

Company number 08604368

BHL (UK) Holdings Limited

Annual Report and Financial Statements

Year ended 30 June 2019



BHL (UK) Holdings Limited

Year ended 30 June 2019

Annual report and financial statements for the year ended 30 June 2019

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Directors	S Klinkert I Leech S James
Company secretary	L Sinfield
Registered office	Bath House 16 Bath Row Stamford Lincolnshire PE9 2QU
Auditors	KPMG LLP 15 Canada Square London E14 5GL

BHL (UK) Holdings Limited

Year ended 30 June 2019

Strategic report

The directors present the strategic report for the year ended 30 June 2019.

Results and dividends

The annual results for BHL (UK) Holdings Limited, company number 08604368, (the "Company") or the "Group" in relation to the Company and its active subsidiaries, are set out on page 12 and show a consolidated profit for the year after taxation of £97.8m (2018 restated: £97.5m). The Directors are satisfied with the performance for the year and are confident of future prospects.

The Company has paid dividends on ordinary shares of £71.3m (2018: £203.8m) during the year.

Trading review and future developments

The Group's principal activities comprise:

- its price comparison businesses comparethemarket.com and LesFurets.com, and its Insurance Distribution and Outsourcing business ("IDO") which includes Motor & Home and Life operations (BGL (Holdings) Limited, "BGL"); and
- solicitors (Minster Law Limited, "Minster Law").

BGL Group

The BGL Group has made significant progress with combined revenue growth of 9% over the year and an increase in underlying profit before taxation of 11%.

	2019	Restated* 2018
	£m	£m
Revenue	714.4	656.6
Underlying profit before taxation	159.6	143.5

Comparethemarket.com has experienced growth in Car, Home and Breadth products during the year and increased customer numbers to 7.3m at 30 June 2019 (2018: 6.5m) which has resulted in continuing growth in revenue and profit before tax in the year. The Company will continue to leverage its investment in marketing, data and digital capabilities to enhance and broaden its product service offering and increase both customer numbers and loyalty. The Group continues to invest in its leading French price comparison site LesFurets.com.

IDO's revenue, profit before taxation and customer numbers increased year on year as a result of strong business renewal performance, delivery of key initiatives in year and customer service efficiencies from its Motor & Home business.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Strategic report (continued)

BGL Group (continued)

The BGL Group's key performance indicators are:

	2019	Restated* 2018	Movement
	£m	£m	
Revenue	714.4	656.6	9%
Underlying profit before taxation	159.6	143.5	11%
	Number	Number	
comparethemarket.com customer numbers	7.3m	6.5m	12%
IDO policies under management	3.1m	2.9m	7%

* Restated for adoption of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments'. See note 1 for further details.

The BGL Group's balance sheet position remains strong with significant positive operating cash flows.

The BGL Group has access to substantial committed debt facilities comprising an unsecured £300.0m (2018: £300.0m) revolving credit facility maturing September 2022, a £100.0m (2018: £100.0m) securitisation facility maturing March 2021 secured on certain instalment receivables and a £50.0m (2018: £50.0m) seven year fixed rate senior note with a bullet maturity date of April 2025. As at 30 June 2019, £166.0m (2018: £89.0m) was drawn under the facilities. The facilities provided significant headroom at year-end ensuring the Group is in a strong position to support the liquidity requirements of the business for the foreseeable future.

The price comparison and insurance intermediary sectors have been subject to an increasing degree of scrutiny from their regulatory authorities in recent years including the Financial Conduct Authority, the Competition and Markets Authority and Ofgem. The Group maintains a constructive and open relationship with its regulators with whom it works proactively to provide excellent customer outcomes.

Minster Law

The Company has made excellent progress in delivering its long-term goals with improvements in both operational and overhead efficiency. This has put the Company in an excellent position to deal with the implementation of the Civil Liability Act expected in April 2020, which will have a significant impact on the business and its competitors.

The Company is well placed to take advantage of opportunities the changes to the market will bring, including ways to leverage the current business model and acquire capabilities to enable the delivery of its goal to become the market leading insurance legal services provider.

The Company continues to invest strongly in people and technology with the focus in year on consolidating the IT infrastructure and ensuring the business has a digitally enabled system capable of supporting the long-term objectives. The Company has been working with its partners to identify ways of managing the impact of the reforms for them and to demonstrate the benefit of a long-term relationship.

The Board considers the pre-tax profit on ordinary activities for the 12 months of £1.6m (2018: £(2.6)m loss) to be an excellent result and to reflect the progress the Company has made in delivering its long-term goal to become the market leading insurance legal services provider.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Strategic report (continued)

Minster Law (continued)

Key performance indicators

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Turnover	35.1	36.1
Profit / (loss) on ordinary activities before taxation	1.6	(2.6)
Gross profit %	36.1%	31.8%
Administration costs as % of turnover	32.8%	39.3%

Turnover in the year reduced, as non-profitable contracts purposefully closed in previous years continue to run off. This has impacted on trade debtors and trade creditors as unpaid disbursement balances also reduce (as detailed in the balance sheet on page 13 and associated notes).

A key success in the year has been the focus on improving operational efficiency as evidenced by the improved gross profit margin, through process optimisation work and technological developments. In addition, the Company has worked to reduce administration costs, with the ratio as a percentage of turnover improving by 6.5%. This was driven by the rationalisation of the Company's offices to one Yorkshire site in Wakefield and a reduction in support service costs, highlighted by the reduction in the number of support colleagues as well as utilisation of provisions established in previous years for restructuring, dilapidations and exit of the York building.

Turkey

The Group continued its investment in developing its Turkish insurance intermediary business during the year, with a merger with a company engaged in operating several price comparison websites that focus on personal banking and insurance products. Although the Turkish business is currently loss making, its results are improving in line with forecasts, and the Group is confident in the future of this investment.

Principal risks and uncertainties

The majority of general risk management is managed by the boards of each of the main operations, with sharing of best practice where appropriate.

The board of the Company maintains an overview of risk management across the Group.

The main areas of risk the Group considers it is exposed are set out below.

Financial risk

The Group's international operations and debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit risks, liquidity and interest rates. The Group's risk management framework applies derivative financial instruments to mitigate these risks where appropriate.

The use of derivative financial instruments is governed by the Group's policies approved by the Board, which provide principles on the use of these instruments consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Further details of the Group's financial risks are provided in note 20.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Strategic report (continued)

Operational risk

The Group recognises the risks arising from maintaining and changes to people, organisational structures, systems, processes, and infrastructure to support current operations and the on-going growth of the business. The Group monitors these risks on an on-going basis and puts in place appropriate controls to manage them.

Key sources of operational risk include business partner and supplier management, data security, change management, business continuity, and fraud and financial crime.

Minster Law is continually managing a variety of risks relating to the market in which it operates. The Civil Liability Act reforms regarding soft tissue injuries and the increase to the small claims limit are expected to be implemented in the following financial year and are expected to have a material impact on the business. The Company monitors the various external market forces to manage these risks on an ongoing basis and adapts its strategy accordingly.

People risk

Key sources of people risk arise from the Group's resourcing, skills and competence requirements, key person dependency and its approach to reward and recognition. The Group has in place a number of initiatives around monitoring and developing the skills and experience of key roles across the Group. A comprehensive framework of HR processes, incorporating Reward and Resourcing strategic planning, underpins a pro-active people based risk management process.

Technology risk

The Group has in place processes to manage the design, availability, capacity, performance, infrastructure failure, integrity and security of its technology assets to support both the current operations of the business and future change requirements.

The Group recognises cyber risk, such as the use of hacking techniques, social engineering or other malicious activities with the intent to cause damage or steal data for financial or competitive gain. The Group has in place a comprehensive framework of controls to actively manage this risk.

Conduct risk

Conduct risk is the risk that the Group's business model, product design or sales practices do not deliver good customer outcomes and meet customer needs. The Group has in place a clearly defined framework of controls to manage conduct risk.

Regulatory risk

Regulatory risk is the risk that one of the Group's regulated entities detailed below will breach the requirements of a regulator or competition authority (principal regulators are noted below):

- ACM ULR Limited, BFSL Limited, BISL Limited, Compare The Market Limited and Saverd Limited (formerly Saverd Ltd), which are authorised and regulated by the Financial Conduct Authority ("FCA"),
- Minster Law Limited is regulated by the Solicitors Regulation Authority ("SRA") and authorised and regulated by the FCA,
- Courtanet SAS, which is regulated by the Organisme pour le Registre des Intermédiaires en Assurance ("ORIAS"), and
- Koalay Com Sigorta ve Reasurans Brokerligi A.S., Hesap Kurdu Sigorta Aracilik Hizmetleri A.S. and Telesure Kurumsal Sigorta ve Reasurans Brokerligi A.S. which are regulated by The Republic of Turkey Ministry of Treasury and Finance General Directorate of Insurance.

In addition, our businesses are required to comply with the rules and principles established by other market regulators and competition authorities. This risk is managed through an effective control framework and the operation of the governance structures described in the report of the directors. Management of risks relating to the Group's interactions with its customers are devolved to the operating divisions with oversight being provided by a dedicated compliance team.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Strategic report (continued)

Regulatory risk (continued)

The Group continues to review the legal and regulatory environment, particularly as its business model and product set evolves. It will proactively make recommendations for improvements or changes to the control environment where any changes to the risk or regulatory environment suggest these are appropriate.

Conflicts of interest risk

Conflicts of interest risks could arise in circumstances where a duty owed to a customer conflicts with either the interests of the Group or duties owed by the Group to other customers. The Group has in place a clearly defined framework of controls to manage conflicts of interest risk.

Strategic risk

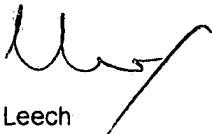
The Group is continually managing a wide variety of risks relating to its business strategy and the markets in which it operates. These include risks relating to:

- the economic environment, which can impact the overall size or structure of the markets in which the Group operates
- the insurance underwriting cycle;
- reputation; and
- the Group's business model and the ability to implement change to grow the business as well as react quickly and effectively to changes in competitor and consumer behaviour in the market place.

Reputational risk is the risk of adverse publicity arising from the Group's relationships with its customers, partners, suppliers and regulators. Key sources of reputational risk arise around direct interaction with consumers and the performance of the Group's affinity partner arrangements. The Group seeks to address reputational risks and also manages these risks where they arise, through established communications and public relations channels.

The Group has performed a review of its operations in the light of the planned exit of the United Kingdom from the European Union and does not foresee any significant direct impact on the Group's businesses.

On behalf of the board:



I R Leech
Director

Date: 31 March 2020

BHL (UK) Holdings Limited

Year ended 30 June 2019

Report of the directors

The directors present their report together with the audited financial statements for the year ended 30 June 2019.

Results, dividends and future developments

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out and detailed within the strategic report. The financial position of the Group and Company are disclosed on their respective statements of financial position on pages 13 and 52.

The financial statements have been prepared on the going concern basis.

Directors

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

S Klinkert
I Leech
S James

In the case of each of the persons who are directors of the company at the time when this report is approved:

- 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.

Auditor

In accordance with section 487 of the Companies Act 2006, KPMG LLP has been appointed as the auditor for the year ended 30 June 2019. During the year, the Audit Committee oversaw a competitive tender process for the role of external auditor. Based upon the Audit Committee's recommendation, shareholders have approved that Ernst & Young LLP be appointed as auditor for the year ending 30 June 2020.

Directors' indemnity provision

In accordance with the Company's Articles of Association, the Company has indemnified the directors of the Company and all its subsidiaries 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 period and is still in place as at the date of this report.

Corporate governance

The Group is committed to high standards of corporate governance appropriate to the size and nature of the business. The BHL (UK) Holdings Limited board of directors is the governing body of the BHL (UK) Holdings Limited and its subsidiaries (the "Group") and is responsible for the strategic management of the business and all operational matters.

Subsidiaries within the Group maintain a comprehensive level of monitoring, compliance, regulation, assurance and risk assessment in relation to all of their regulated entities, as specified in the Strategic report.

The BHL UK Group maintains a comprehensive level of monitoring, compliance, assurance and risk assessment in relation to all of its regulated and other entities, as specified in the strategic report.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Report of the directors (continued)

The BGL Group board of directors has oversight of all subsidiaries within the BGL Group. The boards of Group subsidiaries, which are authorised by the FCA and other regulators have specific responsibilities in relation to the management oversight of the activities of those subsidiaries with appropriate lines of reporting in place to ensure the board of BGL (Holdings) Limited has adequate Group level oversight. Individual board meetings for other subsidiaries that are not authorised by the FCA and other regulators are focussed on statutory and operational matters.

The BGL board of directors has established a risk management approach that separates risk management responsibilities into "3 lines of defence". The first line of defence is executive management who are responsible for owning and managing risks on a day-to-day basis, the second line of defence comprises a number of group-level functions and committees providing oversight and challenge to the first line of defence, and the third line of defence is provided by BGL Group Internal Audit which provides independent assurance on the adequacy and effectiveness of the Group's risk management and internal control framework. Risk management and audit assurance are overseen by the BGL Group Risk Committee and BGL Group Audit Committee respectively.

The BGL Group Audit Committee terms of reference include 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. The BGL Group Audit Committee is chaired by an independent non-executive director.

The BGL Group Risk Committee terms of reference include advising the Board on the risk management framework and risk appetite, reviewing the effectiveness of the Group's risk management activity, and reviewing the principal risk policies. The Group Risk Committee is chaired by an independent non-executive director.

Financial instruments

Details of the Group's financial risk objectives and policies, and of the Group's exposure to credit risk, liquidity risk, market risk, foreign exchange risk and interest rate risk are included in note 20 to the consolidated financial statements.

Employee involvement

The Group holds regular meetings for its employees with the aim of disseminating financial and non-financial information on matters of concern and of interest to them as employees. These meetings also give the employees the opportunity to make their views known so that they can be taken into account in making decisions which are likely to affect their interests.

The Group endeavours to provide equality of opportunity in recruiting, training, promoting and career development to all, irrespective of race, ethnicity, religion, sexual orientation, gender or age. The Group gives full consideration to applications for employment from a person with a disability, where a person with a disability can adequately fulfil the requirements of the role and workplace adjustments can be made to facilitate this appointment.

Where existing employees become disabled it is the Group's policy, wherever practicable, to provide workplace adjustments to ensure continuing employment under normal terms and conditions, and to provide training and career development and promotion opportunities, wherever appropriate.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Report of the directors (continued)

Post balance sheet events

The Competition and Markets Authority ('CMA') has previously indicated that it believes that the use by Compare The Market Limited ('CTM') of wide most favoured nation ('MFN') clauses potentially broke competition law. CTM and its expert advisers have carefully reviewed the CMA's provisional findings alongside the evidence that has been made available by the CMA and has made robust written and oral representations to the CMA in its defence.

A provision has been made at 30 June 2019 representing the directors' current best estimate of liabilities that may arise from this investigation. With reference to the prejudicial disclosure exemption in IAS 37, the Company is unable to disclose any further information in respect of this provision as the disclosure of such information is, in the Directors' opinion, seriously prejudicial to the Company whilst the investigation is ongoing.

While there remains significant uncertainty in respect of the ultimate outcome, the directors are confident that a fine could be accommodated within surplus capital and liquidity without altering the Group's strategy.

The Directors in conjunction with Executive Management have assessed the resilience of the Group to a prolonged shock to the level of economic activity arising from the spread of Covid 19. We are satisfied that the business has adequate resources to withstand a significant downturn in trading volumes and associated loss of revenue. The Group has substantial unencumbered cash resources which provide a high level of immediate liquidity should the need arise. The assessments have not relied on the success of mitigations actions, through cost reduction or other restriction of activity, in order to ensure the most severe impact has been considered.


The board of directors are not aware of any other events after the reporting date requiring disclosure in these financial statements.

On behalf of the board:

I R Leech

Director

Date:



BHL (UK) Holdings Limited

Year ended 30 June 2019

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

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of BHL (UK) Holdings Limited (continued)

Opinion

We have audited the financial statements of BHL (UK) Holdings Limited ("the company") for the year ended 30 June 2019 which comprise the consolidated statement of profit and loss and comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the recoverability of debtors and the valuation of intangibles, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Independent auditor's report to the members of BHL (UK) Holdings Limited (continued)

Strategic report and report of the directors

The directors are responsible for the strategic report and the report of the directors. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the report of the directors and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the report of the directors;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

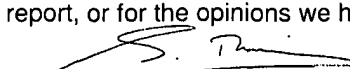
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.


Salim Tharani (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
31 March 2020

BHL (UK) Holdings Limited**Year ended 30 June 2019****Consolidated statement of profit and loss and comprehensive income**

		2019	Restated*
	Note	£m	2018
			£m
Revenue	3	752.8	690.2
Operating expenses	4	(614.6)	(548.1)
Costs related to potential IPO and corporate transactions	4	(2.4)	(6.0)
Operating profit	4	135.8	136.1
Finance income	5	1.6	0.8
Finance costs	6	(9.5)	(11.1)
Profit before tax		127.9	125.8
Taxation	7	(30.1)	(28.3)
Profit for the year		97.8	97.5
Profit for the year attributable to:			
Owners of the Company		55.7	72.8
Non-controlling interests		42.1	24.7
		97.8	97.5
Other items of comprehensive income that may subsequently be reclassified to profit or loss:			
Foreign currency translation reserve – movement		1.5	(0.1)
Comprehensive income for the year		99.3	97.4
Comprehensive income is attributable to:			
Owners of the Company		57.1	72.7
Non-controlling interests		42.2	24.7
		99.3	97.4

* See change in accounting policy note, note 1.

All activities relate to continuing operations.

There is no tax expense attributable to other items of comprehensive income.

The notes on pages 16 to 51 form part of these consolidated financial statements.

BHL (UK) Holdings Limited**Year ended 30 June 2019**

Company Registration Number 08604368

Consolidated statement of financial position

	Note	2019 £m	Restated* 2018 £m	Restated* 2017 £m
Assets				
Non-current assets				
Goodwill	10	22.9	20.0	20.0
Other intangible assets	11	69.0	58.3	53.5
Property, plant and equipment	12	28.9	28.7	28.7
Deferred tax asset	13	1.9	4.1	3.9
Other investments		0.8	0.5	0.5
		123.5	111.6	106.6
Current assets				
Inventories	14	1.9	1.5	4.4
Trade and other receivables	15	711.2	599.6	606.4
Financial assets at fair value	20	3.7	3.9	3.8
Cash and cash equivalents	16	28.7	44.9	63.3
		745.5	649.9	677.9
TOTAL ASSETS		869.0	761.5	784.5
Equity and Liabilities				
Current liabilities				
Borrowings	17	116.3	39.3	532.2
Trade and other payables	18	578.1	590.5	588.3
Provisions	19	24.1	15.1	12.6
Current tax liabilities		11.7	14.5	13.3
		730.2	659.4	1,146.4
Non-current liabilities				
Borrowings	17	50.0	50.0	-
Provisions	19	8.8	1.3	5.0
		58.8	51.3	5.0
TOTAL LIABILITIES		789.0	710.7	1,151.4
Equity				
Ordinary share capital	21	600.0	600.0	600.0
Merger reserve	25	(594.5)	(594.5)	(594.5)
Foreign currency translation reserve	25	1.9	0.4	0.5
Other reserves	25	537.7	537.7	-
Retained earnings		(466.1)	(498.8)	(371.6)
Equity attributable to equity holders of Company		79.0	44.8	(365.6)
Non-controlling interests	23	1.0	6.0	(1.3)
TOTAL EQUITY		80.0	50.8	(366.9)
TOTAL EQUITY AND LIABILITIES		869.0	761.5	784.5

* See change in accounting policy note, note 1.

The financial statements were approved by the board of directors on 31.3.20 and signed on its behalf by:

I R Leech
Director

The notes on pages 16 to 51 form part of these consolidated financial statements.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Consolidated statement of changes in equity

	Share capital	Merger reserve	Foreign currency translation reserve	Special reserve	Restated* retained earnings	Total attributable to owners of the Company	Non-controlling interests (NCI)	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 July 2017 as previously stated	600.0	(594.5)	0.5	-	(362.9)	(356.9)	(0.4)	(357.3)
Effect of restatement*	-	-	-	-	(8.7)	(8.7)	(0.9)	(9.6)
At 1 July 2017	600.0	(594.5)	0.5	-	(371.6)	(365.6)	(1.3)	(366.9)
Profit for the year as previously stated	-	-	-	-	75.0	75.0	25.3	100.3
Effect of restatement*	-	-	-	-	(2.2)	(2.2)	(0.6)	(2.8)
Profit for the year as restated	-	-	-	-	72.8	72.8	24.7	97.5
Dividends paid	-	-	-	-	(200.0)	(200.0)	(3.6)	(203.8)
Sale of minority shareholding in subsidiary	-	-	-	537.7	-	537.7	(13.6)	524.1
Foreign currency translation	-	-	(0.1)	-	-	(0.1)	-	(0.1)
At 30 June 2018	600.0	(594.5)	0.4	537.7	(498.8)	44.8	6.0	50.8
Profit for the year	-	-	-	-	55.7	55.7	42.1	97.8
Dividends paid	-	-	-	-	(23.0)	(23.0)	(48.3)	(71.3)
Purchase of a minority shareholding in a subsidiary	-	-	-	-	-	-	(0.2)	(0.2)
Foreign currency translation	-	-	1.5	-	-	1.5	-	1.5
Restructuring at a subsidiary	-	-	-	-	-	-	1.4	1.4
At 30 June 2019	600.0	(594.5)	1.9	537.7	(466.1)	79.0	1.0	80.0

* See change in accounting policy note, note 1.

The notes on pages 16 to 51 form part of these consolidated financial statements.

BHL (UK) Holdings Limited
Year ended 30 June 2019
Consolidated statement of cash flows

		2019	Restated*
	Note	£m	2018
			£m
Profit after taxation from continuing operations		97.8	97.5
Finance income	5	(1.6)	(0.8)
Finance costs	6	9.5	11.1
Tax expense	7	30.1	28.3
Change in financial assets at fair value	20	0.2	(0.1)
Depreciation of property, plant and equipment	4	7.5	7.1
Amortisation of intangible assets	4	22.1	20.5
Impairment of intangible	4	0.2	-
Impairment of investment		3.0	-
Loss on disposal of property, plant and equipment	4	-	0.2
Change in inventory	14	(0.4)	2.9
Change in trade and other receivables	15	(112.3)	4.7
Change in trade and other payables	18	(12.6)	2.1
Change in provisions	19	18.6	(0.8)
Cash generated from operations		62.1	172.7
Interest received	5	1.6	0.8
Interest paid	6	(7.9)	(11.0)
Tax paid		(33.7)	(24.2)
Cash flow from operating activities		22.1	138.3
Cash flows from investing activities			
Purchase of intangible assets	11	(32.8)	(25.3)
Purchase of property, plant and equipment	12	(7.8)	(7.3)
Acquisition of investments in subsidiaries	9	(3.1)	-
Change in other investments		(0.3)	-
Cash flow from investing activities		(44.0)	(32.6)
Cash flows from financing activities			
Change in borrowings	17	77.0	(122.9)
Sale of minority interest in subsidiary		-	202.6
Dividends paid	24	(71.3)	(203.8)
Cash flow from financing activities		5.7	(124.1)
Change in cash and cash equivalents		(16.2)	(18.4)
Cash and cash equivalents at beginning of year	16	44.9	63.3
Cash and cash equivalents at end of the year	16	28.7	44.9

* See change in accounting policy note, note 1.

The notes on pages 16 to 51 form part of these consolidated financial statements.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements

1. Accounting policies

The Group's 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. Where stated, accounting policies are consistent for the Group. Accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

Basis of preparation

BHL (UK) Holdings Limited, a private company limited by shares incorporated and domiciled in England and Wales, in relation to the Company and its active subsidiaries, has elected to prepare its financial statements in accordance with International Financial Reporting Standards and IFRIC interpretations, as adopted by the European Union ("IFRS"), and the requirements of the Companies Act 2006.

Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates. The consolidated financial statements are stated in sterling, which is BHL (UK) Holdings Limited's functional currency and the Group's presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in £ms.

The directors regard the Group's activities as price comparison services, insurance distribution and outsourcing and legal services.

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss which are stated at fair value.

This is the first set of the Group's financial statements have been prepared in which 'IFRS 9 Financial Instruments' and 'IFRS 15 Revenue from Contracts with Customers' have been applied. The adoption of these new standards is described below.

Changes in accounting policies

The Group has adopted the following IFRS and interpretations during the year and changed the Group's accounting policies accordingly:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

Changes in accounting policies resulting from the adoption of these IFRS have been applied retrospectively. In accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors', the Group has elected to restate comparatives accordingly subject to the expedients and clarifications contained with IFRS 15. The Group has taken the exemption detailed in the transitional provisions included in paragraph C4 of IFRS 15 and not disclosed the impact of adoption on the current period.

Further information on the impact of the transition to IFRS 9 and IFRS 15 at the BGL Group is provided below. At the other businesses, the Companies have concluded that no changes are required that would affect the determination of the amount and timing of revenue recognition.

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.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application. No material changes have arisen as a result of these assessments.

- The determination of the business model within which a financial asset is held.
- The designation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.

The nature and effects of the key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below:

Impairment of financial assets

Previous practice under IAS 39 used an 'incurred loss' model which assumed collectability until a loss or trigger event is identified. IFRS 9 introduced an 'expected credit loss' model for the measurement of impairment of financial assets. Expected losses are recognised at initial recognition therefore it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

The Group has considered reasonable and supporting information that is relevant and available without undue cost. Considering both quantitative and qualitative information and analysis, including historical experience, the Group's credit assessment at both initial recognition and at the reporting date has resulted in the recognition of expected credit losses on instalment receivables.

As at 30 June 2018 as a result of adoption of IFRS 9 the Group recognised a decrease to trade and other receivables of £2.5m (2017 restated: £2.4m), a deferred tax asset of £0.5m (2017 restated: £0.5m) and a reduction to retained earnings of £2.0m (2017 restated: £1.9m). For the year ended 30 June 2018 operating expenses are £0.1m higher as a result of adoption of the new standard. The adoption of IFRS 9 has not had a significant impact on the current period profit or loss or statement of financial position.

IFRS 15 'Revenue from Contracts with Customers'

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group has applied the following practical expedients upon adoption of IFRS 15:

- Where the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year then the transaction price is not adjusted for the time value of money.
- For assets relating to the incremental costs of obtaining contracts where the amortisation period is one year or less the expenses are recognised when incurred.
- The disclosures in paragraph 120 of IFRS 15 are not applied where the remaining performance obligations have original expected durations of one year or less.

The nature and effects of the key changes to the Group's accounting policies resulting from the adoption of IFRS 15 are summarised below:

Deferred acquisition costs

The Group's previous accounting policy was to expense contract acquisition costs ('DAC') when incurred. Following the adoption of IFRS 15, the Group has recognised an asset for the cost of aggregator acquisition costs and amortises this asset on a systematic basis that is consistent with the transfer to the customer of services to which the asset relates.

As at 30 June 2018 as a result of adoption of IFRS 15 the Group recognised an asset of £8.4m (2017 restated: £9.5m) within trade and other receivables, a deferred tax liability of £1.7m (2017 restated: £1.9m) and an increase to retained earnings of £6.7m (2017 restated: £7.6m). The movement of the asset in the year ended 30 June 2019 is detailed further in note 3. For the year ended 30 June 2018 operating expenses are £1.1m higher and the tax expense is £0.2m lower as a result of adoption of the new standard.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

Instalment income

IFRS 15 provided more detailed guidance on how to allocate the transaction price to performance obligations in a contract. The Group has reviewed this detailed guidance and considered all information that is reasonably available when estimating the stand-alone selling price, such as market conditions, entity specific factors and information about customer or class of customer and refined its methodology for deferring instalment income accordingly.

As at 30 June 2018 as a result of adoption of IFRS 15 the Group recognised an increase to trade and other payables of £8.3m (2017 restated: £8.0m), a deferred tax asset of £1.6m (2017 restated: £1.6m) and a reduction to retained earnings of £6.7m (2017 restated: £6.4m). For the year ended 30 June 2018 revenue is £0.3m lower as a result of adoption of the new standard.

Combining contracts

IFRS 15 also provides more detailed guidance on potentially connected contracts. Following the adoption of IFRS 15 the Group has combined two contracts that were treated separately under IAS 18.

As at 30 June 2018 as a result of adoption of IFRS 15 the Group recognised an increase to trade and other payables of £13.4m (2017 restated: £11.6m), a deferred tax asset of £2.6m (2017 restated: £2.3m) and a reduction to retained earnings of £10.8m (2017 restated: £9.3m). For the year ended 30 June 2018 revenue is £3.3m lower, operating expenses are £2.6m lower, finance expenses are £1.0m higher and the tax expense is £0.2m lower as a result of adoption of the new standard.

Other adjustments

IFRS 15 has resulted in other immaterial adjustments being recognised, the largest of which relates to the recognition of revenue at the point an insurance product is sold under IFRS 15. Under the previous standard, revenue was recognised at the point of policy inception.

As at 30 June 2018 as a result of adoption of IFRS 15 the Group recognised an increase to trade and other receivables of £11.1m (2017 restated: £13.1m), a deferred tax liability of £0.1m (2017 restated: £0.1m), an increase to trade and other payables of £10.9m (2017 restated: £12.7m) and an increase to retained earnings of £0.3m (2017 restated: £0.3m). For the year ended 30 June 2018 revenue is £0.8m lower, operating expenses are £0.7m lower and the tax expense is £0.1m lower as a result of adoption of the new standard.

Impact of transition

The following table summarises the impact, net of tax, of transition to IFRS 15 and IFRS 9 on retained earnings. A cumulative decrease in profit before taxation of £15.4m for the period ended 30 June 2018 has been recognised which resulted in the recognition of a £3.0m deferred tax asset (2017 restated: £2.4m) at the end of the year. The deferred tax asset was released in full during the current year.

	2018 £m	2017 £m
Retained earnings		
Consolidated shareholders retained earnings before change	997.0	925.4
Adjustment due to adoption of IFRS 9	(0.1)	(1.9)
Adjustment due to adoption of IFRS 15	(2.7)	(7.7)
Cumulative effect from prior years	(9.6)	-
	984.6	915.8

The following table shows the impact of the adoption of new standards on the consolidated statement of profit and loss and comprehensive income and consolidated statement of financial position.

BHL (UK) Holdings Limited**Year ended 30 June 2019****Notes forming part of the consolidated financial statements (continued)***Impact of adoption of new standards on the consolidated statement of profit and loss*

	2018
	£m
Profit before taxation from continuing operations	
Profit before change in accounting policy	140.9
Adjustment due to adoption of IFRS 9	(0.1)
Adjustment due to adoption of IFRS 15	(3.3)
	<u>137.5</u>

Impact of adoption of new standards on the consolidated statement of financial position

	2018	2017
	£m	£m
Total assets		
Total assets before change in accounting policy	648.5	634.5
Adjustment due to adoption of IFRS 9	(0.1)	(1.9)
Adjustment due to adoption of IFRS 15	(2.4)	24.5
Cumulative effect from prior years	22.6	-
	<u>668.6</u>	<u>657.1</u>
Total liabilities		
Total liabilities before change in accounting policy	641.9	699.5
Adjustment due to adoption of IFRS 9	-	-
Adjustment due to adoption of IFRS 15	0.2	32.3
Cumulative effect from prior years	32.3	-
	<u>674.4</u>	<u>731.8</u>

Basis of consolidation

The Group accounts for business combinations using the acquisition method of accounting. All companies within the Group make up their accounts to the same date.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group financial statements consolidate those of the Company, its subsidiaries and structured entity controlled by the Group as noted below. Transactions between Group companies are eliminated on consolidation.

For each business combination, the Group elects to measure any non-controlling interest in the acquiree at their proportionate share of the acquiree's identifiable net assets. Changes in the Group's interest in a subsidiary that does not result in a loss of control are accounted for as transactions with owners in their capacity as owners.

Results of subsidiary undertakings and branches acquired during the financial period are included in the Group statement of comprehensive income from the effective date in which control passes. The separable net assets of newly acquired subsidiary undertakings are incorporated into the financial statements on the basis of the fair value to the Group as at the effective date of control. Acquired goodwill is capitalised and its subsequent measurement (via annual impairment review) is determined based on the individual circumstances of each business acquired.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

Where the Group has purchased a company under common control, its accounts for the purchase using predecessor accounting. The assets and liabilities of the company purchased are included within the results of the Group at book value. Any difference between the price paid for the company, the net book value of the assets and liabilities is recognised within the merger reserve, and therefore no goodwill is recognised.

The Group sells certain trade receivables subject to instalment collection arrangements to the structured entity, BGL Receivables Financing (1) Limited, for securitisation. The Group does not hold any share capital with voting rights or have any directors on the board of the structured entity. The relationship between the Group and the structured entity however meets the control criteria for consolidation under IFRS 10, and hence BGL Receivables Financing (1) Limited is consolidated in the Group consolidated financial statements.

Based on the securitisation agreement the receivables sold by the Group to the structured entity are not eligible for funding in full. Deferred purchase price is only to be received by the Group upon full repayment of the receivables sold. Therefore, the bad debt risk of the receivables is largely borne by the Group and the relevant activity that significantly affects the Group's return is management of receivables in default.

Going concern

The financial statements have been prepared on the going concern basis.

At 30 June 2019, the Group has net current assets of £15.3m and the Company has net current assets of £89.8m.

The directors have reviewed the budget and cash flow forecasts of the Group and 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 Group and Company will have sufficient resources to meet their liabilities as they fall due.

At the time of signing these accounts, coronavirus is having a significant impact on businesses and daily life in the countries in which we operate. Initial experience is that our markets have been volatile and exhibited downward trends.

The Directors in conjunction with Executive Management have modelled the resilience of the Group to a prolonged shock (12 months) to the level of economic activity arising from the spread of Covid 19. We are satisfied that the business has adequate resources to withstand a significant downturn in trading volumes and associated loss of revenue. For example, modelling a 30% shortfall in budgeted BGL revenues gives at least 12 months of working liquidity. The Group has substantial unencumbered cash resources which provide a high level of immediate liquidity should the need arise. The assessments have not relied on the success of mitigations actions, through cost reduction or other restriction of activity, in order to ensure the most severe impact has been considered. All areas of significant spend are under review with actions already undertaken to suspend areas of discretionary spend and to adapt our marketing spend to the current environment.

Accordingly, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Foreign exchange

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies, such as cash held by the Group, are translated at the year end exchange rate, with all gains and losses being recognised in the statement of profit and loss.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

The Group has subsidiaries whose functional currency differs to that of the Group's presentational currency. In these cases, revenues, expenses and cash flows of the foreign operations are translated into the Group's presentation currency at monthly average exchange rates for the period and assets and liabilities are translated at the year end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries are recognised in other comprehensive income and presented in the foreign currency translation reserve within equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

Insurance assets and liabilities

Insurance intermediaries act as agents in placing the insurable risks of their clients with insurers and as such are not liable as principals for amounts arising from such transactions. The Group recognises receivables, representing cash in respect of premiums and a corresponding liability is established in favour of the insurer, representing the premium amount net of any commission due to the Group.

Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under cash bonuses if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Financial instruments

The Group has adopted IFRS 9 'Financial Instruments' for the first time for the year ended 30 June 2019. This change in accounting policy has been applied retrospectively. See pages 16 to 18 for further details.

All assets and liabilities, with the exception of goodwill, other intangible assets, property, plant and equipment, deferred tax asset, inventories, prepayments, corporation tax and deferred income are classified as financial instruments.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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 Group initially recognises financial instruments on the date that they are originated.

(i) Non-derivative financial instruments

The Group classifies non-derivative financial assets as financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

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 are designated at fair value through profit or loss if the Group manages such assets and makes decisions based on their fair value, in accordance with a documented strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes in fair value are recognised in profit or loss.

The Group has designated certain trail commission receivable from product providers where no subsequent servicing obligations exist under the contracts as financial assets at fair value through profit or loss. For further details, refer to note 20.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

Financial assets measured at amortised cost

Trade and other receivables are measured at amortised cost net of any allowance for expected credit losses. This is deemed to be a reasonable approximation of fair value. The amortised cost is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the profit and loss for the amount by which the carrying amount of the asset exceeds its expected recoverable amount.

(ii) Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities measured at amortised cost

Trade and other payables are not interest bearing and are designated as other financial liabilities. They are recognised at their carrying amount, which is deemed to be a reasonable approximation of their fair value.

Borrowings 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.

iii) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts and currency swaps to hedge its risks associated with foreign currency. Derivative financial instruments are recognised at fair value through profit and loss with the gain or loss on remeasurement to fair value recognised immediately. The Group does not use the hedge accounting option within IFRS.

iv) Intra-group financial instruments

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

Share based award transactions

Employees (including executive directors) of the BGL Group receive remuneration in the form of share based transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions). The cost of cash settled transactions with employees is measured by reference to the fair value at the date at which they are granted and at each subsequent reporting date, which is determined using a Black-Scholes model. Further details are given in note 22. The cost of the award is recognised together with a corresponding increase in equity or liabilities, over management's best estimate of the period in which the performance conditions are fulfilled.

Revenue from Contracts with Customers

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' for the first time in the year ended 30 June 2019. This change in accounting policy has been applied retrospectively. See pages 16 to 18 for further details.

Revenue consists substantially of gross commissions and fees on insurance, price comparison and other business transacted, before deduction of the related amounts payable to agents or affinity partners, which are included in operating expenses. Revenue is analysed into its constituent components with each element recognised at fair value upon provision of each service. Commission is recognised to the extent the service has been provided when it can be measured with suitable reliability and the Group has sufficient evidence of their recovery.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

For the insurance distribution and outsourcing businesses revenue recognition is generally at the point an insurance product is sold. Mid-term adjustment and cancellation fee revenue is recognised at the point the adjustment or cancellation is performed.

For price comparison businesses revenue recognition is at provision of lead where revenue can be reliably estimated and the business has no further outstanding performance obligations, otherwise recognition is at point of confirmation of sale.

Instalment fees are allocated between the fair value of providing credit and commission at the point of arrangement. The fair value of providing credit is recognised over the period that credit is provided to policy holders using an average annual percentage interest rate methodology. The fair value allocated to commission is recognised at the point an insurance product is sold.

For claims management activities, revenue represents fees charged to third parties in respect of claims management and reporting, and provision of uninsured loss recovery services. Credit is taken for fee income at a point in time when the Group becomes contractually entitled to it, usually at provision of lead and there are no outstanding performance obligations for the Group.

Where the Group has post-sale servicing obligations which are not sufficiently covered by future revenue, revenue is allocated to performance obligations on a relative fair value basis. The element relating to post-sale obligations is deferred and recognised in the periods in which these activities take place. None of these obligations exceed 12 months from the date of initial recognition.

Income from the financial assets at fair value through profit and loss representing trail commission income, including any changes in the assets value are recognised as part of revenue as earned and entitlement can be reliably measured. Where material, trail commission receivable in greater than one year is discounted to present value using an effective interest rate methodology.

Legal services revenue

Legal services revenue is recognised to the extent that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised: the outcome can be reliably measured, the stage of completion can be reliably measured, positive admission of liability has been received from the third party insurer.

Revenue is recognised in respect to fixed fee cases based on an assessment of expected outcome, stage of completion and future settlement values. The outcome of a fixed fee case is measured using a portfolio approach to assess the certainty of successful settlement of cases. The stage of completion of a case is determined by the achievement of certain standard milestones on each case. Revenue is only recognised on receipt of a positive admission of liability from the third party insurer.

Revenue is recognised in respect to variable fee cases based on an assessment of expected outcome, stage of completion and future settlement values. The outcome of a variable fee case is assessed on a case by case basis. The stage of completion of a case is measured by reference to time recorded on the case management system, adjusted by an estimate of the time value expected to be recovered. This estimate is derived using historic recovery rates and applied on a portfolio basis. Revenue is only recognised on receipt of a positive admission of liability from the third party insurer.

Turnover is shown exclusive of value added tax, and net of movements in work in progress.

Amounts recoverable on contracts are included in trade and other receivables.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

Advertising costs

Costs associated with the production of adverts are expensed only once the advert is available to the Group in a format ready for use, having been approved for airing or displaying. The cost of airing or displaying the advert is taken as an expense in the period in which the advert is aired or displayed.

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.

Deferred tax

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.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is regarded as more likely than not that they will be recovered in the foreseeable future. Deferred tax assets and liabilities are not discounted.

The rates enacted or substantively enacted at the reporting date are used to determine the deferred tax.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets and is allocated to the cash generating units ("CGU's") that are expected to benefit from that business combination.

Impairment testing

Goodwill is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or as a minimum on an annual basis.

Impairment testing (continued)

Assessment of the recoverable amount for goodwill is made by assessing the asset CGU value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks associated with that asset or CGU.

The recoverable amount of goodwill derived from the above calculations is compared to the carrying value to determine whether impairment is required. Any impairment of goodwill is not reversed if performance later improves. Any impairment loss is recognised in the statement of profit and loss and comprehensive income.

Other intangible assets

Brands

Expenditure on brands is expensed in the year in which it is incurred, unless it is acquired separately or as part of a business combination, in which case it is capitalised as an intangible asset, if it can be separately identified and measured. In these cases, the useful life of the brand is indefinite and its carrying amount is subject to annual impairment reviews.

Computer software and software development

Acquired computer software licences are capitalised on the basis of costs to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their expected useful life of 3-5 years.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

Costs that are directly attributable to the production of identifiable software products controlled by the Group, where it is probable that the future economic benefits exceed the costs, are recognised as intangible assets. These include staff costs directly attributable to development of intangible assets. These costs are amortised using the straight-line method over their expected useful life of 3-5 years.

Development expenditure on web sites, where future economic benefits are probable, are capitalised as intangible assets to the extent that they relate to application and infrastructure development, graphical design and content development prior to operation. Web site costs that are recognised as intangible assets are amortised using the straight-line method over their expected useful life of 3-5 years.

Where the above requirements cannot be met, costs are expensed.

Affinity relationships

Payments of advanced commission in respect of affinity relationships are recognised as intangible assets when the Group has acquired the right to control either directly or jointly with the affinity partner key aspects of the relationship such as pricing, insurer panel selection, product design, marketing or the right to administer insurance policies or other customer contracts for a given period of time. As a result these rights confer direct probable economic benefits to the Group.

The Group initially measures the amounts paid at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses where appropriate. Amortisation is recognised on a systematic basis over the periods during which the related economic benefits arise.

Impairment

Intangible 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 expected 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 levels for which there are separately identifiable cash flows.

Property, plant and equipment

Property, plant and equipment are included in the statement of financial position at cost less accumulated depreciation and impairment.

Depreciation is provided to write off the cost less estimated residual values of all property, plant and equipment evenly over their expected useful economic lives. It is calculated at the following rates:

Buildings	4% per annum
Leasehold improvements	over the term of lease
Fixtures and fittings	over the term of lease or minimum of 10% per annum
Office equipment	10-20% per annum
Computer equipment	10-33% per annum

Depreciation is not provided for on freehold land or assets under construction, which are stated at cost.

Impairment reviews are carried out by the Group 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 profit and loss in the period of impairment.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the average cost principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less costs to sell.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

Trade and other receivables

Doubtful receivables

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

Work in progress

Trade debtors include unbilled amounts for work performed in relation to legal services contracts where the fee has yet to be agreed. These unbilled amounts for client work are stated at a percentage completion for fixed fee work or time spent for more complex cases (in accordance with the revenue recognition policy) less provision for foreseeable losses and net of amounts billed on account. A number of assumptions around profitability, drop off and work complete are incorporated into the calculation. No work in progress is recognised until a positive admission of liability has been received from the third-party insurer. This treatment is consistent with the requirements of IFRS 15 – Revenue from Contracts with Customers.

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 borrowings on the statement of financial position.

Restricted cash is cash or equivalents set aside for a specific purpose due to being either notionally or legally 'ring-fenced'. The Group considers the nature of any restrictions in order to identify whether the deposit can be classified as a cash or cash equivalent.

Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowings are stated at amortised cost under the effective interest method.

Provisions

Provisions are recognised when the Group 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.

Dilapidations provisions

The Group recognises a provision for the estimated costs for dilapidations that may become payable under the terms of current leasehold property contracts at the end of the lease. The costs are accrued over the life of the lease and reassessed each year.

Onerous contract provision

The Group recognises an onerous contract provision where the obligations under a contract exceed the economic benefits expected to be received from it. The provision is calculated as the lower of the expected cash outflow over the contract life and the cost to exit the contract. The key assumptions in the determination of the value of this provision are the expected future cash flows and the discount rate used to calculate the present value of those cash flows.

Provision for liabilities under service contracts

This provision is calculated based on the annual profit distribution agreement. Certain directors are entitled to payments under long term incentive arrangements based on the performance of the Group.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

Provision for insurer claw back of commission

The Group recognises a provision for insurer claw back of commission following the lapse of life insurance policies previously recognised as income. The key assumption in this accounting estimate is the future lapse rate.

Dividends

Dividends on equity instruments are recognised when they become legally payable.

Pension commitments

The Group operates various defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged to the statement of profit and loss represents the contributions payable to the scheme in respect of the accounting period.

Leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership of the asset are classified as operating leases. Their annual rentals are charged to the statement of profit and loss on a straight-line basis over the term of the lease.

All incentives for the agreement of a new or renewed operating lease are recognised as part of net consideration, irrespective of nature, form, or timing of payments. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Future developments

The following pronouncement is relevant to the Group but was not effective at 30 June 2019 and has not been applied in preparing these financial statements.

IFRS 16 Leases

The standard is effective for accounting periods commencing on or after 1 January 2019. The new standard replaces IAS 17 Leases.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The BGL Group has conducted a detailed review into the presence of leases across the BGL Group and assessed the accounting implementation approaches and the potential materiality of the impact. IFRS 16 will not have a material impact on the income statement but will be a debit to retained earnings on adoption in the region of £2m - £3m. Costs of c.£4m will be recognised under depreciation and finance cost, which were previously recognised in operating costs as operating lease expense. The Group has elected for full retrospective restatement to reflect the requirements of IFRS 16.

The impact at the other businesses will not be material to the BHL UK Group.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

2. Significant judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, 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.

In the process of applying the Group's accounting policies, management has made the following judgements.

Impairment of goodwill and other intangible assets

The Group has recognised goodwill and other intangible assets as a result of previous acquisitions, investment in software development and transactions with affinity partners. The total value of goodwill and other intangibles assets at the period end date is £91.9m (2018: £78.3m). The value of these assets is expected to be recovered through value in use and the recoverability of these assets at each reporting date is assessed with reference to the cash flows associated with the relevant CGU. Various assumptions around discount rates, growth rates and future cash flows have been made by management in assessing the recoverability of goodwill and other intangible assets which may differ from actual results, and could lead to an impairment of goodwill and other intangible assets.

Revenue - trail commissions

The Group has recognised revenue on the sale of certain products which earn trail commissions based on the expected fair value of the total consideration receivable in relation to the Group's performance obligations. The ultimate fair value of the consideration may differ from the amounts included in the statement of profit and loss to date which may result in a gain or loss recognised in future periods.

The value of the related asset in the consolidated statement of financial position is £3.7m (2018: £3.9m) and is included within financial assets at fair value.

Revenue - clawback provisions

Provisions are made in the balance sheet for the expected level of cancellations in relation to policies on which the Group has earned commission. The key assumption made by management in the determination of the value of this provision is the expected future lapse rates.

Legal services work in progress

The Group recognises revenue on work performed during the reporting period on legal claims based on the stage of work complete and an assessment of the ultimate value of these cases. A number of judgements, assumptions and estimates are made by management in determining whether to recognise legal claims as part of revenue and in estimation of the value of the work carried out in the period. Management determine the key assumptions attributed to the stage of completion of each case, by reference to key milestones in the process, the percentage of cases that will ultimately be settled in our clients' favour, and the expected consideration receivable by the Company in relation to each case, all supported by historical settlement patterns. Income is only recognised on cases where an admission of liability has been received from the third-party insurer, as this gives more certainty to the Company as to recoverability of its costs.

The ultimate outcome in relation to each of these assumptions may differ from the estimates made by management and, as a result, the total consideration receivable will vary. The carrying value of work in progress at the year end was £17.4m (2018: £18.2m).

BHL (UK) Holdings Limited**Year ended 30 June 2019****Notes forming part of the consolidated financial statements (continued)****3. Revenue from contracts with customers****(i) Disaggregation of revenue**

Revenue is wholly attributable to the principal activities of the Group and arises primarily within the United Kingdom. Fees of £1.5m (2018: £1.6m) arise from a related party in Australia and £0.2m (2018: nil) from other related parties.

	2019	Restated* 2018
	£m	£m
Brokerage and fee income	288.3	273.0
Price comparison	423.2	376.5
Legal services	34.8	36.0
Other income	6.5	4.7
	752.8	690.2

Other income includes £0.4m (2018: £0.4m) of income relating to UK research and development tax credits which are outside the scope of IFRS 15.

(ii) Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers.

	2019	Restated* 2018
	£m	£m
Value at start of the period	81.9	69.6
Revenue recognised	485.0	442.0
Transferred to receivables	(467.3)	(418.8)
Loss allowance	(9.8)	(10.9)
Value at the end of the period	89.8	81.9

Contract assets consists of £74.0m accrued income (2018 restated: £59.5m) and £15.8m of certain other debtor balances (2018: £22.4m).

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on 30 June 2019. The contract assets are transferred to receivables when the rights become unconditional.

The following table shows the contract liabilities balance:

	£m
Value as at 1 July 2017 (restated*)	28.0
Value as at 30 June 2018 (restated*)	37.3
Value as at 30 June 2019	22.0

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was £7.1m (2018 restated: £2.8m).

Contract liabilities consist of £21.2m deferred income (2018 restated: £23.4m), £nil of trade payables (2018 restated: £13.1m) and £0.8m other payables (2018: £0.8m).

(iii) Assets recognised from costs to obtain a contract

The Group has also recognised assets in relation to costs to obtain long-term contracts.

	2019	Restated*
	£m	2018 £m
Value at start of the period	9.1	9.8
Asset recognised from costs incurred	12.3	13.0
Amortisation	(12.5)	(13.7)
Value at the end of the period	8.9	9.1

At the 30 June 2019 £8.4m (2018 restated: £8.4m) relating to deferred acquisition costs is recognised in the table above. The above costs are held within prepayments on the balance sheet.

* See change in accounting policy note, note 1.

4. Operating profit

Operating profit is stated after charging the following:

	2019	Restated*
	£m	2018 £m
Continuing operations		
Costs related to corporate transactions and restructuring	2.4	6.0
Impairment of trade and other receivables	9.8	10.9
Impairment of investment	3.2	-
Amortisation and impairment of intangible assets	22.1	20.5
Depreciation of plant, property and equipment	7.5	7.1
Loss on disposal of plant, property and equipment	0.1	0.2
Audit fees – fees for the audit of the Company	-	-
Audit fees – fees for the audit of the Company's subsidiaries	0.8	0.7
Audit fees - other services	-	0.5
Foreign exchange movements	(1.2)	0.3

See change in accounting policy note, note 1.

Costs relating to corporate transactions and restructuring of £2.4m relate to one-off regulatory fees arising as a direct result of a group restructuring. Prior year costs related to corporate transactions and restructuring of £6.0m comprise expenses incurred in preparation for a potential Initial Public Offering and expenses incurred in the preparation for the investment by CPPIB in the BGL Group. These relate primarily to external advisers' fees and completion bonuses.

BHL (UK) Holdings Limited**Year ended 30 June 2019****Notes forming part of the consolidated financial statements (continued)****5. Finance income**

	2019 £m	2018 £m
Interest on bank deposits	0.5	0.3
Interest on loans to related parties	0.4	0.1
Other finance income	0.7	0.4
	1.6	0.8

6. Finance costs

	2019 £m	Restated* 2018 £m
Interest and charges on bank borrowings	6.3	5.7
Interest on loans to related parties	-	3.6
Other finance costs	3.2	1.8
	9.5	11.1

See change in accounting policy note, note 1.

7. Tax expense

	2019 £m	Restated* 2018 £m
Current tax expense		
UK corporation tax	28.1	28.3
Adjustments in respect of prior year	(0.2)	0.2
	27.9	28.5
Deferred tax expense (see note 13)		
Charged to the statement of profit and loss	3.4	0.3
Adjustments in respect of prior year	(1.2)	(0.5)
Effect of changes in tax rates	-	-
	2.2	(0.2)
Tax expense	30.1	28.3

All of the tax expense is attributable to continuing operations.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

7. Tax expense (continued)

The weighted average rate of tax for the year, based on the UK standard rate of corporation tax and the corporation tax rates applicable to overseas jurisdictions, is 18.25% (2018: 19.0%). The actual tax charge for the current year and the previous year differs from the weighted average rate for the reasons set out in the following reconciliation:

	2019 £m	Restated* 2018 £m
Profit for the year	97.8	97.5
Tax expense	30.1	28.3
Profit before tax	127.9	125.8
Weighted average rate of 19.00% (2018: 19.00%)	24.3	23.9
Effect of tax rates in foreign jurisdictions	(1.1)	(1.0)
Effects of:		
Adjustments in respect of prior year	(1.4)	(0.3)
Expenses not deductible for tax purposes	5.1	1.7
Income not taxable	(0.3)	(0.6)
Losses carried forward for which deferred tax is not provided	3.7	4.8
Other movements	(0.2)	(0.2)
Tax expense	30.1	28.3

See change in accounting policy note, note 1.

The UK corporation tax rate throughout the year was 19%. In his Budget on 16 March 2016 the Chancellor of the Exchequer announced an additional planned reduction to 17% by 1 April 2020. This was substantively enacted on 6 September 2016 and will reduce the Group's future current tax charge accordingly.

The deferred tax asset at each reporting date has been measured at the tax rates that are expected to apply in the year when the asset is realised; based on the rates substantively enacted at the reporting date.

8. Employees

The average monthly number of employees (including directors) during the year was made up as follows:

	2019 Number	2018 Number
Call centre staff	1,290	1,356
Management, business development and support services	1,888	1,749
Legal services	230	216
	3,408	3,321

BHL (UK) Holdings Limited**Year ended 30 June 2019****Notes forming part of the consolidated financial statements (continued)****8. Employees (continued)**

The aggregate remuneration comprised:

	2019 £m	2018 £m
Wages and salaries	131.4	123.9
Social security costs	14.1	13.3
Pension costs	9.3	6.1
	154.8	143.3

In the current year, wages and salaries included a share based payment charge of £5.7m (2018: £nil). See note 22 for further details.

9. Acquisition of subsidiary

On 12 February 2019, BGL Group Limited acquired 100% of the share capital of Saverd Limited (formerly Saverd Ltd) for cash consideration of £1.5m. Further consideration up to a maximum of £1.5m which is deferred or contingent may be payable in future periods.

10. Goodwill

	£m
Cost and carrying amount	
At 1 July 2017 and 30 June 2018	20.0
Additions	2.9
At 30 June 2019	22.9
Accumulated impairment	
At 1 July 2017, 30 June 2018 and 30 June 2019	-
Carrying amount	
At 30 June 2019	22.9
At 30 June 2018	20.0

Recognition and allocation to cash generating units ("CGUs")

Of the goodwill held at 30 June 2019 £2.9m (2018: £2.9m) has been allocated to the LesFurets.com operating segment and £17.1m (2018: £17.1m) has been allocated to the Motor & Home operating segment (part of 'Insurance Distribution and Outsourcing' business), £1.6m (2018: £nil) allocated to the Turkish subsidiaries and £1.3m (2018: £nil) allocated to Saverd Limited (formerly Saverd Ltd).

The recoverable amounts of goodwill relating to the relevant CGUs are determined from discounted cash flow ("DCF") calculations. The key assumptions for the DCF calculations are the following:

- Profit before tax for the relevant CGU, based on approved plans and forecasts (which includes LesFurets.com delivering an operating profit), for a 3-8 year period (2018: 3-8 year period), including relevant assumptions around policy volumes and mix (new business and renewals), net rate inflation and acquisition/marketing costs. Management considers the use of projections greater than five years to be reasonable given prior experience in similar businesses;
- Terminal value using the perpetuity growth method with long term growth rate of 2% (2018: 2%) representing management's assessment of the long term growth rate for the Group's mature businesses; and
- A discount rate of 20% (2018: 20%) for the LesFurets.com CGU and 10% (2018: 10%) for the Motor & Home CGU.

BHL (UK) Holdings Limited**Year ended 30 June 2019****Notes forming part of the consolidated financial statements (continued)**

Sensitivity analyses have been carried out based on an increase of discount rate to 25% for the LesFurets.com CGU, 20% for the Motor & Home CGU, reduction of long term growth rate to 1% and on the basis of no growth from FY 2020 for the Motor & Home operating segment. None of the sensitivity analyses lead to a reduction of the recoverable amount below the carrying amount for any of the CGUs.

The DCF calculations show sufficient headroom against the carrying value of goodwill. No reasonably possible change to a key assumption would result in an impairment.

11. Other intangible assets

	Software development	Software development in progress	Affinity relationships	Total
	£m	£m	£m	£m
Cost				
At 1 July 2017	84.1	6.8	40.4	131.3
Additions	-	25.3	-	25.3
Transfers	15.4	(15.4)	-	-
Disposals	(0.4)	-	(6.0)	(6.4)
Effect of movements in exchange rates	0.1	-	-	0.1
At 30 June 2018	99.2	16.7	34.4	150.3
Additions	1.0	31.7	0.3	33.0
Transfers	30.7	(30.7)	-	-
Disposals	(6.4)	-	-	(6.4)
Effect of movements in exchange rates	0.2	-	-	0.2
At 30 June 2019	124.7	17.7	34.7	177.1
Accumulated amortisation				
At 1 July 2017	46.0	-	31.8	77.8
Charge for the year	17.4	-	3.1	20.5
Disposals	(0.4)	-	(6.0)	(6.4)
Effect of movements in exchange rates	0.1	-	-	0.1
At 30 June 2018	63.1	-	28.9	92.0
Charge for the year	19.8	-	2.3	22.1
Disposals	(6.4)	-	-	(6.4)
Impairment	0.2	-	-	0.2
Effect of movements in exchange rates	0.2	-	-	0.2
At 30 June 2019	76.9	-	31.2	108.1
Net book value				
At 30 June 2019	47.8	17.7	3.5	69.0
At 30 June 2018	36.1	16.7	5.5	58.3

There are no commitments to purchase intangible assets at the reporting date (2018: £nil). All additions to software development relate to internally developed software, and all additions to affinity relationships have been acquired separately.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

12. Property, plant and equipment

	Land and buildings	Leasehold improvements and fixtures and fittings	Office equipment	Computer equipment	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2017	7.1	17.2	7.2	25.9	57.4
Additions	-	2.0	0.8	4.5	7.3
Disposals	(0.2)	(0.3)	(0.7)	(3.1)	(4.3)
At 30 June 2018	6.9	18.9	7.3	27.3	60.4
Additions	-	2.5	0.8	4.5	7.8
Disposals	-	(0.3)	(0.5)	(2.5)	(3.3)
At 30 June 2019	6.9	21.1	7.6	29.3	64.9
Accumulated depreciation					
At 1 July 2017	0.4	6.9	4.0	17.4	28.7
Charge for the year	0.3	2.3	0.7	3.8	7.1
Disposals	-	(0.3)	(0.7)	(3.1)	(4.1)
At 30 June 2018	0.7	8.9	4.0	18.1	31.7
Charge for the year	0.3	2.3	0.7	4.2	7.5
Disposals	-	(0.3)	(0.4)	(2.5)	(3.2)
At 30 June 2019	1.0	10.9	4.3	19.8	36.0
Net book value					
At 30 June 2019	5.9	10.2	3.3	9.5	28.9
At 30 June 2018	6.2	10.0	3.3	9.2	28.7

The Group had £1.1m capital commitments at the reporting date (2018: £0.1m).

BHL (UK) Holdings Limited**Year ended 30 June 2019****Notes forming part of the consolidated financial statements (continued)****13. Deferred tax asset**

	2019 £m	Restated* 2018 £m
Property, plant and equipment	1.9	0.7
Other temporary differences	-	3.4
Deferred tax asset	1.9	4.1
Deferred tax asset at the start of the year	4.1	3.9
Adjustment in respect of prior year	1.2	0.5
Recognised in income	(3.4)	(0.3)
Deferred tax asset at the end of the year	1.9	4.1

Details of movement in deferred tax:

The Group has £27.5m (2018: £24.9m) of unrecognised deferred tax assets related to LesFurets.com tax losses. Whilst management's expectations in respect of the future performance of LesFurets.com remain strong, a more conservative approach has been applied in the assessment of probability where tax losses are forecast to be recovered.

* See change in accounting policy note, note 1.

	Property, plant and equipment £m	Other temporary differences £m	Deferred tax asset £m
At 1 July 2017 (restated*)	0.7	3.2	3.9
Recognised in income	(0.2)	(0.1)	(0.3)
Adjustment in respect of prior year	0.2	0.3	0.5
At 30 June 2018 (restated*)	0.7	3.4	4.1
Recognised in income	(0.1)	(3.3)	(3.4)
Adjustment in respect of prior year	0.4	0.8	1.2
At 30 June 2019	1.0	0.9	1.9

BHL (UK) Holdings Limited**Year ended 30 June 2019****Notes forming part of the consolidated financial statements (continued)****14. Inventories**

	2019 £m	2018 £m
Finished goods	1.9	1.5

Finished goods relate to inventory held for customer reward schemes. Costs were recognised in operating expenses as goods were dispatched. During the year, £0.1m (2018: £0.6m) of inventory has been impaired.

15. Trade and other receivables

	2019 £m	Restated* 2018 £m
Trade receivables	463.4	463.5
Amounts due from related undertakings	84.4	15.2
Corporate tax receivable	1.6	0.7
Accrued income	74.6	59.1
Other debtors	25.4	30.5
Prepayments	61.8	30.6
	711.2	599.6

* See change in accounting policy note, note 1.

Following the adoption of IFRS 9 trade receivables are shown net of a provision for credit losses of £5.9m (2018: restated £6.5m). Included within other debtors is £2.9m (2018: restated £3.4m) which represents credit losses expected to be recovered from affinity partners.

The Group has provided for balances which are unlikely to be recovered taking into consideration quantitative and qualitative information regarding the payment history of customers. In relation to a single class of instalment receivables recognised within trade receivables the Group applied a weighted average loss rate of 0.94% (2018 restated: 1.10%) to policies arranged during the year which are paid by instalment.

Movements in the provision for credit losses were as follows:

	2019 £m	Restated* 2018 £m
Value at start of the period	(6.5)	(6.0)
Increase in provision	(9.8)	(10.7)
Utilisation	6.4	5.5
Amounts sold	2.7	2.7
Amounts recovered	1.3	2.0
Value at end of the period	(5.9)	(6.5)

* See change in accounting policy note, note 1.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

Trade receivables include work in progress relating to legal services contracts of £17.4m (2018: £18.2m). The valuation of this balance is subject to estimation uncertainty as disclosed in note 2. These contracts relate to work done on behalf of our clients. Materially, the responsibility for payment sits with major insurance companies and, as such, there is no significant uncertainty around the successful settlement and recoverability of these amounts.

Certain unbilled disbursements are disclosed net in the financial statements. This is in accordance with contracts with those suppliers where disbursements only become payable when recovered; hence the Company is not obliged to support any losses and nor does it intend to do so. At 30 June 2019, £30.4m (2018: £33.0m) remained within trade debtors after £4.8m (2018: £5.9m) had been offset with trade creditors.

There is no material difference between the fair value of receivables and their carrying amount.

Other debtors of £11.2m (2018 restated: £9.6m), accrued income of £12.6m (2018 restated: £4.7m) and prepayments of £10.9m (2018 restated: £7.0m) are forecast to be received under agreed collection arrangements or recognised in the statement of profit and loss and comprehensive income after more than 12 months from the reporting date. All other amounts fall due for payment within one year.

16. Cash and cash equivalents

	2019 £m	2018 £m
Restricted cash and cash equivalents	16.9	11.8
Cash and cash equivalents	11.8	33.1
	28.7	44.9

Cash of £nil (2018: £nil) is restricted under the arrangement with BGL Receivables Financing (1) Limited, the securitisation structured entity, within the BISL Limited subsidiary. Cash of £11.0m (2018: £11.0m) has been notionally 'ring-fenced' for regulatory purposes. Remaining restricted cash of £0.8m (2018: £0.8m) relates to collateral held as part of a customer contract.

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.

Courtanet SAS operates Euro bank accounts with a balance of £1.5m (2018: £2.2m) at the reporting date.

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

	2019 £m	2018 £m
AA+ to AA-	17.5	16.1
A+ to A-	8.6	28.6
Below A- or not rated	2.6	0.2
	28.7	44.9

BHL (UK) Holdings Limited**Year ended 30 June 2019****Notes forming part of the consolidated financial statements (continued)****17. Borrowings**

	2019 £m	2018 £m
Current		
Bank loans and overdrafts due within one year or on demand:		
Bank overdraft	0.3	0.3
Bank loans	16.0	-
Asset based securitised financing	100.0	39.0
Loans payable to related parties	-	-
	116.3	39.3
Non-current		
Bank loans due beyond one year:		
Bank loans	50.0	50.0
	50.0	50.0

Asset-based securitised financing is secured on certain instalment debtors disclosed in-trade and other receivables. The amount of receivables on which the financing is secured varies depending upon concentration percentages prescribed under the agreement with the finance company.

The BGL Group has access to two debt facilities: a £300.0m (2018: £300.0m) revolving credit facility and a £100.0m (2018: £100.0m) securitisation facility. As at 30 June 2019 £16.0m was drawn under the revolving credit facility (2018: £nil) and £100.0m was drawn under the securitisation (2018: £39.0m). The securitisation facility is due to mature in March 2021 whilst the revolving credit facility is due to mature in September 2022. A £50.0m committed term loan was obtained from a third party which was fully drawn down at the period end (2018 £50.0m). The committed term loan is due to mature in April 2025.

Bank loans are denominated in Sterling and bear interest based on bank base rate and LIBOR.

18. Trade and other payables

	2019 £m	Restated* 2018 £m
Current		
Trade payables	481.6	479.1
Amounts owed to related undertakings	0.3	0.1
Other payables	14.0	13.9
Accruals and deferred income	82.2	97.3
Employee benefits	-	0.1
	578.1	590.5

* See change in accounting policy note, note 1.

Liabilities of £5.7m (2018: £nil) have been recognised within accruals in relation to cash-settled share based payments after more than 12 months from the reporting date as described in note 22. All other amounts fall due for payment within one year.

The Group receives upfront cash payments from one affinity partner to compensate the Group for its initial cash outlay when purchasing insurance policies but where the policy holder makes payment by instalments over 12 months.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

At 30 June 2019 £40.0m (2018: £40.0m) of upfront cash is reported within trade payables and will be settled on a net basis with the affinity partner. The liquidity requirements of the Group do not rely on this arrangement.

Trade creditors include £22.4m (2018: £25.3m (restated to include £(2.5m) payments on account) in respect of disbursements where there is a contractual obligation to pay the supplier regardless of whether the disbursement is recovered.

There is no material difference between the fair value of trade and other payables, accruals, deferred income and amounts due to group companies and their carrying amount.

19. Provisions

	£m
At 1 July 2017	17.6
Increase in provision	19.1
Unwinding of discounting	0.1
Utilisation	(20.4)
At 30 June 2018	16.4
Increase in provision	46.0
Release of provision	(9.2)
Utilisation	(20.3)
At 30 June 2019	32.9
Current provisions	24.1
Non-current provisions	8.8
At 30 June 2019	32.9

The Group recognises clawback provisions reflecting an estimation of the insurer clawback of commission following the lapse of life insurance policies previously recognised as income. The key assumption in this accounting estimate is the future lapse rate.

The Competition and Markets Authority ('CMA') has previously indicated that it believes that the use by Compare The Market Limited ('CTM') of wide most favoured nation ('MFN') clauses potentially broke competition law. CTM and its expert advisers have carefully reviewed the CMA's provisional findings alongside the evidence that has been made available by the CMA and has made robust written and oral representations to the CMA in its defence.

A provision has been made at 30 June 2019 representing the directors' current best estimate of liabilities that may arise from this investigation. With reference to the prejudicial disclosure exemption in IAS 37, the Company is unable to disclose any further information in respect of this provision as the disclosure of such information is, in the Directors' opinion, seriously prejudicial to the Company whilst the investigation is ongoing.

While there remains significant uncertainty in respect of the ultimate outcome, the directors are confident that a fine could be accommodated within surplus capital and liquidity without altering the Group's strategy.

During the year ended 30 June 2019 the Group fully settled the onerous contract liability (2018: £4.2m) in respect of one contract.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

20. Financial instruments

Financial assets at fair value through profit or loss

At 30 June 2019, £3.7m (2018: £3.9m) represents the fair value of total trail commission receivable from product providers where no subsequent servicing obligations exist under the contracts.

These assets are designated Level 3 fair values by IFRS 7 since they are measured using valuation techniques for which significant inputs are not based on market observable data. The fair value assessment was undertaken by taking into account the total contractual commission entitlement per policy sold and applying lapse rates based on historical observed metrics. A further discount factor of 5% was then applied to take account of the time value of money. A 10% reduction or increase in the lapse rate would require an adjustment of £0.1m. An increase in the discount rate to 10% would require an adjustment of £0.8m.

The following table sets out a reconciliation of opening and closing balances for these assets.

	2019 £m	2018 £m
Value at start of the period	3.9	3.8
Transfer to financial assets	-	0.2
Purchases	0.2	0.1
Changes in lapses	0.1	0.7
Settlements	(0.5)	(0.9)
Value at end of the period	<u>3.7</u>	<u>3.9</u>

The net credit to revenue in 2019 was £0.2m (2018: £0.7m).

The directors are of the opinion that the carrying value of the financial instruments held approximate to the fair value.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the Group by failing to pay its obligation.

Trade and other receivables

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being well diversified. It is the Group's policy to recognise expected credit losses ('ELCs') on financial assets measured at amortised cost using a lifetime expected loss allowance. Following the adoption of IFRS 9 in the year loss allowances for trade receivables and contract assets of £5.5m are held at the year end.

Of the insurance receivables past due but not yet written off, 90.8% (2018: 85.3%) are due within 30 days, 8.1% (2018: 12.6%) are due within 31-60 days and 1.1% (2018: 2.2%) are due in more than 60 days. The latter category is comprised substantially of individuals with whom the Group has entered agreed repayment plans.

In addition other debtors have been impaired by £0.5m (2018: £nil) to their recoverable amount.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

Short-term deposits

Counter-parties for short-term deposits are subject to pre-approval and are limited to institutions with a certain credit rating. The amount of exposure to any individual counter party is subject to defined limits. Both the acceptable credit rating and exposure limits are reassessed on a regular basis.

Details of the credit risk on cash balances is given in note 16.

Measures taken to monitor these risks include exposure reports to monitor counterparty credit risk and review of monthly key performance indicators.

Liquidity risk

Liquidity risk is the risk that any company within the Group will have difficulties in paying its financial liabilities. All liabilities are due within one year with the exception of certain borrowings as disclosed in note 17 and non-current provisions as disclosed in note 19.

The Group maintains a mixture of long-term and short-term committed facilities that are designed to ensure the Group has sufficient available funds for operations.

The BGL Group has substantial available but undrawn committed debt facilities that continue to be fully accessible. These comprise an unsecured £300.0m (2018: £300.0m) revolving credit facility, of which £284.0m (2018: £300.0m) was undrawn at the period end, a £100.0m (2018: £100.0m) securitisation facility that is secured on certain instalment receivables, of which £nil (2018: £61.0m) was undrawn at the period end, and a £50.0m unsecured 7 year fixed rate senior note (2018: £50.0m).

Under the terms of the £300.0m revolving credit facility and the £50.0m senior note BGL (Holdings) Limited together with BGL Group Limited, BISL Limited, BFSL Limited, ACM ULR Limited and Compare the Market Limited, provided a joint and several guarantee. At 30 June 2019 the maximum exposure to this liability was £66.0m (2018: £50.0m).

Measures taken to monitor these risks include regular treasury reporting to the board of directors, including monitoring against the Group's existing and expected future available funding and cash requirements and compliance with financial covenants included within the committed debt facilities.

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, foreign exchange risk and other price risks

Foreign exchange risk

The Group has operations in France and Turkey, and is exposed to foreign exchange risks with respect to the Euro and the Turkish Lira.

The Group's shareholders' funds by currency were:

	Restated* Sterling £m	Euro £m	Turkish Lira £m	Restated* Total £m
Net equity 30 June 2019	99.0	2.3	(1.3)	100.0
Net equity 30 June 2018	41.4	10.2	(0.8)	50.8

* See change in accounting policy note, note 1.

A 10% change in sterling to Euro foreign exchange rates would have had the following impact on shareholders' funds:

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

Foreign exchange risk (continued)

	10% increase in Sterling/ Euro rate £m	10% decrease in Sterling/ Euro rate £m
Total equity 30 June 2019	(0.1)	0.2
Total equity 30 June 2018	(0.2)	0.3

The impact of foreign exchange movements in Turkish Lira are not material to the Group.

Measures taken to monitor these risks include monthly reporting on foreign exchange movements for relevant currencies and foreign currency net asset exposure, as well as a periodic review of any requirement to purchase forward foreign exchange contracts to mitigate risk.

At 30 June 2019 the Group had a commitment to purchase foreign currency of USD 0.4m (£0.3m) (2018: USD 0.2m (£0.2m)). These commitments matured on 25 July 2019 (2018: 2 July 2018).

During the year the Group entered into a series of foreign exchange swap arrangements. At 30 June 2019 the Group had committed to purchase £7.9m (2018: £nil) and foreign currency of EUR 1.0m (2018: nil) and to sell £0.9m (2018: £nil) and foreign currency of EUR 8.9m (2018: nil). A net liability of £0.1m (2018: £nil) arising from these commitments is recognised within other financial liabilities. The last of these commitments matured on 5 August 2019.

Interest rate risk

The Group has both interest bearing assets and liabilities.

Cash and cash equivalents earn interest primarily at the rates available in the short-term deposit markets. The Group's borrowings are charged interest exclusively at floating rates. Interest on asset-based securitised financing is charged at a fixed premium added to a market rate which is either LIBOR or an equivalent commercial paper rate (that is typically similar to UK Base Rate). Interest on sterling-denominated bank balances is charged at Bank of England base rate plus a fixed premium. The Group is therefore exposed to interest rate movements.

Sensitivity to a 10 basis point negative variance on the external weighted average interest rate for the Group for the financial year is an approximate £0.1m adverse (2018: £0.1m adverse) impact on Group profit and equity.

Measures taken to monitor these risks include a review of consensus forecasts for interest rates and periodic assessments of the need to hedge variable rate exposures.

The Group regularly reviews this exposure alongside other offsetting financial impacts that could be expected to arise from interest rate movements, and enters into hedging contracts as it deems necessary. No such contracts were outstanding at year end.

Capital management

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

A number of Group companies are regulated by statutory bodies and therefore must maintain adequate regulatory capital. The Group companies hold sufficient capital over and above the capital resource requirements for these firms.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

In order to manage the risks around capital, the Group regularly reviews its capital position to ensure suitable headroom is maintained.

21. Share capital

	2019 £m	2018 £m
Allotted and called up		
Ordinary shares of £1 each	600.0	600.0

The share capital of the Group represents the share capital of the parent company, BHL (UK) Holdings Limited.

22. Share based payments

BGL (Holdings) Limited has in issue C shares held by executive directors and certain employees under the Long Term Incentive Plan ('LTIP') arrangement. The C shares accrue rights to the extent that the Company's earnings before interest, tax, depreciation and amortisation (EBITDA) increases by at least a cumulative 10% per annum over the period from 1 July 2017 to 30 June 2020, 30 June 2021 and 30 June 2022.

The C shares become entitled to their respective share of the equity value in three equal tranches following Remuneration Committee approval of the value of the shares as at 30 June 2022, 30 June 2023 and 30 June 2024. Participants must remain employed by the Group until 2024 in order to receive the full value of vested shares. None of the awards will vest if the minimum performance threshold is not reached.

The fair value of the cash liability is measured using a Black-Scholes model, taking into account the terms and conditions attached to the arrangement. The model takes into account historical and expected dividends and the share price volatility of the Group relative to that of its competitors.

There are 'put and call' option arrangements enabling either the Company or participant to sell the shares for cash. The LTIP awards are accounted for as a cash-settled share based payment with the fair value of the liability as at 30 June 2019 recognised within trade and other payables.

Details of the liabilities arising were as follows.

	2019 £m
Total carrying amount of liabilities	(5.7)
Total intrinsic value of liabilities for vested benefits	-

The number of shares are as follows:

	2019	2018
Number of shares granted as at 1 July	7,045	-
Forfeited during the year	(195)	-
Exercised during the year	-	-
Granted during the year	880	7,045
Number of shares as at 30 June	7,730	7,045
Exercisable at the end of the year	-	-

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

C shares do not carry an exercise price, therefore the weighted average share price of shares exercised during the period was £nil. No options expired during the period.

Valuation model and key assumptions used

The following table lists the inputs to the Black Scholes model used to determine fair value of cash-settled shares as at the year ended 30 June 2019:

	2019		
	Tranche 1	Tranche 2	Tranche 3
Fair value	£3,679	£3,527	£3,381
Dividend yield	4.22%	4.22%	4.22%
Expected volatility	55.72%	62.92%	72.69%
Risk free interest rate	0.56%	0.60%	0.62%
Expected life	3 years	4 years	5 years
Share price	£4,177	£4,177	£4,177

The expected volatility reflects the assumption that the historical volatility of peer group companies over a period similar to the life of the instrument is indicative of future trends, which may not necessarily be the actual outcome. The expected life of the instruments are aligned to the 'put and call' option arrangements discussed above.

23. Non-controlling interest

	2019	Restated# 2018
	£m	£m
Value at the start of the year	6.0	(1.3)
Share of comprehensive income for the year	42.1	24.7
Dividends paid	(48.3)	(3.8)
Purchase of minority interest	-	(13.6)
Sale of minority interest	(0.2)	-
Restructuring at a subsidiary	1.4	-
Value at the end of the year	1.0	6.0

This represents the change in minority interest due to the restructuring of the Turkish business. It comprises an increase in minority interest in Koalay Sigorta (previously named Telesure Sigorta) and the minority interest of the new business.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

24. Dividends

	2019 £m	2018 £m
<i>Declared and paid during the year by BHL UK Holdings Limited</i>		
Equity dividends on ordinary shares:		
Dividend for 2019: £0.04	23.0	-
Dividend for 2018: £0.33	-	200.0
<i>Declared and paid during the year by BGL Holdings Limited</i>		
Equity dividends on ordinary shares:		
Interim dividend for 2019: £4.60	13.2	-
Interim dividend for 2019: £14.40	25.0	-
Interim dividend for 2019: £5.80	10.1	-
Interim dividend for 2018: £8.00	-	3.8
Dividends paid	71.3	203.8

25. Reserves

Certain restrictions are placed on the ability of the Group to distribute its consolidated retained earnings as detailed below.

Foreign currency translation reserve

Exchange differences arising from the translation of the net investment in foreign subsidiaries are recognised in other comprehensive income and presented in the foreign 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 statement of comprehensive income as part of the gain or loss on sale.

Merger reserve

£594.5m of the merger reserve arises on consolidation because of the purchase of BGL Group Limited by the Company. It represents the difference between the fair value paid by the Company to BHL Holdings Limited for 90.5% of the shares in BGL Group Limited and the book value of BGL Group Limited.

Other reserves

Other reserves comprise the gain on disposal of a 25.25% shareholding in BGL (Holdings) Limited during 2018 of £537.7m.

26. Pension commitments

The pension cost represents contributions payable by the Group and amounted to £9.2m (2018: £6.1m) in the year. At the reporting date the Group owed £0.9m (2018: £0.7m).

All companies within the Group offer defined contribution pension schemes to their employees.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

27. Commitments under operating leases

At the year end, the Group had total future minimum lease payments under non-cancellable operating leases as set out below:

	2019	2018
	£m	£m
Within one year	5.2	5.2
One to five years	19.5	18.6
More than five years	17.7	20.0
	42.4	43.8

Operating lease commitments relate exclusively to commitments on the various office buildings and call centres leased by the Group. The leases run for a period of 3 to 15 years, typically with an option to renew the lease after the expiry date. Lease expiry dates range from July 2020 to December 2031. Four of the leases have exercisable break clauses in 2020, 2023, 2026 and 2027 respectively. The majority of the Group's leases are subject to rent reviews in accordance with the terms of the lease.

Amounts charged to the statement of profit and loss during the year in respect of the above amounted to £5.2m (2018: £5.7m).

28. Contingent liability

Under the terms of the £300.0m revolving credit facility and the £50.0m senior note BGL (Holdings) Limited together with BGL Group Limited, BISL Limited, BFSL Limited, ACM ULR Limited and Compare The Market Limited, provided a joint and several guarantee. At 30 June 2019 the maximum exposure to this liability was £66.0m (2018: £50.0m).

BGL (Holdings) Limited has joint and several liability under the group VAT registration and joint liability under the group payment arrangement in relation to corporation tax.

The Group's companies and businesses are involved in a certain number of proceedings and litigation cases during the normal course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. A liability is accrued only if an adverse outcome is probable and the amount of the loss can be reasonably estimated.

Tax filings contain matters that could be subject to differing interpretations of applicable tax laws and regulations, the resolution of which can take several years, through negotiations with relevant tax authorities, or litigation. There is an ongoing discussion with HMRC relating to the VAT treatment of certain recently introduced products. Whilst it is difficult to predict the ultimate outcome in such matters, the Group is confident that there will be no material net impact on the Group's results.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

29. Related party transactions

Transactions between Group companies, which are related parties, have been eliminated on consolidation. All intercompany transactions are charged at a rate comparable to prevailing market rates.

Transactions with the following related parties have been identified with respect to the Group:

Auto & General Holdings Pty Limited	To 26 June 2019, fellow subsidiary of BHL Holdings Limited. From 27 June 2019, common shareholder
Compare the Market Pty Ltd	To 26 June 2019, fellow subsidiary of BHL Holdings Limited. From 27 June 2019, common shareholder
BHL Holdings Limited	Parent company
BHL Management Services Limited	Fellow subsidiary of BHL Holdings Limited
BHL Minorities Limited	Sister company of BHL Holdings Limited
Canada Pension Plan Investment Board	Minority shareholder of subsidiary
Reef Holdings Limited	To 2 July 2019, parent company From 3 July 2019, shareholder
Reef Management Services Limited	Subsidiary of Reef Holdings Limited
Sidechapel Limited	Company controlled by a director
BHL (SA) Holdings Limited	Fellow subsidiary of BHL Holdings Limited
Telesure Group Services Proprietary Limited	Fellow subsidiary of BHL Holdings Limited
M Donaldson	Director of a subsidiary
S Klinkert	Director of BHL Holdings Limited
I Leech	Director of a subsidiary
Bathrow Limited	Company controlled by a director
P Winslow CBE	Director of a subsidiary (resigned 30 June 2018)
A Ziyal	Director of a subsidiary
BGL Receivables Financing (1) Limited*	Securitisation structured entity

* BGL Receivables Financing (1) Limited, a securitisation structured entity, was incorporated on 29 January 2016. The Group does not hold any share capital with voting rights or have any directors on the board of directors of the structured entity. The relationship between the Group and the structured entity meets the control criteria for consolidation under IFRS 10, and hence BGL Receivables Financing (1) Limited is consolidated in the Group consolidated financial statements.

BHL (UK) Holdings Limited**Year ended 30 June 2019****Notes forming part of the consolidated financial statements (continued)**

	2019	2018
Net related parties receivables/(payables)	£'000	£'000
BGL Receivables Financing (1) Limited	264,428	323,064
Compare the Market Pty Ltd	300	-
BHL Management Services Limited	-	52
BHL Minorities Limited	(208)	3,064
BHL Holdings Limited	82,565	11,624
Canadian Pension Plan Investment Board	-	1,420
Reef Management Services Limited	134	12
Sidechapel Limited	783	783
M Donaldson	-	162
S Klinkert	-	104
P Winslow CBE	-	162
A Ziyal	208	21
BHL (SA) Holdings Limited	1,174	-
I Leech	(1)	(1)
P Winslow CBE	-	(72)
Telesure Group Services Proprietary Limited	(15)	-
Auto & General Holdings Pty Limited	(29)	-
	<u>349,339</u>	<u>340,395</u>
Royalty income		
Compare the Market Pty Limited	1,549	1,636
Management charge receivable		
Reef Holdings Limited	-	6
BHL Holdings Limited	51	-
Reef Management Services Limited	100	-
	<u>151</u>	<u>6</u>
Rental income		
Bathrow Limited	26	24
Management charges payable		
BHL Holdings Limited	-	118
Interest receivable		
BHL Holdings Limited	439	47
M Donaldson	-	34
A Ziyal	-	1
	<u>439</u>	<u>82</u>
Interest payable		
BHL Holdings Limited	-	3,632
Dividends paid		
BHL Holdings Limited	23,000	200,000
Other shareholders	48,303	3,800
	<u>71,303</u>	<u>203,800</u>

BHL (UK) Holdings Limited**Year ended 30 June 2019****Notes forming part of the consolidated financial statements (continued)****Key management emoluments and directors interests****Key management emoluments**

	2019 £m	2018 £m
Short-term employee benefits	7.0	7.0
Compensation for loss of office	0.3	0.3
Pension contributions	0.1	0.1
	7.4	7.4

Directors' emoluments and highest paid director

	2019 £m	2018 £m
Short-term employee benefits	1.9	1.9

Two (2018: two) of the BHL (UK) Holdings Limited directors were remunerated by other group companies and their remuneration is included in the accounts of those companies. It is not possible to determine the proportion of remuneration which relates to the Company.

One (2018: one) director of the Company holds unrestricted shares of BGL (Holdings) Limited which carry voting and dividend rights.

Shareholding in BGL (Holdings) Limited

	2019 £m	2018 £m
S Klinkert	3.8	3.8

The above reflects the nominal value of shareholdings. The director listed above received dividends due to its shareholding as described above.

Included within prepayments is £0.5m (2018: £0.5m) owed by directors of BGL (Holdings) Limited and £0.2m (2018: £0.1m) owed by key management personnel relating to loans provided to fund tax liabilities arising on the issue of shares under the existing LTIP scheme. See note 22 for further details.

30. Post balance sheet events

The Competition and Markets Authority ('CMA') has previously indicated that it believes that the use by Compare The Market Limited ('CTM') of wide most favoured nation ('MFN') clauses potentially broke competition law. CTM and its expert advisers have carefully reviewed the CMA's provisional findings alongside the evidence that has been made available by the CMA and has made robust written and oral representations to the CMA in its defence.

A provision has been made at 30 June 2019 representing the directors' current best estimate of liabilities that may arise from this investigation. With reference to the prejudicial disclosure exemption in IAS 37, the Company is unable to disclose any further information in respect of this provision as the disclosure of such information is, in the Directors' opinion, seriously prejudicial to the Company whilst the investigation is ongoing.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the consolidated financial statements (continued)

30. Post balance sheet events (continued)

While there remains significant uncertainty in respect of the ultimate outcome, the directors are confident that a fine could be accommodated within surplus capital and liquidity without altering the Group's strategy.

The Directors in conjunction with Executive Management have assessed the resilience of the Group to a prolonged shock to the level of economic activity arising from the spread of Covid 19. We are satisfied that the business has adequate resources to withstand a significant downturn in trading volumes and associated loss of revenue. The Group has substantial unencumbered cash resources which provide a high level of immediate liquidity should the need arise. The assessments have not relied on the success of mitigations actions, through cost reduction or other restriction of activity, in order to ensure the most severe impact has been considered.

The directors are not aware of any other events after the reporting date requiring disclosure in these financial statements.

31. Ultimate and immediate parent companies

The Company's immediate and ultimate parent undertaking and ultimate controlling party is BHL Holdings Limited which is incorporated in Guernsey.

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 the Company itself.

The consolidated financial statements of BHL Holdings Limited are not available to the public.

BHL (UK) Holdings Limited**Year ended 30 June 2019****Company registration number 08604368****Company statement of financial position**

	Note	2019 £m	2018 £m
Fixed assets			
Investments in subsidiaries	2	784.6	793.7
Other financial assets		0.5	0.5
Current assets			
Cash and cash equivalents		3.6	3.5
Debtors	3	102.1	34.0
Creditors: amounts falling due within one year			
Creditors	4	15.9	18.9
Net current assets		<u>89.8</u>	<u>18.6</u>
Total assets less current liabilities		<u>874.9</u>	<u>812.8</u>
Capital and reserves			
Share capital	6	600.0	600.0
Retained earnings		274.9	212.8
Total equity		<u>874.9</u>	<u>812.8</u>

The financial statements were approved by the board of directors on 21 March 2020 and signed on its behalf by:



I.R. Leech
Director

The notes on pages 54 to 59 form part of these financial statements.

BHL (UK) Holdings Limited**Year ended 30 June 2019****Company statement of changes in equity**

	Share capital £m	Retained earnings £m	Total equity £m
At 1 July 2017	600.0	161.5	761.5
Profit for the period	-	26.8	26.8
Sale of a minority shareholding in subsidiary	-	224.5	224.5
Dividend paid	-	(200.0)	(200.0)
At 30 June 2018	600.0	212.8	812.8
Profit for the period	-	85.1	85.1
Dividend paid	-	(23.0)	(23.0)
At 30 June 2019	600.0	274.9	874.9

The notes on pages 54 to 59 form part of these financial statements.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the company financial statements

1. Accounting policies

The Company's 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 within the Group accounting policies, note 1. Accounting policies that affect the Company financial statements only are set out below. Accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

The following note is disclosed in the consolidated financial statements for BHL (UK) Holdings Limited: contingent liabilities (note 28).

Basis of preparation

The Company, a private limited company incorporated and domiciled 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.

As the consolidated financial statements of BHL (UK) Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Unless otherwise noted, the amounts shown in these financial statements are in £m.

As permitted under section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the period. The profit of the Company is disclosed in the Company statement of changes in equity.

The parent company audit fee is not disclosed in these accounts as it is disclosed in note 4 to the consolidated financial statements for BHL (UK) Holdings Limited Group.

Going concern

The financial statements have been prepared on the going concern basis.

At 30 June 2019, the Company has net current assets of £89.8m. 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.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the company financial statements (continued)

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.

Investments

In the Company's balance sheet, investments in subsidiaries are valued at cost less provision for impairment.

Impairment is measured based on the present value of expected future cash flows of the subsidiary. When a subsidiary is considered to be impaired, the profit and loss account is charged with the difference between the carrying value and the estimated recoverable amount. Reversals of impairments are only recognised where the decrease in the impairment can be objectively related to an event occurring after the write down.

Changes in the Company's ownership interest in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Dividends

Dividends on equity instruments are recognised when they become legally payable.

2. Investment in subsidiaries

	2019 £m	2018 £m
Value at start of the period	793.7	1,093.3
Disposal of shares to a minority interest	-	(299.6)
Dissolved in the year	(9.3)	-
Addition in year	0.2	-
Value at end of the period	<u>784.6</u>	<u>793.7</u>

On 28 May 2019 BICL Limited was dissolved via voluntary strike-off.

On 24 June 2019, as part of a proposed restructure of the parent company (BHL Holdings Limited) and its sister company (BHL Minorities Limited), BHL Minorities Limited transferred its shares in Minster Law Limited to the Company for the amount paid by BHL Minorities Limited when it acquired the shares in June 2016.

On 26 September 2017, the Company sold 800,000 shares in BGL (Holdings) Limited to BHL Holdings Limited for consideration of £320 million. On the same day, the Company transferred these shares to a related party. This reduced the Company's indirect shareholding in BGL (Holdings) Limited from 90.5% to 74.5%. The Company utilised these proceeds, plus cash held, to redeem the £380 million of outstanding loan notes.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the company financial statements (continued)

On 22 November 2017, the Company announced the signing of an agreement to sell 462,500 shares in BGL (Holdings) Limited to a private investor (Canada Pension Plan Investment Board). This transaction completed on 30 April 2018 and results in a holding by BHL UK of 65.25% of BGL (Holdings) Limited. The total consideration is £206.0m.

The following were the subsidiary undertakings at the end of the year and have all been included in the consolidated financial statements:

Name	Proportion of ordinary share capital held		Nature of business
	2019	2018	
ACM ULR Limited*	65.25%	65.25%	Claims management
Acraman (503) Limited*	65.25%	65.25%	Dormant company
Advanced Claims Management Limited*	65.25%	65.25%	Dormant company
Bakewell Property Development Limited*	65.25%	65.25%	Property management
BFSL Limited*	65.25%	65.25%	Consumer credit services
BGL Group Limited*	65.25%	65.25%	Servicing company
BGL Direct Life Limited*	65.25%	65.25%	Insurance intermediary
BGL (Holdings) Limited	65.25%	65.25%	Holding company
BHL Eurasia Limited	100%	100%	Holding company
BISL Limited*	65.25%	65.25%	Insurance intermediary
Budget Financial Services Limited*	65.25%	65.25%	Dormant company
Budget Group Limited*	65.25%	65.25%	Dormant company
BICL Limited***	-%	100%	General insurance company
Coral Insurance Services Limited	100%	100%	Claims management
Comparethemarket (CtM) Limited*	65.25%	100%	Dormant company
Compare the Market Limited	65.25%	65.25%	Price comparison
Courtanet SAS* (incorporated in France)	65.25%	65.25%	Price comparison
Direct Insurance Systems Corporation Limited*	65.25%	65.25%	Dormant company
Fusion Contact Centre Services Limited*	65.25%	65.25%	Dormant company
G F Bennett (Holdings) Limited*	65.25%	65.25%	Dormant company
Hesap Kurdu Sigorta Aracnik Hizmetleri A.S.**	60.27%	-%	Price comparison
IGOECO Limited*	65.25%		Dormant company
Koalay Bilisim A.S.**	95.00%	-%	Holding company
Koalay Com Sigorta ve Reasurans Brokerligi A.S.**	60.27%	85.0%	Insurance broker
Konut Kredisi Com Tr Danismankik A.S.**	60.27%	-%	Holding company
Law Angel Limited*	65.25%	65.25%	Dormant company
Minster Group Limited	100%	-%	Dormant company
Minster Law Limited	92.5%	90.5%	Solicitors
Project Falcon Holdco Limited	65.25%	-	Dormant company
Saverd Limited*	65.25%	-%	Open banking

* Indirectly held through BGL (Holdings) Limited

** Indirectly held through BHL Eurasia Limited. Koalay Com Sigorta ve Reasurans Brokerligi A.S. was renamed from Telesure Sigorta ve Reasurans Brokerligi A.Ş during the year.

*** Prior to September 2018 named Budget Insurance Company Limited. On 28 May 2019 it was dissolved via voluntary strike-off.

All subsidiaries held through BGL (Holdings) Limited with the exception of Courtanet SAS are incorporated in England and Wales and registered at Pegasus House, Bakewell Road, Orton Southgate, Peterborough, PE2 6YS.

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the company financial statements (continued)

Courtanet SAS is incorporated in France and registered at 12 Rue Mederic, 75017 Paris.

Koalay Bilisim A.S., Koalay Com Sigorta ve Reasurans Brokerligi A.S. and Konut Kredisi Com Tr Danismankik A.S. are incorporated in Turkey and registered at İçerenköy Mahallesi Değirmenyolu Cad. No:37 D:9, Ataşehir, İstanbul, 34752. Hesap Kurdu Sigorta Aracnik Hizmetleri A.S. is registered in Turkey at Cifte Havuzlar Mah. Eski Londra Asfaltı Cad. No 151/1 e1B07, Esenler, İstanbul, 34220.

All other subsidiaries are registered at Bath House, 16 Bath Row, Stamford, Lincolnshire, PE9 2QU.

3. Debtors

	2019 £m	2018 £m
Current		
Amounts due from related undertakings	101.8	33.9
Other debtors	0.3	0.1
	102.1	34.0

The company does not intend to recover £16.4m (2018: £15.8m) of amounts due from related undertakings within the next 12 months.

4. Creditors

	2019 £m	2018 £m
Accruals and deferred income	0.1	0.1
Other creditors	-	0.1
Amounts owed to related undertakings	15.8	18.7
	15.9	18.9

5. Dividends

	2019 £m	2018 £m
Equity dividends on ordinary shares:		
Dividend for 2019: £0.04	23.0	-
Dividend for 2018: £0.33	-	200.0
Dividends paid	23.0	200.0

6. Share capital

	2019 £m	2018 £m
Allotted and called up		
Ordinary shares of £1 each	600.0	600.0

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the company financial statements (continued)

7. 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. Transactions between the Company and other related parties are disclosed below.

Transactions with the following related parties have been identified with respect to the Company:

BHL Holdings Limited	Parent company
BHL Management Services Limited	Fellow subsidiary of BHL Holdings Limited
BHL Minorities Limited	Fellow subsidiary of BHL Holdings Limited
Canada Pension Plan Investment Board	Minority shareholder of subsidiary
Reef Holdings Limited	To 2 July 2019, parent company From 3 July 2019, shareholder
Reef Management Services Limited	Subsidiary of Reef Holdings Limited
Sidechapel Limited	Company controlled by a director
M Donaldson	Director of a subsidiary
S Klinkert	Director of BHL Holdings Limited
I Leech	Director of a subsidiary
Bathrow Limited	Company controlled by a director
P Winslow CBE	Director of a subsidiary (resigned 30 June 2018), no longer a related party in 2019

Transactions entered into with other related parties for the year ending 30 June 2019 are as shown below.

Transactions entered into, and trading balances outstanding at 30 June 2019 with other related parties, are as follows:

	2019 £'000	2018 £'000
Net related parties receivables/ (payables)		
BHL Management Services Limited	-	52
BHL Minorities Limited	(208)	3,064
BHL Holdings Limited	85,994	11,561
Canadian Pension Plan Investment Board	-	1,420
Reef Management Services Limited	134	12
Sidechapel Limited	783	783
M Donaldson	-	162
S Klinkert	-	104
P Winslow CBE	-	162
BHL (SA) Holdings Limited	1,174	-
I Leech	(1)	(1)
P Winslow CBE	-	(72)
Auto & General Holdings Pty Limited	(29)	-
	<u>87,847</u>	<u>17,247</u>
Rental income		
Bathrow Limited	26	24
Management charge receivable		
Reef Holdings Limited	-	6
BHL Holdings Limited	51	-
Reef Management Services Limited	100	-
	<u>151</u>	<u>6</u>

BHL (UK) Holdings Limited

Year ended 30 June 2019

Notes forming part of the company financial statements (continued)

Interest receivable

BHL Holdings Limited	439	47
M Donaldson	-	34
	<u>439</u>	<u>81</u>

Dividends paid

BHL Holdings Limited	23,000	200,000
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8. Ultimate and immediate parent companies

The Company's immediate and ultimate parent undertaking and ultimate controlling party is BHL Holdings Limited which is incorporated in Guernsey and registered at Second Floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW.

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 the Company itself.

The consolidated financial statements of BHL Holdings Limited are not available to the public.

9. Post balance sheet events

The directors are not aware of any events after the reporting date requiring disclosure in these financial statements.