a few cases where brokers were acquired or joined a network. There were many wins against all the major competitors. Income and profits continued to increase and new products were announced. The range now covers Motor, Household, Commercial and Heavy Goods Vehicles. The expected changes in regulation of the claims management market (see below) did not occur in the period.

Insurance Compliance Services saw increased income and profits. The new MD has established medium to long term plans to develop its compliance and coverholder audit services, and increase market penetration.

The Strategic Report in this document illustrates the high levels of satisfaction reported by users of the Group's services. The Board believe that this is an important factor in the success of the Group's new and existing ventures.

As we all know the Covid 19 pandemic has reduced business activity and travel substantially and this has had a, mostly temporary, impact across our businesses in 2020. The company has received welcome relief from the Government's furlough and VAT deferment scheme, and the permitted delay in reporting, and is now able to look forward with confidence.

Results

The Group made a pre-tax profit of £402,153 (2018: £880,367 pre-tax loss), £395,669 after tax (2018: £879,348 loss).

Turnover increased to £22,466,474 (2018: £18,756,016). Gross profit increased to £12,861,589 (2018: £10,586,416).

Markets

Both Motor and Home premiums rose in the fourth quarter of 2019. In Motor this was the result of a number of factors, these included: increasing vehicle repair costs; rising vehicle theft claims and a significant increase in the cost of Excess of Loss reinsurance cover. The latter was due mainly to the Government's new discount rate which disappointed risk carriers. The rise in Home premiums was the smallest increase for three years - probably due to competitive pressure rather than improving results.

There is evidence that some smaller product providers will have their capacity restricted or removed this year and there were a number of failures during 2019.

The Government announced changes to the motor claims environment in the Civil Liability Act and accompanying legislation, which will affect parts of the business of BDElite and is a source of uncertainty in the Motor market generally. Implementation is delayed to April 2021 at the earliest.

Digital brokers and Insurtechs continue to innovate and they are creating novel business models which are challenging the status quo. Traditional incumbents are responding and are increasingly willing to test and learn with new partners. The need for agility and flexibility is providing opportunities for outsource service providers offering scale and expertise. In such a vibrant environment, service providers will need to respond quickly and effectively to new technology and to changes in service volumes.

Outlook

Any consideration of the current outlook has to be qualified by the uncertainty surrounding Covid 19 and the possibility of further outbreaks leading to disruption of travel and business.

Outside of what we all hope is a temporary disruption there are a number of other issues that need to be considered. The primary market for Broker Direct's services is UK Personal Lines Insurance, a market that is regarded as highly competitive. Elements of the market have been subject to recent Government action and regulation (discount rates, referral of claims, whiplash and others) which has had an affect on both Broker Direct and on its insurer and broker clients, some but not all negative. Much of what the Group does involves innovation and its attendant uncertainties. The profitability of the market is difficult to forecast and is always a factor in the volume of business that the Group services.

The Group's strategy is designed to thrive in this challenging environment. By diversifying within our current strengths we have developed businesses with different market characteristics. The aims are: to address wider opportunities; mitigate market disruptions and reduce reliance on any one partner or client. Bearing in mind the market risk and these mitigating factors, the medium-term outlook for the Group is promising.

Some Proficient volumes have suffered from the lock-down but are expected to grow in 2021 and beyond as the Insurtech books of business that it services develop and mature. The launch of Proficient is expected to improve opportunities to recruit clients both in Insurtech and across the industry - wherever quality of service, technical know-how and responsiveness are demanded.

We are expecting 2020 to see significant growth across the CPD products launched in 2019 whilst, at the same time, seeing reductions in our overall agency carrier panel. Further investment is planned on additional motor products as well as motorcycle which we expect will increase volumes in 2021 and beyond. Feed-back from our brokers attending roadshow launches suggested strongly that the new products would be welcomed. However whilst higher reinsurance costs and increasing vehicle repair costs are adding to cost inflation, the lock-down has reduced accident frequency leading to a softening market and 2020 is proving to be another challenging year.

BDElite broker numbers are continuing to increase in 2020 as they have every year since launch and the highly active programme of new product releases continues, temporarily abated by the lock-down. Developments in regulation and the responses of competitors may well require the same agility and attitude to change that was demonstrated by the company the last time new regulations were put in place. Plans have been developed to improve service to broker clients, profitably, in the new environment. These will be tested when the new regulations come into force.

Insurance Compliance Services has started to align its resources with its medium and long term development strategies and, this had a positive contribution to the 2019 result, which is expected to continue. However, we need to see what, if any, permanent changes arise from Covid 19.

Personnel

The Board congratulates the management and staff for continuing to provide outstanding quality of service and a safe working environment in the unique circumstances of a global pandemic.

Asset Match

Broker Direct Plc shares are traded via a dealing facility operated by Asset Match Ltd.

Asset Match:

- Is a Multilateral Trading Facility (MTF) fully authorised by the FCA;
- Is not a recognised investment exchange, recognised clearing house or regulated market within the meaning of the Markets in Financial Instruments Directive.

The Asset Match MTF is administered by The Share Centre who is a member of the London Stock Exchange and is authorised and regulated by the Financial Conduct Authority.

You can review historic trade prices at www.assetmatch.com but you should note that only relatively modest volumes of shares are traded each month compared to the 4,025,934 issued share capital of the company i.e. there is a relatively illiquid market in Broker Direct Plc shares and therefore deal prices may or may not give a possible proxy for valuation.

If you wish to make use of the Asset Match facility for buying and selling shares in Broker Direct Plc, you will need to register with them at www.assetmatch.com and have an account with their nominated broker, The Share Centre via their website www.share.com or by phone on 01296 41 42 43.

Roy Green
Chairman

3 August 2020

Strategic Report

Business model

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

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

   Underpinned by sophisticated IT systems, the Company partners with insurers 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.

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

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

   The company's income is primarily derived from:

   - commission 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.

3. **Insurance Compliance Services is a highly regarded compliance support consultancy that combines technical knowledge with practical expertise to deliver solutions to its clients. Up-to-date and punctual advice is key.**

   The company keeps abreast of changes in both regulations and in regulatory activities that may affect future compliance matters. It then evaluates and assesses the relevance from the specific perspective of its clients so they can rely on the advice being both current and pertinent to their business. Coverage is provided across the UK by a highly qualified and experienced team. The support provided is both practical and pragmatic as many of the team have run their own businesses, so they understand the pressures that brokers face.

Financial metrics

	2019	2018
Revenue	**£22.47m**	£18.76m
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**£0.67m**	(£0.59m)
EBITDA per share	**17p**	(15p)
Earnings before interest, tax, depreciation and amortisation (EBITDA) attributable to the owners of the Company	**£0.60m**	(£0.64m)
EBITDA per share attributable to the owners of the Company	**15p**	(16p)
Operating profit before exceptional items	**£0.40m**	(£0.19m)
Profit/(Loss) before tax	**£0.40m**	(£0.88m)
Profit/(Loss) after tax	**£0.40m**	(£0.88m)
Profit/(Loss) after tax adjusted for non-controlling interest	**£0.32m**	(£0.94m)
Net financial debt *	**(£0.78m)**	(£1.14m)

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

Segmental reporting – contributions to Group profit before tax

Profit/(Loss) before tax	**2019**	2018
Broker Direct Plc	**£0.02m**	(£1.19m)
BDElite Ltd	**£0.35m**	£0.29m
Insurance Compliance Services Ltd	**£0.14m**	£0.11m
OurNetwork Services Ltd	**£0.02m**	£0.04m
Amortisation	**(£0.13m)**	(£0.13m)
Consolidated profit/(loss) before adjustment for non-controlling interest	**£0.40m**	(£0.88m)
Adjustment for non-controlling interest	**(£0.07m)**	(£0.06m)
Consolidated profit before tax, after non-controlling interest	**£0.33m**	(£0.94m)

Key Stakeholder Relationships

The Board recognises it's 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 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.

Principal risks and uncertainties

Our approach

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

- identification, probability, impact assessment, mitigation, contingency and review of risks (both existing and emerging); 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

Market Risk

Broker Direct's income is primarily derived from the amount of premium and number of policies processed on behalf of our insurer partners. The personal lines insurance market continues to be highly price sensitive and as a result is intensely competitive. As with previous years, in 2020 we expect the Company's fortunes to continue to be heavily reliant on our insurer partners' competitive appetites.

Agency

In 2019, Broker Direct continued the heavy investment started in 2018 in preparing for the launch and ongoing servicing of a suite of new products through the new joint venture with CPD Underwriting Solutions Ltd. 5 products were launched in the first half of 2019 on which £25 million of premium was written in the year. In 2020 we expect further growth from those products and to launch more new products.

Underwriting performance will always be a priority concern for our insurers and therefore for ourselves also. 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 2019, two new claims handling deals were secured, and in 2020 we will launch a new recruitment drive to secure further deals under our fresh 'Proficient' brand.

BDElite's income is derived primarily from commission retained on the sale of legal expenses insurance policies, together with referral and recommender fee income earned when handling the motor claims arising on those policies. In addition to our core Motor Legal Expense Insurance (LEI) products, we offer a range of add-on products to include, Household LEI, Breakdown, Home Emergency, Property Assistance and Commercial LEI.

2019 was another good year for the company, with further growth in brokers trading who appreciate the quality, value of our product and service offerings. We also launched Fleet/HGV Breakdown up to 44t product and are about to launch Motor LEI for Adapted Vehicles, along with Landlords LEI.

The company continues to invest to support our success to date and plans for future growth. This includes the development of the Sales, Marketing, IT and Broker support departments.

In 2020 the company will continue to evolve, developing new, improved products and services, taking advantage of technology to improve our processes in all areas, and building our brand. We are always looking at ways to innovate and develop our best in class suite of products, whilst tailoring our service solutions to enhance the overall offering to both traditional brokers and Insurtech digital brokers.

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.

In the 2019 Report and Accounts we said that we didn't expect the reforms to bite until April 2020. However, the continuing Brexit hiatus through 2019 means that we now believe the reforms will take effect no sooner than April 2021 and, whilst the final rules are still unknown, the company is extensively planning for the eventuality and is confident of its post-reform future.

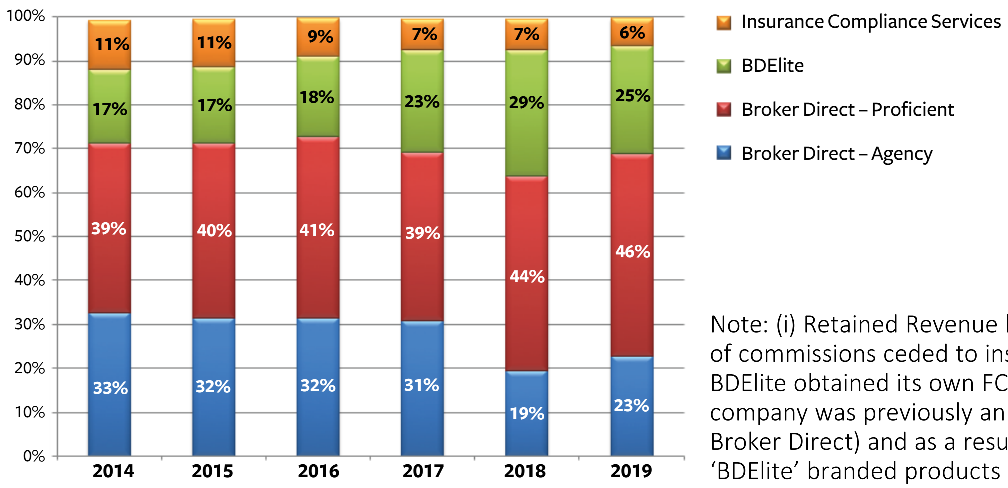
Insurance Compliance Services' income is earned primarily from two sources;

(i) the provision of regulatory compliance advice to insurance brokers, and

(ii) conducting audits on behalf of Lloyds and other insurers who delegate underwriting control to independent firms – referred to as 'Coverholder Audits'.

The work undertaken in the latter half of 2019, in particular on new initiatives to grow the business in 2020, is having a positive impact.

Sources of retained revenue



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

Operational Risk

Customer Service

The Group's businesses exist to provide 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.

Coronavirus COVID-19

Whilst a pandemic has formed part of the Companies' business continuity plans for many years, we could not envisage the ultimate level of impact and, as importantly, the various government responses to COVID-19. It follows that the risks of adverse health and safety, and operational and financial impacts arising from the pandemic and the associated governmental responses have been significant.

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;
- Financial discipline; and
- Business continuity.

The group assesses that the Pandemic has negatively impacted the business, primarily:

- The cost of rapidly redeploying staff to home working;
- Disruption in Broker Direct's distribution channel;
- The sudden and dramatic decline in claims volumes.

The Group has adopted the following Government support schemes:

- Coronavirus Job Retention Scheme.
- Postponement in settling one calendar quarter of VAT. This will now be settled in March 2021.

We will continue to respond dynamically to the situation.

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

Complaints

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:

Complaints received to Claims notified:

	2019	2018
	0.8%	**0.9%**

Complaints upheld to complaints closed:

	2019	2018
	39.0%	**37.5%**

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

BDElite

Complaints received to Claims notified:

	2019
	0.5%

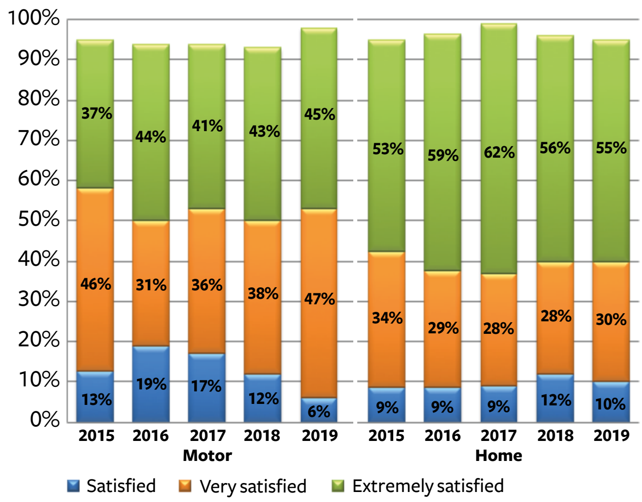
Complaints upheld to complaints closed:

	2019
	51.1%

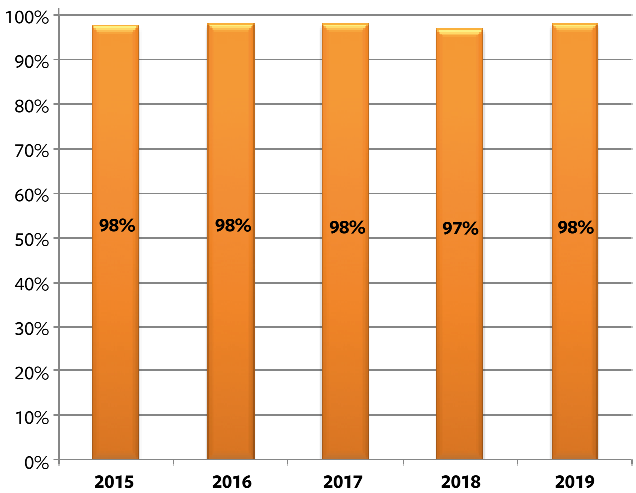
The upheld rate for insurance and pure protection complaints (excluding PPI) reported by the Financial Conduct Authority across all firms for the first 6 months of 2019 was 58.3%.

The Board is satisfied that the Company has appropriate oversight and maintains a compliant complaint culture.

Claimant satisfaction with Broker Direct's service



Claimants who would recommend the BDElite service



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

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

(i) the companies work closely with their insurer partners and the brokers' software system providers to manage these complexities; and

(ii) the Group has digital programs targeted at keeping the businesses relevant in this digital world.

Digital engagement with policyholders is expected to continue to grow:

(i) we are rolling-out our omni channel communications functionality; and

(ii) we will seek out Insurtech businesses to partner with.

Advances in technology, such as electric and autonomous vehicles, and connected homes may fundamentally change the nature of insurance.

Accelerated advances or developments for which the Group is not prepared could place the Group at a competitive disadvantage. The Group constantly monitors developments to ensure that it remains informed, embraces innovation and change, and is well positioned to adapt its 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. 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 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 focus remains to:

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

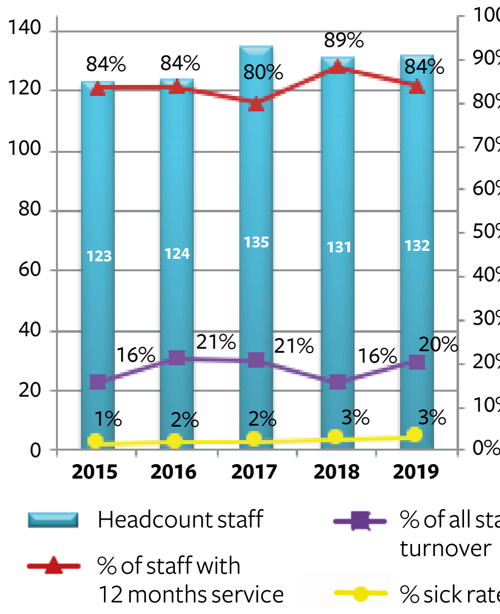
ii) streamline and automate mundane, predictable and repetitive tasks, to free staff to provide the value-added services requiring human intelligence.

Gender Balance

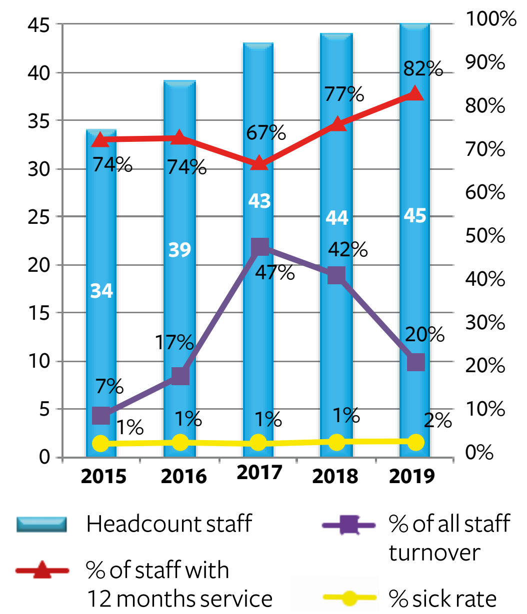
The businesses are conscious and respectful of equality in the workplace.

The Boards remain 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.

Broker Direct - Staffing (at year end)



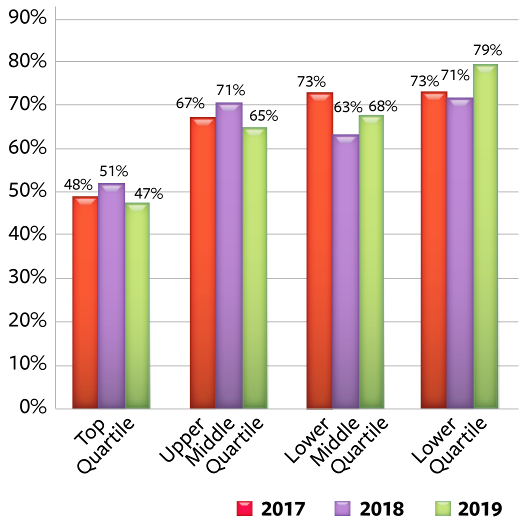
BDElite - Staffing (at year end)



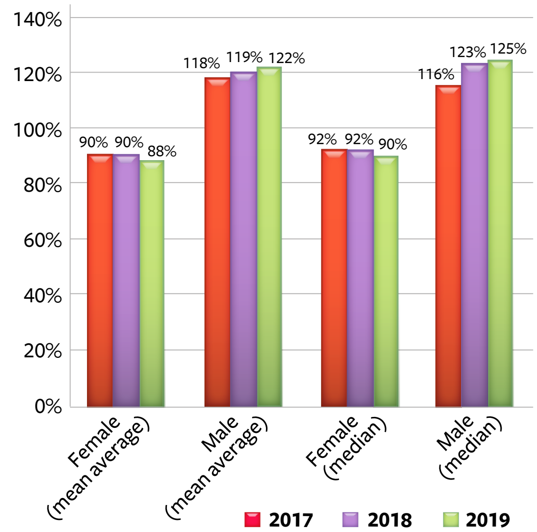
For every £1 earned by a male, a female earns

Measurement of the Gender Pay Gap is not the same as equal pay. We are confident that we have equal pay for the same or similar work. Our pay and bonus practices are consistently applied across all employees, irrespective of gender, and are regularly reviewed to ensure consistency.

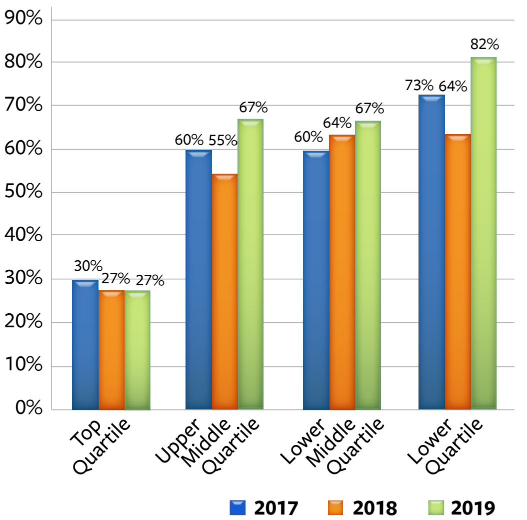
Broker Direct – Proportion of females across 4 equally sized remuneration quartiles



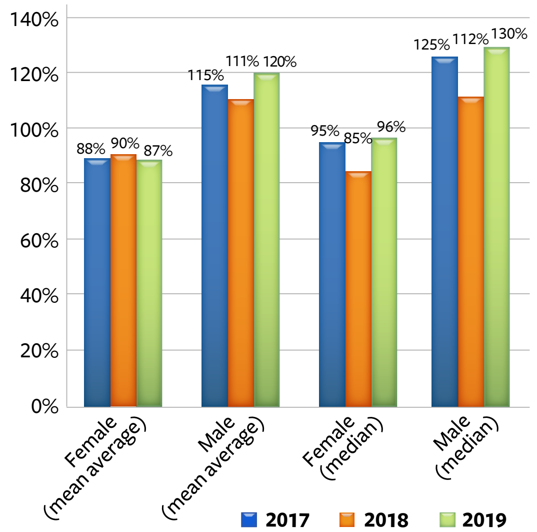
Broker Direct – Average remuneration by gender relative to average remuneration of 100%



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.

2019 was a relatively stable legislative & regulatory environment for the businesses, probably impacted by the amount of attention given to Brexit both at a legislative and regulatory level.

Brexit

The UK leaving the EU is unlikely to impact the need for UK motorists and households to obtain insurance. EU (non-UK) domiciled insurers who passport into the UK will be affected by Brexit and those with whom Broker Direct work, have confirmed that they have or are arranging for UK direct authorisation. Brexit is therefore unlikely to significantly affect the Group.

Whiplash reform

Following the December 2019 general election, it is understood that the Government will continue its program to reform 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.

BDElite is alert to the possibilities and regularly updates its 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 11% of total premium placed (2018: 24%). The companies have strict acceptance criteria for the appointment of new broker agencies and monitor 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:
  - 12% of company retained revenue (2018: 20%);
  - 3% of Group retained revenue (2018: 6%).
- At Insurance Compliance Services Ltd, the single largest customer represented 5% of company revenue (2018: 2%).

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:

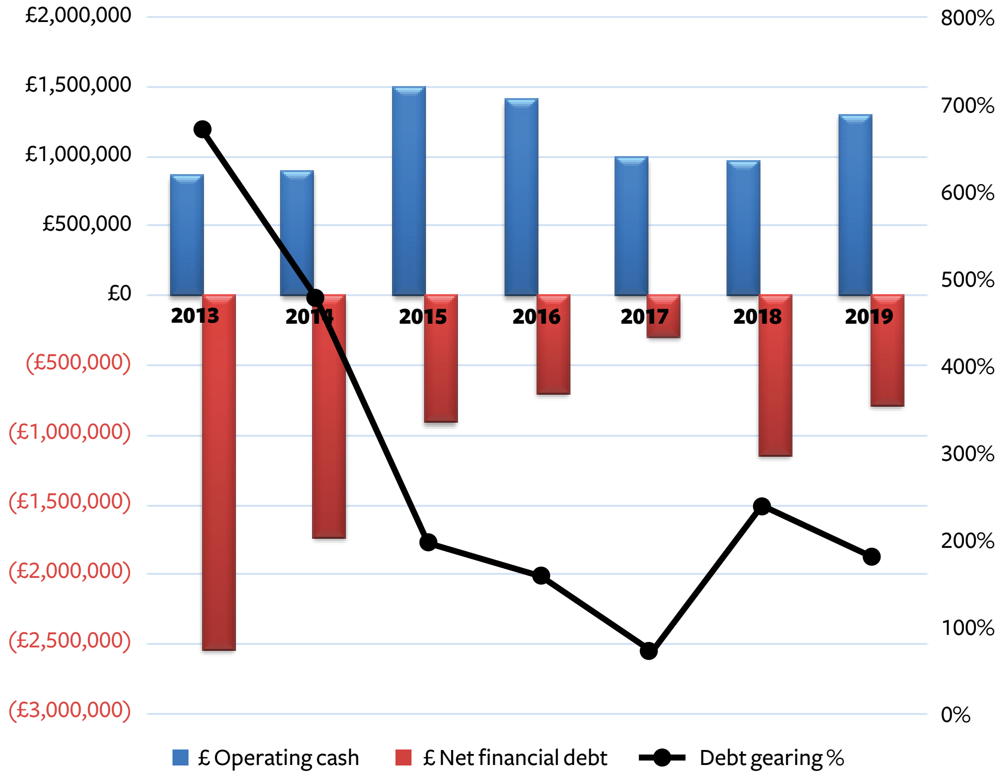
- hold cash balances in readily accessible treasury deposits;
- utilise fixed interest, asset leasing and borrowing facilities.

The costs of building the new CPD products required additional, external funding in 2018 for which a bank loan was agreed. The resultant deterioration in the 2018 debt gearing and net financial debt ratios has been halted in 2019 as the products came on stream and began to contribute to Broker Direct's profitability. The Company expected this reversal to continue in 2020, however COVID-19 has materially impacted the business and the lender has agreed to restructure the debt to assist.

Interest Rate Risk

The low interest rate environment of recent years continues into 2020. The Group's modest cash deposits resulted in only nominal interest income in the year. Consequently, loss of such income is not material to the financial integrity of the business. In 2020 the Group's borrowings are expected to be a mixture of fixed interest leases and fixed interest bank loan and are therefore not susceptible to interest rate fluctuations.

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:

- Policy administration; the Company incurs costs over the policy year to administer the policy. The reserve is released to income against those costs;
- Claims handling; 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 reserve is 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

Iain Gray
Group Finance Director
3 August 2020

Directors' Report

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

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	225,336	-	321,667
Iain Gray	239,336	-	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 (2018: Nil).

The directors do not propose a final dividend for the year (2018: 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 Strategic Report, the Accounting Policies and Note 30 to the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Chairman's Statement, the Directors' Report, the Strategic Report, the Report of the Remuneration Committee and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

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

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

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

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

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

3 August 2020

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 2019 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

With the exception of a merit increase for one individual, for a number of years the Board did not take salary increases (and temporarily reduced their remunerations at critical periods). The changing financial climate means that the Remuneration Committee has now been able to award increases that to some extent restore the lost increases from previous years however due to the effects of Covid 19 these have been reversed until it is prudent to re-instate them.

The Executives have earned bonuses this year. They have been deferred along with those accrued in 2017 until the financial position warrants payment of dividends.

The Executives participated in two share option schemes which are being replaced to reflect new targets.

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 2019 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 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the group financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 9, and the consideration in the going concern basis of preparation on page 25 and non-adjusting post balance sheet events on page 41.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company and group's trade, customers, suppliers and the wider economy.

Other information

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

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

We have nothing to report in this regard.

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

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 its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of the audit report

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

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

3 August 2020

Consolidated statement of comprehensive income

	Note	**2019** **£**	2018 £
Turnover	5	**22,466,474**	18,756,016
Cost of sales		**(9,604,885)**	(8,169,600)
Gross profit		**12,861,589**	10,586,416
Other operating charges		**(12,441,459)**	(11,463,431)
Profit/(Loss) on operating activities before interest and taxation		**420,130**	(877,015)
Operating Profit/(Loss) before exceptional items		**420,130**	(193,050)
Exceptional items			
Start up costs for venture with CPD Underwriting Solutions Ltd	6	**–**	(683,965)
Profit/(Loss) on operating activities after exceptionals and before interest and taxation		**420,130**	(877,015)
Interest receivable and similar income		**12,373**	11,494
Interest payable and similar charges		**(30,350)**	(14,846)
Profit/(Loss) on ordinary activities before taxation	6	**402,153**	(880,367)
Taxation	8	**(6,484)**	1,019
Profit/(Loss) for the financial year		**395,669**	(879,348)
Profit/(Loss) for the year attributable to:			
Non-controlling interests		**71,255**	56,663
Owners of the parent company		**324,414**	(936,011)
Profit for the financial year		**395,669**	(879,348)
Profit per share attributable to the owners of the parent company			
– Basic and Diluted (pence)	28	8.06	(23.25)

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

Consolidated statement of financial position

as at 31 December 2019

	Note	31 Dec 2019 £	31 Dec 2018 £
Fixed assets			
Investments	12	**21,429**	21,429
Intangible assets	10	**1,024,881**	1,154,763
Tangible assets	11	**183,745**	189,424
		1,230,055	1,365,616
Current assets			
Debtors	14	**16,059,289**	13,984,664
Cash at bank and in hand	13	**9,875,302**	4,890,413
		25,934,591	18,875,077
Creditors: amounts falling due within one year	15	**(24,765,975)**	(18,142,069)
Net current assets		**1,168,616**	733,008
Total assets less current liabilities		**2,398,671**	2,098,624
Creditors: amounts falling due after more than one year	16	**(1,118,145)**	(1,087,334)
Provisions for liabilities	17	**(135,009)**	(132,258)
Net assets		**1,145,517**	879,032
Capital and reserves			
Called up share capital	20	**795,812**	795,812
Share option reserve	21	**110,117**	181,260
Profit and loss account	21	**155,504**	(170,869)
Equity attributable to the owners of the parent company		**1,061,433**	806,203
Non-controlling interests		**84,084**	72,829
Shareholders' funds		**1,145,517**	879,032

The financial statements were approved and authorised for issue by the Board of Directors on 3 August 2020.

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 2019

	Note	**31 Dec 2019 £**	31 Dec 2018 £
Fixed assets			
Tangible assets	11	**174,005**	175,598
Investments	12	**26,429**	25,429
		200,434	201,027
Current assets			
Debtors	14	**16,538,926**	14,566,903
Cash at bank and in hand		**8,994,581**	4,158,082
		25,533,507	18,724,985
Creditors: amounts falling due within one year	15	**(23,703,743)**	(17,124,252)
Net current assets		**1,829,764**	1,600,733
Total assets less current liabilities		**2,030,198**	1,801,760
Creditors: amounts falling due after more than one year	16	**(1,118,145)**	(1,087,334)
Provisions for liabilities	17	**(135,009)**	(132,258)
Net assets		**777,044**	582,168
Capital and reserves			
Called up share capital	20	**795,812**	795,812
Share option reserve	21	**110,117**	181,260
Profit and loss account	21	**(128,885)**	(394,904)
Shareholders' funds		**777,044**	582,168

The Company made a profit of £264,060 in the year ended 31 December 2019 (2018: loss £1,140,781).

The financial statements were approved and authorised for issue by the Board of Directors on 3 August 2020.

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

	2019	2018
	£	£
Cash flows from operating activities		
Profit/(Loss) for the financial year	**395,669**	(879,348)
Amortisation	**132,924**	129,838
Depreciation	**119,964**	159,718
(Profit) on sale of fixed assets	**(3,400)**	–
Share option expense	**(71,143)**	52,959
Interest expense	**30,350**	14,846
Interest income	**(12,372)**	(11,494)
Taxation	**6,484**	(1,019)
(Increase) in debtors	**(2,081,111)**	(349,372)
Increase in creditors	**6,924,638**	1,901,813
Cash from operations	**5,442,003**	1,017,941
Corporation tax paid	**–**	(73,601)
Net cash generated from operating activities	**5,442,003**	944,340
Cash flows from investing activities		
Proceeds from sale of tangible assets	**5,500**	–
Purchase of tangible and intangible fixed assets	**(119,426)**	(109,625)
Interest received	**12,372**	11,494
Net cash used in investing activities	**(101,554)**	(98,131)
Cash flows from financing activities		
Loan repayments	**(257,967)**	(83,109)
Finance lease interest paid	**(135)**	(1,895)
Loan interest paid	**(30,215)**	(12,951)
New finance leases and hire purchase contracts	**–**	800,800
Repayment of finance leases and hire purchase contracts	**(9,202)**	(51,811)
Unclaimed dividends returned to reserves	**1,959**	–
Equity dividends paid	**(60,000)**	(10,000)
Net cash from financing activities	**(355,560)**	641,034
Net increase/(decrease) in cash and cash equivalents	**4,984,889**	1,487,243
Cash and cash equivalents at the beginning of the year	**4,890,413**	3,403,170
Cash and cash equivalents at the end of the year	**9,875,302**	4,890,413

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 2018	**795,812**	**128,301**	**765,142**	**1,689,255**	**26,166**	**1,715,421**
Profit and total comprehensive income for the year	–	–	(936,011)	**(936,011)**	56,663	**(879,348)**
Increase in share option reserve	–	52,959	–	**52,959**	–	**52,959**
Non-controlling interest transactions	–	–	–	–	(10,000)	**(10,000)**
At 31 December 2018	**795,812**	**181,260**	**(170,869)**	**806,203**	**72,829**	**879,032**
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**

Company statement of changes in equity

	Called up share capital	Share option reserve	Profit and loss account	**Total**
	£	£	£	**£**
At 1 January 2018	**795,812**	**128,301**	**751,877**	**1,675,900**
(Loss) and total comprehensive income for the year	**–**	**–**	**(1,146,781)**	**(1,146,781)**
Increase in share option reserve	**–**	**52,959**	**–**	**52,959**
At 31 December 2018	**795,812**	**181,260**	**(394,904)**	**582,168**
Profit and total comprehensive income for the year	**–**	**–**	**264,060**	**264,060**
Decrease 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**

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 profit for the year was £264,060 (2018: Loss £1,146,781).

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

At 31 December 2019, operational cash balances amounted to £1,301,794 (Note 13) (2018: £966,389) and other loans amount to £459,724 (Note 16) (2018: £726,893).

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. We regularly and routinely scenario plan despite the situation evolving daily. We have considered the impact on sales, profits and cashflows on the assumption that our operations remain open and that we will continue to be able to sell our products and provide our services in compliance with government regulations and guidance.

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 apparently manifested itself in a marked reduction in claims volumes and this required significant action in relation to operational cost reductions and a restructuring of the loan with Barclays Bank (detailed at Note 16 to the Financial Statements).

Whilst COVID-19 has negatively impacted profitability and cash flow, on a plausible and prudent assessment, the directors reasonably believe that the Company and Group has, and will have adequate resources to continue in operation for at least 12 months from the signing of these consolidated financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

In the event of the business deteriorating to such an extent that additional action is needed, the director's 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.

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

4 Principal accounting policies

a) Business combinations

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

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

b) Investment in subsidiaries

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

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

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

c) Investment in associates

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

d) Intangible assets

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

Purchased goodwill arising on acquisitions is amortised on a straight line basis over its estimated useful economic life, being twenty years. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable.

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

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

- the technical feasibility of completing the software so that it will be available for use or sale;
- the intention to complete the software and use or sell it;
- the ability to use the software or sell it;
- 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.

e) Tangible assets

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

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

Leasehold improvements	4 years straight line (or to end of lease if shorter)
Computer – hardware	3 years straight line
Computer – software development	5 years straight line
Equipment	4 years straight line
Furniture and fittings	4 years straight line
Cars	3 years straight line

f) Impairment of assets

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

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

g) Investments

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

h) Cash at bank and in hand

Cash received for insurance premiums, claims and commissions is held on trust in separate insurer accounts until either settled to third parties or in the case of commissions, transferred to Group operational cash balances. Cash at hand and in bank therefore includes both insurer and operational monies (see Note 13).

i) Insurance debtors and creditors

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

j) Other debtors

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

k) Other creditors

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

l) Leases

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

m) Operating leases

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

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

n) Provisions for liabilities

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

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

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

o) Taxation

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

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

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

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

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

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

p) Turnover

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

Income from commission is received for selling and administering insurance policies and is recognised in the 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.

q) Employee benefits

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

r) Employee share schemes

All share-based payment arrangements granted after 7 November 2002 are recognised in the financial statements in accordance with Financial Reporting Standard 102.

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

All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to 'share option reserve'.

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

s) Financial instruments

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

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

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

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

t) Exceptional items

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

5 Turnover and profit on ordinary activities before taxation

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

Turnover, analysed by category, was as follows:

	2019 £	2018 £
Rendering of services and commissions	**22,466,474**	18,756,016

6 Profit on ordinary activities before taxation

	2019 £	2018 £
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	**44,533**	40,044
- for other services	**–**	5,100
Amortisation of goodwill	**129,838**	129,838
Amortisation of intangible fixed assets	**3,086**	2,529
Depreciation of tangible fixed assets - owned	**113,139**	108,485
- leased	**6,825**	48,704
Gain on sale of fixed assets	**(3,400)**	–
Operating lease charges – land and buildings	**270,611**	242,703
Exceptional items:		
Start up costs for venture with CPD Underwriting Solutions Ltd	**–**	683,965

Start up costs for venture with CPD Underwriting Solutions Ltd

In December 2018, CPD and Broker Direct completed an agreement with Accredited Insurance (Europe) Ltd to underwrite and administer insurance products with the distribution and administration of the products being delegated to Broker Direct. The Company expended significant sums which are considered to be exceptional as it was uncertain whether an agreement would be secured, and the products would subsequently be bought. The products launched successfully in 2019 and consequently the further expenditure incurred in the year is not considered exceptional.

	2018 £
Expenditure can be analysed as follows:	
Administration	**225,509**
Development	**385,851**
Testing	**72,605**
	683,965

7 Directors and employees

Group

Staff costs during the year were as follows:	2019 £	2018 £
Wages and salaries	**5,503,250**	5,402,030
Social security costs	**514,541**	488,991
Pension costs	**469,748**	472,542
	6,487,539	6,363,563

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 £469,748 (2018: £472,542).

The average number of employees during the year was:	2019 Number	2018 Number
Management	**23**	25
Other	**146**	148
	169	173

Remuneration in respect of company directors was as follows:	2019 £	2018 £
Emoluments	**504,504**	484,969
Pension costs	**62,324**	62,233
	566,828	547,202

During the year, 3 directors (2018: 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:

	2019 £	2018 £
Emoluments	**147,227**	141,131
Pension costs	**20,215**	20,124
	167,442	161,255

Company

Staff costs during the year were as follows:	2019 £	2018 £
Wages and salaries	**3,867,402**	3,783,200
Social security costs	**354,613**	334,368
Pension costs	**348,738**	354,872
	4,570,753	4,472,440

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 £348,738 (2018: £354,872).

The average number of employees during the year was:	2019 Number	2018 Number
Management	**16**	18
Other	**105**	105
	121	123

Remuneration in respect of Company directors was as follows:	**2019** **£**	2018 £
Emoluments	**504,504**	484,969
Pension costs	**62,324**	62,233
	566,828	547,202

During the year, 3 directors (2018: 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:

	2019 **£**	2018 £
Emoluments	**147,227**	141,131
Pension costs	**20,215**	20,124
	167,442	161,255

8 Tax on profit on ordinary activities

The taxation charge is based on the profit for the year and represents:	**2019** **£**	2018 £
Current tax:		
UK corporation tax at 19% (2018: 19%)	**–**	(137)
Adjustment in respect of prior periods	**137**	–
Total current tax	**137**	(137)
Deferred tax:		
Origination and reversal of timing differences	**15,055**	(986)
Resulting from a change in tax rate	**(8,708)**	104
Total deferred tax (Note 18)	**6,347**	(882)
Total tax charge on profit on ordinary activities	**6,484**	(1,019)

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%). The differences are explained as follows:

	2019 **£**	2018 £
Profit/(Loss) on ordinary activities before tax	**402,153**	(880,367)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**76,409**	(167,270)
Effect of:		
Expenses not deductible for tax purposes	**14,673**	38,545
Effect of reduction in opening deferred tax on change of rate	**(8,707)**	–
Adjustment for tax rate differences	**(1)**	104
Effect of current year events on prior period current tax	**137**	–
Losses brought forward now utilised	**(99,783)**	–
Losses carried forward	**23,756**	127,602
	6,484	(1,019)

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 profit for the year was £264,060 (2018: Loss £1,146,781).

10 Intangible fixed assets

Group

	Computer software development £	Goodwill on business acquired £	Goodwill on consolidation £	Total £
Cost				
At 1 January 2019	1,151,533	593,808	4,593,404	6,338,745
Additions	3,042	–	–	3,042
At 31 December 2019	1,154,575	593,808	4,593,404	6,341,787
Amortisation				
At 1 January 2019	1,144,802	580,683	3,458,497	5,183,982
Provided in the year	3,086	1,250	128,588	132,924
At 31 December 2019	1,147,888	581,933	3,587,085	5,316,906
Net book amount				
At 31 December 2019	**6,687**	**11,875**	**1,006,319**	**1,024,881**
At 31 December 2018	6,731	13,125	1,134,907	1,154,763

Amortisation of intangible fixed assets is included in administration expenses.

Company

	Computer software development £
Cost	
At 1 January and 31 December 2019	1,105,920
Depreciation	
At 1 January and 31 December 2019	1,105,920
Net book amount	
At 31 December 2019	**–**
At 31 December 2018	–

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 (2018: £Nil).

11 Tangible fixed assets

Group

	Leasehold improvements £	Fixtures & fittings £	Cars £	Computers and other equipment £	Total £
Costs					
At 1 January 2019	630,807	224,791	69,995	2,477,394	3,402,987
Additions	–	–	21,650	94,734	116,384
Disposals	–	–	(21,000)	–	(21,000)
At 31 December 2019	630,807	224,791	70,645	2,572,128	3,498,371
Depreciation					
At 1 January 2019	596,988	222,285	56,171	2,338,119	3,213,563
Provided in the year	13,571	842	8,448	97,103	119,964
Disposed in the year	–	–	(18,900)	–	(18,900)
At 31 December 2019	610,559	223,127	45,719	2,435,222	3,314,627
Net book amount					
At 31 December 2019	**20,248**	**1,664**	**24,926**	**136,906**	**183,744**
At 31 December 2018	33,819	2,506	13,824	139,275	189,424

Included in the total net book value is £4,900 (2018: £11,724) 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 £6,825 (2018: £41,778).

Company

	Leasehold improvements £	Fixtures & fittings £	Cars £	Computers and other equipment £	Total £
Costs					
At 1 January 2019	630,807	224,331	69,995	2,395,093	3,320,226
Additions	–	–	21,650	91,367	113,017
Disposals	–	–	(21,000)	–	(21,000)
At 31 December 2019	630,807	224,331	70,645	2,486,460	3,412,243
Depreciation					
At 1 January 2019	596,988	222,151	56,171	2,269,318	3,144,628
Provided in the year	13,571	727	8,448	89,764	112,510
Disposed in the year	–	–	(18,900)	–	(18,900)
At 31 December 2019	610,559	222,878	45,719	2,359,082	3,238,238
Net book amount					
At 31 December 2019	**20,248**	**1,453**	**24,926**	**127,378**	**174,005**
At 31 December 2018	33,819	2,180	13,824	125,775	175,598

Included in the total net book value is £4,900 (2018: £11,724) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £6,825 (2018: £41,778).

12 Fixed asset investments

Group

	Investment in associates
	£
At 1 January and 31 December 2019	**21,429**

The shareholding in associate is voting and capital rights only and does not carry rights to dividends or share of profits. Accordingly, the investment is valued at cost.

Company

	Investment in subsidiaries and associates
	£
At 1 January 2019	**25,429**
Additions	**1,000**
At 31 December 2019	**26,429**

The Company established a new brand 'Proficient, the outsourcing experts', and on 13 November 2019 incorporated Proficient Insurance Administration Limited as a dormant 100% subsidiary, capitalised at £1,000.

At 31 December 2019, 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
Insurance Compliance Services Limited	Management Consultants	Ordinary shares	100%	Broker Direct Acquisitions Limited
BDElite Limited	Motor Accident Management	Ordinary shares	80%	Broker Direct Plc

As 31 December 2019, the Company had the following principal associate which was registered in England and Wales:

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

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

13 Cash at bank and in hand

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

	At 1 January 2019 £	Movement £	**At 31 December 2019 £**
Operational cash at bank and in hand	966,389	335,405	**1,301,794**
Insurer cash at bank and in hand	3,924,024	4,649,484	**8,573,508**
Total cash at bank and in hand	**4,890,413**	4,984,889	**9,875,302**

14 Debtors

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Broker and policyholder debtors	**14,332,617**	**14,093,864**	12,714,418	12,500,974
Insurer debtors	**1,025,380**	**678,834**	716,005	420,854
Amount owed by Group undertakings	**–**	**1,148,863**	–	1,219,966
Prepayments and accrued income	**558,258**	**512,930**	375,210	321,332
Other debtors	**75,369**	**36,436**	104,882	28,263
Corporation tax	**–**	**–**	137	137
Deferred tax asset (Note 18)	**67,665**	**67,999**	74,012	75,377
	16,059,289	**16,538,926**	13,984,664	14,566,903

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

15 Creditors: amounts falling due within one year

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Bank loan	**271,190**	**271,190**	257,967	257,967
Payable to insurers	**22,785,937**	**22,349,317**	16,521,423	16,126,929
Pension contributions	**47,551**	**43,164**	43,764	40,846
Other taxation and social security costs	**237,450**	**104,339**	243,438	101,386
Accruals and deferred income	**1,423,847**	**935,733**	1,066,275	587,922
Obligations under finance leases and hire purchase contracts	**–**	**–**	9,202	9,202
	24,765,975	**23,703,743**	18,142,069	17,124,252

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

16 Creditors: amounts falling due after more than one year

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Technical reserves creditor	**913,009**	**913,009**	598,888	598,888
Bank loan	**188,534**	**188,534**	459,724	459,724
Deferred income	**16,602**	**16,602**	28,722	28,722
	1,118,145	**1,118,145**	1,087,334	1,087,334

Loans are repayable as follows:

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Within one year				
Bank loan	**271,190**	**271,190**	257,967	257,967
Amounts due under finance leases and hire purchase contracts	**–**	**–**	9,202	9,202
After one year and within two years				
Bank loan	**188,534**	**188,534**	271,190	271,190
Amounts due under finance leases and hire purchase contracts	**–**	**–**	–	–
After two years and within five years				
Bank loans	**–**	**–**	188,534	188,534
Amounts due under finance leases and hire purchase contracts	**–**	**–**	–	–
	459,724	**459,724**	726,893	726,893

Group and Company

The loan is secured by fixed and floating charges over Broker Direct Plc and a cross guarantee between Broker Direct Plc, Broker Direct Retail Holdings Limited, Broker Direct Acquisitions Limited and Insurance Compliance Services Limited. The interest rate on the loan is fixed at 5.03% p.a.

At the Balance Sheet date, the bank loan was repayable over three years in equal monthly instalments that commenced in September 2018 and ending in August 2021. In 2020 the impact of COVID-19 has resulted in the loan repayments being rescheduled as follows:

- a capital repayment holiday for the period April 2020 to September 2020;
- equal monthly repayments from October 2020 to August 2021.

17 Provisions for liabilities

Group and Company

Commission clawback provision

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

The movement in the provisions during the year were:	Commission clawback provision £	Dilapidation provision £	Total £
At 1 January 2019	32,258	100,000	132,258
Utilised in the year	(32,258)	–	(32,258)
Reversed during the year	–	(70,000)	(70,000)
Additional provision for the year	105,009	–	105,009
At 31 December 2019	**105,009**	**30,000**	**135,009**

18 Deferred taxation

The potential deferred taxation asset is as follows:

	Group 2019 £	**Company 2019 £**	Group 2018 £	Company 2018 £
Depreciation in excess of capital allowances	**21,431**	**21,765**	27,636	29,001
Technical reserves	**46,234**	**46,234**	46,376	46,376
Deferred tax asset	**67,665**	**67,999**	74,012	75,377

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 2019 £	**Company 2019 £**	Group 2018 £	Company 2018 £
Deferred tax asset brought forward	**74,012**	**75,377**	73,130	74,073
Statement of comprehensive income movements in the year (Note 8)	**(6,347)**	**(7,378)**	882	1,304
Deferred tax asset carried forward (Note 14)	**67,665**	**67,999**	74,012	75,377

The amount of the net reversal of deferred tax expected to occur next year is £21,433 (2018: £33,164), relating to the reversal of existing timing differences on tangible fixed assets and provisions.

The Group has a deferred tax asset of £406,757 (2018: £406,757) that has not been provided for in the accounts. This relates to capital losses of £2.4m (2018: £2.4m) arising on the sale of subsidiaries in 2011.

In addition, the Group has trading losses of £254,151 (2018: £671,589) to carry forward against future profits.

19 Financial instruments

	31 December 2019 £	31 December 2018 £
Financial assets that are debt instruments measured at amortised cost	25,307,137	18,425,717
Financial liabilities measured at amortised cost	25,780,147	19,118,222

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

20 Called up share capital

	2019 £	2018 £
Authorised		
6,000,000 'A' ordinary shares of £0.20 (2018: £0.20) each	**1,200,000**	1,200,000
Allotted		
4,025,934 'A' ordinary shares of £0.20 (2018: £0.20) each	**805,187**	805,187
Called up		
Fully paid		
3,963,434 'A' ordinary shares of £0.20 (2018: £0.20) each	**792,687**	792,687
Partly paid		
62,500 'A' ordinary shares of £0.20 (2018: £0.20) each one quarter called up and paid	**3,125**	3,125
	795,812	795,812

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

The capital of the Company is £1,200,000 divided into 6,000,000 'A' Ordinary shares of £0.20 each. 3,963,434 of such shares are in issue and fully paid up and 62,500 of such shares are partly paid up to the extent of £0.05 each and none of the remaining shares have been issued.

A number of share options have been granted to directors and staff and these are detailed in Note 22.

21 Reserves

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

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

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

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

22 Share based payments

In accordance with Financial Reporting Standard 102:
Schemes 4(b) and 5 are treated as equity settled share-based payment transactions. 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 4(b)	Scheme 5	Scheme 6	All schemes
Exercise price	£1.00	£1.20	£1.00	£1.00
Granted at 1 January 2019	526,846	687	965,001	1,492,534
Expired during the year	(526,846)	(687)	–	(527,533)
Granted at 31 December 2019	–	–	965,001	965,001
Exercisable at 31 December 2019	–	–	–	–

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

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

In May 2014, the Company granted options (which were granted as qualifying Enterprise Management Incentives pursuant to Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003) to certain employees and directors.

a) For the executive directors, the total number of shares over which each option could be exercised depended upon Broker Direct Plc's consolidated profit before amortisation and tax for the financial years ending 31 December 2014 to 31 December 2019.
Nil shares have vested to qualifying individuals as at 31 December 2019.

b) For the managers, the total number of shares over which each option could be exercised depended upon Broker Direct Plc's Company profit before tax for the financial years ending 31 December 2014 to 31 December 2019.
Nil shares have vested to qualifying individuals as at 31 December 2019.

c) In 2019 the Company cancelled 526,846 granted options.

No 5 Company Share Option Plan

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

These options were subject to various financial performance targets including Broker Direct Plc's profit before amortisation for the financial year ending 31 December 2009 and increasing revenues from existing and new income sources. The options were subsequently modified such that the financial years on which the performance targets were based were extended to 31 December 2013. In line with FRS 102, the modification did not result in a change to the fair values of the option, however it could have increased the number of options expected to vest over the extended vesting period.

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

Vested options were exercisable at any time until 19 January 2019. The options were not excercised, consequently they are forfeited in 2019.

No 6 Enterprise Management Incentive Scheme (2016)

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

In July 2016, the Company granted options (which were granted as qualifying Enterprise Management Incentives pursuant to Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003) to certain directors. The options may only vest and be exercised on achieving Company performance targets.

Nil shares have vested to qualifying individuals as at 31 December 2019.

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 £71,143 was released to profit, with a corresponding debit to other reserves (2018: £52,959 was expensed to profit with a corresponding credit to other reserves).

23 Leasing commitments

Future operating lease payments are due as follows:

	2019 Land and buildings £	2018 Land and buildings £
Operating lease payments payable:		
– within one year	**245,112**	232,498
– within two to five years	**254,276**	499,388
	499,388	731,886

24 Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities at 31 December 2019 or 31 December 2018.

25 Related party transactions

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

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

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

- fees paid to associate – £130,612 (2018: £128,503), nil outstanding at year end (2018: £Nil);
- commission received from associate – £5,030,176 of which £255,211 remained outstanding at the year end (2018: £Nil).

26 Financial risk management

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

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

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

27 Controlling party

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

28 Earnings per share

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

The share option exercise prices are higher than the value at which the Company shares have traded during both 2018 and 2019 and therefore have no dilutive effect on the earnings per share.

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

	2019	2018
Weighted average number of shares used in basic and diluted earnings per share	**4,025,934**	4,025,934

29 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.

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

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

Proficient Insurance Administration Limited’s (company number 12311851) first reporting date will be for the period 13 November 2019 to 31 December 2020, hence neither audit nor audit exemption is required.

30 Global pandemic

In March 2020, a global pandemic was declared by the World Health Organisation.

Details on how the business has responded can be found in the Strategic Review.

The pandemic is deemed a non-adjusting event because:

At 31st December 2019, only a few cases of the virus had been reported to the World Health Organisation; and

The subsequent spread, and identification, of Covid-19 after 31 December 2019 does not therefore provide additional information about the conditions that existed as at 31 December 2019.

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

Tel: 01204 600 200
Fax: 01204 600 255