

Budget Insurance Company Limited
Annual Report and Financial Statements
Year Ended
30 June 2007



Budget Insurance Company Limited

Annual Report and financial statements for the year ended 30 June 2007

Contents

Page:

1	Report of the directors
3	Statements of directors' responsibilities
4	Report of the auditors
5	Income statement
6	Balance sheet
7	Statement of changes in shareholders' equity
8	Cash flow statement
9	Notes forming part of the financial statements

Directors

D G Steyn
S Klinkert
P A Winslow
I R Leech

Secretary and registered office

N E Wright
Pegasus House
Bakewell Road
Orton Southgate
Peterborough
PE2 6YS

Company number

2593721

Auditors

Moore Stephens LLP
Chartered Accountants
St Paul's House
Warwick Lane
London
EC4M 7BP

Budget Insurance Company Limited

Report of the directors for the year ended 30 June 2007

The directors present their report together with the audited financial statements for the year ended 30 June 2007

Results and dividends

The results Company for the year are set out on page 5 and show a profit before taxation of £961,666 (2006 £1,296,677)

The directors do not recommend payment of a dividend for the year (2006 £nil)

Principal activities, trading review and future developments

United Kingdom

The Company is authorised under the Financial Services and Markets Act 2000 for the carrying out of personal lines insurance in the UK. The Company's permission to effect contracts of insurance was removed during the year at the request of the Company

The directors are satisfied with the continuing financial strength of the Company, which continues to run-off UK-domiciled business

During the period the Company has maintained its strategy of minimising exposure to the UK market by limiting exposure to adverse claims development through reinsurance

Australia

The Company has written insurance business in Australia licensed by the Australian Prudential Regulation Authority through its branch operation situated in that country. The Australian branch had its permission to write new business removed during 2005 at the request of the Company and was placed in run-off

The branch ceased to write new business from 1st July 2005, except for contracts already entered into at that date with a commencement date of up to 60 days in advance. As a result, there has been no new business written in the current financial year. Results for the year were in line with expectations. The process to wind-up the branch has been commenced, with completion intended by 30 June 2008

Consolidated position

The directors are pleased to report a profit for the period of £961,666 before tax as noted above. The Company's margin of solvency as at 30 June 2007 stood at 619% of that required under the solvency rules stipulated by the Financial Services Authority

The Company shares resources with fellow subsidiaries of BGL Group Limited (formerly Budget Group Limited). In order to improve operating efficiencies within the business, personnel and infrastructure services are provided by BGL Group Limited, which raises a management charge in respect of all services provided to the Company

There have been no events since the balance sheet date that materially affect the position of the Company

Charitable and other donations

No charitable or political donations were made during the year

Budget Insurance Company Limited

Report of the directors for the year ended 30 June 2007 (continued)

Directors

The directors who held office during the year were as follows

D G Steyn
S Klinkert
P A Winslow
I R Leech

None of the Directors had any interest in the ordinary share capital of the Company at any time during the year

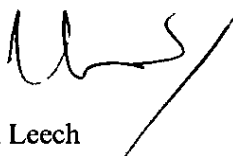
Each of the persons who are directors at the time when this report is approved have confirmed that

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information

Reappointment of Auditors

Moore Stephens LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting

On Behalf of the Board



IR Leech

Director

2 October 2007

Budget Insurance Company Limited

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which 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 year. In preparing those accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts, 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Budget Insurance Company Limited

Independent Auditors' Report to the Shareholders of Budget Insurance Company Limited

We have audited the financial statements of Budget Insurance Company Limited for the year ended 30 June 2007 which are set out pages 5 to 18. 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 the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union (IFRS).

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 are properly prepared in accordance with the Companies Act 1985. We also 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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Company's affairs as at 30 June 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the directors' report is consistent with the financial statements.

**St Paul's House
Warwick Lane
LONDON EC4M 7BP**


Moore Stephens LLP
Registered Auditors
Chartered Accountants

2 October 2007

Budget Insurance Company Limited**Income statement for the year ended 30 June 2007**

	Notes	2007 £	2006 £
Income			
Gross premiums written		42,062	1,354,938
Outward reinsurance premiums		<u>(6,105)</u>	<u>(317,763)</u>
Net premiums written		35,957	1,037,175
Gross amount of change in provision for unearned premiums		<u>55,281</u>	<u>16,630,127</u>
Earned premiums, net of reinsurance		<u>91,238</u>	<u>17,667,302</u>
Investment income	5	1,075,113	1,273,664
Total revenue		<u>1,166,351</u>	<u>18,940,966</u>
Expenses			
Gross claims paid		(1,322,565)	(14,693,114)
Reinsurers' share of gross claims paid		<u>14,608</u>	<u>235,377</u>
Claims paid, net of reinsurance		(1,307,957)	(14,457,737)
Change in provision for claims - gross amount		1,419,989	6,476,545
Re-insurers share of change in provision for claims		<u>-</u>	<u>(867,815)</u>
Net change in provision for claims		1,419,989	5,608,730
Claims incurred, net of reinsurance		112,032	(8,849,007)
Other operating expenses	3	(316,717)	(8,795,282)
Total expenses		<u>(204,685)</u>	<u>(17,644,289)</u>
Result of operating activities and profit before tax		961,666	1,296,677
Tax expense	4	(283,175)	(174,163)
Profit for the year (all attributable to equity shareholders of the Company)		<u>678,491</u>	<u>1,122,514</u>

All activities are discontinued

The notes on pages 9 to 18 form part of these financial statements

Budget Insurance Company Limited**Balance sheet as at 30 June 2007**

	Notes	2007 £	2006 £
Assets			
<i>Current</i>			
Deferred acquisition costs	7	-	14,926
Trade and other receivables	6	2,272,559	2,369,013
Cash and cash equivalents	8	17,930,703	19,469,263
Total assets		<u>20,203,262</u>	<u>21,853,202</u>
Liabilities			
<i>Current</i>			
Technical provisions - provision for unearned premiums	7	-	55,281
Technical provisions - claims outstanding	7	312,672	1,732,661
Trade and other payables	9	395,559	1,297,204
Total liabilities		<u>708,231</u>	<u>3,085,146</u>
Equity			
Called up share capital	14	15,600,000	15,600,000
Special reserve		1,334,891	1,334,891
Translation reserve		77,494	29,010
Retained earnings		2,482,646	1,804,155
Total Equity attributable to equity holders of the parent		<u>19,495,031</u>	<u>18,768,056</u>
Total liabilities and equity		<u>20,203,262</u>	<u>21,853,202</u>

The financial statements were approved by the board on 02/10/2007

P A Winslow
DirectorI R Leech
Director

The notes on pages 9 to 18 form part of these financial statements

Budget Insurance Company Limited**Statement of changes in shareholders equity at 30 June 2007**

	Share capital £	Translation reserve £	Special reserves £	Retained earnings £	TOTAL £
Balance at 1 July 2005	15,600,000	61,483	1,334,891	681,641	17,678,015
Currency translation differences	-	(32,473)	-	-	(32,473)
Profit for the year	-	-	-	1,122,514	1,122,514
Balance at 30 June 2006	<u>15,600,000</u>	<u>29,010</u>	<u>1,334,891</u>	<u>1,804,155</u>	<u>18,768,056</u>
Balance at 1 July 2006	15,600,000	29,010	1,334,891	1,804,155	18,768,056
Currency translation differences	-	48,484	-	-	48,484
Profit for the year	-	-	-	678,491	678,491
Balance at 30 June 2007	<u>15,600,000</u>	<u>77,494</u>	<u>1,334,891</u>	<u>2,482,646</u>	<u>19,495,031</u>

The notes on pages 9 to 18 form part of these financial statements

Budget Insurance Company Limited**Statement of cash flows for the year ended 30 June 2007**

	Notes	2007 £	2006 £
Result of operating activities and profit before tax		961,666	1,296,677
Adjustments for			
Investment income	5	(1,075,113)	(1,273,664)
Interest payable		-	15,243
Operating (loss) / profit before working capital changes		(113,447)	38,256
(Decrease) / increase in general insurance technical provisions		(1,558,899)	(21,115,772)
Decrease in trade and other receivables		173,557	12,408,358
(Decrease) / increase in trade and other payables		(988,299)	(2,680,498)
Cash used in operations		(2,487,088)	(11,349,656)
Income tax paid		(225,973)	(361,003)
Interest paid		-	(15,243)
Investment income received		1,117,192	1,234,179
Net cash outflows from operating activities		(1,595,869)	(10,491,723)
Net decrease in cash and cash equivalents	11	(1,595,869)	(10,491,723)
Cash and cash equivalents at the start of the year	11	19,469,263	30,530,169
Effect of exchange rate fluctuations on cash and cash equivalents	11	57,309	(569,183)
Cash and cash equivalents at the end of the year	8,11	17,930,703	19,469,263

The notes on pages 9 to 18 form part of these financial statements

Budget Insurance Company Limited

Notes forming part of the financial statements for the year ended 30 June 2007

1. Accounting policies

Basis of preparation

Budget Insurance Company Limited, a private limited Company incorporated in the United Kingdom, has elected to prepare its financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union ('IFRS'), and the requirements of the Companies Act 1985. The financial statements comply with the ABI SORP December 2005 (amended December 2006) and have been prepared in accordance with IFRS applicable at 30 June 2007.

In accordance with Phase I IFRS 4, *Insurance contracts*, the Company has applied existing accounting practices for insurance and investment contracts, to comply with the IFRS framework and applicable standards.

Items included in the financial statements are measured in the currency of the primary economic environment in which that entity operates ("the functional currency"). The financial statements are stated in sterling, which is the Company's functional and presentation currency. Unless otherwise noted, the amounts shown in these financial statements are in sterling (£).

The following principal accounting policies have been applied:

Insurance contracts

Up until 1 July 2005, the Australian branch of the Company issued contracts that transferred insurance risk, in the form of personal lines motor policies of up to 12 months in duration.

The UK domiciled run-off business had previously issued some personal lines property insurance contracts, but was primarily an issuer of personal lines motor policies.

Recognition and measurement

(a) Premiums

Direct premiums (in respect of the Australian branch) comprise amounts, including applicable levies and charges and before the deduction of commissions, charged to policyholders or other insurers. Gross written premiums comprise premiums on business inception in the financial year together with adjustments to estimates of premium written in previous financial periods.

Premiums are recognised as revenue (earned premium) proportionally over the period of coverage and accrue daily from the date of attachment of risk. The proportion of premiums on in-force policies that relates to unexpired risks at the balance sheet date is reported under 'Technical provisions – provision for unearned premiums'. This is computed separately for each contract using the daily pro-rata method and may be adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

(b) Claims expenses

Claims expenses and adjustments are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the balance sheet date, including where they have not yet been reported to the Company.

Budget Insurance Company Limited

Notes forming part of the financial statements for the year ended 30 June 2007 (continued)

1. Accounting policies (continued)

Insurance contracts (continued)

Provision for outstanding claims where the claim has been reported to the Company are assessed on a case-by-case basis by skilled claims technicians applying their experience and knowledge to the evidence available, and are updated to reflect any changes in circumstances as they become known. Salvage and other recoveries are brought to account on an accruals basis.

The estimation of the cost of incurred but not reported ("IBNR") claims is based upon the use of past claims development experience and loss ratios which are used to extrapolate the likely level of the cost of the claims. The estimation techniques used take into account the level of business and the nature of the policies underwritten by the Company.

The provision for claims outstanding is based on information available at the balance sheet date. Delays are experienced in the notification and settlement of claims, and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt within the technical account in respect of general business of the year in which the claim is settled.

Claims are handled by related parties, with the costs initially being borne by that party and subsequently charged to the Company via a management fee. Claims handling expenses are therefore reported in other operating expenses in the income statement.

(c) Outwards reinsurance

Premiums payable to reinsurers are recognised as expenses in accordance with the pattern of reinsurance services received. They are deducted from gross written premium to calculate net written premium in the income statement. Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNR claims are recognised as credits to expenditure in the income statement.

To the extent that the recoveries on paid claims have not been made at the balance sheet date, amounts are reported on the balance sheet under "Trade and other receivables – debtors arising out of reinsurance operations". To the extent that the recoveries on reported but not paid or IBNR claims have not been made at the balance sheet date, amounts are reported on the balance sheet under "Reinsurers share of technical provisions – claims outstanding".

(d) Deferred acquisition costs

Where commissions and other direct or indirect costs of securing new contracts or renewing existing contracts are payable in respect on premiums unearned at the balance sheet date, the costs are capitalised and reported under "Deferred acquisition costs". These are measured at the lower of cost and recoverable amount. A write-down to the recoverable amount is made when the present value of expected future claims in relation to business written at the balance sheet date exceeds related unearned premiums. Deferred acquisition costs are amortised over the periods expected to benefit from the expenditure, which is generally twelve months.

(e) Discounting

The Company does not discount any insurance liabilities.

Budget Insurance Company Limited

Notes forming part of the financial statements for the year ended 30 June 2007 (continued)

1. Accounting policies (continued)

Foreign exchange

Income statements and cash flows of foreign entities are translated into the Company's presentation currency at average exchange rates for the year, while their balance sheets are translated at the year-end exchange rates. Exchange differences, arising from the translation of the net investment in foreign subsidiaries, are taken to the currency translation reserve within equity. On disposal of a foreign entity, such exchange differences are transferred out of this reserve and are recognised in the income statement as part of the gain or loss on sale.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Taxation

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to reserves as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from revaluation of certain financial assets and liabilities, and tax losses carried forward, and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantively enacted at the balance sheet date are used to determine the deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Dividends

Dividends on equity instruments that are declared and paid in an accounting period are recognised in that accounting period.

Interim dividends declared but unpaid at balance sheet date are not a liability at that balance sheet date. Final dividends are not a liability until such time as they are declared by the Company at the general meeting.

Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with less than 90 days' maturity from the date of acquisition. For the purposes of the cash flow statement, cash and cash equivalents may also include bank overdrafts, which are included within payables and other financial liabilities on the balance sheet.

Interest from cash equivalents is included in the financial statements on an accruals basis.

Budget Insurance Company Limited

Notes forming part of the financial statements for the year ended 30 June 2007 (continued)

Future developments

The following pronouncements may be relevant to the Company but were not effective at 30 June 2007 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
IFRS 7 financial instruments Disclosures	Consolidates the current financial instruments disclosures into a single standard and requires more detailed qualitative disclosures about exposures to risk arising from financial instruments	Annual periods beginning on or after 1 January 2007
Amendments to IAS 1 Presentation of financial statements – capital disclosures	Introduces additional disclosures of the objectives, policies and processes for managing capital, quantitative data about what the Group regards as capital and compliance with capital requirements	Annual periods beginning on or after 1 January 2007
Amendments to IAS 23 Borrowing costs	Eliminates the option of recognising all borrowing costs immediately as an expense. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset measured on a cost basis the amendment requires capitalisation as part of the asset	Annual periods beginning on or after 1 January 2009

The Company is assessing the full impact of these accounting changes and to the extent they may be applicable, none of these pronouncements are expected to cause any material adjustments to the financial statements

2. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

Other than as indicated in the notes to the financial statements, no judgements have been made by the management, that have significant effect on the amounts recognised in the financial statements

Key sources of estimation uncertainty

Other than as indicated in note 1 to the financial statements, the management considers that there have been no key sources of estimation uncertainty at the balance sheet date that had a significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year

3. Other operating expenses

	2007 £	2006 £
Acquisition costs	(4,266)	290,455
Change in deferred acquisition costs	14,926	4,490,134
	10,660	4,780,589
Auditors remuneration	17,917	33,835
Other interest payable	-	15,243
Other administrative expenses	288,140	3,965,615
	316,717	8,795,282

Budget Insurance Company Limited

Notes forming part of the financial statements for the year ended 30 June 2007 (continued)

4. Tax on profit on ordinary activities

	2007 £	2006 £
Current tax - current year		
UK corporation tax	282,187	155,331
Overseas tax	988	73,920
	<u>283,175</u>	<u>229,251</u>
Deferred tax - current year		
Origination and reversal of timing differences	-	(55,088)
	<u>283,175</u>	<u>174,163</u>

The standard rate of tax for the year, based on the UK rate of corporation tax, is 30%. The actual tax charge for the current and previous years differs from the standard rate for the reasons set out below

	2007 £	2006 £
Profit before tax	<u>961,666</u>	<u>1,296,677</u>
Tax on profit on ordinary activities at standard rate	288,500	389,003
Effects of		
Movement in provisions	(5,325)	(119,438)
Double taxation relief	-	(40,314)
	<u>283,175</u>	<u>229,251</u>

The effect of the movement in provisions in the above reconciliation is in respect of incurred but not reported claims provisions

5. Investment income

	2007 £	2006 £
Interest from group undertakings	296,188	433,266
Interest from short term bank deposits	778,925	840,398
	<u>1,075,113</u>	<u>1,273,664</u>

Budget Insurance Company Limited

Notes forming part of the financial statements for the year ended 30 June 2007 *(continued)*

6. Trade and other receivables

	2007 £	2006 £
Amounts owed by group undertakings	2,141,265	1,330,569
Debtors arising out of direct insurance operations	31,042	535,761
Debtors arising out of reinsurance operations	8,909	129,718
Other debtors	42,668	187,536
Prepayments and accrued income	48,675	185,429
	<u>2,272,559</u>	<u>2,369,013</u>

7. Insurance assets and liabilities

(a) Claims and loss adjustment expenses

	2007 Technical provisions £	2007 Reinsurers' share of technical provisions £	2006 Technical provisions £	2006 Reinsurers' share of technical provisions £
Notified claims	1,036,426	-	4,895,098	(367,815)
IBNR	<u>696,235</u>	-	<u>3,314,107</u>	<u>(500,000)</u>
At beginning of the year	1,732,661	-	8,209,205	(867,815)
Cash paid for claims settled in the year	(1,322,565)	14,608	(14,693,114)	235,377
Increase / (decrease) in liabilities				
- arising from current year	30,000	-	10,598,857	-
- arising from prior year claims	(127,424)	(14,608)	(2,382,287)	632,138
At end of the year	<u>312,672</u>	-	<u>1,732,661</u>	-
Notified claims	208,601	-	1,036,426	-
IBNR	<u>104,071</u>	-	<u>696,235</u>	-
At end of the year	<u>312,672</u>	-	<u>1,732,661</u>	-

Budget Insurance Company LimitedNotes forming part of the financial statements for the year ended 30 June 2007 *(continued)***7. Insurance assets and liabilities (continued)***(b) Provisions for unearned premiums*

The movements for the year are summarised below

	2007		2006	
	Deferred acquisition costs £	Provision for unearned premiums £	Deferred acquisition costs £	Provision for unearned premiums £
At beginning of the year	14,926	(55,281)	4,505,060	(16,685,408)
Increase in the year	-	-	10,876	(44,116)
Release in the year	(14,926)	55,281	(4,501,010)	16,674,243
At end of the year	<u>-</u>	<u>-</u>	<u>14,926</u>	<u>(55,281)</u>

8. Cash and cash equivalents

	2007 £	2006 £
Cash at bank and in hand	78,550	739,884
Short term bank deposits	17,852,153	18,729,379
	<u>17,930,703</u>	<u>19,469,263</u>

9. Trade and other payables

	2007 £	2006 £
Amounts payable to group undertakings	36,439	893,799
Other creditors including tax and social security	355,165	296,796
Accruals and deferred income	3,955	106,609
	<u>395,559</u>	<u>1,297,204</u>

Budget Insurance Company LimitedNotes forming part of the financial statements for the year ended 30 June 2007 (*continued*)**10. Deferred taxation**

The deferred tax liability consists of the following

	2007 £	2006 £
Short term timing differences	-	-
Deferred tax liability at start of the year	-	55,088
Deferred tax charge in income statement for year	-	(55,088)
Deferred tax liability at the end of the year	-	-

11. Movement in cash and cash equivalents

	Cash at bank and in hand £	Short-term bank deposits £	TOTAL £
At 1 July 2005	3,219,992	27,310,178	30,530,170
Cashflow	(2,325,296)	(8,166,427)	(10,491,723)
Foreign exchange translation differences	(154,812)	(414,372)	(569,184)
At 30 June 2006	739,884	18,729,379	19,469,263
Cashflow	(716,606)	(879,263)	(1,595,869)
Foreign exchange translation differences	55,272	2,037	57,309
At 30 June 2007	78,550	17,852,153	17,930,703

12. Exposure to risks arising from financial instruments**a) Interest rate risk**

The Company has interest bearing assets in the form of deposits with recognised credit institutions and loans to related parties. Interest income from deposits is variable and fluctuates according to general credit market conditions. Interest income from loans to related parties is linked to the Bank of England base rate plus a given margin. The Company does not have any significant interest-bearing liabilities or financial derivatives.

b) Credit risk

The Company's credit risk derives substantially from counterparty banks and financial institutions where short-term deposits are placed. These counterparties are subject to pre-approval and any exposure is limited to institutions with a certain credit rating. The amount of exposure to any individual counter party is subject to limit, which is reassessed regularly.

Budget Insurance Company Limited

Notes forming part of the financial statements for the year ended 30 June 2007 (*continued*)

13. Exposure to risks arising from insurance contracts

The Company considers insurance risk using the policies and procedures described in note 1

The Australian branch of the Company ceased to write new business from 1 July 2005, except for contracts already entered into at that date with a commencement date of up to sixty days in advance. As a result, there is a minimal level of new business in the current year, and there will be no new business thereafter. Australian insurance risk ceases after twelve months from the end of the insurance contract.

The UK claims run-off business has now settled all but a minimal level of known claims. Any IBNR claims arising from policies written prior to the business being put into run-off are substantially reinsured after the application of a retention amount, therefore substantially reducing the level of insurance risk.

Other than as indicated in the notes to the accounts, the Company has no significant concentrations of insurance risk and has implemented policies that require appropriate checks on potential customers before a policy commences. The amount of exposure to any individual party is subject to a limit.

14. Share capital and reserves

The Company has authorised 40,000,000 ordinary shares of £1 each. 15,600,000 were allotted, called up and fully paid at 30 June 2006 and 2007. The shares are of a single class and carry equal rights to dividends, voting and repayment of capital on winding up.

The Special Reserve was created out of a share capital and share premium reduction undertaken during the year ended 30 June 1999. The balance comprises the net of the above reduction and the accumulated retained loss at 30 June 1999.

The Translation Reserve has been established in order to recognise accumulated exchange differences on the translation of foreign operations as required by IAS 21.

15. Events after the balance sheet date

There have been no events since the balance sheet date that materially affect the position of the Company.

Budget Insurance Company Limited

Notes forming part of the financial statements for the year ended 30 June 2007 (continued)

16. Related party transactions

Net premium income receivable of £35,957 (2006 £1,037,135) and a credit to commission payable of £4,266 (2006 £290,455) arose from business conducted under a contract with a fellow subsidiary undertaking, Insurers Hotline (Pty) Limited

The Company paid fees of £110,000 (2006 £110,000) to its immediate parent undertaking, BGL Group Limited, and £1,476,146 (2006 £3,635,737) to a fellow subsidiary undertaking, Australian Insurance Holdings Limited, in respect of management services provided

The Company has the following related party creditors at 30 June 2007

- An amount of £117 (2006 £65,043) is owed to Budget Group Limited Interest of £6,599 (2006 £18,632) was payable on the outstanding amount during the year
- An amount of £36,322 (2006 £712,410) is owed to Insurers Hotline (Pty) Limited No interest was payable on the outstanding amount during the year

The Company has the following related party debtors at 30 June 2007

- An amount of £107,820 (2006 creditor of £116,346) is owed by its fellow subsidiary undertaking, BFSL Limited Interest of £178,503 (2006 £451,898) was receivable on the outstanding amount during the year
- An amount of £128,749 (2006 £1,330,569) is owed by its fellow subsidiary undertaking, Auto and General Insurance Company Limited No interest was receivable on the outstanding amount during the year
- An amount of £1,904,696 (2006 £nil) is owed by Australian Insurance Holdings (Pty) Limited No interest was payable on the outstanding amount during the year

The Company paid no member of key management directly Remuneration of key management (including Directors) is borne by BGL Group Limited and is disclosed in that Company's financial statements

17. Ultimate and immediate parent companies

The directors regard the Company to be ultimately controlled by Budget Holdings Limited, a Company incorporated in Guernsey

The immediate parent Company is BGL Group Limited, a Company incorporated in England and Wales

The accounts of the Company are consolidated into those of Budget Holdings Limited and BGL Group Limited