

3231094

**Budget Insurance Services Limited**

**Report and Financial Statements**

**Year Ended**

**30 June 2002**



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# **BUDGET INSURANCE SERVICES LIMITED**

**Annual Report and financial statements for the year ended 30 June 2002**

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### **Directors**

S Klinkert  
PA Winslow  
IR Leech

### **Secretary and registered office**

NE Wright  
Budget House  
Bretton Way  
Bretton  
Peterborough  
PE3 8BG

### **Company number**

3231094

### **Auditors**

Moore Stephens  
Chartered Accountants  
St. Paul's House  
Warwick Lane  
London  
EC4P 4BN

# **BUDGET INSURANCE SERVICES LIMITED**

## **Report of the directors for the year ended 30 June 2002**

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The directors present their report together with the audited financial statements for the year ended 30 June 2002.

### **Results and dividends**

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors recommend a dividend of 62.5p per ordinary share giving a total dividend payment on ordinary shares of £5,000,000.

### **Principal activities, trading review and future developments**

The principal activity of the company is that of an insurance intermediary.

The business has continued to develop well and future prospects remain strong.

There have been no events since the balance sheet date which materially affect the position of the company.

### **Directors**

The directors of the company during the year were:

S Klinkert  
PA Winslow  
IR Leech  
PN Cosh (resigned 28 June 2002)

No director had any interest in the ordinary share capital of the company. S Klinkert and PA Winslow are also directors of the immediate parent company, Budget Financial Services Limited, and their interests in the share capital of that company are shown in its financial statements.

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**BUDGET INSURANCE SERVICES LIMITED**

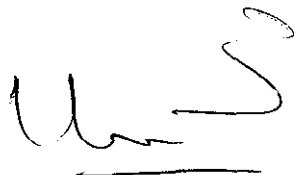
**Report of the directors for the year ended 30 June 2002 (*continued*)**

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**Auditors**

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

**On Behalf of the Board**

A handwritten signature in black ink, appearing to be 'IR Leech', written over a horizontal line.

IR Leech  
**Director**

24 October 2002

# **BUDGET INSURANCE SERVICES LIMITED**

## **Report of the auditors for the year ended 30 June 2002**

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### **Independent Auditors' Report to the Shareholders of Budget Insurance Services Limited**

We have audited the financial statements of Budget Insurance Services Limited for the year ended 30 June 2002 set out on pages 4 to 11. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 6.

#### *Respective responsibilities of directors and auditors*

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### *Basis of opinion*

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Moore Stephens*

**MOORE STEPHENS**  
*Chartered Accountants  
and Registered Auditors  
London*

*7<sup>th</sup> November 2002*

**BUDGET INSURANCE SERVICES LIMITED****Profit and loss account for the year ended 30 June 2002**

		<b>2002</b>	<b>2001</b>
			<b>Restated</b>
	<b>Note</b>	<b>£</b>	<b>(Note 14)</b>
		<b>£</b>	<b>£</b>
<b>Turnover</b>	2	30,378,796	23,314,381
Operating expenses	3	26,059,439	21,578,916
<b>Operating profit</b>		4,319,357	1,735,465
Interest receivable	4	193,809	464,908
Interest payable	5	1,688,663	1,417,502
<b>Profit on ordinary activities before tax</b>		2,824,503	782,871
Tax on profit on ordinary activities	6	(925,420)	(258,962)
<b>Profit for the financial year after tax</b>		1,899,083	523,909
Dividends	9	5,000,000	-
<b>Transferred to reserves</b>		(3,100,917)	523,909

All amounts relate to continuing activities.

**Statement of total recognised gains and losses**

Profit for the financial year		1,899,083	523,909
Prior year adjustment	14	1,345,354	-
<b>Total recognised gains and losses since last annual report</b>		3,244,437	523,909

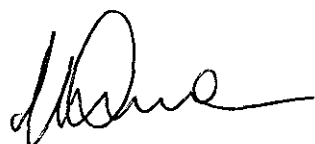
The statement of total recognised gains and losses for the period ended 30 June 2001 has been restated for the adoption of FRS 19.

The notes on pages 6 to 11 form part of these financial statements.

**BUDGET INSURANCE SERVICES LIMITED****Balance sheet as at 30 June 2002**

		<b>2002</b>		<b>2001</b> <b>Restated</b> <b>(Note 14)</b>	
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Intangible assets	10		570,767		563,279
<b>Current assets</b>					
Debtors	11	67,952,872		57,527,422	
Cash at bank and in hand		91,562		127,188	
		<u>68,044,434</u>		<u>57,654,610</u>	
<b>Creditors: amounts falling due within one year</b>	12	60,425,957		46,927,728	
		<u></u>		<u></u>	
<b>Net current assets</b>			7,618,477		10,726,882
			<u></u>		<u></u>
<b>Total assets less current liabilities</b>			8,189,244		11,290,161
			<u></u>		<u></u>
<b>Capital and reserves</b>					
Called up share capital	13		8,000,000		8,000,000
Profit and loss account	14		189,244		3,290,161
			<u></u>		<u></u>
<b>Shareholders funds – equity</b>	15		8,189,244		11,290,161
			<u></u>		<u></u>

The financial statements were approved by the Board on 24 October 2002.



PA Winslow  
Director



IR Leech  
Director

The notes on pages 6 to 11 form part of these financial statements.

# BUDGET INSURANCE SERVICES LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002

## 1. Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied.

### Turnover

Turnover represents commission and fees on insurance business transacted. Credit is taken for fees when charged and commission when the policy is incepted subject to a deferral of income to future periods in respect of future costs and charges. Alterations in brokerage arising from premium adjustment are accounted for when such payments are made.

### Intangible assets

Software costs, relating to the maintenance and enhancement of existing systems, are written off to the profit and loss account as incurred. Costs relating to the development projects, for which there is an associated income stream, are capitalised in accordance with current accounting standards, as an intangible asset. The costs are then amortised against the future income stream, or three years, whichever is the shorter.

### Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

## 2. Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

## 3. Operating expenses

	2002 £	2001 £
Amortisation of software development costs	192,512	120,000
Auditors remuneration	16,500	15,000
Other operating expenses	25,850,427	21,443,916
	<hr/>	<hr/>
	26,059,439	21,578,916
	<hr/>	<hr/>

All other operating expenses are recharges from Budget Group Limited.



**BUDGET INSURANCE SERVICES LIMITED**Notes forming part of the financial statements for the year ended 30 June 2002 (*continued*)**4. Interest receivable**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Intercompany loan interest	193,809	464,908

**5. Interest payable**

Bank interest	1,379,721	1,074,868
Intercompany loan interest	308,942	342,634
	<b>1,688,663</b>	<b>1,417,502</b>

**6. Taxation on profit from ordinary activities**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>Restated £</b>
<i>Current taxation</i>		
UK corporation tax charge for the year	-	-
<i>Deferred taxation</i>		
Origination and reversal of timing differences	925,420	258,962
Tax on profits on ordinary activities	<b>925,420</b>	<b>258,962</b>

Adoption of FRS 19 has required a change in the method of accounting for deferred tax. As a result the comparative figure for the tax on profit on ordinary activities for 2001 has been restated from the previous nil balance to £258,962. The effects relating to periods prior to 2001 have been taken directly to reserves (note 14).

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

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	2,824,503	782,871
Tax on profit on ordinary activities at standard rate	847,351	234,861
Effects of:		
Expenses not deductible for tax purposes	78,069	32,573
Capital allowances for period in excess of depreciation	(1,589)	(2,118)
Utilisation of tax losses	(923,831)	(265,316)
	<b>-</b>	<b>-</b>

**BUDGET INSURANCE SERVICES LIMITED**Notes forming part of the financial statements for the year ended 30 June 2002 (*continued*)**7. Provision for deferred taxation**

Provision for deferred taxation consists of the following amounts

	<b>2002</b> <b>£</b>	<b>2001</b> <b>£</b>
Depreciation in excess of capital allowances	(4,766)	(6,354)
Tax losses carried forward	(190,168)	(1,339,000)
	<hr/>	<hr/>
	(194,934)	(1,345,354)
	<hr/>	<hr/>
Provision at start of period	(1,345,354)	
Deferred tax charge in profit and loss account for period (note 6)	925,420	
	<hr/>	
Provision at end of period	(419,934)	
	<hr/>	

**8. Directors**

No director was paid by the company. Their remuneration is paid by the UK parent company, Budget Group Limited and is disclosed in their accounts.

**9. Dividends**

	<b>2002</b> <b>£</b>	<b>2001</b> <b>£</b>
Ordinary dividends paid	5,000,000	-
	<hr/>	<hr/>

**BUDGET INSURANCE SERVICES LIMITED**Notes forming part of the financial statements for the year ended 30 June 2002 (*continued*)**10. Intangible assets**

	<b>Software costs £</b>
<i>Cost</i>	
At 1 July 2001	733,279
Additions	200,000
	<hr/>
At 30 June 2002	933,279
	<hr/>
<i>Amortisation</i>	
At 1 July 2001	170,000
Provided in the year	192,512
	<hr/>
At 30 June 2002	362,512
	<hr/>
<i>Net book value</i>	
At 30 June 2002	570,767
	<hr/>
At 30 June 2001	563,279
	<hr/>

**11. Debtors**

	<b>2002</b>	<b>2001 Restated (Note 14)</b>
	<b>£</b>	<b>£</b>
Trade debtors	28,952	40,368,305
Amount owed by group undertakings	67,201,775	15,718,979
Other debtors	302,211	94,784
Deferred tax	419,934	1,345,354
	<hr/>	<hr/>
	67,952,872	57,527,422
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

**BUDGET INSURANCE SERVICES LIMITED**Notes forming part of the financial statements for the year ended 30 June 2002 (*continued*)**12. Creditors: amounts falling due within one year**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Bank overdraft (secured)	26,814,820	23,272,458
Trade creditors	18,283,239	14,213,517
Amounts owed to group undertakings	12,075,554	6,861,127
Accruals and deferred income	3,252,344	2,580,626
	<hr/>	<hr/>
	60,425,957	46,927,728
	<hr/>	<hr/>

The bank overdraft is secured by a fixed and floating charge over all the assets of the company.

**13. Share capital**

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	10,000,000	10,000,000	8,000,000	8,000,000
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**14. Movement on reserves**

	<b>Profit and loss account £</b>
At 1 July 2001	1,944,807
Prior year adjustment (see below)	1,345,354
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As restated	3,290,161
Loss for the year	(3,100,917)
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At 30 June 2002	189,244
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**Prior year adjustment**

The company has adopted FRS 19 *Deferred Tax* resulting in a deferred tax credit of £1,345,354. The profit and loss account for the year ended 30 June 2001 and the balance sheet as at 30 June 2001 have been restated as a result of the prior year adjustment.

## BUDGET INSURANCE SERVICES LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (*continued*)

### 15. Reconciliation of movement in shareholders funds

	2002 £	2001 As restated £
Profit for the year	1,899,083	523,909
Dividends	(5,000,000)	-
	<hr/>	<hr/>
	(3,100,917)	523,909
Opening shareholders funds (originally £9,944,807 before adding prior year adjustment of £1,345,354 (see note 14))	11,290,161	10,766,252
	<hr/>	<hr/>
Closing shareholders funds	8,189,244	11,290,161
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### 16. Contingent liability

The company has entered into trade finance agreements totalling £1,214,000.

The company has entered into an omnibus guarantee in respect of the debts and liabilities arising from the loan and overdraft facilities of Budget Group Limited and all the companies within the Budget Financial Services Group. At 30 June 2002 the maximum exposure of these liabilities was £37,838,167.

### 17. Cash flow statement

The company has taken advantage of the exemption allowed by Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as it is consolidated in the financial statements of its ultimate parent company.

### 18. Related party transactions

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, "Related Party Transactions" not to disclose any transactions with entities that are included in the consolidated financial statements of Budget Group Limited.

### 19. Ultimate parent company

The accounts of the company are consolidated into those of the parent company, Budget Financial Services Limited, which is incorporated in England and Wales. The directors regard Reef Holdings Limited, incorporated in Guernsey, as the ultimate holding company.