

Company number 08604368

BHL (UK) Holdings Limited

Annual Report and Financial Statements

Year ended 30 June 2017

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# **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

## **Annual report and financial statements for the year ended 30 June 2017**

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Directors	S Klinkert I Leech S James
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 2017

### Strategic report

The directors present the strategic report for the year ended 30 June 2017.

#### 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 11 and show a consolidated profit for the year after taxation of £75.9m (2016: £4.9m). 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 £nil (2016: £3.0m) during the year.

#### Trading review and future developments

The Group's principal activities comprise:

- price comparison websites comparethemarket.com and LesFurets.com, and its Insurance Distribution and Outsourcing business ("IDO") which includes both own brand and brand partner operations and the digital life business (BGL (Holdings) Limited, "BGL"); and
- solicitors (Minster Law Limited, "Minster Law").

The results for the prior year have been impacted by disposals, including the sale of Verzekeringssite B.V., which has been treated as discontinued operations, as well as a number of one off items.

During the prior year, BGL Group announced that it was considering a listing of its shares on the London Stock Exchange. During the IPO preparations in the current year, the Company received a number of approaches from different kinds of investors and it was the director's view that the Canadian Pension Plan Investment Board ("CPPIB") was the best partner for BGL. Since the year end, BGL Group has announced the signing of an agreement to sell a stake in the business to CPPIB. Refer to note 32. Events after the reporting date.

The table below highlights the impact of the items highlighted above on the reported results for the continuing business.

	2017	2016
	£m	£m
Revenue from continuing operations	626.3	580.6
Profit before taxation from continuing operations	99.1	45.4
<i>Add back one off items:</i>		
Costs relating to potential IPO	4.4	-
Impairment loss	-	22.2
Loss on onerous contract	-	12.4
<b>Underlying profit before taxation from continuing operations</b>	<b>103.5</b>	<b>80.0</b>

#### Acquisitions

Minster Law Limited was acquired on 30 June 2016 by BHL (UK) Holdings Limited from BGL Group Limited, itself a subsidiary of BHL (UK) Holdings Limited. A new long-term contract to become panel solicitor for claims services was signed with ACM, a member of the BGL Group, on 30 June 2016.

On 30 June 2016, BHL (UK) Holdings acquired the business of Coral Insurance Services Limited from BHL Europe Limited, a company owned by BHL Holdings Limited.

# **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

## **Strategic Report**

### **BGL Group**

The BGL Group has made significant progress in all of its businesses with revenue from continuing operations growing 12% and underlying profit before taxation growing by 19%. In terms of continuing operations, consolidated profit before taxation is £122.0m (2016: £71.9m).

The growth in BGL Group's revenue and profitability in its continuing businesses has been driven by growth in the UK price comparison market and comparethemarket.com's share of that market and further profit growth at IDO, particularly for the brand partner operations and the digital life business. BGL Group continues to invest in its French price comparison site LesFurets.com, which although not yet profitable has experienced significant improvements in quote and sales volumes resulting in a 33% year on year increase in reported revenue and a 26% reduction in loss before tax in local currency.

In a competitive trading environment, comparethemarket.com has increased customer numbers to 5,600,000 (2016: 5,100,000) and IDO's volumes have remained stable compared to the previous year, with policies under management of 2,945,000 at the reporting date (2016: 2,950,000). The digital life business has launched two new brands and has seen significant growth in policy sales in its existing brand Beaglestreet.com, resulting in an increase in revenue of 133%.

The Group will continue to leverage its investment in marketing, data and digital capabilities to enhance and broaden its product and service offering and increase both customer numbers and loyalty.

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 FCA, the Competition and Markets Authority and Ofgem. The Group maintains a constructive and open relationship with its regulators working proactively to provide good customer outcomes.

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

In December 2015, BGL Group announced its intention to exit the Netherlands price comparison market. The sale of Verzekeringssite B.V. completed on 2 February 2016 and resulted in a loss on disposal of £0.4m and impairment charges of £11.4m.

BGL Group's key performance indicators are:

	<b>2017</b>	<b>2016</b>	<b>Movement</b>
	<b>£m</b>	<b>£m</b>	
Revenue	585.2	523.5	12%
Underlying profit before taxation from continuing operations	126.4	106.5	19%
Profit before taxation from continuing operations	122.0	71.9	70%

	<b>Number</b>	<b>Number</b>	
comparethemarket.com customer numbers	5,600,000	5,100,000	10%
IDO policies under management	2,945,000	2,950,000	-

The Group's working capital position remains strong with significant positive operating cash flows.

The Group has access to two debt facilities a £200.0m (2016: £200.0m) securitisation facility and a £210.0m (2016: £70.0m) revolving credit facility, the latter having been successfully increased in February 2017. Both of these facilities mature in March 2019. The Group is in a strong position to support the liquidity requirements of the business for the foreseeable future.

At 30 June 2017, the Group has net liabilities. This position reflects group restructuring, dividends and the fact that no assets are held for internally generated brands. Despite this, the Group continues to enjoy significant access to liquidity through its debt facilities. In the light of the financial forecasts of the

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Strategic Report**

Group together with the modest net debt and strong profit before taxation, the directors are satisfied that the net liability position is not a material concern.

#### **Minster Law**

The business and the environment in which Minster Law operates have continued to experience change over the past year. In the Chancellor's Autumn Statement in November 2015, he announced an intention to make significant changes to the sector. The government carried out a consultation on these changes in early 2017, following which it proposed legislative changes to implement a fixed fee matrix that will significantly reduce the level of damages customers receive as a result of soft tissue injuries and at the same time increase the small claims limit from £1,000 to £5,000. These changes are likely to have a significant impact on the Personal Injury market. Whilst the final legislation is awaited, Minster has embraced the change and is progressing with the development of a digital proposition to service future claims and take advantage of opportunities in the market as they arise.

The sector continues to be highly competitive and Minster Law has continued to invest in people and technology to further transform its service offering, improve operational efficiency, and ensure the business is prepared for the government's changes whilst maintaining excellent customer outcomes.

The business announced in the year that it will be consolidating from two main operating centres to one in the next 12 months which has resulted in a number of one off costs in the period.

The Minster Law Board considers the result of a pre-tax profit on ordinary activities for the 12 months of £1.1m (2016: £2.0m) to be reflective of the continuing transformation journey of the business and the IT investment being made to create a digital proposition ahead of the market reforms.

Minster Law's key performance indicators are:

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Revenue	43.1	55.8
Operating profit	1.1	3.2
Profit before taxation	1.1	2.0

#### **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 maintain an overview of risk management across the Group.

The Group considers it is exposed to two main areas of risk:

- Financial risk
- General business risks

# **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

## **Strategic Report**

### **Financial risk**

The Group is exposed to credit risk, liquidity risk and market risk relating to financial instruments.

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

Further details of the Group's financial risks are provided in note 22.

### **General business risk**

#### *Trading risk*

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

- risks relating to the general economic environment, which can impact the overall size of the markets in which the Group operates, the claims environment and recoverability of premium receivables; and
- risks relating to competitor behaviour and the ability of the Group to react quickly and effectively to changes in the market place.

The above risks are monitored through appropriate controls within each subsidiary.

The above risks are monitored using the Group's risk management framework and through established levels of management review, from the board of directors of the Company, through to the Executive Board and business unit executive meetings.

#### *Operational risk*

The Group recognises the need to maintain people, organisational structures, systems and infrastructure to support current operations and the on-going growth of the business. These risks are monitored on an on-going basis and specific steps are taken to mitigate identified risks.

#### *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 seeks to minimise these people risks where possible through on-going planning and mitigation activities.

#### *Technology risk*

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

#### *Conduct risk*

Conduct risk is the risk that the Group acts against its customers' best interest in pursuit of its own interests. The Group has in place a clearly defined framework of controls to manage and mitigate conduct risk.

#### *Reputational risk*

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 minimise reputational risks wherever possible and also manages these risks where they arise, through established communications and public relations channels.

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Strategic Report**

#### *Regulatory risk*

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

- BISL Limited and ACM ULR Limited are authorised and regulated by the Financial Conduct Authority ("FCA") and BFSL Limited has interim permission from the FCA;
- Minster Law Limited is regulated by the Solicitors Regulation Authority ("SRA") and authorised and regulated by the FCA;
- Budget Insurance Limited is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and PRA; and
- Courtanet SAS is regulated by the Organisme pour le Registre des Intermédiaires en Assurance ("ORIAS"); and

In addition, the price comparison business is exposed to many other market regulators. This risk is mitigated through effective 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 individual operating units with detailed management oversight being provided by a dedicated compliance team.

The Group continues to review the legal and regulatory environment relating to the claims management industry and seeks to work proactively to manage risks to the business in this area.

On behalf of the board:



**I R Leech**  
**Director**

Date: 22nd December 2017

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Report of the directors**

The directors present their report together with the audited financial statements for the year ended 30 June 2017.

#### **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 12 and 48.

The financial statements have been prepared on the going concern basis, notwithstanding the Group having net current liabilities of £456.5m (2016: £512.5m) in the balance sheet at 30 June 2017. The Group is dependent for its working capital on funds provided by its parent BHL Holdings Limited. BHL Holdings Limited has provided the directors with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company. This should enable the Company and Group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. The directors acknowledge that the continuing support is required and whilst there can be no absolute certainty there is, at the date of approval of these financial statements, no reason to believe that it will not receive such support.

#### **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, the auditor will be deemed reappointed, and KPMG LLP will therefore continue in office.

#### **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.



## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Report of the directors**

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 BGL Group board of directors has established a number of management and assurance forums, which focus upon key aspects of the business, in particular the Audit Committee. The 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 Audit Committee is chaired by a non-executive director.

### **Financial instruments**

Details of the Group's financial risk objectives and policies, and of the Group's exposure to liquidity risk, market risk, exchange rate risk and interest rate risk are included in note 22 to the consolidated financial statements and credit risk in note 18.

### **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.

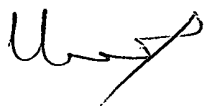
The Group endeavours to provide equality of opportunity in recruiting, training, promoting and career development to all, irrespective of race, ethnicity, religion, sexual orientation, gender or age. The Group gives full consideration to applications for employment from a person with a disability, where 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.

### **Events since the balance sheet date**

There have been changes in the company's shareholding in BGL (Holdings) Limited since the reporting date details of which are set out in the strategic report and note 11 of the Company accounts.

On behalf of the board:



**I R Leech**  
**Director**

Date: 22nd December 2017

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report, the Directors' Report 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**

### **Opinion**

We have audited the financial statements of BHL (UK) Holdings Limited ("the company") for the year ended 30 June 2017 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 2017 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.

### **Going concern**

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. 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 directors' report 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 directors' report;
- 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.

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

### **Directors' responsibilities**

As explained more fully in their statement set out on page 8, 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.

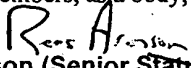
### **Auditor's responsibilities**

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](http://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.

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

Date 15 / 1 / 18

# BHL (UK) Holdings Limited

Year ended 30 June 2017

## Consolidated statement of profit and loss and comprehensive income

	Note	2017 £m	2016 £m
<b>Continuing operations</b>			
Revenue	3	626.3	580.6
Operating expenses		(500.6)	(476.4)
Costs related to potential IPO	4	(4.4)	-
Impairment loss	5	-	(22.2)
Loss on onerous contract	5	-	(12.4)
<b>Operating profit</b>	4	<b>121.3</b>	<b>69.6</b>
Finance income	6	1.1	0.4
Finance costs	7	(23.3)	(24.6)
<b>Profit before tax</b>		<b>99.1</b>	<b>45.4</b>
Taxation	8	(23.2)	(24.0)
<b>Profit for the year from continuing operations</b>		<b>75.9</b>	<b>21.4</b>
<b>Discontinued operations</b>			
Loss after taxation for the year from discontinued operations	10	-	(16.5)
<b>Profit for the year</b>		<b>75.9</b>	<b>4.9</b>
<b>Profit for the year attributable to:</b>			
Owners of the Company		67.3	2.9
Non-controlling interests		8.6	2.0
		<b>75.9</b>	<b>4.9</b>
<b>Other items of comprehensive income that may subsequently be reclassified to profit or loss:</b>			
Foreign currency translation reserve – movement		1.5	0.1
<b>Comprehensive income for the year</b>		<b>77.4</b>	<b>5.0</b>
<b>Comprehensive income is attributable to:</b>			
Owners of the Company		68.8	3.0
Non-controlling interests		8.6	2.0
		<b>77.4</b>	<b>5.0</b>
<b>Comprehensive income attributable to owners of the Company arises from:</b>			
Continuing operations		77.4	18.0
Discontinued operations		-	(15.0)
		<b>77.4</b>	<b>3.0</b>

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

The notes on pages 15 to 47 form part of these consolidated financial statements.


**BHL (UK) Holdings Limited****Year ended 30 June 2017**

Company Registration Number 08604368

**Consolidated statement of financial position**

	Note	2017 £m	2016 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	11	20.0	19.9
Other intangible assets	12	53.5	54.4
Property, plant and equipment	13	28.7	26.8
Deferred tax asset	14	1.5	1.6
Other investments	15	0.5	0.3
		<b>104.2</b>	<b>103.0</b>
<b>Current assets</b>			
Inventories	16	4.4	5.3
Trade and other receivables	17	586.2	553.1
Financial assets at fair value	22	3.8	3.1
Cash and cash equivalents	18	63.3	42.8
		<b>657.7</b>	<b>604.3</b>
<b>TOTAL ASSETS</b>		<b>761.9</b>	<b>707.3</b>
<b>Equity and Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	19	532.2	578.2
Trade and other payables	20	556.1	525.8
Provisions	21	12.6	9.3
Current tax liabilities		13.3	3.5
		<b>1,114.2</b>	<b>1,116.8</b>
<b>Non-current liabilities</b>			
Provisions	21	5.0	9.2
		<b>5.0</b>	<b>9.2</b>
<b>TOTAL LIABILITIES</b>		<b>1,119.2</b>	<b>1,126.0</b>
<b>Equity</b>			
Ordinary share capital	23	600.0	600.0
Merger reserve	27	(594.5)	(594.5)
Foreign currency translation reserve	27	0.5	(1.0)
Retained earnings		(362.9)	(428.5)
<b>Equity attributable to equity holders of Company</b>		<b>(356.9)</b>	<b>(424.0)</b>
Non-controlling interests	25	(0.4)	5.3
<b>TOTAL EQUITY</b>		<b>(357.3)</b>	<b>(418.7)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>761.9</b>	<b>707.3</b>

The financial statements were approved by the board of directors on 22nd December 2017 and signed on its behalf by:

  
I R Leech  
Director

The notes on pages 15 to 47 form part of these consolidated financial statements.

**BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

**Consolidated statement of changes in equity**

	Share capital	Merger reserve	Foreign currency translation reserve	Retained earnings	Total attributable to owners of the Company	Non- controlling interests (NCI)	Total equity
	£m	£m	£m	£m	£m	£m	£m
<b>At 1 July 2015</b>	<b>600.0</b>	<b>(594.5)</b>	<b>(1.1)</b>	<b>(428.4)</b>	<b>(424.0)</b>	<b>8.4</b>	<b>(415.6)</b>
Profit for the year as previously stated	-	-	-	2.9	2.9	2.0	4.9
Dividends paid	-	-	-	(3.0)	(3.0)	(6.1)	(9.1)
Capital reduction	-	-	-	-	-	1.0	1.0
Foreign currency translation	-	-	0.1	-	0.1	-	0.1
<b>At 1 July 2016</b>	<b>600.0</b>	<b>(594.5)</b>	<b>(1.0)</b>	<b>(428.5)</b>	<b>(424.0)</b>	<b>5.3</b>	<b>(418.7)</b>
Profit for the year	-	-	-	67.3	67.3	8.6	75.9
Share based award	-	-	-	0.3	0.3	-	0.3
Dividends paid	-	-	-	-	-	(14.3)	(14.3)
Capital reduction	-	-	-	-	-	-	-
Sale of minority shareholding in subsidiary	-	-	-	-	-	-	-
Foreign currency translation	-	-	1.5	-	1.5	-	1.5
Redemption of preference shares	-	-	-	(2.0)	(2.0)	-	(2.0)
<b>At 30 June 2017</b>	<b>600.0</b>	<b>(594.5)</b>	<b>0.5</b>	<b>(362.9)</b>	<b>(356.9)</b>	<b>(0.4)</b>	<b>(357.3)</b>

The notes on pages 15 to 46 form part of these consolidated financial statements.

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the consolidated financial statements****Consolidated statement of cash flows**

	Note	2017 £m	2016 £m
<b>Profit after taxation from continuing operations</b>		<b>75.9</b>	<b>21.4</b>
Loss from discontinued operations		-	(16.5)
Finance income	6	(1.1)	(0.4)
Finance costs	7	23.3	24.6
Tax expense	8	23.2	27.4
Change in financial assets at fair value		(1.0)	2.4
Depreciation of property, plant and equipment	4	7.0	7.6
Amortisation of intangible assets	12	18.7	38.0
Impairment of property, plant and equipment		0.1	-
Loss on disposal of property, plant and equipment		0.3	0.9
Loss on disposal of intangible assets		0.1	0.3
Impairment of Goodwill	11	-	4.7
Change in inventory	16	0.8	(2.6)
Change in trade and other receivables	17	(37.1)	(128.7)
Change in trade and other payables	20	30.4	107.1
Change in provisions		(0.8)	10.1
Share based award	24	0.3	0.7
<b>Cash generated from operations</b>		<b>140.1</b>	<b>97.0</b>
Unrealised exchange rate gain/ (loss)		1.1	-
Interest received	6	1.1	0.4
Interest paid	7	(23.3)	(24.6)
Tax paid		(9.3)	(6.6)
<b>Cash flow from operating activities</b>		<b>109.7</b>	<b>66.2</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	12	(17.3)	(19.6)
Purchase of property, plant and equipment	13	(9.6)	(12.6)
<b>Cash flow from investing activities</b>		<b>(26.9)</b>	<b>(32.2)</b>
<b>Cash flows from financing activities</b>			
Decrease in borrowings		(46.0)	(8.2)
Redemption of minority preference shares		(2.0)	-
Receipt from minority interest in relation to Minster Law		-	1.0
Dividends paid		(14.3)	(9.1)
<b>Cash flow from financing activities</b>		<b>(62.3)</b>	<b>(16.3)</b>
<b>Change in cash and cash equivalents</b>		<b>20.5</b>	<b>17.7</b>
<b>Cash and cash equivalents at beginning of year</b>	18	<b>42.8</b>	<b>26.2</b>
Exchange rate differences		-	(1.1)
<b>Cash and cash equivalents at end of the year</b>	18	<b>63.3</b>	<b>42.8</b>

The notes on pages 15 to 47 form part of these consolidated financial statements.



# **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

## **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. Accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

#### **Basis of preparation**

BHL (UK) Holdings Limited, a group incorporated in England and Wales, the "Group", 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 the Group's functional and presentation currency. Unless otherwise noted, the amounts shown in these financial statements are in £m.

The directors regard the Group's activities as insurance intermediary services, predominantly insurance broking rather than insurance underwriting, as well as price comparison 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.

The Group has taken the exemption under IFRS 8 not to disclose operating segments.

#### **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 and its subsidiaries. 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.

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.

In the UK, BGL Receivables Financing (1) Limited, a securitisation structured entity, was incorporated on 29 January 2016. BGL Group sells certain trade receivables subject to instalment collection arrangements to the structured entity for securitisation. BGL Group Limited does not hold any share capital with voting rights or have any directors on the board of the structured entity. The relationship between BGL Group Limited and the structured entity meets the control criteria for consolidation under

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the consolidated financial statements**

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. The Group has no contractual arrangements that would require it to provide financial or other support to the consolidated securitisation entity; the Group has not previously provided such support and has no current intentions to provide such support.

#### **Going concern**

The financial statements have been prepared on the going concern basis, notwithstanding the Group having net current liabilities of £456.5m in the balance sheet at 30 June 2017 (2016: £512.5). The Group is dependent for its working capital on funds provided by its parent BHL Holdings Limited. BHL Holdings Limited has provided the directors with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company. This should enable the Company and Group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. The Directors acknowledge that the continuing support is required and whilst there can be no absolute certainty there is, at the date of approval of these financial statements, no reason to believe that it will not receive such support.

#### **Discontinued operations**

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The Group disposed of a wholly owned subsidiary Verzekeringssite BV during the year ended 30 June 2016 and this business is disclosed as discontinued operations in these financial statements.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss as required by IFRS 5. Further details are disclosed in note 10.

#### **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 comprehensive income.

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 comprehensive income.

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 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.

#### **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 from the Group.

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the consolidated financial statements**

#### **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**

All assets and liabilities, with the exception of tangible fixed assets, intangible assets, inventory, prepayments, deferred income, deferred tax assets, and other investments 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 instruments as financial assets at fair value through profit or loss or loans and receivables.

##### *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 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 22.

##### *Loans and receivables*

Trade and other receivables are designated as loans and receivables. They are recognised at amortised cost, which is net of any allowance for impairment losses. This is deemed to be a reasonable approximation of fair value. Loans and receivables 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.

##### **(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*

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.

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the consolidated financial statements**

#### **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. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. 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 Directors) of the Company 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 equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted, which is determined using a Black-Scholes model. Further details are given in note 24. The cost of the award is recognised together with a corresponding increase in equity, over management's best estimate of the period in which the performance conditions are fulfilled.

#### **Revenue**

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.

For the insurance distribution and outsourcing businesses revenue recognition is generally at policy inception or once the service has been delivered. 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.

When the sale comprises of an obligation to deliver an incentive such as a free gift, revenue is allocated between the components of the sale, and the amount allocated to the gift is deferred and recognised as revenue when the group has fulfilled its obligation to supply the items under the terms of the agreement.

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 policy inception.

For the claims management business, 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 when the Group becomes contractually entitled to it, usually at provision of lead and there are no outstanding performance obligations for the Group.

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the consolidated financial statements**

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.

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; and 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. To be prudent, revenue is only recognised once the fee-earner has physically signed off that the milestone has been achieved. 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 WIP.

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

#### **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.

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of 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.

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. The Group has considered and has concluded that there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows for the Group.

##### *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.

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.

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the consolidated financial statements**

#### *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.

When separately acquired, 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, usually the length of the original contract which is typically 3-5 years

#### *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	20-25% 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.

#### **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.

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the consolidated financial statements**

#### *Work in progress*

Trade debtors include unbilled amounts for work performed in relation to legal services contracts where the fee has yet to be issued. These unbilled amounts for client work are stated at a percentage completion (in accordance with the revenue accounting policy above) 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.

#### **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.

#### **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.

##### *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.



# **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

## **Notes forming part of the consolidated financial statements**

### **Dividends**

Dividends on equity instruments are recognised when they become legally payable. Dividends that are declared and approved by the board of directors in an accounting period are recognised in that accounting period.

### **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 pronouncements may be relevant to the Group but were not effective at 30 June 2017 and have not been applied in preparing these financial statements.

<b>Pronouncement</b>	<b>Nature of change</b>	<b>Effective date</b>
IFRS 16 Leases *	IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	Annual periods beginning on or after 1 January 2019
IFRS 9 (2010, 2013, 2014) 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. IFRS 9 also introduces a new hedge accounting model and an 'expected credit loss' model for the measurement of impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.	Annual periods beginning on or after 1 January 2018
IFRS 15 Revenue from Contracts with Customers	IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.	Annual periods beginning on or after 1 January 2018

\* At the reporting date these accounting changes have not yet been endorsed for use in the European Union.

The Group is assessing the full impact of these accounting changes and to the extent they may be applicable. With the exception of IFRS 15 and IFRS 16, which are expected to result in material adjustments to the financial statements, none of the other pronouncements are expected to cause any material adjustments to the financial statements.

# **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

## **Notes forming part of the consolidated financial statements**

The primary focus of the work for IFRS 15 is the revenue generated from BGL Group's insurance distribution and outsourcing businesses.

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

### **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.

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 intangible assets at the period end date is £73.5m (2015: £74.3m). 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. Refer to note 5 for further details of impairment losses incurred in the prior year.

#### *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 £3.8m (2016: £3.1m) 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. The provision held at the year end was £6.1m (2016: £3.7m).

#### *Revenue – life insurance commission*

The value of life insurance commission revenue recognised in BGL Direct Life Limited during the period September 2015 to June 2016 was calculated based on the expected long term value of the policy up to a maximum of a rolling 12 year period. The key assumptions made by management in determining the fair value of this revenue are policy duration and discount rate.

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the consolidated financial statements**

During periods other than between September 2015 to June 2016, BGL Direct Life Limited received upfront new business commission and the key judgement relates to the clawback provisions described above.

#### *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 assumptions are made by management in determining the value of the work carried out in the period. Management determine the key assumptions made 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 group in relation to each case, all supported by historical settlement patterns. Cases are only recognised once an admission of liability has been received from the third party insurer.

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. The carrying value of work in progress at the year end was £21.1m (2016: £23.8m).

### **3. Revenue**

	<b>2017 £m</b>	<b>2016 £m</b>
<b>Continuing operations</b>		
Brokerage and fee income	582.3	523.4
Legal services and other income	44.0	57.2
	<b>626.3</b>	<b>580.6</b>
	<b>2017 £m</b>	<b>2016 £m</b>
<b>Discontinued operations</b>		
Brokerage and fee income	-	0.9
	-	
	<b>-</b>	<b>0.9</b>

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the consolidated financial statements****4. Operating profit**

Operating profit is stated after charging/(crediting) the following:

	<b>2017 £m</b>	<b>2016 £m</b>
Costs related to potential IPO	4.4	-
Impairment charges: trade and other receivables	8.7	9.7
Impairment of investment	(0.8)	-
Amortisation and impairment of intangible assets	18.7	44.9
Loss on disposal of intangible assets	0.1	3.9
Depreciation of plant, property and equipment	7.3	7.6
Loss/(profit) on disposal of plant, property and equipment	0.3	1.8
Operating lease rentals	6.2	4.2
Audit fees - for audit of the Company	-	-
Audit fees - for audit of the Company's subsidiaries	0.6	0.5
Audit fees - tax services	-	0.1
Audit fees - other services	0.9	0.3
Foreign exchange realised gains/ (losses)	0.1	(0.5)
Realised gain on financial instruments	(0.2)	(0.8)

**5. Impairment and onerous contract losses**

	<b>2017 £m</b>	<b>2016 £m</b>
Impairment of intangible assets	-	16.3
Impairment of other debtors	-	5.9
	<b>-</b>	<b>22.2</b>
Loss on onerous contract	<b>-</b>	<b>12.4</b>

In line with the requirements of IAS 36, annual impairment reviews have been performed for all intangible assets and property, plant and equipment. As a result of this exercise, an impairment charge relating to continuing operations of £16.3m was made in the prior year to write down intangible assets to their recoverable amount. £5.9m of other debtors were impaired in the prior year following a review of recoverability of contract related assets. No such impairment has been recorded in the current year. For details on the loss on onerous contract in the prior year refer to note 21.

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the consolidated financial statements****6. Finance income**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Interest on bank deposits	0.1	0.4
Other finance income	0.6	-
Interest on loans to related parties	0.4	-
	<b>1.1</b>	<b>0.4</b>

**7. Finance costs**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Interest payable on bank borrowings	3.5	3.4
Interest on loans to related parties	19.4	21.2
Other interest payable	0.4	-
	<b>23.3</b>	<b>24.6</b>

Interest was charged at a range of interest rates as detailed in note 19.

**8. Tax expense**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Current tax expense</b>		
UK corporation tax	23.1	9.0
Adjustments in respect of prior years	(0.2)	0.5
	<b>22.9</b>	<b>9.5</b>

**Deferred tax expense**

Charged to the income statement	0.5	17.6
Adjustments in respect of prior year	(0.3)	0.2
Effect of changes in tax rates	0.1	0.1
	<b>0.3</b>	<b>17.9</b>
	<b>23.2</b>	<b>27.4</b>

Tax expense is attributable to:

Continuing operations	23.2	24.0
Discontinued operations	-	3.4
	<b>23.2</b>	<b>27.4</b>

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the consolidated financial statements**

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 19.7% (2016: 21.0%). The actual tax charge for the current year differs from the weighted average rate for the reasons set out in the following reconciliation:

	2017 £m	2016 £m
Profit from continuing operations	75.9	21.5
Loss from discontinued operations	-	(16.5)
Tax expense	23.2	27.4
<b>Profit before tax</b>	<b>99.1</b>	<b>32.4</b>
Tax at weighted average corporation tax rate of 19.7% (2016: 21.0%)	19.5	6.8
Effects of:		
Changes in tax rates in foreign jurisdictions	(1.4)	-
Adjustments in respect of prior year	(0.5)	0.4
Expenses not deductible for tax purposes	2.0	1.8
Income not taxable	(0.5)	(11.7)
Effect of changes in tax rates	0.1	0.3
Losses carried forward for which deferred tax is not provided	4.0	19.2
Other movements	-	0.1
Loss on disposal of subsidiaries and investment impairment	-	10.5
<b>Tax expense</b>	<b>23.2</b>	<b>27.4</b>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

The deferred tax asset at 30 June 2017 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.

**9. Employees**

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

	2017 Number	2016 Number
Call centre staff	1,349	1,320
Management, business development and support services	1,784	1,648
Legal services	249	311
Turkish broker	21	89
	<b>3,403</b>	<b>3,368</b>

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the consolidated financial statements**

The Group's aggregate remuneration comprised:

	2017 £m	2016 £m
Wages and salaries	125.9	117.6
Social security costs	12.4	12.9
Pension costs	5.0	4.5
	<b>143.3</b>	<b>135.0</b>

Included in wages and salaries is a share based payment charge of £0.3m (2016: £0.7m). See note 24 for further details.

**10. Discontinued operations**

*Verzekeringssite B.V.*

In December 2015, the Group announced its intention to exit the Netherlands price comparison market. The sale of the shares of Verzekeringssite B.V., a wholly owned subsidiary, completed on 2 February 2016. The Verzekeringssite B.V. business is classified as a discontinued operation in these financial statements.

**a) Financial performance and cash flow information**

The financial performance and cash flow of Verzekeringssite B.V. for the prior year are presented below:

	2016 £m
Revenue	0.9
Operating expenses	(13.6)
Operating loss	(12.7)
Finance costs	-
Loss before tax	(12.7)
Tax charge	(3.4)
Loss after tax of discontinued operation	(16.1)
Loss on sale of the subsidiary after tax (see b) below)	(0.4)
<b>Loss from discontinued operation</b>	<b>(16.5)</b>
Exchange differences on translation of discontinued operations	(0.1)
<b>Other comprehensive loss from discontinued operations</b>	<b>(0.1)</b>
Net cash outflow from operating activities	(10.0)
Net cash inflow from investing activities	3.0
<b>Net decrease in cash utilised by the subsidiary</b>	<b>(7.0)</b>

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the consolidated financial statements****b) Details of the sale of the subsidiary**

	<b>£m</b>
Consideration receivable	1.2
Carrying amount of net assets sold	(0.5)
Disposal costs	(1.3)
<b>Loss on sale before tax and reclassification of foreign currency translation reserve</b>	<u>(0.6)</u>
Reclassification of foreign currency translation reserve	0.2
Tax expense	-
<b>Loss on sale after tax</b>	<u><b>(0.4)</b></u>

Of the £1.2m consideration receivable, £0.4m was paid upon completion of the sale in the prior year and deferred consideration of £0.8m was received in cash in the current year.

**11. Goodwill**

<b>Cost and carrying amount</b>	<b>£m</b>
<b>At 1 July 2015</b>	<b>24.6</b>
Disposal of business	(1.7)
Impairment	(3.0)
<b>At 30 June 2016</b>	<u><b>19.9</b></u>
Disposal of business	-
Impairment	0.1
<b>At 30 June 2017</b>	<u><b>20.0</b></u>
<b>Accumulated amortisation</b>	
<b>At 1 July 2016</b>	-
Impairment	-
Disposal of business	-
<b>At 30 June 2017</b>	<u><b>-</b></u>
<b>Carrying amount</b>	
<b>At 30 June 2016</b>	<u><b>19.9</b></u>
<b>At 30 June 2017</b>	<u><b>20.0</b></u>

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

All of the goodwill held relates to the BGL Group. Of the goodwill held at 30 June 2017, £2.9m (2016: £2.8m) has been allocated to the LesFurets.com operating segment and £17.1m (2016: £17.1m) has been allocated to the Insurance Distribution and Outsourcing ("IDO") operating segment.

The sale of Verzekeringssite B.V. completed on 2 February 2016 and resulted in a loss on disposal of £0.4m. On announcement of the exit of this business, £1.7m of goodwill associated to Verzekeringssite B.V. was impaired.

On 30 June 2016, the BGL Group sold 100% of the share capital of its wholly owned subsidiary law firm Minster Law Limited. The sale resulted in a loss on disposal of £48.9m. Included within the net assets disposed of is £3.0m of goodwill associated to the Minster Law business.



## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the consolidated financial statements**

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 for a 3-8 year period (2016: 3-5 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% (2016: 2%) representing management's assessment of the long term growth rate for the Group's mature businesses; and
- A discount rate of 20% (2016: 20%) for the LesFurets.com operating segment and 10% (2016: 10%) for the IDO operating segment.

Sensitivity analyses have been carried out based on an increase of discount rate to 25% for the LesFurets.com operating segment, 20% for the IDO operating segment, reduction of long term growth rate to 1% and on the basis of no growth from FY 2018 for the IDO 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.

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the consolidated financial statements****12. Other intangible assets**

	<b>Brands</b>	<b>Software development</b>	<b>Software development in progress</b>	<b>Affinity relationships</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Cost</b>					
<b>At 1 July 2015</b>	<b>0.1</b>	<b>95.8</b>	<b>4.5</b>	<b>54.2</b>	<b>154.6</b>
Additions	-	-	19.6	-	19.6
Transfers	-	16.3	(16.3)	-	-
Disposals	(0.1)	(31.3)	-	(13.8)	(45.2)
Effect of movements in exchange rates	-	1.8	-	-	1.8
<b>At 30 June 2016</b>	<b>-</b>	<b>82.6</b>	<b>7.8</b>	<b>40.4</b>	<b>130.8</b>
Transfer from computer equipment	-	2.0	-	-	2.0
Additions	-	0.1	16.4	0.8	17.3
Transfers	-	17.4	(17.4)	-	-
Disposals	-	(18.8)	-	(0.1)	(18.9)
Effect of movements in exchange rates	-	0.8	-	(0.7)	0.1
<b>At 30 June 2017</b>	<b>-</b>	<b>84.1</b>	<b>6.8</b>	<b>40.4</b>	<b>131.3</b>
<b>Accumulated amortisation</b>					
<b>At 1 July 2015</b>	<b>-</b>	<b>55.4</b>	<b>-</b>	<b>27.0</b>	<b>82.4</b>
Charge for the year	-	12.2	-	5.9	18.1
Disposals	(0.1)	(31.4)	-	(13.4)	(44.9)
Impairment	0.1	9.9	-	10.0	20.0
Effect of movements in exchange rates	-	0.8	-	-	0.8
<b>At 30 June 2016</b>	<b>-</b>	<b>46.9</b>	<b>-</b>	<b>29.5</b>	<b>76.4</b>
Transfer from computer equipment	-	1.8	-	-	1.8
Charge for the year	-	15.6	-	3.1	18.7
Disposals	-	(18.7)	-	(0.1)	(18.8)
Effect of movements in exchange rates	-	0.4	-	(0.7)	(0.3)
<b>At 30 June 2017</b>	<b>-</b>	<b>46.0</b>	<b>-</b>	<b>31.8</b>	<b>77.8</b>
<b>Net book value</b>					
<b>At 30 June 2017</b>	<b>-</b>	<b>38.1</b>	<b>6.8</b>	<b>8.6</b>	<b>53.5</b>
<b>At 30 June 2016</b>	<b>-</b>	<b>35.7</b>	<b>7.8</b>	<b>10.9</b>	<b>54.4</b>

Certain intangibles were impaired to their recoverable amount in the prior year resulting in an impairment charge of £20.0m recognised in the year ended 30 June 2016. No intangibles have been impaired in the current year.

There are no commitments to purchase intangible assets at the reporting date (2016: £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 2017

## Notes forming part of the consolidated financial statements

### 13. Property, plant and equipment

	Land and buildings	Office buildings	Leasehold improvements and fixtures and fittings	Office equipment	Computer equipment	Total
	£m	£m	£m	£m	£m	£m
<b>Cost</b>						
At 1 July 2015	1.4	-	18.6	9.1	41.3	70.4
Additions	4.2	0.8	3.1	0.9	3.6	12.6
Disposals	-	-	(2.6)	(0.1)	(15.9)	(18.6)
Effect of movements in exchange rates	-	-	-	-	0.2	0.2
<b>At 30 June 2016</b>	<b>5.6</b>	<b>0.8</b>	<b>19.1</b>	<b>9.9</b>	<b>29.2</b>	<b>64.6</b>
Transfer to software development	-	-	-	-	(2.0)	(2.0)
Additions	0.8	-	2.8	0.5	5.5	9.6
Transfers	0.8	(0.8)	0.4	0.3	(0.7)	-
Disposals	-	-	(4.5)	(3.0)	(6.1)	(13.6)
Effect of movements in exchange rates	(0.1)	-	(0.6)	(0.5)	-	(1.2)
<b>At 30 June 2017</b>	<b>7.1</b>	<b>-</b>	<b>17.2</b>	<b>7.2</b>	<b>25.9</b>	<b>57.4</b>
<b>Accumulated depreciation</b>						
At 1 July 2015	-	-	9.8	5.5	32.5	47.8
Charge for the year	0.1	-	2.3	1.1	4.1	7.6
Disposals	-	-	(2.2)	(0.2)	(15.3)	(17.7)
Effect of movements in exchange rates	-	-	-	-	0.1	0.1
<b>At 30 June 2016</b>	<b>0.1</b>	<b>-</b>	<b>9.9</b>	<b>6.4</b>	<b>21.4</b>	<b>37.8</b>
Transfer to software development	-	-	-	-	(1.8)	(1.8)
Charge for the year	0.3	-	2.0	0.8	3.9	7.0
Transfers	-	-	0.1	0.1	(0.1)	0.1
Disposals	-	-	(4.3)	(2.9)	(6.0)	(13.2)
Effect of movements in exchange rates	-	-	(0.8)	(0.4)	-	(1.2)
<b>At 30 June 2017</b>	<b>0.4</b>	<b>-</b>	<b>6.9</b>	<b>4.0</b>	<b>17.4</b>	<b>28.7</b>
<b>Net book value</b>						
At 30 June 2017	6.7	-	10.3	3.2	8.5	28.7
At 30 June 2016	5.5	0.8	9.2	3.5	7.8	26.8

The Group had £1.0m capital commitments at the reporting date (2016: £1.1m).

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the consolidated financial statements****14. Provision for deferred tax**

	<b>2017</b> <b>£m</b>	<b>2016</b> <b>£m</b>
Property, plant and equipment	0.7	0.7
Other temporary differences	0.8	0.9
<b>Deferred tax asset</b>	<b>1.5</b>	<b>1.6</b>
<b>Deferred tax asset at the start of the year</b>	<b>1.6</b>	<b>18.8</b>
Impact in respect of prior period	-	(1.6)
Adjustment in respect of prior year	0.2	(0.2)
Deferred tax liability on retranslation	-	0.6
Deferred tax (debit)/credit in the income statement	(0.3)	(16.0)
<b>Deferred tax asset at the end of the year</b>	<b>1.5</b>	<b>1.6</b>

Details of movement in deferred tax:

	<b>Property, plant and equipment</b> <b>£m</b>	<b>Losses</b> <b>£m</b>	<b>Other temporary differences</b> <b>£m</b>	<b>Deferred tax asset</b> <b>£m</b>
<b>At 1 July 2015</b>	<b>0.5</b>	<b>17.6</b>	<b>0.7</b>	<b>18.8</b>
Impact of prior year adjustment	-	(1.6)	-	(1.6)
Recognised in income	0.3	(16.5)	0.2	(16.0)
Adjustment in respect of prior year	(0.1)	(0.1)	-	(0.2)
Retranslation	-	0.6	-	0.6
<b>At 30 June 2016</b>	<b>0.7</b>	<b>-</b>	<b>0.9</b>	<b>1.6</b>
Recognised in income	-	-	(0.1)	(0.1)
<b>At 30 June 2017</b>	<b>0.7</b>	<b>-</b>	<b>0.8</b>	<b>1.5</b>

## BHL (UK) Holdings Limited

Year ended 30 June 2017

### Notes forming part of the consolidated financial statements

The Group has £22.4m (2016: £19.0m) of unrecognised deferred tax assets related to tax losses. The previously recognised deferred tax asset in relation to losses in LesFurets.com was derecognised in the prior year following a review of the estimates and assumptions used to determine whether it is probable that there will be sufficient taxable profits against which to utilise the assets in the foreseeable future. Whilst management's expectations in respect of the future performance of LesFurets.com remain strong, a more conservative approach was applied in the assessment of probability where tax losses are forecast to be recovered beyond the three year business plan. The impact of this derecognition was a charge of £8.8m in the year ended 30 June 2016.

#### 15. Other financial assets

	£m
<b>At 1 July 2015</b>	<b>0.3</b>
Additions	-
Impairment	-
<b>At 30 June 2016</b>	<b>0.3</b>
Additions	-
Impairment	0.2
<b>At 30 June 2017</b>	<b>0.5</b>

#### 16. Inventories

	2017 £m	2016 £m
Finished goods	4.4	5.3

Finished goods relate to inventory held for customer reward schemes. Costs were recognised in operating expenses as goods were dispatched. During the year, £0.5m (2016: £0.4m) of inventory has been impaired.

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the consolidated financial statements****17. Trade and other receivables**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Trade receivables	443.1	420.7
Amounts due from related undertakings	37.8	38.1
Corporate tax receivable	4.1	8.2
Other debtors	39.1	27.1
Prepayments and accrued income	62.1	59.0
	<b>586.2</b>	<b>553.1</b>

Trade receivables include work in progress relating to legal services contracts of £21.1m (2016: £23.8m). The valuation of this balance is subject to estimation uncertainty as disclosed in note 2. These contracts relate to work done with major insurance companies and, as such, there is significant certainty around the successful settlement and recoverability of these amounts. The legal services contract receivables are held as security for other loans held by the Group.

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 2017 £35.2m (2016: £36.0m) remained within trade debtors after £8.3m (2016: £11.7m) had been offset with trade creditors.

**18. Cash and cash equivalents**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Restricted cash and cash equivalents	30.3	7.7
Cash and cash equivalents	33.0	35.1
	<b>63.3</b>	<b>42.8</b>

Cash of £17.5m (2016: £6.8m) is restricted under the arrangement with the securitisation structured entity, BGL Receivables Financing (1) Limited. Cash of £11.0m (2016: £nil) has been notionally 'ring-fenced' by BGL Group for regulatory purposes.

£0.8m (2016: £0.8m) of restricted cash relates to collateral held as part of a customer contract.

Courtanet SAS operates Euro bank accounts with a balance of £1.7m (2016: £1.2m) at the reporting date.

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.

## BHL (UK) Holdings Limited

Year ended 30 June 2017

### Notes forming part of the consolidated financial statements

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

	2017 £m	2016 £m
AA+ to AA-	-	-
A+ to A-	62.8	38.1
Below A- or not rated	0.5	4.7
	<b>63.3</b>	<b>42.8</b>

### 19. Borrowings

	2017 £m	2016 £m
<b>Current</b>		
Bank loans and overdrafts due within one year or on demand:		
Bank overdraft	0.2	0.2
Bank loans	117.0	-
Asset based securitised financing	35.0	78.0
Loans payable to related parties	380.0	500.0
	<b>532.2</b>	<b>578.2</b>

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.

On 21 August 2014 £500m loan notes were authorised by BHL (UK) Holdings Limited. On 27 August 2014 loan notes in the amount of £495m were issued to BHL Holdings Limited. Further, on 09 January 2015 loan notes to the amount of £5m were issued to BHL Holdings Limited. On 30 January 2015 the loan notes were listed on the Channel Islands Securities Exchange Authority as 4% fixed rate unsecured loan notes denominated in GBP.

On 12 May 2017, loan notes in the amount of £120,000,000 were redeemed. A further redemption has taken place since the year end, see note 32 post balance sheet events.

The BGL Group has access to two debt facilities: a £200.0m (2016: £200.0m) securitisation facility and a £210.0m (2016: £70.0m) revolving credit facility, the latter having been successfully increased in February 2017. Both of these facilities mature in March 2019.

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

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the consolidated financial statements****20. Trade and other payables**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Current</b>		
Trade payables	466.9	446.1
Amounts owed to related undertakings	0.2	0.9
Other payables	9.9	12.0
Accruals and deferred income	78.7	63.9
Employee benefits	0.4	2.9
	<b>556.1</b>	<b>525.8</b>

**21. Provisions**

	<b>Dilapidations</b>	<b>Claw back provisions</b>	<b>Onerous contract provision</b>	<b>Other</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>At 1 July 2015</b>	<b>1.7</b>	<b>4.3</b>	<b>0.5</b>	<b>-</b>	<b>6.5</b>
Increase in provision	0.4	4.5	12.5	0.5	17.9
Utilisation	(0.3)	(5.1)	(0.5)	-	(5.9)
<b>At 30 June 2016</b>	<b>1.8</b>	<b>3.7</b>	<b>12.5</b>	<b>0.5</b>	<b>18.5</b>
Increase in provision	0.1	5.0	4.3	0.4	9.8
Release	-	-	0.2	-	0.2
Utilisation	-	(2.6)	(8.3)	-	(10.9)
<b>At 30 June 2017</b>	<b>1.9</b>	<b>6.1</b>	<b>8.7</b>	<b>0.9</b>	<b>17.6</b>
Current provisions	0.7	6.1	4.9	0.9	12.6
Non-current provisions	1.2	-	3.8	-	5.0
<b>At 30 June 2017</b>	<b>1.9</b>	<b>6.1</b>	<b>8.7</b>	<b>0.9</b>	<b>17.6</b>

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.

The claw back provisions relate to an estimation of the 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.

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



## BHL (UK) Holdings Limited

Year ended 30 June 2017

### Notes forming part of the consolidated financial statements

rate used to calculate the present value of those cash flows. In the year ended 30 June 2017, this has resulted in a provision of £9.0m (2016: £12.4m) in respect of one contract.

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

In 2016 a balance of £1.3m was disclosed within accruals. This balance has been restated to provisions in the year with the prior year comparison also restated to ensure consistency.

#### 22. Financial instruments

##### *Financial assets at fair value through profit or loss*

At 30 June 2017, £3.8m (2016: £3.1m) represents the fair value of total trail commission receivable from and £0.2m (2016: £nil) represents the fair value of total trail commission payable to 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 £0.2m. An increase in the discount rate to 10% would require an adjustment of £1.0m.

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

	2017 £m	2016 £m
Value at start of the period	3.1	5.5
Transfer to financial liabilities	0.2	-
Purchases	0.3	0.4
Changes in lapses	0.8	0.2
Settlements	(0.6)	(3.0)
Value at end of the period	<u>3.8</u>	<u>3.1</u>

The net credit to revenue in 2017 was £1.1m (2016: £0.6m).

The following table sets out a reconciliation of opening and closing balances for the liabilities.

	2017 £m	2016 £m
Value at start of the period	-	-
Transfer to financial liabilities	0.2	-
Changes in lapses	(0.2)	-
Settlements	0.2	-
Value at end of the period	<u>0.2</u>	<u>-</u>

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.

# **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

## **Notes forming part of the consolidated financial statements**

### **Trade and other receivables**

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and diversified. It is the Group's policy to write off doubtful insurance receivables when identified, however due to the time lag in identifying such balances, management have provided for the following amounts: trade receivables include a provision of £0.7m (2016: £1.0m), of which £nil (2016: £0.4m) is against non-insurance related receivables.

Of the insurance receivables past due but not yet written off, 84.9% (2016: 76.6%) are due within 30 days, 9.1% (2016: 17.9%) are due with 31-60 days and 6.1% (2016: 5.5%) 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 £nil (2016: £5.9m) to their recoverable amount.

### **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 18.

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 non-current provisions as disclosed in note 21.

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 Group has substantial available but undrawn committed debt facilities that continue to be fully accessible. These comprise an unsecured £210.0m (2016: £70.0m) revolving credit facility, of which £93.0m (2016: £70.0m) was undrawn at the period end and a £200.0m (2016: £200.0m) securitisation facility that is secured on certain instalment debtors, of which £165.0m (2016: £122.0m) was undrawn at the period end.

Measures taken to monitor these risks include regular treasury reporting to the Board, 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, currency 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.

## BHL (UK) Holdings Limited

Year ended 30 June 2017

### Notes forming part of the consolidated financial statements

The Group's shareholders' funds by currency were:

	Sterling £m	Euro £m	Turkish Lira £m	Total £m
Net (liabilities)/assets 30 June 2017	(357.9)	(0.1)	0.7	<b>(357.3)</b>
Net (liabilities)/assets 30 June 2016	(431.8)	9.7	0.2	<b>(421.9)</b>

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

	10% increase in Sterling/ Euro rate £m	10% decrease in Sterling/ Euro rate £m
Equity 30 June 2017	(0.2)	0.2
Equity 30 June 2016	(0.9)	1.1

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 2017 the Group had a commitment to purchase foreign currency of USD 0.2m and EUR 0.3m. These commitments matured on 3 July 2017.

#### *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 £0.2m adverse (2016: £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.

# **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

## **Notes forming part of the consolidated financial statements**

### *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.

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

### **23. Share capital**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Allotted and called up</b>		
Ordinary shares of £1 each	<u>600.0</u>	<u>600.0</u>

### **24. Share based payments**

During the year ended 30 June 2014 the A ordinary shares in BGL Group Limited were issued to certain directors of the company.

Those transactions falling within the scope of IFRS 2 have been accounted for as a share based arrangement. This has resulted in an accounting charge for the year of £0.3m (2016: £0.7m).

This charge was determined by reference to a Black Scholes pricing model. The inputs to the model are as follows:

Share price	£127.48
Exercise price	£127.48
Expected volatility	19.73%
Expected dividends	-
Risk-free interest rate	1.82%

Expected volatility is the observed volatility of a business operating in a similar market sector. The volatility assumption is inherently uncertain due to limited comparable market data.

### **25. Non-controlling interest**

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the consolidated financial statements**

	2017 £m	2016 £m
<b>Value at the start of the year</b>	<b>5.3</b>	<b>8.4</b>
Share of comprehensive income for the year	8.6	2.0
Dividends paid	(14.3)	(6.1)
Capital repayment	-	1.0
<b>Value at the end of the year</b>	<b>(0.4)</b>	<b>5.3</b>

**26. Dividends**

	2017 £m	2016 £m
<i>Declared and paid during the year by BHL UK Holdings Limited</i>		
Equity dividends on ordinary shares:		
Dividend for 2017: nil	-	-
Dividend for 2016: £0.005	-	3.0
<i>Declared and paid during the year by BGL Group Limited</i>		
Equity dividends on ordinary shares:		
Interim dividend for 2017: £30.00	14.3	-
Interim dividend for 2016: £3.40	-	1.6
Interim dividend for 2016: £2.30	-	1.1
Interim dividend for 2016: £7.20	-	3.4
Equity dividends on preference shares:		
Preference share dividend for 2016	-	-
<b>Dividends paid</b>	<b>14.3</b>	<b>9.1</b>

In 2016, the interim dividends of £3.40, £2.30 and £7.20 per share were waived by certain shareholders.

**27. 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**

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.

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the consolidated financial statements**

#### **28. Pension commitments**

Pension cost represents contributions payable by the Group to the fund and amounted to £5.1m (2016: £4.5m) in the period. At the reporting date the Group owed £0.5m (2016: £0.4m).

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

#### **29. 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:

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Operating leases which expire:		
Within one year	5.1	4.5
In one to five years	17.3	13.2
Over five years	21.4	10.7
	<b>43.8</b>	<b>28.4</b>

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 September 2017 to December 2031. Two of the leases have exercisable break clauses in 2020 and 2026 respectively. The majority of the Group's leases are subject to rent reviews in accordance with the terms of the lease.

One of the lease agreements includes a rent incentive in the form of reduced rental payments for the first 3 years. The lease incentive is presented within accruals and is reversed on a straight-line basis over the lease term of 10 years.

Amounts charged to the income statement during the year in respect of the above amounted to £6.2m (2016: £4.2m).

#### **30. Contingent liability**

Under the terms of the £210.0m revolving credit facility BGL (Holdings) Limited together with BISL Limited, BFSL Limited, ACM ULR Limited and BGL Group Limited, provided a joint and several guarantee. At 30 June 2017 the maximum exposure to this liability was £117.0m (2016: £nil).

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.

#### **31. 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.

# BHL (UK) Holdings Limited

Year ended 30 June 2017

## Notes forming part of the consolidated financial statements

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

BHL Holdings Limited	Immediate parent company
Auto & General Holdings Pty Limited	Fellow subsidiary of BHL Holdings Limited
BHL Management Services Limited	Fellow subsidiary of BHL Holdings Limited
BHL Minorities Limited	Fellow subsidiary of BHL Holdings Limited
PA Winslow CBE	Common shareholders
S Klinkert	Director of a subsidiary
A Ziyal	Director of 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.

	2017 £m	2016 £m
<b>Receivables – current</b>		
A Ziyal	0.1	0.5
BHL Holdings Limited	37.6	32.6
Sidechapel Limited	0.8	0.8
BHL Minorities Limited	-	0.2
BGL Receivables Financing (1) Limited	316.3	237.5
	<b>354.0</b>	<b>271.6</b>
<b>Payables - current</b>		
PA Winslow	0.1	0.1
<b>Borrowings - current</b>		
BHL Holdings Limited	380.0	500.0
<b>Royalty income</b>		
Auto & General Holdings Pty Limited	1.3	1.3
<b>Sale of toy stock</b>		
Auto & General Holdings Pty Limited	0.2	-
<b>Management charges paid</b>		
BHL Management Services Limited	0.1	0.1
A Ziyal	0.2	-
<b>Dividends payable</b>		
BHL Holdings Limited	-	3.0
Non-controlling interests	14.3	6.1
<b>Sale of Minster Law Limited</b>		
Sidechapel Limited		0.8
BHL Minorities Limited		0.2
<b>Interest payable</b>		
BHL Holdings Limited	19.3	20.0

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the consolidated financial statements****Key management emoluments and directors interests**

<b>Key management emoluments</b>	<b>2017 £m</b>	<b>2016 £m</b>
Short-term employee benefits	4.4	2.2
Pension contributions	0.1	0.1
	<b>4.5</b>	<b>2.3</b>

<b>Highest paid director</b>	<b>2017 £m</b>	<b>2016 £m</b>
Short-term employee benefits	0.8	0.7

Two (2016: four) 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 (2016: nil) directors of the Company are also shareholders of BGL (Holdings) Limited as shown below.

<b>Shareholding in BGL (Holdings) Limited</b>	<b>2017 £m</b>	<b>2016 £m</b>
S Klinkert	12.5	-

In the prior year, three directors of the Company were also shareholders of BGL Group Limited as shown below.

<b>Shareholding in BGL Group Limited</b>	<b>2017 £m</b>	<b>2016 £m</b>
S Klinkert	-	0.1
PA Winslow CBE	-	0.2
MO Donaldson	-	0.1
	<b>-</b>	<b>0.4</b>

The directors listed above received dividends due to their shareholdings as described above.

Included within other debtors is £12.8m (2016: £12.8m) owed by a director in respect of the purchase of ordinary shares in BGL Group Limited.

**32. Events after the reporting date**

For details of events after the reporting date, see the Company accounts note 11 events after the balance sheet date.



## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the consolidated financial statements**

#### **33. Ultimate and immediate parent companies**

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

The Company's ultimate parent undertaking and ultimate controlling party is Reef Holdings Limited which is incorporated in Guernsey. Reef Holdings Limited is wholly owned by The Concrete Trust. The Reef Foundation acts as trustee of The Concrete Trust.

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 publically available.

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Company registration number 08604368****Company statement of financial position**

	Note	2017 £m	2016 £m
<b>Fixed assets</b>			
Investment in subsidiaries	2	1,093.3	1,093.3
Other financial assets	3	0.5	-
<b>Current assets</b>			
Cash and cash equivalents		5.9	2.9
Debtors	4	58.6	57.6
<b>Creditors: amounts falling due within one year</b>			
Trade and other creditors	5	16.8	0.2
Borrowings	6	380.0	509.4
<b>Net current liabilities</b>		<u>(332.3)</u>	<u>(449.1)</u>
<b>Net assets</b>		<u>761.5</u>	<u>644.2</u>
<b>Capital and reserves</b>			
Share capital	8	600.0	600.0
Profit and loss account		161.5	44.2
<b>Total equity</b>		<u>761.5</u>	<u>644.2</u>

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

22nd December 2017

  
I R Leech  
Director

The notes on pages 50 to 56 form part of these financial statements.

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Company statement of changes in equity**

	<b>Share capital £m</b>	<b>Retained earnings £m</b>	<b>Total equity £m</b>
<b>At 1 July 2015</b>	<b>600.0</b>	<b>4.7</b>	<b>604.7</b>
Profit for the period	-	42.5	42.5
Dividends paid	-	(3.0)	(3.0)
<b>At 30 June 2016</b>	<b>600.0</b>	<b>44.2</b>	<b>644.2</b>
Profit for the period	-	117.3	117.3
<b>At 30 June 2017</b>	<b>600.0</b>	<b>161.5</b>	<b>761.5</b>

The notes on pages 50 to 56 form part of these financial statements.

# **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

## **Notes forming part of the company financial statements**

### **1. Accounting policies**

The accounting policies of the Company are the same as those of the Group which are set out in note 1 to the consolidated financial statements and the accounting policy for investments as set out below.

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. 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 notes are disclosed in the consolidated financial statements for BHL (UK) Holdings Limited: dividends (note 26) and contingent liabilities (note 30).

### **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, notwithstanding the Company having net current liabilities of £332.3m in the balance sheet at 30 June 2017 (2016: £449.1m). The Company is dependent for its working capital on funds provided by its parent BHL Holdings Limited. BHL Holdings Limited has provided the directors with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. The Directors acknowledge that the continuing support is required and whilst there can be no absolute certainty there is, at the date of approval of these financial statements, no reason to believe that it will not receive such support. Since the year end, the £380.0m of borrowings (the loan notes) issued to

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the company financial statements**

BHL Holdings Limited have been settled, improving the net current assets/ liabilities position of the company. For further details see note 11, post balance sheet events.

#### **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.

#### **2. Investment in subsidiaries**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Value at start of the period</b>	1,093.3	1,083.1
<b>Additions</b>	-	10.2
<b>Value at end of the period</b>	<b>1,093.3</b>	<b>1,093.3</b>

## BHL (UK) Holdings Limited

Year ended 30 June 2017

### Notes forming part of the company financial statements

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
	2017	2016	
ACM ULR Limited*	90.5%	90.5%	Claims management
Acraman (503) Limited*	90.5%	90.5%	Dormant company
Advanced Claims Management Limited*	90.5%	90.5%	Dormant company
Bakewell Property Development Limited*	90.5%	90.5%	Property management
Beybostani Pazarlama Hizmetleri A.Ş.**	100%	100%	Property investment
BFSL Limited*	90.5%	90.5%	Consumer credit services
BGL Group Limited*	90.5%	90.5%	Servicing company
BGL Direct Life Limited*	90.5%	90.5%	Insurance intermediary
BGL (Holdings) Limited	90.5%	90.5%	Holding company
BHL Eurasia Limited	100%	100%	Holding company
BISL Limited*	90.5%	90.5%	Insurance intermediary
Budget Financial Services Limited*	90.5%	90.5%	Dormant company
Budget Group Limited*	90.5%	90.5%	Dormant company
Budget Insurance Company Limited	100%	100%	General insurance company
Coral Insurance Services Limited	100%	100%	Claims management
Comparethemarket (CtM) Limited	100%	-	Dormant company
Compare the Market Limited	100%	-	Dormant company
Courtanet SAS* (incorporated in France)	90.5%	90.5%	Price comparison
Direct Insurance Systems Corporation Limited*	90.5%	90.5%	Dormant company
Fusion Contact Centre Services Limited*	90.5%	90.5%	Dormant company
G F Bennett (Holdings) Limited*	90.5%	90.5%	Dormant company
Law Angel Limited*	90.5%	90.5%	Dormant company
Minster Law Limited	90.5%	90.5%	Solicitors
Telesure Sigorta ve Reasurans Brokerliği A.Ş.**	85%	85%	Insurance broking

\* Indirectly held through BGL (Holdings) Limited

\*\* Indirectly held through BHL Eurasia Limited

Although the Group does not hold any share capital in BGL Receivables Financing (1) Limited, a securitised structured entity, the relationship between the Group and the structured entity meets the control criteria under IFRS 10, and hence BGL Receivables Financing (1) Limited is consolidated in the Group consolidated financial statements.

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.

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

Telesure Sigorta ve Reasurans Brokerliği A.Ş is incorporated in Turkey and registered at İçerenköy Mahallesi Değirmenyolu Cad. No:27 D:9 Ataşehir, İstanbul.

Beybostani Pazarlama Hizmetleri A.Ş is incorporated in Turkey and registered at Burhaniye MAH. Beybostani SK.36A, 2Uskudar, İstanbul.

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

**BHL (UK) Holdings Limited****Year ended 30 June 2017****Notes forming part of the company financial statements****3. Other financial assets**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Value at start of the period</b>	-	-
Additions	0.5	-
<b>Value at end of the period</b>	<b>0.5</b>	<b>-</b>

During the year the Company acquired BGL (Holdings) Limited's shareholding in Freemarket FX Limited for consideration of £0.5m.

**4. Debtors**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Amounts due from related undertakings	58.6	53.6
Prepayments and accrued income	-	0.1
Corporation tax	-	3.9
	<b>58.6</b>	<b>57.6</b>

**5. Trade and other creditors**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Accruals and deferred income	0.5	-
Amounts owed to related undertakings	16.3	0.2
	<b>16.8</b>	<b>0.2</b>

**6. Borrowings**

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Current</b>		
Loans payable to related parties	-	9.4
Eurobond listed debt	380.0	500.0
	<b>380.0</b>	<b>509.4</b>

Eurobond listed debt incurs interest at 4% fixed rate. On 21 August 2014 £500m loan notes were authorised by BHL (UK) Holdings Limited. On 27 August 2014 loan notes in the amount of £495m were issued to BHL Holdings Limited. Further, on 09 January 2015 loan notes to the amount of £5m were issued to BHL Holdings Limited. On 30 January 2015 the loan notes were listed on the Channel Islands Securities Exchange Authority as 4% fixed rate unsecured loan notes denominated in GBP.

On 12 May 2017, loan notes in the amount of £120m were redeemed. A further redemption has taken place since the year end, see note 11 post balance sheet events.

# **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

## **Notes forming part of the company financial statements**

### **7. Dividends**

	<b>2017 £m</b>	<b>2016 £m</b>
Equity dividends on ordinary shares:		
Dividend for 2017: nil	-	
Dividend for 2016: £0.005		3.0
<b>Dividends paid</b>	<b>-</b>	<b>3.0</b>

### **8. Share capital**

	<b>2017 £m</b>	<b>2016 £m</b>
<b>Allotted and called up</b>		
Ordinary shares of £1 each	600.0	600.0

### **9. Related party transactions**

During the prior period, the group underwent a reorganisation, whereby BHL (UK) Holdings Limited purchased 90.5% of the share capital of Minter Law Limited from BGL Group Limited, and 100% of the share capital of Coral Insurance Services Limited from BHL Europe Limited.

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	Ultimate parent company
Sidechapel Limited	Common directors
BHL Management Services Limited	Fellow subsidiary
PA Winslow CBE	Director of subsidiary
BHL Europe Holdings Limited	Fellow subsidiary
Reef Holdings Limited	Ultimate parent company



## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the company financial statements**

Transactions entered into, and trading balances outstanding at 30 June 2017 with other related parties, are as follows:

	<b>2017 £m</b>	<b>2016 £m</b>
<b>Debtors - current</b>		
BHL Holdings Limited	37.6	32.6
Sidechapel Limited	0.8	-
	<u>38.4</u>	<u>32.6</u>
<b>Trade and other creditors - current</b>		
PA Winslow CBE	0.1	0.1
<b>Loans payable</b>		
BGL Group Limited	-	9.4
BHL Holdings Limited	380.0	500.0
<b>Management charges receivable</b>		
BHL Management Services Limited	0.1	-
<b>Management charges payable</b>		
BHL Management Services Limited	0.1	-
<b>Interest payable</b>		
BHL Holdings Limited	19.3	20.0

#### **10. Ultimate and immediate parent companies**

The Company's immediate parent undertaking 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 Company's ultimate parent company is Reef Holdings Limited, which is wholly owned by The Concrete Trust. The Reef Foundation acts as trustee of The Concrete Trust.

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 publically available.

## **BHL (UK) Holdings Limited**

**Year ended 30 June 2017**

### **Notes forming part of the company financial statements**

#### **11. Post balance sheet events**

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

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). The transaction is subject to customary closing conditions including regulatory approvals. The expected proceeds are c.£208 million.