

Broker Network Holdings Limited

**Directors' report and financial
statements**

Registered number 5044510

30 April 2008

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Directors and advisors

Directors

PG Ellis
MD Wood
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
31 Park Row
Leeds
LS1 5JD

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 year ended 30 April 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 year

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.

The directors believe that as the part of The Towergate Group the company and its subsidiaries will be able 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 year:

PG Ellis

MD Wood

AC Homer (appointed 24/1/08)

PG Cullum (appointed 24/1/08)

IWJ Patrick (appointed 24/1/08)

R Shannon (appointed 18/4/08)

P Bates (resigned 24/1/08)

NF Law (resigned 5/3/08)

F Rahmatallah (resigned 24/1/08)

MG Collins (resigned 24/1/08)

JK Hale (resigned 31/3/08)

Directors' report (continued)

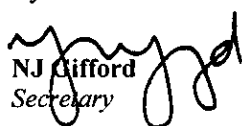
Disclosure of information to auditors

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

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


NJ Gifford
Secretary

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

20th April 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).

The financial statements are required by law to 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 proper accounting records that 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 1985. 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 the Broker Network Holdings Limited

We have audited the financial statements of Broker Network Holdings Limited for the year ended 30 April 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 section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. 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 proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

23 April 2009

Profit and loss account
for the year ended 30 April 2008

	<i>Note</i>	2008 £	2007 £
Turnover	<i>1</i>	-	-
Administrative expenses		(3,360,375)	(941,251)
Operating loss	<i>2</i>	(3,360,375)	(941,251)
Interest receivable	<i>5</i>	1,627,739	1,144,598
Interest payable	<i>6</i>	(1,119,909)	(725,282)
Loss on ordinary activities before taxation		(2,852,545)	(521,935)
Tax on loss on ordinary activities	<i>7</i>	(3,548)	17,921
Loss on ordinary activities after taxation		(2,856,093)	(504,014)

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 year stated above, and their historical cost equivalents.

Balance sheet
 at 30 April 2008

	<i>Note</i>	2008 £	2007 £
Fixed assets			
Tangible assets	8	124,162	-
Investments	9	19,409,641	4,257,174
		<u>19,533,803</u>	<u>4,257,174</u>
Current assets			
Debtors	10	13,999,593	12,295,258
Cash at bank and in hand		75,161	91,487
		<u>14,074,755</u>	<u>12,386,745</u>
Creditors: amounts falling due within one year	11	<u>(22,945,639)</u>	<u>(6,295,803)</u>
Net current (liabilities)/assets		<u>(8,870,885)</u>	<u>6,090,942</u>
Total assets less current liabilities		<u>10,662,918</u>	<u>10,348,116</u>
Creditors: amounts falling due after more than one year	12	<u>(9,742,540)</u>	<u>(6,450,343)</u>
Provisions for liabilities and charges	13	<u>(3,549)</u>	<u>-</u>
Net assets		<u>916,829</u>	<u>3,897,773</u>
Capital and reserves			
Called up share capital	14	314,084	308,084
Share premium account	15	2,328,428	2,274,428
Profit and loss account	15	(1,725,683)	1,315,261
Shareholders' funds		<u>916,829</u>	<u>3,897,773</u>

These financial statements were approved by the board of directors on 20 April 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 £8.8m and a loss for the year of £2.8m 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.

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)

1 Accounting policies (continued)

Share based payments

Charges for employee services received in exchange for share based payment are made for all awards/options granted after 7 November 2002 not vested at 1 May 2006 to spread the fair value of the grant over the vesting period. The fair value of options has been calculated using the Black Scholes pricing model.

2 Operating loss

	2008 £	2007 £
Operating loss is stated after charging:		
Fees payable to the company's auditor for		
- the audit of the company's financial statements	5,000	12,000
- for other services	53,915	6,060
Depreciation:		
- owned fixed assets	15,566	-
	<u>74,481</u>	<u>18,060</u>

3 Employee information

	2008 £	2007 £
Wages and salaries	958,016	570,121
Social security costs	106,856	72,138
Pension costs	16,923	9,207
	<u>1,081,795</u>	<u>651,466</u>

4 Directors' emoluments

	2008 £	2007 £
Aggregate emoluments	329,289	358,623
Pension contributions	11,561	12,669
	<u>340,850</u>	<u>371,292</u>

The group made contributions to a defined contribution pension scheme in respect of two (2007: two) directors.

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

	2008 £	2007 £
Aggregate emoluments	139,100	138,131
Pension contributions	6,625	5,932
	<u>145,725</u>	<u>144,063</u>

Notes (continued)

5 Interest receivable and similar income

	2008 £	2007 £
Bank interest receivable	4,830	883,064
Inter-company loan interest	1,622,909	261,534
	<hr/>	<hr/>
	1,627,739	1,144,598
	<hr/>	<hr/>

6 Interest payable and similar charges

	2008 £	2007 £
Interest payable	1,119,909	725,282
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7 Tax on loss on ordinary activities

(a) Analysis of charge in period

	2008 £	2007 £
Corporation tax at 30%		
Current year	-	-
Prior years	-	(17,921)
Deferred tax – accelerated capital allowances	3,548	-
	<hr/>	<hr/>
	3,548	(17,921)
	<hr/>	<hr/>

(b) Factors affecting tax charge for period

The tax assessed for the period is lower (2007: lower) than the standard rate of corporation tax in the UK (30% - 2007: 30%). The differences are explained below:

	2008 £	2007 £
Loss on ordinary activities before tax	(2,852,545)	(521,935)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by standard rate of corporation tax (30%)	(855,764)	(156,581)
Effects of:		
Expenses not deductible for tax purposes	535,287	-
Capital allowances for the period less than/ (in excess of) depreciation	(3,548)	-
Utilisation of group relief	324,025	156,581
	<hr/>	<hr/>
Current tax charge for the period	-	-
	<hr/>	<hr/>

Notes (continued)

8 Tangible fixed assets

	Office equipment £	Computer equipment £	Motor vehicles £	Total £
Cost				
At 30 April 2007	-	-	-	-
Additions	935	110,478	28,315	139,728
Disposals	-	-	-	-
At 30 April 2008	935	110,478	28,315	139,728
Accumulated depreciation				
At 30 April 2007	-	-	-	-
Charge for year	22	7,706	7,838	15,566
Disposals	-	-	-	-
At 30 April 2008	22	7,706	7,838	15,566
Net book value				
At 30 April 2008	913	102,772	20,477	124,162
At 30 April 2007	-	-	-	-

Notes (continued)

9 Fixed asset investments

Investments	2008 £	2007 £
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	3,700,000
Investment in Townfrost Ltd	3,012,750	750
Investment in G.W.I. Ltd	361,221	-
Investment in Oyster Risk Solutions Ltd	6,779,246	-
	<hr/>	<hr/>
At 30 April 2008	16,409,641	4,257,174
	<hr/>	<hr/>

The following investment movements were recorded during the year;

- Broker Network Holdings Ltd owns 75% of the share capital of Townfrost Limited. Under the terms of put and call option agreements dated 4 July 2006 between Broker Network Holdings and the management shareholders of the company, Broker Network has the right to acquire the remaining 25% shareholding by serving notice to the shareholders after 30 April 2011. 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. In view of the terms of these agreements Townfrost Limited is treated as a wholly owned subsidiary of Broker Network Holdings Ltd.
- In June 2007 a further 1.2% holding in Townfrost Limited was acquired for £12,000.
- The company acquired the entire share capital of GWI Limited, an insurance broking company incorporated in the UK, on 1 November 2007. Also in November 2007 a further £5M redeemable preference shares were purchased in Broker Network Insurance Brokers Ltd.
- The company owns 75% of the share capital of Oyster Risk Solutions Ltd. 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 has 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. In view of the terms of these agreements Oyster Risk Solutions Limited is treated as a wholly owned subsidiary of Broker Network Holdings Ltd. The cost of the investment is recorded as the initial cost plus the projected cost of the put and call agreements.

	Country of incorporation	Principal activity	Percentage of shares held by 2008 %	2007 %
<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	-

Notes (continued)

10 Debtors

	2008 £	2007 £
Prepayments and accrued income	129,147	20,385
Other debtors	1,608	1,747
Amounts owed by group undertakings	13,868,838	12,273,126
	<u>13,999,593</u>	<u>12,295,258</u>

11 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	10,109	14,677
Accruals	598,304	185,845
Amounts due to group undertakings	22,322,284	4,869,281
Bank Loan	-	1,226,000
Deferred consideration	14,942	-
	<u>22,945,639</u>	<u>6,295,803</u>

12 Creditors: amounts falling after more than one year

	2008 £	2007 £
Deferred consideration	9,742,540	-
Bank loan	-	6,450,343
	<u>9,742,540</u>	<u>6,450,343</u>

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

Notes (continued)

13 Provision for liabilities and charges

	Deferred Tax 30 April 2008 £
At 30 April 2007	-
Charged to profit and loss account in the period	3,549
	<hr/>
At 30 April 2008	3,549
	<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.

	2008 Number	2008 £	2007 Number	2007 £
Authorised				
Ordinary shares of 2p each	22,650,000	453,000	22,650,000	453,000
	<hr/>	<hr/>	<hr/>	<hr/>
	2008 Number	2008 £000	2007 Number	2007 £000
Allotted, called up and fully paid				
Ordinary shares of 2p each	15,704,224	314,084	15,404,224	308,084
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Shares issued in the year totalled 300,000 shares with a nominal value of £6,000. The shares were issued in respect of the settlement of other option detailed below.

Long Term Incentive Plan (LTIP)

Members of senior management were entitled to participate each year in a LTIP scheme without payment. The benefits consisted of cash incentive rewards in addition to the right to buy shares in Broker Network Holdings Limited at nil cost. All amounts were exercised in the year following the acquisition of Broker Network Holdings by Towergate Partnership Limited.

Notes (continued)

14 Called up share capital (continued)

	2008 Number of options
Outstanding at 30 April 2007	39,840
New rights granted	-
Rights exercised	(39,840)
Outstanding at 30 April 2008:	-

Option features :

Grant date	Exercised on	Exercise price (£)	Fair value at grant (£)	Number of options outstanding 2008
13.09.2006	21.12.2008	6.05	1.82	-

The charge to the profit and loss account for share based payments in the year ended 2008 was £235,000 (2007 - £45,000).

Other share options

On 18 December 2001, JK Hale was granted an option to subscribe for 6,000 shares at £10 per share. The option commenced on 17 April 2001. Following a share split in April 2004 the options were amended to options to subscribe for 300,000 shares at 20p. The options were exercisable as follows:

Period after commencement date	No. of shares that may be exercised
Less than 12 months	Nil
More than 12 months but less than 24 months	100,000
More than 24 months but less than 36 months	200,000

On 13 November 2003, MG Collins was granted an option to subscribe for 6,000 shares at £20 per share. The option commenced on 1 August 2002. Following a share split in April 2004 the options were amended to options to subscribe for 300,000 shares at 40p. The options were exercisable as follows:

Period after commencement date	No. of shares that may be exercised
Less than 12 months	Nil
More than 12 months but less than 24 months	100,000
More than 24 months but less than 36 months	200,000

On 6 June 2006, the company received notice from MG Collins of the exercise of 300,000 share options at the exercise price of 40p each.

All options were exercised in December 2008 on the acquisition of Broker Network Holdings by Towergate Partnership Limited.

The options issued to MG Collins and JK Hale fell outside the scope of the measurement and recognition requirements of FRS 20 as a result of their grant date and vesting period.

Notes (continued)

15 Reserves

	Share premium account £	Profit and loss account £
At 30 April 2007	2,274,428	1,315,261
Dividends paid	-	(184,851)
Exercise of share options	54,000	-
Retained loss for the financial year	-	(2,856,093)
At 30 April 2008	2,328,428	(1,725,683)

16 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Opening shareholders' funds	3,897,773	3,297,436
Share capital issued	6,000	6,786
Premium on share capital issued	54,000	179,214
Dividends received	-	1,027,000
Dividends paid	(184,851)	(153,649)
Share based payment credit	-	45,000
Loss for the financial period	(2,856,093)	(504,014)
Closing shareholders' funds	916,829	3,897,773

17 Pensions

The pension charge for the year represents contributions payable to a group personal pension plan. The pension charge for the year ending 30 April 2008 amounted to £16,923 (2007: £9,207). 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.