

Company number 02593721

Budget Insurance Company Limited

Annual report and financial statements

Year ended 30 June 2016

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Budget Insurance Company Limited

Year ended 30 June 2016

Annual Report and financial statements

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Directors	P A Winslow CBE S Klinkert I R Leech
Secretary and registered office	Bath House 16 Bath Row Stamford Lincolnshire PE9 2QU
Company number	02593721
Auditor	KPMG LLP 15 Canada Square London E14 5GL

Budget Insurance Company Limited

Year ended 30 June 2016

Strategic Report

The directors present their strategic report for the year ended 30 June 2016.

Results and dividends

The annual results of Budget Insurance Company Limited, company number 02593721, (the "Company") are set out on page 6 and show a profit on ordinary activities before taxation of £55,181 (2015: £82,444). The directors are satisfied with the performance for the year.

The Company has not paid a dividend during the year (2015: nil).

Principal activities, trading review and future developments

The Company is authorised under the Financial Services and Markets Act 2000 for the carrying out of personal lines insurance in the UK and is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and PRA. The Company's permission to effect contracts of insurance was removed during the 2006/7 financial 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. In December 2015 the directors of the Company submitted a closure plan to the PRA on the basis that there are no claims outstanding and none have been reported since 2001. As there are no notified claims where anyone involved in an incident would be under the age of 21 beyond June 2018, in February 2016 the PRA confirmed that the Company could avail itself of transitional measures under Article 308b of the Solvency II Directive as it is expected that the Company can be closed before January 2019. The Company remains subject to annual monitoring of its closure plan and will submit progress reports to the PRA.

The Company continually monitors the constituents of its capital base to ensure that net solvency assets are maintained at a level in excess of that required by statute.

The directors are pleased to report a profit for the period of £55,181 before tax as noted above. The Company's margin of solvency as at 30 June 2016 stood at 149% (2015: 172%) of that required under the solvency rules stipulated by statute. These are the key performance indicators for the Company.

In order to improve operating efficiencies within the business, personnel and infrastructure services are provided by BHL (UK) Holdings Limited, a related party of the company.

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

Risks and uncertainties

Risks of the Company are managed by the board of directors of the Company (the "Board").

Financial risks

The Board reviews its risk appetite annually and deems the risk to be minimal. The majority of the assets are held in cash and there is no longer any insurance risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the Company by failing to pay its obligation. The majority of the Company's assets are in short term deposits. Counter parties for short-term deposits are subject to pre-approval, are limited to institutions with a certain credit rating and the amount of exposure to any individual counter party is subject to defined limits.

Details of the credit risk on cash balances is given in note 6.

Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in paying its financial liabilities. The Company holds the majority of its assets in short term deposits and with minimal liquidity risk.

Budget Insurance Company Limited

Year ended 30 June 2016

Strategic Report

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Interest rate risk

The Company has interest bearing assets only. Cash and cash equivalents earn interest primarily at the rates available in the short-term deposit markets and therefore the Company is exposed to minimum interest rate risk.

Non-financial risks

The Board has identified that in addition to the above, there are a number of non-financial risks to be considered.

Capital management

This is the risk that the Company will not maintain sufficient capital to meet its legal obligations, but also to take advantage of opportunities as they arise. Capital consists of share capital, retained earnings and other reserves.

The Company is authorised by the PRA and regulated by both the FCA and PRA, and therefore must maintain adequate regulatory capital. This is regularly reviewed and, due to the simple nature of the Company's operations, has minimal risk.

Exposure to risks arising from insurance contracts

This is the risk that an insured event will occur, requiring the Company to pay a claim.

The Company has previously written insurance business in both the UK and in Australia licensed by the Australian Prudential Regulation Authority (APRA) through its branch operation situated in that country. The Company's permission to effect contracts of insurance was removed during the 2006/07 financial year. The Australian branch was formally wound-up on 14 April 2010.

The UK claims run-off business has now settled all known claims. The directors are not aware of any incurred but not reported claims arising from policies written prior to the business being put into run-off and consider any now arising as remote. However any such exposures are substantially reinsured after the application of a retention amount, therefore substantially reducing the level of insurance risk.

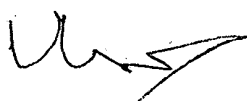
Operational risk

The Company recognises the need to maintain people, organisational structures, systems and infrastructure to support current operations and the ongoing growth of the business. The Company's operations are simple and the Board considers that operational risk is minimal.

Regulatory risk

Regulatory risk is the risk that the Company will breach the requirements of its regulator. Budget Insurance Company Limited is authorised by the PRA and regulated by both the FCA and PRA. The Company deems the risk to be low as no business has been written in the UK since 2006 and in Australia since 2010, with the last claim becoming time barred.

On behalf of the board



I R Leech
Director

Date: 15th September 2016

Budget Insurance Company Limited

Year ended 30 June 2016

Report of the directors

The directors present their report together with the audited financial statements for the year ended 30 June 2016.

Results, dividends and future developments

Details of the Company's results, dividends and future developments are set out in the strategic report.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Company is disclosed on the balance sheet on page 8.

During the year ended 30 June 2016 the directors have taken the decision, subject to approval from the PRA which will be formally requested in July 2018, to cease trading by 31st December 2018. A closure plan was submitted to the PRA confirming the Company should have no potential liabilities as at July 2018. Subsequently the PRA confirmed that the Company could avail itself of transitional measures under Article 308b of the Solvency II Directive and, provided that the Company continued to comply with those requirements, be closed before January 2019. Accordingly the directors have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

Directors

The directors who held office during the year were as follows:

P A Winslow CBE
S Klinkert
I R Leech

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 auditor is 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 auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

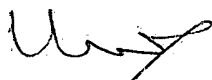
Directors' indemnity provision

In accordance with the Company's Articles of Association, the Company has indemnified the directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is still in place as at the date of this report.

Auditor

In accordance with section 487 of the Companies Act 2006, the auditors will be deemed reappointed and KPMG LLP will therefore continue in office.

On behalf of the board



I R Leech
Director
Date: 15th September 2016

Budget Insurance Company Limited

Year ended 30 June 2016

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the report of the directors 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 the financial statements, 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 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. As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis

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 the 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.

Independent Auditor's Report to the Members of Budget Insurance Company Limited

We have audited the financial statements of Budget Insurance Company Limited for the year ended 30 June 2016 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter[s] prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Emphasis of matter - non-going concern basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note:



Murray Raisbeck (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants, 15 Canada Square, London, E14 5GL

Date: 15 September 2016

Budget Insurance Company Limited**Year ended 30 June 2016****Profit and loss account**

	Note	2016 £	2015 £
Technical Account			
Net operating income/(expenses)	3	(11,666)	7,387
Balance on the technical account for general business		<u>(11,666)</u>	<u>7,387</u>
Non Technical Account			
Balance on the general business technical account		(11,666)	7,387
Investment Income	2	66,847	75,057
Operating profit and profit on ordinary activities before taxation		<u>55,181</u>	<u>82,444</u>
Tax on profit on ordinary activities	4	(11,037)	(17,052)
Profit for the financial year		<u>44,144</u>	<u>65,392</u>

All amounts relate to continued activities.

There are no other items of comprehensive income other than those included above in the profit and loss account; accordingly profit for the year is also total comprehensive income for the year.

The notes on pages 9 to 13 form part of these financial statements.

Budget Insurance Company Limited**Year ended 30 June 2016****Statement of changes in equity**

	Share capital £	Special reserve £	Retained earnings £	Total equity £
At 1 July 2014	8,000,000	1,334,891	113,026	9,447,917
Profit for the year	-	-	65,392	65,392
At 30 June 2015	8,000,000	1,334,891	178,418	9,513,309
Profit for the year	-	-	44,144	44,144
At 30 June 2016	8,000,000	1,334,891	222,562	9,557,453

The notes on pages 9 to 13 form part of these financial statements.

Budget Insurance Company Limited**Year ended 30 June 2016****Balance Sheet**

Company Registered Number 02593721

	Note	2016 £	2015 £
Assets			
Cash at bank and in hand	6	9,579,404	9,507,355
Prepayments and accrued income		15,193	30,561
Total assets		9,594,597	9,537,916
Liabilities			
Capital and reserves			
Called up share capital	9	8,000,000	8,000,000
Special reserve	9	1,334,891	1,334,891
Profit and loss account		222,562	178,418
Total equity		9,557,453	9,513,309
Creditors			
Other creditors	10	37,144	24,607
Total equity and liabilities		9,594,597	9,537,916

The financial statements were approved by the board of directors on 15th September 2016 and signed on its behalf by:



I R Leech
Director

The notes on pages 9 to 13 form part of these financial statements.

Budget Insurance Company Limited

Year ended 30 June 2016

Notes forming part of the financial statements

1. Accounting policies

Budget Insurance Company Limited's (the "Company"), significant accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out below. Accounting policies have been applied consistently to all periods presented in these financial statements.

Basis of preparation

The Company, a private limited company incorporated in England and Wales, has elected to prepare its financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel

The Company's parent undertaking BHL (UK) Holdings includes the Company in its consolidated financial statements. The consolidated financial statements of BHL (UK) Holdings Ltd are prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements are stated in sterling, which is the Company's functional and presentation currency.

The financial statements have been prepared on the historical cost basis.

Going concern

In previous years, the financial statements have been prepared on a going concern basis. However, during the year ended 30 June 2016 the directors took the decision, subject to approval from the PRA which will be formally requested in July 2018, to cease trading by 31st December 2018. A closure plan was submitted to the PRA confirming the Company should have no potential liabilities as at July 2018. Subsequently the PRA confirmed that the Company could avail itself of transitional measures under Article 308b of the Solvency II Directive and, provided that the Company continued to comply with those requirements, be closed before January 2019. Accordingly the directors have not prepared the financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

Changes in accounting standards

During the current year a number of new IFRS and amendments to existing IFRS became effective. None of these had a material impact on the amounts included or the disclosures made within these financial statements.

Taxation

Current tax

The current tax expense is the expected tax payable based on the taxable profits for the year, after any adjustments in respect of prior years. The rates enacted or substantively enacted at the reporting date are used to determine the current tax.

Budget Insurance Company Limited
Year ended 30 June 2016
Notes forming part of the financial statements

Non derivative financial instruments

Non derivative financial instruments comprise cash at bank and in hand, and other creditors.

Other debtors

Trade and other debtors are recognised initially at fair value. Subsequently to initial recognition they are measured at amortised cost using the effective interest method, less any impairment for losses.

The Company policy is to write off doubtful debtors shortly after identification and then credit any recovered amounts to the profit and loss account when funds are received. Recoverability of non-insurance related debtors and financial assets are assessed on a case by case basis and provisions are recognised where appropriate.

Cash at bank and in hand

Cash at bank and in hand 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.

Other creditors

Other creditors are recognised initially at fair value. Subsequently to initial recognition they are measured at amortised cost using the effective interest method less any impairment losses.

2. Investment Income

	2016 £	2015 £
Interest from short term bank deposits	<u>66,847</u>	<u>75,057</u>

The above income is generated from assets held at amortised cost.

Interest on bank deposits was paid at a range of interest rates between 0.55% and 1.02%.

3. Net operating expenses

	2016 £	2015 £
Auditor fees – fees for the audit of the company	10,500	6,500
Other administrative expenses	1,166	887
	<u>11,666</u>	<u>7,387</u>

4. Tax

	2016 £	2015 £
Current tax		

Budget Insurance Company Limited

Year ended 30 June 2016

Notes forming part of the financial statements

Total corporation tax	11,037	17,052
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Group relief is used throughout the group to set off tax assets and tax liabilities where possible.

The standard rate of tax for the year, based on the UK rate of corporation tax, is 20.00% (2015: 20.75%). The reconciling items between actual tax charge and the tax charge at the standard rate are shown in the table below.

	2016 £	2015 £
Profit for the period	44,144	65,392
Total income tax expense	11,037	17,052
Profit before tax	55,181	82,444
Tax at the weighted average corporate tax rate of 20.00% (2015: 20.75%)	11,037	17,107
Effects of: Adjustments in respect of prior year	-	(55)
Tax expense	11,037	17,052

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 16 March 2016, the Chancellor announced additional planned reductions to 17% by 2020. This will reduce the company's future current tax charge accordingly.

5. Employees

The Company did not directly employ any staff during the year.

6. Cash at bank and in hand

Credit ratings of counterparties to cash and cash equivalents of the Company are detailed below. Ratings were obtained from Standard & Poor's.

	2016 £	2015 £
A-1	9,579,404	9,507,355
	9,579,404	9,507,355

7. Financial instruments

The directors are of the opinion that carrying value approximates to the fair value. The carrying value of financial assets at the reporting date represents the maximum credit exposure.

8. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to consider judgements, estimates and assumptions that affect the reported revenues, expenses and assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Budget Insurance Company Limited

Year ended 30 June 2016

Notes forming part of the financial statements

Judgements

In the process of applying the Company's accounting policies, management have not made any significant judgements.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

9. Share capital and reserves

The Company has authorised 40,000,000 ordinary shares of £1 each. 8,000,000 were allotted, called up and paid at 30 June 2016 (8,000,000 were allotted, called up and fully paid at 30 June 2015). 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.

10. Creditors

	2016	2015
	£	£
Creditors		
Auditor's fees	9,000	7,500
Tax charge	11,036	17,107
Other creditors	17,108	-
	37,144	24,607

11. Dividend

The Company has not declared a dividend for the year ended 30 June 2016 (2015: nil).

12. Related party transactions

The Company has taken the exemption available under paragraph 8(k) FRS 101 from the disclosure requirements of IAS 24 in relation to entities which are wholly owned members of the same group.

The Company is a wholly owned subsidiary of the BHL (UK) Holdings Group. As such exemption from disclosing related party transactions with BHL (UK) Holdings Group Limited has been taken in the current year. All intercompany transactions are charged at a rate comparable to prevailing market rates.

Directors' emoluments and interests

None of the directors were remunerated primarily for their services to the company, and it is not possible to determine the proportion of remuneration which relates to the Company. The directors are remunerated by related parties of the Company and their remuneration is disclosed within the accounts of those companies.

13. Events after the reporting date

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

Budget Insurance Company Limited

Year ended 30 June 2016

Notes forming part of the financial statements

14. Ultimate and immediate parent companies

The Company is a subsidiary undertaking of BHL (UK) Holdings Limited which is a company incorporated in England and Wales. The ultimate controlling party is Reef Holdings Limited.

The largest group in which the results of the Company are consolidated is that headed by BHL Holdings Limited. The smallest group in which they are consolidated is that headed by BHL (UK) Holdings Limited, incorporated in England and Wales. No other group financial statements include the results of the Company.

The consolidated financial statements of BHL (UK) Holdings Limited are available to the public and may be obtained from BHL (UK) Holdings Limited, Bath House, 16 Bath Row, Stamford, Lincolnshire, PE9 2QU. The consolidated financial statements of BHL Holdings Limited are not available to the public.