

Broker Network Holdings Limited

**Directors' report and financial
statements**

Registered number 5044510

8 month period ended 31 December 2008

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Directors and advisors

Directors

PG Ellis
AC Homer
PG Cullum
IWJ Patrick
R Shannon

Secretary

NJ Gifford

Auditors

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Principal bankers

Lloyds TSB Bank plc
1st Floor
25 Gresham Street
London
EC2V 7HN

Registered office

Hexagon House
Grimbald Crag Close
St James Business Park
Knaresborough
HG5 8PJ

Directors' report

The directors present their annual report and the financial statements for the 8 month period ended 31 December 2008.

Principal activities

The principal activity of the company during the year was being the holding company for the Broker Network Group.

Results for the period

The results for the period are contained in the profit and loss account on page 7.

On 21 December 2007, The Towergate Partnership Ltd acquired the entire share capital of Broker Network Holdings plc. The company was then de-listed from the Alternative Investment Market. On 11 March 2008 the company changed its status and was renamed Broker Network Holdings Limited. As a result of the change in ownership the company has changed its period end to 31 December.

The directors believe that as part of The Towergate Group the company and its subsidiaries will continue its trend of strong growth, whilst being able to offer its network members an even greater range of products and services.

Directors

The following directors held office during and subsequent to the period:

PG Ellis
MD Wood (resigned 28 August 2009)
AC Homer
PG Cullum
IWJ Patrick
R Shannon

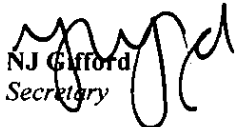
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office.

By order of the board


NJ Gifford
Secretary

Hexagon House
Grimbald Crag Close
St James Business Park
Knaresborough
HG5 8PJ

28 September 2009

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report 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 the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of Broker Network Holdings Limited

We have audited the financial statements of Broker Network Holdings Limited for the 8 month period ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with UK Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept adequate accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of directors' remuneration specified by law are not made.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of the Broker Network Holdings Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2008 and of its profit for the 8 month period then ended;
- the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report is consistent with the financial statements.



Karen T Orr (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

1 The Embankment
Neville Street
Leeds
LS1 4DW

28 September 2009

Profit and loss account

for the 8 month period ended 31 December 2008

	<i>Note</i>	8 month period ended 31 December 2008 £	Year ended 30 April 2008 £
Other operating income	2	3,000,000	-
Administrative expenses		(3,662,959)	(3,360,375)
Operating loss	2	(662,959)	(3,360,375)
Interest receivable	5	1,401,836	1,627,739
Interest payable	6	(497,844)	(1,119,909)
Profit/(loss) on ordinary activities before taxation		241,033	(2,852,545)
Tax on profit/(loss) on ordinary activities	7	(62,170)	(3,548)
Profit/(loss) on ordinary activities after taxation		178,863	(2,856,093)

The company has no recognised gains or losses other than the results above and, therefore, no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit sustained for the financial periods stated above, and their historical cost equivalents.

Balance sheet
at 31 December 2008

	<i>Note</i>	8 month period ended 31 December 2008 £	Year ended 30 April 2008 £
Fixed assets			
Tangible assets	8	114,011	124,162
Investments	9	12,908,309	19,409,641
		<hr/>	<hr/>
		13,022,320	19,533,803
		<hr/>	<hr/>
Current assets			
Debtors	10	18,081,301	13,999,593
Cash at bank and in hand		73,822	75,161
		<hr/>	<hr/>
		18,155,123	14,074,754
		<hr/>	<hr/>
Creditors: amounts falling due within one year	11	(27,051,751)	(22,945,639)
		<hr/>	<hr/>
Net current liabilities		(8,896,628)	(8,870,885)
		<hr/>	<hr/>
Total assets less current liabilities		4,125,692	10,662,918
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	12	(3,030,000)	(9,742,540)
		<hr/>	<hr/>
Provisions for liabilities and charges	13	-	(3,549)
		<hr/>	<hr/>
Net assets		1,095,692	916,829
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	314,084	314,084
Share premium account	15	2,328,428	2,328,428
Profit and loss account	15	(1,546,820)	(1,725,683)
		<hr/>	<hr/>
Shareholders' funds		1,095,692	916,829
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 28 September 2009 and were signed on its behalf by:



R Shannon
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £8.9m, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by The Towergate Partnership Limited, the company's ultimate parent. The Towergate Partnership Limited has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Fixed asset investments

Fixed asset investments are stated at cost less provisions for impairment. A provision for impairment is made to the extent that, in the directors' view, the carrying amount exceeds the recoverable amount of the fixed asset investment.

Fixed assets

Tangible fixed assets are stated at cost.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Office equipment	15% - 20% straight line
Motor vehicles	25% straight line
Computer equipment	25% straight line

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pension arrangements

The company operates a group personal pension plan, a defined contribution scheme. The pension cost is the amount of contributions payable in respect of the accounting period. The company provides no further post retirement benefits to its employees.

Notes (continued)

2 Operating loss

	8 month period ended 31 December 2008 £	Year ended 30 April 2008 £
Operating loss is stated after charging/(crediting):		
Fees payable to the company's auditor for		
- the audit of the company's financial statements	1,000	1,000
- for other services		53,915
	16,450	
Depreciation:		
- owned fixed assets	26,170	15,566
Other operating income – management fee income	(3,000,000)	-
	<u><u> </u></u>	<u><u> </u></u>

3 Employee information

	8 month period ended 31 December 2008 £	Year ended 30 April 2008 £
Wages and salaries	399,494	958,016
Social security costs	37,385	106,856
Pension costs	13,304	16,923
	<u><u>450,183</u></u>	<u><u>1,081,795</u></u>

4 Directors' emoluments

	8 month period ended 31 December 2008 £	Year ended 30 April 2008 £
Aggregate emoluments	108,472	329,289
Pension contributions	4,551	11,561
	<u><u>113,023</u></u>	<u><u>340,850</u></u>

Notes (continued)

4 Directors' emoluments (continued)

The group made contributions to a defined contribution pension scheme in respect of one director (30 April 2008: two directors).

Aggregate emoluments and benefits include amounts paid to the highest paid director, as follows:

	8 month period ended 31 December 2008 £	Year ended 30 April 2008 £
Aggregate emoluments	94,813	139,100
Pension contributions	4,551	6,625
	<u>99,364</u>	<u>145,725</u>

5 Interest receivable and similar income

	8 month period ended 31 December 2008 £	Year ended 30 April 2008 £
Bank interest receivable	37,823	4,830
Inter-company loan interest	1,364,013	1,622,909
	<u>1,401,836</u>	<u>1,627,739</u>

6 Interest payable and similar charges

	8 month period ended 31 December 2008 £	Year ended 30 April 2008 £
Interest payable	497,844	1,119,909
	<u>497,844</u>	<u>1,119,909</u>

Notes (continued)

7 Tax on profit/(loss) on ordinary activities

(a) Analysis of charge in period

	8 month period ended 31 December 2008 £	Year ended 30 April 2008 £
Corporation tax		
Current year	65,719	-
Deferred tax – accelerated capital allowances	(3,549)	3,549
	<u>62,170</u>	<u>3,549</u>

(b) Factors affecting tax charge for period

The tax assessed for the period is lower (*30 April 2008: higher*) than the standard rate of corporation tax in the UK (28% (*30 April 2008: 30%*)). The differences are explained below:

	8 month period ended 31 December 2008 £	Year ended 30 April 2008 £
Profit/(loss) on ordinary activities before tax	241,033	(2,852,545)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax (31 December 2008: 28%; 30 April 2008: 30%)	67,489	(855,764)
Effects of:		
Expenses not deductible for tax purposes	663	535,287
Capital allowances for the period in excess of depreciation	(2,433)	(3,548)
Utilisation of group relief	-	324,025
Current tax charge for the period	<u>65,719</u>	<u>-</u>

Notes (continued)

8 Tangible fixed assets

	Office equipment £	Computer equipment £	Motor vehicles £	Total £
Cost				
At 30 April 2008	935	110,478	28,315	139,728
Additions	9,812	6,207	-	16,019
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	10,747	116,685	28,315	155,747
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
At 30 April 2008	22	7,706	7,838	15,566
Charge for period	338	19,567	6,265	26,170
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	360	27,273	14,103	41,736
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2008	10,387	89,412	14,212	114,011
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2008	913	102,772	20,477	124,162
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

9 Fixed asset investments

Investments

	31 December 2008 £	30 April 2008 £
Investment in Broker Network Ltd	226,424	226,424
Investment in London Broking Services Ltd	330,000	330,000
Investment in Broker Network Insurance Brokers Ltd	8,700,000	8,700,000
Investment in Townfrost Ltd	3,012,750	3,012,750
Investment in G.W.I. Ltd	399,135	361,221
Investment in Oyster Risk Solutions Ltd	240,000	6,779,246
	<hr/>	<hr/>
At 31 December 2008	12,908,309	19,409,641
	<hr/>	<hr/>

The following investment movements were recorded during the period in respect of Oyster Risk Solutions Ltd and G.W.I Limited.

The company owned 75% of the share capital of Oyster Risk Solutions Ltd at the period end. This company started trading in July 2007. Under the terms of put and call option agreements dated 19 October 2007 between Broker Network Holdings Ltd and the two minority shareholders of the company, Broker Network Holdings Ltd had the right to acquire 20% of the remaining shares by serving notice to the minority shareholders on 30 April 2012, 30% on 30 April 2013 and the remaining 50% on 30 April 2014. In addition, under the terms of the same agreement, the minority shareholders have the right to require Broker Network Holdings to acquire the shares in the company on the same basis.

On 21 May 2009 Broker Network Holdings Ltd acquired a further 12.5% of the shares in Oyster Risk Solutions Limited from one of the minority shareholders. Although this is a post balance sheet event the investment value at 31 December 2008 has been adjusted to reflect the evidence now available in respect of the costs of purchasing these shares. The cost of the investment is now recorded as the initial cost, plus the known cost of the additional 12.5% purchased in May 09, plus the estimated cost of the remaining put and call agreement.

The value of the put and call options over the remaining 12.5% of the shares of Oyster Risk Solutions Limited have been reviewed based on current and projected trading and the terms of the option agreement and the carrying value of the investment restated to reflect its revised estimated value.

In December 2008 a deferred consideration payment was made for the purchase of GWI Ltd, this was greater than the original estimate by £37,914, the investment value has been adjusted accordingly.

	Country of incorporation	Principal activity	Percentage of shares held by	
			8 month period ended 31 December 2008 %	Year ended 30 April 2008 %
<i>Subsidiary undertakings</i>				
Broker Network Limited	United Kingdom	Insurance	100	100
Broker Network Insurance Brokers Limited	United Kingdom	Insurance broking	100	100
London Broking Services Limited	United Kingdom	Wholesale Insurance Broking	100	100
Townfrost Limited	United Kingdom	Holding company	76.2	76.2
G.W.I. Limited	United Kingdom	Insurance Broking	100	100

Oyster Risk Solutions Limited	United Kingdom Insurance broking	75	75
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Notes (continued)

10 Debtors

	31 December 2008 £	30 April 2008 £
Prepayments and accrued income	25,825	129,147
Other debtors	3,805	1,608
Amounts owed by group undertakings	18,051,671	13,868,838
	<u>18,081,301</u>	<u>13,999,593</u>

11 Creditors: amounts falling due within one year

	31 December 2008 £	30 April 2008 £
Trade creditors	73,154	10,109
Corporation tax	65,719	-
Accruals	160,320	598,304
Amounts due to group undertakings	26,722,558	22,322,284
Deferred consideration	30,000	14,942
	<u>27,051,751</u>	<u>22,945,639</u>

12 Creditors: amounts falling after more than one year

	31 December 2008 £	30 April 2008 £
Deferred consideration	3,030,000	9,742,540
	<u>3,030,000</u>	<u>9,742,540</u>

Deferred consideration relates to amounts payable in the future in respect of the prior period acquisition's of G.W.I. Limited and Townfrost Limited and to amounts payable in respect of put and call agreements over the shares of Oyster Risk Solutions Limited (see note 9).

Notes (continued)

13 Provision for liabilities and charges

	Deferred Tax £
At 30 April 2008	3,549
Credited to profit and loss account in the period	(3,549)
	<hr/>
At 31 December 2008	-
	<hr/>

14 Called up share capital

The 'A' shares, the 'B' shares, the 'C' shares and the non-voting shares are separate classes of shares but rank *pari passu* in all respects with the exception of voting rights. No specific dividend rights attached to any class of shares. The dividend was discretionary and was given purely to 'A' shares.

	31 December 2008 Number	31 December 2008 £	30 April 2008 Number	30 April 2008 £
<i>Authorised</i>				
Ordinary shares of 2p each	22,650,000	453,000	22,650,000	453,000
	<hr/>	<hr/>	<hr/>	<hr/>
	31 December 2008 Number	31 December 2008 £000	30 April 2008 Number	30 April 2008 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of 2p each	15,704,224	314,084	15,704,224	314,084
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

15 Reserves

	Share premium account £	Profit and loss account £
At 30 April 2008	2,328,428	(1,725,683)
Profit for the period	-	178,863
At 31 December 2008	2,328,428	(1,546,820)

16 Reconciliation of movements in shareholders' funds

	8 month period ended 31 December 2008 £	Year ended 30 April 2008 £
Opening shareholders' funds	916,829	3,897,773
Share capital issued	-	6,000
Premium on share capital issued	-	54,000
Dividends paid	-	(184,851)
Profit/(loss) for the financial period	178,863	(2,856,093)
Closing shareholders' funds	1,095,692	916,829

17 Pensions

The pension charge for the year represents contributions payable to a group personal pension plan. The pension charge for the period ended 31 December 2008 amounted to £13,304 (30 April 2008: £16,923). No amounts were owing by or to the company at the accounting period end, nor at the end of the previous year.

18 Ultimate controlling party

The company is a subsidiary undertaking of The Towergate Partnership Limited which is also the company's ultimate parent company, and a company incorporated in the UK.

The largest group in which the results of the company are consolidated is that headed by The Towergate Partnership Limited, incorporated in the United Kingdom. The accounts of Towergate Partnership Limited can be obtained from Towergate House, Eclipse Park, Sittingbourne Road, Maidstone, Kent, ME14 3EN.