Company number 3231094

BISL Limited

Annual Report and Financial Statements

Year Ended

30 June 2010

BISL Limited

Annual Report and financial statements for the year ended 30 June 2010

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Directors	S Klinkert PA Winslow IR Leech BGL Group Limited
Secretary and registered office	NE Wright Pegasus House Bakewell Road Orton Southgate Peterborough PE2 6YS
Auditors	KPMG Audit Plc 15 Canada Square London E14 5GL

BISL Limited

Report of the directors for the year ended 30 June 2010

The directors present their report together with the audited financial statements for the year ended 30 June 2010

Results and dividends

The annual results for BISL Limited, company number 3231094, hereinafter referred to as the "Company", are set out on page 6 and show a profit before taxation of £44,109,731 (2009 £44,654,290) The directors are satisfied with the performance for the year and are confident of future prospects

The directors have declared and paid a total dividend of £42,300,000 (2009 £29,950,000)

Principal activities, trading review and future developments

The principal activity of BISL Limited (the "Company") is that of an insurance intermediary The Company shares resources with fellow subsidiaries of BGL Group Limited ("the BGL Group") 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

The Company's financial performance has again shown year-on-year improvement Revenues increased by 3%, resulting from a performance consistent with the previous year in the core intermediary business and substantial growth in the Company's price comparison website, comparethemarket.com

In a challenging trading environment volumes have increased from the previous year and this is reflected in increased customer policy numbers at the reporting date of 2 4m million (2009 2 2 million) Investment in increasing the customer base is the main reason for the marginal fall in profitability in the current year The focus for the Company is to continue to further develop sales of its core products and affinity services through its internet and telesales channels

In addition to pre-tax profit and customer policy numbers, other important KPI's include underwriters' net rate inflation (which has seen approximately 25% increases in the current year and are forecast to continue this trend) the cost-income ratio (where a continued focus on cost control has also produced significant benefits) and sales volumes and market share for comparethemarket com, which have performed above expectations in the current year

The Company's affinity division, Junction, has continued to win new contracts and renegotiate existing deals during the year New partnerships with Lloyds Banking Group and Santander have been established, deals with Barclays bank and Cooperative Insurance Services (CIS) renewed and extended, and the insurance mediation business of Bradford & Bingley plc has been acquired

The Company's working capital requirements are managed as part of the BGL Group treasury operations The Company is in a healthy financial position

The Company is authorised and regulated by the Financial Services Authority

Risks and uncertainties

The insurance intermediary industry is both highly competitive and constantly evolving Recent trends, including substantial increases in premiums in the motor insurance market, and the dominance of internet over telesales as a route to market, have continued during the year The Company has continued to invest in its aggregator division, Comparethemarket.com, which has increased market share substantially as a result. The Company remains focussed on continuing to innovate in order to stay ahead of competition and further improve business performance

The Company has continued to develop its internal audit and governance functions in order to identify and monitor financial and operational risks inherent in its business

Risks and uncertainties *(continued)*

Specific risks and uncertainties relevant to the Company are common to those of the BGL Group These are discussed in detail in the financial statements of BFSL Limited and BGL Group Limited

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above The financial position of the Company is disclosed on the statement of financial position on page 7 The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors

The directors of the Company during the year were

S Klinkert
PA Winslow
IR Leech
BGL Group Limited

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

Auditors

In accordance with Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

Corporate Governance

BGL Group Limited, of which the Company is a subsidiary, is committed to high standards of corporate governance appropriate to the size and nature of the business The Board (the "BGL Board") is the governing body of the Group It comprises of the Chairman and Executive Directors of BGL Group Limited

The BGL Board is responsible for the strategic management of the business and all operational matters pertaining there from The BGL Board has management authority over all subsidiaries within the Group and accordingly individual Board meetings for subsidiaries are restricted to statutory and certain operational matters. The BGL Board has established certain sub-committees, which focus upon key aspects of the business including in particular the Audit Committee and the Group Risk and Policy Committee

The Audit Committee terms of reference include the review of regulatory compliance, monitoring the scope, independence, objectivity and effectiveness of the audit process, ensuring that management addresses external auditors' recommendations and observations, reviewing the programme and effectiveness of the internal audit function, and monitoring the effectiveness of internal controls On a quarterly basis the BGL Board sits as the Audit Committee for a section of the meeting.

Corporate Governance *(continued)*

The Group Risk and Policy Committee meets monthly and reports quarterly to the BGL Board. Its purpose is the development and implementation of a risk management framework in order to ensure that risks are assessed and effectively managed Its terms of reference include developing and implementing processes for identifying, measuring, managing and controlling risks and receiving, reviewing and commissioning reports in relation to risk management activities This includes reports on exposure, breaches of policy and remedial activities from various areas in the business

The Company is authorised and regulated by the Financial Services Authority (FSA) and achieves a comprehensive level of monitoring, compliance, regulation and risk assessment.

On Behalf of the Board

IR Leech
Director

16 September 2010

BISL Limited

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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law

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 their profit or loss for that period In preparing the 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 they have been prepared in accordance with IFRSs as adopted by the EU, 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

Independent Auditors' Report to the Members of BISL Limited

We have audited the financial statements of BISL Limited for the year ended 30 June 2010 set out on pages 6 to 21 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

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 auditors' 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 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 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 (APB'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 APB's web-site at www.frc.org.uk/apb/scope/UKNP

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 2010 and of the profit for the year then ended,

•have been properly prepared in accordance with IFRSs as adopted by the EU, and

•have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in 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

Mark Taylor

Mark J Taylor (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date 16 September 2010

BISL Limited

Statement of comprehensive income for the year ended 30 June 2010

	Note	2010 £	2009 £
Revenue		276,781,477	270,600,132
Operating expenses	2	(233,142,071)	(228,242,974)
Operating profit		43,639,406	42,357,158
Finance income	3	472,736	2,331,466
Finance costs	4	(2,411)	(34,334)
Profit before income tax		44,109,731	44,654,290
Income tax expense	5	(12,350,725)	(12,503,201)
Profit for the year		31,759,006	32,151,089
Other items of comprehensive income			
Hedging reserve transfer		-	9,140
Comprehensive income		31,759,006	32,160,229

There is no income tax attributable to the other items of comprehensive income

All comprehensive income relates to continuing activities

The notes on pages 10 to 21 form part of these financial statements

BISL Limited

Statement of financial position at 30 June 2010

	Notes	2010 £	2009 £
ASSETS			
Fixed assets			
Intangible assets	7	5,270,410	-
Current assets			
Trade and other receivables	8	66,755,071	85,584,506
Cash and cash equivalents		69,793,484	44,783,591
Financial assets	11	4,861,012	-
		141,409,567	130,368,097
Total assets		146,679,977	130,368,097
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	10	375,003	1,441,306
Trade and other payables	9	137,680,369	109,761,192
		138,055,372	111,202,498
Total liabilities		138,055,372	111,202,498
Equity			
Ordinary share capital	13	8,000,000	8,000,000
Retained earnings	14	624,605	11,165,599
Equity attributable to equity holders of the Company		8,624,605	19,165,599
Total equity and liabilities		146,679,977	130,368,097

The financial statements were approved by the Board on 16 September 2010 and signed on its behalf by:

PA Winslow
Director

IR Leech
Director

The notes on pages 10 to 21 form part of these financial statements

BISL Limited

Statement of changes in equity at 30 June 2010

	Share capital £	Hedging reserve £	Retained earnings £	Total £
At 1 July 2008	8,000,000	(9,140)	8,964,510	16,955,370
Profit for the year	-	-	32,151,089	32,151,089
Hedging reserve transfer	-	9,140	-	9,140
Equity Dividends paid	-	-	(29,950,000)	(29,950,000)
At 30 June 2009 and 1 July 2009	8,000,000	-	11,165,599	19,165,599
Profit for the year	-	-	31,759,006	31,759,006
Equity Dividends paid	-	-	(42,300,000)	(42,300,000)
At 30 June 2010	8,000,000	-	624,605	8,624,605

The notes on pages 10 to 21 form part of these financial statements

BISL Limited

Statement of cash flows for the year ended 30 June 2010

	Note	2010	2009
		£	£
Operating profit		43,639,406	42,357,158
Increase in trade and other receivables		(1,669,956)	(17,513,376)
Increase in trade and other payables		25,788,889	4,004,244
Recognition of financial asset at fair value		(4,861,012)	-
Negative goodwill		(2,225,378)	-
Amortisation of intangible assets		685,256	-
Cash generated from operations		61,357,205	28,848,026
Adjustments for:			
Interest received	3	472,736	2,331,467
Interest paid	4	(2,411)	(34,334)
Tax paid	5	(12,350,725)	(12,503,201)
Cash inflow from operating activities		49,476,805	18,641,958
Cash flows from investing activities			
Purchase of intangible assets	12	(1,600,000)	-
Cash outflow from investing activities		(1,600,000)	-
Cash flows from financing activities			
Amounts received from group undertakings		20,499,391	47,771,359
(Decrease) / increase in bank overdraft		(1,066,303)	863,459
Equity dividends paid		(42,300,000)	(29,950,000)
Cash (outflow) / inflow from financing activities		(22,866,912)	18,684,818
Net inflow of cash and cash equivalents		25,009,893	37,326,776
Cash and cash equivalents at beginning of the year		44,783,591	7,456,815
Cash and cash equivalents at end of the year		69,793,484	44,783,591

The notes on pages 10 to 21 form part of these financial statements

1. Accounting policies

Basis of preparation

BISL Limited, herein after referred to as "BISL" or the "Company", a private limited Company incorporated in England and Wales, has elected to prepare its financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union ('Adopted IFRS'), and the requirements of the Companies Act 2006 The accounting policies below have been applied consistently to all periods presented in these financial statements

The financial statements have been prepared on the going concern basis The directors have reviewed the budget and cash flow forecasts of the Company for a period of not less than 12 months from the date of approving these financial statements and are confident that they show the Company will have sufficient resources to meet its liabilities as they fall due Accordingly the directors believe that it remains appropriate to prepare the financial statements on a going concern basis

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 financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position which are stated at fair value

- Intangible assets acquired in business combinations
- Financial assets at fair value
- Derivative financial instruments

The following principal accounting policies have been applied

Business combinations

The acquisition of trade and assets is accounted for using the purchase method The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred, plus any costs directly attributable to the business combination

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations" are recognised at their fair values at the acquisition date

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised Where the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income

Revenues

Revenue consists substantially of gross commissions and fees on insurance business transacted, before deduction of the related amounts payable to agents or affinity partners which are included in operating expenses Credit is taken for earned commission and fees at the point when the service is provided, which is generally at policy inception for the intermediary business and which varies depending upon contractual arrangements for the price comparison website Alterations in commission and fees arising from premium adjustments are accounted for when such payments are made

1. Accounting policies *(continued)*

Revenues *(continued)*

Where the Company enters into joint business arrangements, revenue consists of gross commissions and fees as described above The share of any profit or loss attributable to the partner is included in operating expenses

Where the Company receives trail commissions from product providers and no subsequent service obligations exist, the fair value of expected total commission receivable is recognised at policy inception as a financial asset at fair value and is subsequently remeasured at each reporting date, with adjustments being recognised as a credit or charge to revenue

Where the Company sells certain intangible assets to third parties, revenue is recognised when the risks and rewards of ownership are taken up by the third party and the Company is contractually entitled to receive payment

Marketing incentives

Marketing incentives and contributions received from insurers or agents are credited against the related expenditure incurred by the Company to the extent that the Company is contractually entitled to retain them without repayment Excess amounts received over expenses incurred are recognised as deferred income and released to the statement of comprehensive income on a systematic basis over the contract period

Deferred costs

Where the Company pays certain amounts to partners under long-term business relationships the benefits of which will be realised over future accounting periods, these amounts are disclosed in trade and other receivables and are charged to operating expenses in the statement of comprehensive income on a systematic basis over the periods during which the benefits are expected to accrue The carrying value of deferred cost assets are tested annually for impairment.

Foreign exchange

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 statement of comprehensive income.

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 Tax is paid by the ultimate UK parent company, BGL Group Limited

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 consolidated financial statements

The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, 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 reporting date are used to determine the deferred tax

1. Accounting policies *(continued)*

Taxation *(continued)*

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 Deferred tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future

Deferred tax related to fair value re-measurement of available-for-sale investments and other amounts taken directly to equity is recognised in the statement of financial position as a deferred tax asset or liability

Intangible assets

Customer bases

Customer bases (which confer the right to administer insurance policies for a given period of time) are recognised as intangible assets where the following criteria are met

- The asset is identifiable – it is capable of being separated or divided from the entity or otherwise arises from contractual or other legal rights
- It is probable that the expected future economic benefits that are attributable to the asset will flow to the Company
- The Company has the power to control the future economic benefits attributable to the asset
- The cost or fair value of the asset can be measured reliably

The Company capitalises customer bases at cost (where separately acquired) or at fair value (where acquired as part of a business combination), less accumulated amortisation and impairment losses where applicable Amortisation is recognised on a systematic basis over the periods during which the related economic benefits arise (up to 10 years), taking into account the relevant contractual arrangements

Where the Company acquires intangible assets as part of a business combination and the fair value of those assets exceeds the fair value of the consideration paid, the gain is recognised immediately in the statement of comprehensive income

Impairment

The Company reviews the carrying value of assets on a regular basis If the carrying value of an asset is greater than the recoverable amount, the carrying value is reduced through a charge to the statement of comprehensive income in the period of impairment.

The following policies are used to determine the level of any impairment.

Financial assets Company policy is to write off doubtful receivables shortly after identification and then credit any recovered amounts to the statement of comprehensive income when funds are received As a result it is considered that no specific provision for doubtful receivables is required

Non-financial assets non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows

1. Accounting policies *(continued)*

Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables, deposits and other financial assets on the date that they are originated

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously The Company classifies non-derivative financial assets into the following categories financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss Financial assets designated at fair value through profit or loss comprise the fair value of trail commission receivable where no subsequent service obligations exist, as described in the section on 'Revenues' above

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market Such assets are recognised initially at fair value plus any directly attributable transaction costs Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses Loans and receivables comprise cash and cash equivalents, and trade and other receivables, including service concession receivables

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss Available-for-sale financial assets comprise equity securities and debt securities

(ii) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire

1. Accounting policies *(continued)*

Financial instruments *(continued)*

(ii) Non-derivative financial liabilities *(continued)*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously The Company classifies non-derivative financial liabilities into the other financial liabilities category Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables

Insurance Assets and Liabilities

The Company acts as an agent in broking the insurance risks of its clients Notwithstanding the Company's legal relationship with clients and underwriters, it has followed generally accepted accounting practice for insurance intermediaries by showing debtors, creditors and cash balances relating to insurance business as assets and liabilities of the Company itself

Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract

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 the reporting date are not a liability at that reporting date Final dividends are not a liability until such time as they are declared by the Company at the general meeting

Borrowings

Borrowings are recognised initially at their issue proceeds less transaction costs incurred Subsequently, borrowings are generally stated at amortised cost

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Future developments

The following pronouncements may be relevant to the Company but were not effective at 30 June 2010 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
IAS 24 Related Party Disclosures (revised 2009)	Amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities	Annual periods beginning on or after 1 January 2011
Improvements to IFRSs 2010 – IFRS 7 Financial Instruments Disclosures	Adds an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments In addition, the IASB amended and removed existing disclosure requirements	Annual periods beginning on or after 1 January 2011
Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements	Clarifies that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes	Annual periods beginning on or after 1 January 2011
IFRS 9 Financial Instruments	IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets amortised cost and fair value The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.	Annual periods beginning on or after 1 January 2013

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

New standards IFRS3 (revised) IAS 1, IAS 27, IAS 23 and IFRS 7 (revised) were adopted by the Company during the year None of these had a material impact on the amounts recognised in the financial statements

2. Operating expenses

	2010	2009
	£	£
Impairment charges: trade and other receivables	9,690,374	8,505,757
Auditors fees – fees for the audit of the company	188,000	120,640
Realised foreign exchange gains	-	(490,758)
Amortisation of intangible assets	685,256	-
Negative goodwill	(2,225,378)	-
Other operating costs	224,803,819	220,107,335
	233,142,071	228,242,974

Other operating costs include recharges of £157,737,847 (2009: £149,621,778) from the UK holding company, BGL Group Limited, and a number of its subsidiaries Impairment charges to trade and other receivables relate to certain trade debtors receivable under installment arrangements that are financed by the Company's immediate parent company, BFSL limited The receivables are included in the balance due from BFSL Limited disclosed in notes 8 and 17.

3. Finance income

	2010	2009
	£	£
Interest receivable from group undertakings	212,981	1,904,805
Interest on bank deposits	259,755	426,661
	472,736	2,331,466

Interest receivable from group undertakings is charged at a fixed premium to the bank of England base rate

4. Finance costs

	2010	2009
	£	£
Interest payable on bank borrowings	2,411	34,334

5. Income tax expense

	2010	2009
	£	£
Current tax		
UK corporation tax charge for the year	12,350,725	12,503,201

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2009 28%). This rate is the same as the UK standard rate of corporation tax. There are no reconciling items between the actual tax charge and the tax charge at the standard rate

The tax rate used in these financial statements to calculate the 2010 current tax and deferred tax amounts is 28%, which is the latest enacted UK tax rate. However, following an announcement in the Emergency Budget on 22 June 2010, the UK corporation tax rate has been proposed to be reduced to 27% from 1 April 2011 and to 24% from April 2014 These new rates are expected to affect the future tax charges, and are therefore disclosed

6. Staff costs

The company did not directly employ any staff during the year The services of individuals were obtained in exchange for payments made to BGL Group Limited, a member of the same group

7. Intangible assets

	2010
	£
At 1 July 2009	-
Acquistions (see note 12)	5,955,666
Amortisation	(685,256)
At 30 June 2010	5,270,410

The intangible assets acquired during the year comprise a customer base acquired as part of a business combination Further details are provided in note 12

8. Trade and other receivables

	2010	2009
	£	£
Trade receivables	15,541,485	6,895,223
Accrued income	1,285,159	-
Amounts due from related undertakings	2,381,495	22,880,886
Deferred costs	43,363,954	46,202,314
Other receivables	4,182,978	9,606,083
	66,755,071	85,584,506

Deferred costs of approximately £37,031,829 (2009 £39,273,000) are forecast to be recognised in the statement of comprehensive income after more than 12 months from the reporting date Trade receivables of £3,210,000 (2009 £2,400,000) are due in instalments between 2011 and 2013 All other amounts fall due for payment within one year

Certain trade receivables subject to instalment collection arrangements are financed by a fellow group undertaking and are accordingly included as part of amounts owed by group undertakings All trade and other receivables are financial assets classified as loans and receivables

Concentrations of credit risk with respect to trade receivables are limited due to Company's customer base being large and unrelated In addition, it is the Company policy to write off doubtful receivables when identified Accordingly, management believes that no credit risk provision required, further than the provision for bad debts in the normal course of business

9. Trade and other payables

	2010	2009
	£	£
Trade payables	122,242,954	88,964,536
Accruals and deferred income	15,437,415	20,796,656
	137,680,369	109,761,192

All trade and other payables are financial liabilities designated as financial liabilities measured at amortised cost

10. Borrowings

Borrowings comprise a bank overdraft, which is secured by a fixed and floating charge over all the assets of the Company The effective interest rate at the reporting date was 1 25% The facilities are subject to review at various dates during the 2009 financial year

At 30 June 2010, the entirety of the balance of £375,003 (2009 £1,441,306) was floating rate and had maturity terms of less than one year Borrowings are financial liabilities designated as financial liabilities measured at amortised cost

The fair value of borrowings and other financial assets and liabilities approximates their book value

11. Financial instruments

All assets and liabilities, with the exception of intangible assets, are classified as financial instruments Designation and description of the nature and extent of risk exposures of trade and other receivables, trade and other payables and borrowings are disclosed in notes 8, 9 and 10 respectively The directors are of the opinion that the fair value of financial instruments approximates to their book value.

The carrying value of financial assets at the reporting date represents the maximum credit exposure

The borrowings of BGL Group Limited and all the companies within the BFSL Limited group with the Group's main bankers, Lloyds TSB, are secured through a fixed and floating charge over all of the Group's assets, including those of the Company

Cash and cash equivalents

Cash and cash equivalents are designated as loans and receivables and comprise bank account balances and short-term deposits with financial institutions with maturity dates of up to one month Counterparties are subject to pre-approval and are limited to institutions with a certain credit rating The amount of exposure to any individual counterparty is subject to limits, which are reassessed regularly

Of the £69,793,484 (2009 £44,783,591) cash and cash equivalents at the reporting date, £38,000,000 (2009 £16,000,000) was deposited with AA rated counterparties, £10,000,000 (2009 £10,000,000) with AA- rated counterparties and £21,793,484 (2009 £18,783,591) with A+ rated counterparties Ratings were obtained from Standard & Poor's

The Company operates a South African Rand bank account with a balance of £32,128 (2009 £2,273,006) at the reporting date

11. Financial instruments *(continued)*

Financial assets at fair value

Financial assets at fair value of £4,861,012 represent the fair value of total trail commission receivable from a product provider where no subsequent servicing obligations exist under the contract

The fair value assessment was undertaken by taking into account the total contractual commission entitlement per policy sold, applying lapse rates and an additional margin of prudence of approximately 20% A further discount factor of 10% was then applied to take account of the time value of money

Borrowings

Current borrowings are drawn down under annual facilities subject to review at various dates during the 2015 financial year

Risk management

Including those procedures disclosed above and in note 10, management of the Company's credit, liquidity and market risks is undertaken at the level of the immediate parent company, BFSL Limited, and the UK parent company, BGL Group Limited Full disclosure on these risks is made in those company's consolidated financial statements

12. Acquisitions

On 1 January 2010, the Company acquired the insurance mediation business of Bradford & Bingley plc The following details the provisional fair value ascribed to the assets and liabilities acquired and the consideration paid

	£000's
Consideration	8,973,866
Fair value of assets and liabilities acquired	
Intangible assets	5,955,666
Premium receivables	5,243,578
Negative goodwill recognised in comprehensive income	2,225,378
Consideration comprises	
Initial consideration - cash paid for intangible assets	1,600,000
Initial consideration - cash paid to settle working capital amounts	812,696
Initial consideration - net receivables forgiven	4,430,882
Deferred consideration	2,130,288
	8,973,866

Deferred consideration becomes due at the end of each of years one to three of the Sale and Purchase Agreement and represents the fair value of the guaranteed amounts payable under that agreement

The customer base acquired represents the contractual rights to administer insurance policies and has been valued using prudent assumptions of net cash inflows forecast to arise over the term of the agreement discounted at a rate of 10% Premium receivables are recorded at historic cost which equals fair value

In the period 1 January to 30 June 2010, approximately £3 5m of revenue was recognised in relation to the above acquisition

13. Share capital

	Authorised		Allotted, called up and fully paid	
	2010	2009	2010	2009
	£	£	£	£
Ordinary shares of £1 each	10,000,000	10,000,000	8,000,000	8,000,000

The Company has one class of ordinary shares all of which carry equal voting and dividend rights

14. Retained earnings

Retained earnings are distributable, subject to the covenants under the bank borrowings arranged for the Company with Lloyd TSB bank.

15. Dividends

The Company, which has 8,000,000 ordinary shares in issue, paid the following dividends during the year:

£1 875 per share on 22 September 2009, giving a total dividend of £15,000,000
£1 875 per share on 30 November 2009, giving a total dividend of £15,000,000
£1 5375 per share on 22 March 2010, giving a total dividend of £12,300,000

During the financial year ended 30 June 2009, the company paid the following dividends:

£1 11875 per share on 4 September 2008, giving a total dividend of £8,950,000
£1 25 per share on 14 January 2009, giving a total dividend of £10,000,000
£1 375 per share on 16 April 2009, giving a total dividend of £11,000,000

16. Contingent liability

The Company has entered into an omnibus guarantee in respect of the debts and liabilities arising from the loan and overdraft facilities of BGL Group Limited and all the companies within the BFSL Limited group. At 30 June 2010 the maximum exposure to these liabilities was £nil (2009· £nil)

17. Related party transactions

The Company has related party transactions with a number of associated companies. Interest on inter company balances is charged at a rate comparable to prevailing market rates Other related party transactions are conducted at terms prevailing in an equivalent arm's length transaction.

The following related parties have been identified with respect to the Company·

- BFSL Limited· Immediate parent company
- Fusion Outsourcing Services (Pty) Limited. fellow subsidiary
- Fusion Contact Centre Services Limited: fellow subsidiary
- ACM ULR Limited: fellow subsidiary
- Budget Insurance Company Limited: fellow subsidiary
- BGL Group Limited: UK Group Parent company

17. Related party transactions *(continued)*

The Company had balances from the following the related parties

	2010	2009
	£	£
BFSL Limited	2,381,495	22,880,886

Trading activities

The Company received inter company interest of £212,981 (2009 £1,904,805) from BFSL Limited The Company paid management and service charges to BGL Group Limited of £101,743,169 (2009 £86,374,987), BFSL Limited of £4,100,042 (2009 £9,056,462), Fusion Contact Centre Services Limited of £37,488,537 (2009 £36,474,235) and Fusion Outsourcing Services (Pty) Limited of £14,406,099 (2009· £17,986,094) The Company received profit-share payments from ACM ULR Limited of £27,845,263 (2009 £31,242,668)

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 this company The directors are employed by BGL Group Limited, the UK parent company, and the emoluments are disclosed within the financial statements of that company

P A Winslow and S Klinkert respectively hold 5% and 2 5% interests in the ordinary share capital of the Company through their holdings in BFSL Limited

18. Events after the reporting date

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

19. Ultimate and immediate parent company

The Company is a subsidiary undertaking of Budget Holdings Limited which is the ultimate parent company incorporated in Guernsey The ultimate controlling party is Budget Holdings Limited

The largest group in which the results of the Company are consolidated is that headed by Budget Holdings Limited The smallest group in which they are consolidated is that headed by BFSL Limited, incorporated in England and Wales The results of the Company are also included in the consolidated financial statements of BGL Group Limited

The consolidated financial statements of BFSL Limited and BGL Group Limited are available to the public and may be obtained from BGL Group Limited, Pegasus House, Bakewell Road, Orton Southgate, Peterborough, PE2 6YS The consolidated financial statements of Budget Holdings Limited are not available to the public

20. 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 where indicated in the notes to the financial statements, the management considers that there have been no key sources of estimation uncertainty at the reporting date that had a significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year