

**Company number 2706280**

**BFSL Limited**

**Annual Report and Financial Statements**

**Year Ended**

**30 June 2013**

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COMPANIES HOUSE

# **BFSL Limited**

**Year ended 30 June 2013**

## **Annual report and financial statements**

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Directors	PA Winslow CBE S Klinkert MO Donaldson (appointed 1 July 2013) AB Lenman (appointed 1 July 2013) IR Leech (resigned 1 July 2013) BGL Group Limited (resigned 1 July 2013)
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Secretary and registered office	NE Wright Pegasus House Bakewell Road Orton Southgate Peterborough PE2 6YS
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Auditors	KPMG Audit Plc 15 Canada Square London E14 5GL
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## **BFSL Limited**

**Year ended 30 June 2013**

### **Report of the directors**

The directors present their report together with the audited financial statements for the year ended 30 June 2013

#### **Results and dividends**

The annual results of BFSL Limited, company number 2706280 (the "Company") or the "Group" in relation to the Company and its active subsidiaries, are set out on page 7 and show a consolidated profit after tax of £69,554,000 (2012 £61,664,000) 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 £41,000,000 (2012 £50,000,000) during the year

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

The Company's principal activities are that of a holding and management company and providing credit relating to financial services The principal activities of the Group consist of insurance intermediary, price comparison and claims management services

The Group shares resources with fellow subsidiaries of BGL Group Limited (the "BGL Group"), its immediate parent company In order to improve operating efficiencies within the Group, personnel and infrastructure services are provided by BGL Group Limited to a number of subsidiaries, which raises a management charge in respect of all services provided

On 28 June 2013 the Group acquired Minster Law Limited Minster Law, one of the UK's top-35 legal firms, has been working with the Group for the past seven years, with the law firm helping to manage the claims process for the Group's motor and bike insurance customers This will significantly strengthen the partnership between the two businesses and add important legal services capability to the Group

In July 2012 the Group launched Beagle Street its new life insurance intermediary business Also in July 2012 the Group acquired Verzekeringssite BV a leading Dutch price comparison business During the year the Group also launched the new identity of its price comparison business in France as LesFurets.com

During the prior year the Group disposed of the South African call centre operations Fusion Outsourcing Services (pty) Limited

The Group's financial performance has again shown year-on-year improvement, with revenue and profit before tax from continuing operations both increasing, by 6% and 6% respectively

The Group's performance has improved through the ability of its insurance intermediary and price comparison businesses to compete successfully in competitive market conditions The insurance intermediary business successfully grew volumes during the year the policies under management of 2.5 million at the reporting date (2012 2.3 million) The continued success of the 'meerkat' campaign and the rewards program offering free soft toys to customers has again successfully increased market share and profitability for comparethemarket.com The focus for the intermediary business is to establish itself as 'distributor of choice' and continue to further develop sales of core products and affinity services through internet and telesales channels

In addition to pre-tax profit and customer policy numbers, other important KPIs include underwriters' net rate inflation, price comparison volumes and market share Net rates have reduced by approximately 10% in the current year (2012 10%) Price comparison volumes and market share continue to be strong and have performed above expectations in the current year

During the year the Group's affinity division, Junction, launched a new scheme for Zenith Direct and the existing contract with RAC Finance Services was extended with a 5 year term expiring 31 December 2017

## **BFSL Limited**

**Year ended 30 June 2013**

### **Report of the directors**

The Group's working capital position remains strong and the monthly cash flow cycle enables the Group to operate without any significant levels of long-term debt

#### **Risks and uncertainties**

The principle risks and uncertainties affecting the company (and group) are described further in this directors' report and also in note 2

#### **Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above and detailed within the risk management section in note 2. The financial position of the Group and Company are disclosed on their respective statements of financial position on pages 8 and 9. The directors are satisfied that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Directors**

The directors of the Company during the year were

PA Winslow CBE  
S Klinkert  
MO Donaldson (appointed 1 July 2013)  
AB Lenman (appointed 1 July 2013)  
IR Leech (resigned 1 July 2013)  
BGL Group Limited (resigned 1 July 2013)

The changes are part of the Group's ongoing growth and planning for the future. Within the new structure, Peter Winslow moved from Chief Executive Officer to Executive Chairman of the BGL Group, a newly created position, with Chief Operating Officer Matthew Donaldson taking on the role of Chief Executive Officer.

For the Group, succession planning has long been a priority, and these developments were seen as evolution, not revolution. Matthew and Peter have worked together closely for a number of years and share a common vision for BGL Group's future direction. Peter will remain very much part of the Group, but become less involved in the day-to-day running of the business.

Each of the persons who are directors at the time when this report is approved have confirmed that

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

#### **Auditors**

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

#### **Corporate governance**

The BGL Group is committed to high standards of corporate governance appropriate to the size and nature of the business. The board of directors of BGL Group Limited ("the BGL Board") is the governing body of the BGL Group and is responsible for the strategic management of the business and all operational matters. The BGL Board has management authority over all subsidiaries within the BGL Group and accordingly individual board meetings for subsidiaries including BFSL Limited are restricted to statutory and certain operational matters.

The BGL Group maintains a comprehensive level of monitoring, compliance, regulation, assurance and risk assessment in relation to all of its regulated entities. The following Group subsidiaries are authorised or regulated by statutory bodies.

## **BFSL Limited**

**Year ended 30 June 2013**

### **Report of the directors**

- BSL Limited and ACM ULR Limited are authorised and regulated by the Financial Conduct Authority ("FCA"),
- Budget Insurance Company Limited is authorised by the Prudential Regulation Authority ("PRA") and regulated by both the FCA and PRA,
- Minster Law Limited is regulated by the Solicitors Regulation Authority ("SRA") and authorised and regulated by the FCA,
- Courtanet SAS is regulated by the Organisme pour le registre des intermédiaires en assurance ("ORIAS"), and
- Verzekeringssite BV is regulated by the Autoriteit Financiële Markten ("AFM")

The BGL Board 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 of the BGL Group Limited.

### **Market value of land**

The directors are of the opinion that the market value of land is not materially different to carrying value.

### **Charitable and other donations**

The year to 30 June 2013 saw the Group complete the first year of a new 5-year CSR programme with a theme to 'Reduce Poverty, Create Prosperity'. The Group has included among its core strategic targets the goal to donate £3m to good causes by July 2017.

The programme addresses charitable projects under four key areas:

- International – fundraising and corporate donations to exclusively finance the building of schools and clinics in poverty-stricken countries around the world. This year saw the Group build four pre-school classrooms in deprived areas of Guatemala. Funding in the year totalled £237,000, including funds raised by BGL Group employees.
- National – a corporate partnership with The Prince's Trust sees the Group provide both donations and volunteering support from employees to help young people find employment and training. This year 33 employees gave their time to support disadvantaged young people. This year's corporate donation totalled £90,000.
- City – Employee-led committees within the Group's Peterborough, Sunderland and Coventry offices agree levels of funding support for local schools, charities and other community organisations. Donations in the year totalled £115,000.
- Individual – The BGL Group encourages all employees to pursue their own charitable interests and provides each with a day's paid leave for volunteering. Employees' own fundraising is eligible for match-funding up to a value of £500 per person per year. The total spent on match funding in the year was £26,000. A further £28,000 was donated on an 'ad-hoc' basis to causes including Unicef, Sue Ryder and Peterborough's charity firework event.

### **Creditor payment policy**

It is the Group's policy to pay creditors as they fall due under each individual contractual arrangement. All non-insurance related creditors are paid by BGL Group Limited and creditor days are disclosed in the directors' report of that company.

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**BFSL Limited****Year ended 30 June 2013****Report of the directors****Employee involvement**

The BGL 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.

**On behalf of the board**

AB Lenman  
**Director**

Date 31 October 2013

Pegasus House  
Bakewell Road  
Orton Southgate  
Peterborough  
PE2 6YS

## **BFSL Limited**

**Year ended 30 June 2013**

### **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgments and estimates that are independent and reasonable,
- state whether they have been prepared in accordance with IFRS as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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 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 BFSL Limited**

We have audited the financial statements of BFSL Limited for the year ended 30 June 2013 set out on pages 7 to 49. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU ("IFRS") and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2013 and of the Group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the EU,
- the parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

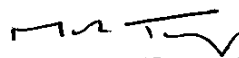
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept 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.

  
Mark Taylor (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants, 15 Canada Square, London, E14 5GL  
Date 4 November 2013



**BFSL Limited****Year ended 30 June 2013****Consolidated statement of comprehensive income**

	Note	2013 £000s	2012 £000s
<b>Continuing operations</b>			
Revenues	3	445,213	418,215
Operating expenses	4	(353,489)	(332,157)
<b>Operating profit</b>		<b>91,724</b>	<b>86,058</b>
Finance income	5	3,695	2,158
Finance costs	6	(8,357)	(6,590)
<b>Profit before tax</b>		<b>87,062</b>	<b>81,626</b>
Taxation	7	(17,518)	(21,659)
<b>Profit from continuing operations</b>		<b>69,544</b>	<b>59,967</b>
Discontinued operations (net of tax)	27	-	1,697
<b>Profit for the year</b>		<b>69,544</b>	<b>61,664</b>
<b>Other items of comprehensive income that may be subsequently reclassified to profit or loss.</b>			
Foreign currency translation reserve - movement		(60)	65
<b>Comprehensive income for the year</b>		<b>69,484</b>	<b>61,729</b>
Profit for the year attributable to			
Owners of the company		69,520	62,002
Non-controlling interests		24	(338)
<b>Profit for the year</b>		<b>69,544</b>	<b>61,664</b>
Comprehensive income for the year attributable to			
Owners of the company		69,460	62,067
Non-controlling interests		24	(338)
<b>Comprehensive income for the year</b>		<b>69,484</b>	<b>61,729</b>

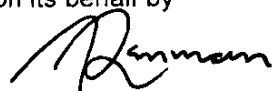
There is no tax attributable to the other items of comprehensive income

The notes on pages 14 to 49 form part of these financial statements

**BFSL Limited****Year ended 30 June 2013****Company Registration Number 2706280****Consolidated statement of financial position**

	Note	2013 £000s	2012 £000s
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	10	23,334	21,634
Other intangible assets	11	22,832	13,611
Property, plant and equipment	12	9,993	9,047
Other investments		275	-
Deferred tax asset	14	7,102	2,271
		<b>63,536</b>	<b>46,563</b>
<b>Current assets</b>			
Inventories	17	1,532	3,568
Trade and other receivables	18	492,203	402,407
Financial assets at fair value through profit and loss	19	4,563	4,185
Cash and cash equivalents	20	27,649	155,475
		<b>525,947</b>	<b>565,635</b>
<b>Total assets</b>		<b>589,483</b>	<b>612,198</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	21	165,648	174,123
Trade and other payables	22	364,300	408,006
Provisions	23	1,318	-
		<b>531,266</b>	<b>582,129</b>
<b>Non-current liabilities</b>			
Provisions	23	326	-
		<b>326</b>	<b>-</b>
<b>Total liabilities</b>		<b>531,592</b>	<b>582,129</b>
<b>Equity</b>			
Share capital	28	5,000	5,000
Other reserves	31	(392)	-
Retained earnings	31	52,883	25,312
Foreign currency translation reserve	31	10	70
Equity attributable to equity holders of Company		<b>57,501</b>	<b>30,382</b>
Non-controlling interests		390	(313)
<b>Total equity</b>		<b>57,891</b>	<b>30,069</b>
<b>Total equity and liabilities</b>		<b>589,483</b>	<b>612,198</b>

The financial statements were approved by the board of directors on 31 October 2013 and signed on its behalf by



AB Lenman  
Director

The notes on pages 14 to 49 form part of these financial statements

**BFSL Limited****Year ended 30 June 2013****Company Registration Number 2706280****Company statement of financial position**

	Note	2013 £000s	2012 £000s
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	10	2,101	2,101
Other intangible assets	11	6,750	6,750
Investments in subsidiaries	15	59,856	40,100
Other investments		275	-
Loans Receivable	16	14,730	-
		<b>83,712</b>	<b>48,951</b>
<b>Current assets</b>			
Trade and other receivables	18	330,161	409,168
		<b>330,161</b>	<b>409,168</b>
<b>Total assets</b>		<b>413,873</b>	<b>458,119</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	21	165,183	172,844
Trade and other payables	22	237,621	270,876
<b>Total liabilities</b>		<b>402,804</b>	<b>443,720</b>
<b>Equity</b>			
Share capital	28	5,000	5,000
Retained earnings	31	6,069	9,399
<b>Total equity</b>		<b>11,069</b>	<b>14,399</b>
<b>Total equity and liabilities</b>		<b>413,873</b>	<b>458,119</b>

The financial statements were approved by the board of directors on 31 October 2013 and signed on its behalf by



AB Lenman  
Director

The notes on pages 14 to 49 form part of these financial statements

**BFSL Limited**

**Year ended 30 June 2013**

**Consolidated statement of changes in equity**

	Share capital	Foreign currency translation reserve	Other reserves	Retained earnings	Total attributable to owners of the company	Non- controlling interests	Total equity
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>At 1 July 2011</b>	<b>5,000</b>	<b>5</b>	<b>-</b>	<b>13,310</b>	<b>18,315</b>	<b>25</b>	<b>18,340</b>
Profit for the year	-	-	-	62,002	62,002	(338)	61,664
Retranslation of foreign subsidiary	-	65	-	-	65	-	65
Equity dividends paid	-	-	-	(50,000)	(50,000)	-	(50,000)
<b>At 30 June 2012</b>	<b>5,000</b>	<b>70</b>	<b>-</b>	<b>25,312</b>	<b>30,382</b>	<b>(313)</b>	<b>30,069</b>
Profit for the year	-	-	-	69,520	69,520	24	69,544
Acquisition of subsidiary	-	-	-	-	-	131	131
Additional investment in subsidiary	-	-	-	-	-	236	236
Purchase of minority shareholding in subsidiary	-	-	-	(949)	(949)	312	(637)
Non-controlling interest put option	-	-	(392)	-	(392)	-	(392)
Retranslation of foreign subsidiary	-	(60)	-	-	(60)	-	(60)
Equity dividends paid	-	-	-	(41,000)	(41,000)	-	(41,000)
<b>At 30 June 2013</b>	<b>5,000</b>	<b>10</b>	<b>(392)</b>	<b>52,883</b>	<b>57,501</b>	<b>390</b>	<b>57,891</b>

The notes on pages 14 to 49 form part of these financial statements

**BFSL Limited****Year ended 30 June 2013****Company statement of changes in equity**

	<b>Share capital £000s</b>	<b>Retained earnings £000s</b>	<b>Total equity £000s</b>
<b>At 1 July 2011</b>	<b>5,000</b>	<b>1,824</b>	<b>6,824</b>
Profit for the year	-	57,575	57,575
Equity dividends paid	-	(50,000)	(50,000)
<b>At 30 June 2012</b>	<b>5,000</b>	<b>9,399</b>	<b>14,399</b>
Profit for the year	-	37,670	37,670
Equity dividends paid	-	(41,000)	(41,000)
<b>At 30 June 2013</b>	<b>5,000</b>	<b>6,069</b>	<b>11,069</b>

The notes on pages 14 to 49 form part of these financial statements

**BFSL Limited****Year ended 30 June 2013****Consolidated statement of cash flows**

		<b>2013</b>	<b>2012</b>
		<b>£000s</b>	<b>£000s</b>
	<b>Note</b>		
<b>Profit for the year</b>		<b>69,544</b>	<b>61,664</b>
Decrease/(increase) in inventories		2,036	(2,908)
Increase in trade and other receivables		30,938	577
Decrease in trade and other payables		18,633	121
Increase in provisions		1,318	-
Net change in financial asset at fair value through profit and loss	19	(378)	2,614
Finance income	5	(3,695)	(2,158)
Finance costs	6	8,357	6,590
Tax expense	7	17,518	21,659
Depreciation of property, plant and equipment	12	285	604
Loss on disposal of property, plant and equipment		-	86
Profit on disposal of subsidiary undertaking	27	-	(5,963)
Movements in foreign exchange		(216)	65
Amortisation of intangible assets	11	2,644	1,227
<b>Cash generated from operations</b>		<b>146,984</b>	<b>84,178</b>
Adjustments for			
Finance income	5	3,695	2,158
Finance costs	6	(8,357)	(6,590)
Tax paid		(22,795)	(20,479)
<b>Cash inflow from operating activities</b>		<b>119,527</b>	<b>59,267</b>
<b>Cash flows from investing activities</b>			
Additions of property, plant and equipment		(170)	(824)
Additions of investment property		-	(5,648)
Additions of intangible assets		(8,319)	(908)
Acquisition of subsidiary undertakings, net of cash acquired	26	(13,098)	-
Acquisition of other investments		236	-
Purchase of minority interest		(637)	-
Disposal of subsidiary undertakings, net of cash disposed	27	-	4,771
<b>Cash (outflow) from investing activities</b>		<b>(21,988)</b>	<b>(2,609)</b>
<b>Cash flows from financing activities</b>			
Net (decrease)/increase in asset-based securitised financing		(7,661)	6,907
Net (decrease) in borrowings		(814)	(1,204)
Amounts (paid to)/received from group undertakings		(175,890)	32,308
Equity dividends paid	29	(41,000)	(50,000)
<b>Cash (outflow) from financing activities</b>		<b>(225,365)</b>	<b>(11,989)</b>
<b>Cash (outflow)/inflow of cash and cash equivalents</b>		<b>(127,826)</b>	<b>44,669</b>
Cash and cash equivalents at beginning of year		155,475	110,806
<b>Cash and cash equivalents at end of the year</b>	20	<b>27,649</b>	<b>155,475</b>

The notes on pages 14 to 49 form part of these financial statements

**BFSL Limited****Year ended 30 June 2013****Company statement of cash flows**

		<b>2013</b>	<b>2012</b>
		<b>£000s</b>	<b>£000s</b>
	<b>Note</b>		
<b>Profit for the year</b>		<b>37,670</b>	<b>57,575</b>
Decrease in trade and other receivables		25,056	3,877
(Decrease)/increase in trade and other payables		(4,239)	23,930
Dividends received		(32,655)	(48,500)
Finance income		(1,955)	(1,171)
Finance costs		7,639	6,645
Tax expense		391	1,780
Profit on disposal of subsidiary undertaking		-	(3,905)
<b>Cash generated from operations</b>		<b>31,907</b>	<b>40,231</b>
Adjustments for			
Finance income		1,955	1,171
Finance costs		(7,639)	(6,645)
Tax paid		(391)	(1,780)
<b>Cash inflow from operating activities</b>		<b>25,832</b>	<b>32,977</b>
<b>Cash flows from investing activities</b>			
Additions to subsidiaries		(5,943)	(10,000)
Acquisition of subsidiary undertakings, net of cash acquired	24	(13,813)	-
Proceeds from redemption of preference shares		-	475
Disposal of subsidiary undertakings, net of cash disposed		-	9,643
Dividends received from related parties		32,655	48,500
<b>Cash inflow from investing activities</b>		<b>12,899</b>	<b>48,618</b>
<b>Cash flows from financing activities</b>			
Net (decrease)/increase in asset-based securitised financing		(7,661)	6,907
Amounts received from/(owed to) group undertakings		9,930	(38,502)
Equity dividends paid		(41,000)	(50,000)
<b>Cash (outflow) from financing activities</b>		<b>(38,731)</b>	<b>(81,595)</b>
<b>Cash inflow of cash and cash equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at beginning of year		-	-
<b>Cash and cash equivalents at end of the year</b>		<b>-</b>	<b>-</b>

The notes on pages 14 to 49 form part of these financial statements

## **BFSL Limited**

**Year ended 30 June 2013**

### **Notes forming part of the 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 with the relevant notes. Accounting policies that affect the financial statements as a whole are set out below. Accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies of the Company and its subsidiaries are set at a group level by the UK parent company, BGL Group Limited ("the BGL Group").

#### **Basis of preparation**

BFSL Limited, a company incorporated in England and Wales, (the "Company"), or 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. The accounting policies below have been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 25.

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

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 Company's functional and presentation currency. Unless otherwise noted, the amounts shown in these financial statements are in sterling (£000's).

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

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.

#### **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. Results of subsidiary undertakings and branches acquired during the financial year are included in Group statement of comprehensive income from the effective date on which control passes. The separable net assets of newly acquired subsidiary undertakings and branches 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.

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. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.



## **BFSL Limited**

**30 June 2013**

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

The Group financial statements consolidate those of the Company and its subsidiaries. Transactions between Group companies are eliminated on consolidation. The parent Company financial statements present information about the Company as a separate entity and not its group. On publishing the parent Company financial statements here together with the Group financial statements, the Company is taking advantage of exemption s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes.

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, which are generally at fair value. 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.

#### **Marketing incentives**

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

#### **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 Company, 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 year and, assets and liabilities are translated at the year-end exchange rates.

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

#### **Insurance assets and liabilities**

Insurance brokers 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. In recognition of this relationship, receivables from insurance broking transactions are not included as an asset of the Group.

Other than the receivable amount for fees and commissions earned on a transaction, which is included within trade receivables, no recognition of the insurance transaction occurs until the Group receives cash in respect of premiums, at which time a corresponding liability is established in favour of the insurer or the client.

In certain circumstances, the Group advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the consolidated statement of financial position as part of trade receivables.

#### **Financial instruments**

All assets and liabilities, with the exception of intangible assets, inventory and prepayments, are classified as financial instruments.

## **BFSL Limited**

**30 June 2013**

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

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

#### **(i) Non-derivative financial assets**

The Group initially recognises financial assets on the date that they are originated

The Group classifies non-derivative financial assets 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.

##### *Loans and receivables*

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

#### **(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*

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

### **Classification of financial instruments issued by the Company**

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

### **Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the 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

## **BFSL Limited**

**30 June 2013**

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

liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

#### **Derivative financial instruments and hedging**

Derivatives 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.

#### **Put options written over non-controlling interests**

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary.

The amount that may become payable under the option on exercise is initially recognised at fair value within borrowings with a corresponding charge directly to equity. The charge to equity is recognised separately in other reserves. The fair value of the put options is subsequently measured at each period end. The movement in the fair value is recognised in other reserves. The Group recognises its best estimate of the amount it is likely to pay, should these put options be exercised by the non-controlling interests, as a liability in the balance sheet.

On exercise the liability is extinguished, and its related other reserves moved to the non-controlling interest reserve. The reserve would therefore be extinguished.

#### **Future developments**

The following pronouncements may be relevant to the Group but were not effective at 30 June 2013 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
IFRS 10 Consolidated Financial Statements	Replaces the existing accounting for subsidiaries and joint ventures. It provides a single model to be applied in the control analysis of investees.	Annual periods beginning on or after 1 January 2014.
IFRS 11 Joint Arrangements	Outlines the accounting by entities that jointly control an arrangement as classified either by a joint venture or a joint operation.	Annual periods beginning on or after 1 January 2014.
IFRS 12 Disclosure of Interests in Other Entities	Contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.	Annual periods beginning on or after 1 January 2014.
IFRS 13 Fair Value Measurement	New standard to replace existing guidance on fair value measurement in different IFRSs with a single definition of fair value, a framework for measuring fair values and disclosures about fair value measurements.	Annual periods beginning on or after 1 January 2013.
IFRS 7 Financial Instruments Disclosures	Amendment to original standard relating to the offsetting of financial assets and financial liabilities.	Annual periods beginning on or after 1 January 2013.
IAS 1 Presentation of Financial Statements	The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those	Annual periods beginning on or after 1 January

## **BFSL Limited**

**30 June 2013**

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

	that would never be reclassified to profit or loss They also preserve the existing option to present the profit or loss and other comprehensive income in two statements	2013
IAS 32 Financial Instruments Presentation	The amendments clarify the offsetting criteria, specifically, when an entity currently has a legal right of set off, and when gross settlement is equivalent to net settlement	Annual periods beginning on or after 1 January 2014
IFRS 9 Financial Instruments	IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset	Annual periods beginning on or after 1 January 2015

The BGL Group is assessing the full impact of these accounting changes and to the extent they may be applicable, none of these pronouncements are expected to cause any material adjustments to the financial statements

The BGL Group has not chosen to adopt any of the above IFRS standards early

New standards IAS 24 (revised), IFRS 7 (revised) and IAS 1 (revised) were adopted by the BGL Group during the previous year. None of these had a material impact on the amounts recognised in the financial statements

## **2. Risk Management**

Risks of the Company and its subsidiaries ("the Group") are managed at a group level by the UK parent company, BGL Group Limited ("the BGL Group")

### **Financial risks**

The BGL Group has in place a risk management programme that seeks to identify and limit potential adverse effects on the financial performance of the Group

The board of directors of BGL Group Limited ("the BGL Board") reviews its risk appetite annually and a risk management framework is established. Risk is assessed within each area of the business. Risks are entered into a Group-wide recording and monitoring system where controls are also identified, resulting in a consolidated risk profile for the BGL Group. A quarterly Group-wide risk report is produced for the Audit Committee

The Audit Committee reviews the implementation of processes for identifying, measuring, managing and controlling risks and receives and commissions reports in relation to risk management activities

The BGL Group's multi-national operations and debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit risks, liquidity and interest rates. The BGL Group has in place a risk management program as described above, using derivative financial instruments where appropriate

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

## **BFSL Limited**

**30 June 2013**

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

#### *Credit risk*

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

#### **Trade receivables**

Concentrations of credit risk with respect to trade receivables are limited due to the Company's and the Group's customer base being large and unrelated. It is the BGL 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 £1.1m (2012: £4.7m) against insurance receivables. A provision of £0.5m (2012: £1.1m) has been made against certain non-insurance receivables. Details of both provisions are disclosed in note 18.

Of the Company's insurance receivables past due but not yet written off, 10.1% (2012: 39.4%) are due within 30 days, 80.7% (2012: 56.9%) are due with 31-60 days and 9.2% (2012: 3.7%) are due in more than 60 days. The latter category is comprised substantially of individuals with whom the Company has entered agreed repayment plans.

#### **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 20.

Measures taken to monitor these risks include exposure reports to monitor counterparty credit risk, review of monthly KPI's relating to receivables write-offs and collection performance.

#### *Liquidity risk*

Liquidity risk is the risk that any company within the BGL Group will have difficulties in paying its financial liabilities.

The BGL Group maintains a mixture of long-term and short-term committed facilities that are designed to ensure the BGL Group has sufficient available funds for operations. The risk is mitigated by a number of financial and non-financial covenants that BGL Group companies have to comply with.

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

The Company has also entered into an omnibus guarantee in respect of the debts and liabilities arising from the loan and overdraft facilities of all the companies within the BGL Group. At 30 June 2013 the maximum exposure of these liabilities was £nil (2012: £nil).

All borrowings are due for repayment within one year.

Measures taken to monitor these risks include a monthly treasury report to the BGL Board, including twelve-month rolling cash flow forecasts and monitoring against the BGL Group's existing and expected future available funding and cash requirements.

#### *Market risk*

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

## **BFSL Limited**

**30 June 2013**

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

#### **Foreign exchange risk**

The Group has operations in France and the Netherlands, and is exposed to foreign exchange risks with respect to the Euro. The Group also had operations in South Africa up until the point of disposal in June 2012.

The Group's net assets by currency were

	<b>Sterling £000s</b>	<b>Rand £000s</b>	<b>Euro £000s</b>	<b>Total £000s</b>
Capital 30 June 2013	54,224	38	3,629	57,891
Capital 30 June 2012	32,106	32	(2,069)	30,069

A 10% change in sterling to Rand/Euro foreign exchange rates would have had the following impact on net assets

	10% increase in sterling/rand rate	10% decrease in sterling/rand rate	10% increase in sterling/euro rate	10% decrease in sterling/euro rate
Capital 30 June 2013	30	(4)	427	(349)
Capital 30 June 2012	4	(3)	(173)	141

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.

The Company is exposed to minimal foreign exchange risk.

#### **Interest rate risk**

The Company and 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 market rate based on commercial paper (that is typically similar to UK Base Rate) plus a fixed premium. Interest on sterling-denominated bank borrowings and amounts payable to and receivable from group undertakings 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 and Company for the financial year is an approximate £0.03m adverse (2012: £0.22m adverse) impact on Group and Company profit after tax and net assets. There is minimal interest rate risk on the group interest bearing assets and liabilities as they are under the control of the BGL Group.

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 BGL 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.

## **BFSL Limited**

**30 June 2013**

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

#### **Non-financial risks (this section is unaudited)**

The BGL Board also identify that in addition to the above, there are a number of non-financial risks to be considered

##### *Capital management risk*

This is the risk that the BGL Group will not maintain sufficient capital to meet its legal obligations, but also to take advantage of opportunities as they arise. For the purpose of the BGL 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 ability to distribute consolidated retained earnings of the BGL Group is also restricted by the covenants under funding arrangements with Lloyds TSB Bank. These restrictions include minimum limits for the BGL Group's consolidated tangible net worth.

In order to comply with the above, and manage the risks around capital, the BGL Group regularly reviews its capital position to ensure suitable headroom is maintained. Quarterly bank covenants are also prepared and submitted to Lloyds TSB Bank for review.

##### *Exposure to risks arising from insurance contracts*

The Group is not subject to risks arising from insurance contracts.

##### *Trading risk*

The BGL 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 on the overall size of the markets in which the BGL Group operates, the claims environment and recoverability of premium receivables,
- risks arising from the insurance underwriting cycle, and
- risks relating to competitor behaviour and the ability of the BGL Group to react quickly and effectively to changes in the market place.

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

##### *Operational risk*

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

##### *Reputational risk*

Reputational risk is the risk of adverse publicity arising from the BGL 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 BGL Group's affinity partner arrangements. The BGL Group seeks to minimise reputational risks wherever possible and also manages these risks where they arise through established communications and public relations channels.

##### *Regulatory risk*

Regulatory risk is the risk that one of the BGL Group's regulated entities detailed below will breach the requirements of its regulator.

- BISL Limited and ACM ULR Limited are authorised and regulated by the Financial Conduct Authority ("FCA"),

## **BFSL Limited**

**30 June 2013**

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

- Minster Law Limited is regulated by the Solicitors Regulation Authority ("SRA") and authorised and regulated by the FCA,
- Courtanet SAS is regulated by the Organisme pour le registre des intermédiaires en assurance ("ORIAS"), and
- Verzekeringssite BV is regulated by the Autoriteit Financiële Markten ("AFM")

This risk is mitigated through effective operation of the governance structures described elsewhere in the Directors Report. Management of risks relating to the BGL Groups interactions with its customers are devolved to individual operating units with detailed management oversight being provided by a dedicated compliance team.

Since November 2011, the sale of insurance through comparison sites has been categorised as regulated activity. Structurally, this has limited impact for the Group given that [comparethemarket.com](http://comparethemarket.com) has always operated as a trading division of BISL Limited, which is a regulated entity.

The Legal Aid, Sentencing and Punishment of Offenders Act 2012 also came into effect from April 2013, which includes, success fees and After the Event Insurance premiums no longer being recoverable from defendants, and the ban on payment and receipt of referral fees. The potential effect on the claims management business within the Group has been mitigated as a result of the prevailing regulatory view that the claims management model operated by the Group remains compliant.

The BGL 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.



**BFSL Limited****30 June 2013****Notes forming part of the financial statements****3. Revenues****Accounting policy**

Revenue consists substantially of gross commissions and fees on insurance 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. For the intermediary businesses this is generally at policy inception and varies depending upon contractual arrangements for the price comparison website and claims management businesses.

The fair value of instalment fees is recognised over the period that credit is provided to policy holders using an effective interest rate methodology. Commission and fees arising from midterm amendments are measured at their fair value and recognised as these services are provided.

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.

Commission is recognised when it can be measured with suitable reliability and the Group has sufficient evidence of their recovery.

Where the Group has post placement servicing obligations which are not sufficiently covered by future revenue, a proportion of revenue 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 the Group receives rental income from operating leases on buildings, this is accounted for on a straight line basis over the lease term.

	<b>Continuing operations</b>		<b>Discontinued operations</b>		<b>Consolidated position</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Brokerage and fee income	445,085	418,215	-	-	445,085	418,215
Other income	128	-	-	10,389	128	10,389
	<b>445,213</b>	<b>418,215</b>	<b>-</b>	<b>10,389</b>	<b>445,213</b>	<b>428,604</b>

**BFSL Limited****30 June 2013****Notes forming part of the financial statements****4 Operating expenses**

	Continuing operations		Discontinued operations		Consolidated position	
	2013	2012	2013	2012	2013	2012
	£000s	£000s	£000s	£000s	£000s	£000s
Salaries and associated expenses						
- Wages and salaries	2,702	982	-	10,757	2,702	11,739
- Social security costs	64	432	-	-	64	432
- Pension Costs	(3)	-	-	-	(3)	-
Impairment charges trade and other receivables	14,322	20,007	-	-	14,322	20,007
Depreciation on property, plant and equipment - owned assets	285	27	-	577	285	604
Amortisation of intangible assets	2,644	1,227	-	-	2,644	1,227
Operating lease rentals	-	-	-	1,260	-	1,260
Auditors fees – fees for the audit of the Company	32	32	-	-	32	32
Auditors fees – fees for the audit of the Company's subsidiaries	294	286	-	19	294	305
Foreign exchange movements	51	322	-	454	51	776
Profit on disposal of property plant and equipment	-	(86)	-	-	-	(86)
Other operating expenses	333,098	308,928	-	942	333,098	309,870
	<b>353,489</b>	<b>332,157</b>	<b>-</b>	<b>14,009</b>	<b>353,489</b>	<b>346,166</b>

Other operating costs of the Group include recharges of £227,085,000 (2012 £219,366,000) from the immediate parent company, BGL Group Limited

Total auditors fees of £326,000 (2012 £337,000) in the above table comprise £322,000 (2012 £314,000) recharged from BGL Group Limited (which are included in the management recharges described above), £nil (2012 £19,000) incurred by Fusion Outsourcing Services (Pty) Limited, a subsidiary of the Company based in South Africa, and £4,000 (2012 £4,000) for Courtanet SAS, a subsidiary of the company based in France

**BFSL Limited****30 June 2013****Notes forming part of the financial statements****5. Finance income**

	<b>Continuing operations</b>		<b>Discontinued operations</b>		<b>Consolidated position</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Interest on loans to group undertakings	3,062	1,586	-	-	3,062	1,586
Interest on bank deposits	633	572	-	146	633	718
	<b>3,695</b>	<b>2,158</b>	<b>-</b>	<b>146</b>	<b>3,695</b>	<b>2,304</b>

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

Interest receivable from group undertakings is charged at 5% above the UK base rate

**6 Finance costs**

	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>
Interest on loans from group undertakings	2,865	2,592
Interest and charges on bank borrowings	5,492	3,998
	<b>8,357</b>	<b>6,590</b>

All amounts relate to continuing operations

The above finance cost is generated from assets held at amortised cost

Interest payable to group undertakings is charged at a range of 0% to 1% above the UK base rate and at a range of 1% to 2% above the UK LIBOR rate

Interest on bank borrowings was charged at a range of interest rates as detailed in note 21

**BFSL Limited****30 June 2013****Notes forming part of the financial statements****7 Taxation****Accounting policy***Current tax*

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

*Deferred tax*

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

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

	<b>2013</b> <b>£000s</b>	<b>2012</b> <b>£000s</b>
<b>Current tax</b>		
UK corporation tax	22,345	21,848
Foreign Tax	(81)	-
	<b>22,264</b>	<b>21,848</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(4,746)	(189)
	<b>17,518</b>	<b>21,659</b>
<b>Tax expense</b>		
Tax from continuing operations	17,518	21,659
Tax from discontinued operations (excluding gain on sale)	-	792
	<b>17,518</b>	<b>22,451</b>

The weighted average rate of tax for the year, based on the UK standard rate of corporation tax and corporation tax rates applicable in overseas jurisdictions, is 22.36% (2012: 25.35%). The actual tax charge for the current year and the previous year differs from the weighted average rate for the reasons set out in the following reconciliation:

**BFSL Limited****30 June 2013****Notes forming part of the financial statements**

	<b>2013</b> <b>£000s</b>	<b>2012</b> <b>£000s</b>
Profit for the period	69,544	61,664
Total tax expense	17,518	22,451
<b>Profit excluding tax expenses</b>	<b>87,062</b>	<b>84,115</b>
Tax at the weighted average corporate tax rate of 22.36% (2012: 25.35%)	<b>19,471</b>	<b>21,323</b>
Effects of		
Expenses not deductible for tax purposes	(91)	-
Income not taxable	-	-
Losses carried forward for which deferred tax is not provided	(892)	1,114
UK Corporation tax rate changes	29	
Other movements	(999)	14
<b>Tax expense</b>	<b>17,518</b>	<b>22,451</b>

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. The change in the tax rate to 23% will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 June 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. It has not yet been possible to quantify the full anticipated effect of the further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

**8. Employees**

The Group has directly employed staff in France and the Netherlands through its subsidiary undertakings.

<b>Location</b>	<b>Avg no of staff 2013</b>	<b>Avg no of staff 2012</b>	<b>Role</b>
South Africa	-	1,424	Call centre direct and support staff
France	26	20	Price Comparison services
Netherlands	22	-	Price Comparison services

All staff in South Africa relate to discontinued operations in the prior year.

The Company's immediate parent, BGL Group Limited, provides all UK personnel services and UK employee numbers are disclosed in its financial statements.

**9. Profit for the financial year**

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £37,670,000 (2012: £57,575,000).

## BFSL Limited

30 June 2013

### Notes forming part of the financial statements

#### 10. Goodwill

##### Accounting policy

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.

##### Negative goodwill

Where the fair value of the net assets acquired by the Group as part of a business combination exceeds the fair value of the consideration paid, the gain is recognised immediately in the statement of comprehensive income.

##### 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, discounted at a rate of interest that reflects the inherent risks, of the CGU to which goodwill relates.

Assessment of the recoverable amount for goodwill is made by assessing the asset CGU value in use and its fair value less costs to sell. 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.

Cost and carrying amount	Group £000s	Company £000s
<b>At 1 July 2011 and 1 July 2012</b>	<b>21,634</b>	<b>2,101</b>
Additions in the year	1,700	-
<b>At 30 June 2013</b>	<b>23,334</b>	<b>2,101</b>

During the year goodwill arose on the acquisition of Verzekeringssite. Further details are provided in the acquisitions note 0.

##### Recognition and allocation to cash generating units

Of the goodwill held £2,757,000 (2012: £2,757,000) has been allocated to the Courtanet business unit and £1,700,000 to the Verzekeringssite business unit. Remaining goodwill of £18,877,000 (2012: £18,877,000) has been allocated to BISL Limited, the company which incorporates the businesses acquired.

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 5 year period, including relevant assumptions around policy volumes and mix (new business and renewals), net rate inflation and acquisition/marketing costs,
- Terminal value of five times year 5 profit before tax, and
- A discount rate of 10% to 25% (2012: 10%)

The DCF calculations show considerable headroom against the carrying value of goodwill.

**Notes forming part of the financial statements**

**11. Other intangible assets**

**Accounting policy**

*Brands*

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

*Computer software and software development*

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

Costs that are directly attributable to the production of identifiable software products controlled by the Group, and that will probably generate future economic benefits exceeding costs beyond one year, are recognised as intangible assets. These include staff costs directly attributable to development of intangible assets. These costs are amortised on a systematic basis over their estimated useful life.

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 over their estimated useful life of 3 years.

Where computer software is so integral to its related hardware that the hardware cannot operate without it, it is accounted for within property, plant and equipment.

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

*Customer bases*

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

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

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

*Affinity Relationships*

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 business relationship such as pricing, insurer panel selection, product design and marketing, and as a result these rights confer direct probable economic benefit to the Group.

The Group capitalises the amounts paid at cost less accumulated amortisation. Amortisation is recognised on a systematic basis over the periods during which related economic benefits arise, usually the length of the original contract. The carrying value of the asset is tested annually for impairment.

**BFSL Limited**
**30 June 2013**
**Notes forming part of the financial statements**
**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 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.

	<b>Brands</b>	<b>Group Customer contracts</b>	<b>Affinity relation- ship</b>	<b>Software</b>	<b>Total</b>	<b>Company Brands</b>
<b>Cost</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>At 1 July 2011</b>	<b>6,750</b>	<b>5,956</b>	<b>2,500</b>	<b>1,347</b>	<b>16,553</b>	<b>6,750</b>
Additions	-	-	-	968	968	-
Effect of movements in exchange rates	-	-	-	(190)	(190)	-
<b>At 30 June 2012</b>	<b>6,750</b>	<b>5,956</b>	<b>2,500</b>	<b>2,125</b>	<b>17,331</b>	<b>6,750</b>
Acquisition through business combination	78	780	-	3,851	4,709	-
Additions	-	399	6,000	1,920	8,319	-
Effect of movements in exchange rates	-	-	-	232	232	-
<b>At 30 June 2013</b>	<b>6,828</b>	<b>7,135</b>	<b>8,500</b>	<b>8,128</b>	<b>30,591</b>	<b>6,750</b>
<b>Amortisation</b>						
<b>At 1 July 2011</b>	-	(1,240)	(250)	(1,133)	(2,623)	-
Amortisation	-	(555)	(500)	(172)	(1,227)	-
Effect of movements in exchange rates	-	-	-	130	130	-
<b>At 30 June 2012</b>	-	(1,795)	(750)	(1,175)	(3,720)	-
Acquisition through business combination	-	-	-	(1,304)	(1,304)	-
Amortisation	-	(698)	(1,700)	(246)	(2,644)	-
Effect of movements in exchange rates	-	-	-	(91)	(91)	-
<b>At 30 June 2013</b>	-	(2,493)	(2,450)	(2,816)	(7,759)	-
<b>Net book value</b>						
<b>At 30 June 2013</b>	<b>6,828</b>	<b>4,642</b>	<b>6,050</b>	<b>5,312</b>	<b>22,832</b>	<b>6,750</b>
<b>At 30 June 2012</b>	<b>6,750</b>	<b>4,161</b>	<b>1,750</b>	<b>950</b>	<b>13,611</b>	<b>6,750</b>

There are no commitments to purchase intangible assets at the reporting date



## **BFSL Limited**

**30 June 2013**

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

With a carrying value of £6,750,000, brands are deemed to have an indefinite life as they are expected to have a value in use that does not erode or become obsolete over time. Consequently they are not amortised but annually tested for impairment.

All additions to software development relate to internally developed software, and all additions to customer bases and affinity relationships has been acquired separately.

During the year, the Group acquired the contractual rights to manage the an affinity partner book over 5 years. As this will lead to enhanced future income streams the cost of acquisition was capitalised as an intangible asset. The carrying value of this asset at 30 June 2013 amounted to £4,800,000.

There has been no impairment during the year.

### **12. Property, plant and equipment**

#### **Accounting policy**

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 annual rates:

Computer equipment	-	20 - 25% per annum
Office furniture and equipment	-	20% per annum
Fixtures and fittings	-	Over the term of the lease
Motor vehicles	-	25% per annum
Buildings	-	4% 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 comprehensive income in the year of impairment.

Leasehold improvements are included within fixtures and fittings.

# BFSL Limited

30 June 2013

## Notes forming part of the financial statements

Group	Land	Buildings	Leasehold improvements and fixtures and fittings	Office equipment	Computer equipment	Motor Vehicles	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Cost</b>							
At 1 July 2011	-	-	1,835	88	2,567	-	4,490
Additions	-	-	144	15	676	-	835
Disposals	-	-	(62)	(27)	(161)	-	(250)
Disposals of assets of subsidiary	-	-	(1,917)	(76)	(2,874)	-	(4,867)
Transfer from investment property	2,917	6,194	-	-	-	-	9,111
Effect of movements in exchange rate	-	-	-	-	(9)	-	(9)
<b>At 30 June and 1 July 2012</b>	<b>2,917</b>	<b>6,194</b>	<b>-</b>	<b>-</b>	<b>199</b>	<b>-</b>	<b>9,310</b>
<b>Acquisition through business combination</b>							
Additions	-	83	2,015	32	1,818	17	3,882
Disposals	-	-	-	2	85	-	170
Effect of movements in exchange rates	-	-	-	-	(21)	-	(21)
	-	-	-	3	28	-	31
<b>At 30 June 2013</b>	<b>2,917</b>	<b>6,277</b>	<b>2,015</b>	<b>37</b>	<b>2,109</b>	<b>17</b>	<b>13,372</b>

### Accumulated depreciation

At 1 July 2011	-	-	787	53	1,513	-	2,353
Charge for the year	-	4	256	10	334	-	604
Disposals	-	-	(53)	(17)	(94)	-	(164)
Disposals of assets of subsidiary	-	-	(990)	(46)	(1,705)	-	(2,741)
Transfer from investment property (impairment)	-	211	-	-	-	-	211
Effect of movements in exchange rates	-	-	-	-	-	-	-
<b>At 30 June and 1 July 2012</b>	<b>-</b>	<b>215</b>	<b>-</b>	<b>-</b>	<b>48</b>	<b>-</b>	<b>263</b>
<b>Acquisition through business combination</b>							
Charge for the year	-	251	1,488	20	1,311	17	2,836
Disposals	-	-	-	12	22	-	285
Effect of movements in exchange rates	-	-	-	-	(21)	-	(21)
	-	-	-	2	14	-	16
<b>At 30 June 2013</b>	<b>-</b>	<b>466</b>	<b>1,488</b>	<b>34</b>	<b>1,374</b>	<b>17</b>	<b>3,379</b>

### Net book value

At 30 June 2013	2,917	5,811	527	3	735	-	9,993
At 30 June 2012	2,917	5,979	-	-	151	-	9,047

## BFSL Limited

30 June 2013

### Notes forming part of the financial statements

During the previous year, the Group transferred the book value of investment property to property plant and equipment as it was brought into use in June 2012 within the Group

The Group has adopted a cost model when valuing the building Depreciation of £252,431 (2012 £4,073) has been charged on the property this year

There were capital commitments to purchase investment property of £nil (2012 £123,279) at the reporting date

All assets are pledged as security for the Group borrowings (see note 21)

#### 13. Investment property

##### Accounting policy

Investment property is property in the course of development which was held for future use Investment property is measured at cost with depreciation recognised through the profit and loss over the life of the asset

Depreciation is not provided on freehold land or assets under construction

	Land	Office buildings	Total
	£000s	£000s	£000s
<b>Cost</b>			
<b>At 1 July 2011</b>	<b>2,768</b>	<b>695</b>	<b>3,463</b>
Additions	149	5,499	5,648
Transfer to property, plant and equipment	(2,917)	(6,194)	(9,111)
<b>At 30 June 2012 and 30 June 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciation</b>			
<b>At 1 July 2011</b>	<b>-</b>	<b>(211)</b>	<b>(211)</b>
Transfer to property, plant and equipment	-	211	211
<b>At 30 June 2012 and 30 June 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>			
<b>At 30 June 2012 and 30 June 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>

The investment property was brought into use in June 2012 within the Group and has therefore been transferred to property, plant and equipment

The fair value of the investment property was deemed the same as the costs incurred in the construction of the property

Capitalised borrowing costs of £nil (2012 £30,827) were included in additions during the period

**BFSL Limited****30 June 2013****Notes forming part of the financial statements****14 Deferred tax**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Property, plant and equipment	(36)	(27)	-	-
Other temporary differences	7,138	2,298	-	-
<b>Deferred tax asset</b>	<b>7,102</b>	<b>2,271</b>	<b>-</b>	<b>-</b>
Deferred tax asset at start of the year	2,271	3,451	-	390
Deferred tax (liability) on acquisition	(203)	-	-	-
Deferred tax (liability) on discontinued operations	-	(1,166)	-	-
Deferred tax asset/(liability) on retranslation	288	(203)	-	-
Deferred tax credit/(debit) to the income statement	4,746	189	-	(390)
<b>Deferred tax asset at the end of the year</b>	<b>7,102</b>	<b>2,271</b>	<b>-</b>	<b>-</b>

Deferred tax relates to property, plant and equipment, provisions and to overseas tax losses accumulated, and has been charged directly to the statement of comprehensive income

**Details of movements in deferred tax**

	<b>Property, plant and equipment</b>	<b>Other temporary differences</b>	<b>Deferred tax liability / (asset)</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>At 1 July 2011</b>	-	3,451	3,451
Recognised in income	(27)	216	189
On discontinued operations	-	(1,166)	(1,166)
Retranslation	-	(203)	(203)
<b>At 30 June 2012</b>	<b>(27)</b>	<b>2,298</b>	<b>2,271</b>
Recognised in income	(9)	4,755	4,746
On acquisition of company	-	(203)	(203)
Retranslation	-	288	288
<b>At 30 June 2013</b>	<b>(36)</b>	<b>7,138</b>	<b>7,102</b>

**BFSL Limited****30 June 2013****Notes forming part of the financial statements****15. Investments in subsidiaries****Accounting policy**

In the Company's statement of financial position, 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 statement of comprehensive income 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.

**Company**

	<b>£000s</b>
<b>Cost</b>	
<b>At 1 July 2011</b>	<b>43,785</b>
Additions	10,000
Disposals	(251)
<b>At 1 July 2012</b>	<b>53,534</b>
Additions	19,756
<b>At 30 June 2013</b>	<b>73,290</b>
<b>Aggregate impairment loss</b>	
At 30 June 2012 and 30 June 2013	<b>(13,434)</b>
<b>Carrying amount</b>	
At 30 June 2013	<b>59,856</b>
At 30 June 2012	<b>40,100</b>

The addition to investments during the year is in respect of the purchase of Verzekeringssite BV (£3,780,000), Minster Law Limited (£11,368,000) and Courtanet SAS (£4,608,000). For further details see note 0.

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

<b>Name</b>	<b>Proportion of ordinary share capital held</b>		<b>Nature of Business</b>
	<b>2013</b>	<b>2012</b>	
BISL Limited	100%	100%	Insurance intermediary
ACM ULR Limited	100%	100%	Claims management
Bakewell Property Development Limited	100%	100%	Property management
Courtanet SAS (incorporated in France)	100%	85%	Price comparison
BGL Direct Life Limited	100%	100%	Insurance intermediary
<b>Acquired during the year</b>			
Verzekeringssite BV (incorporated in the Netherlands)	85%	nil	Price comparison
Minster Law Limited	100%	nil	Solicitors

All subsidiaries were incorporated in England and Wales unless otherwise stated.

## **BFSL Limited**

**30 June 2013**

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

#### **16. Loans receivable**

Company loans receivable of £14,730,000 (2012: £nil) represents a long-term loan made to a subsidiary Courtanet SAS and is therefore unrated. The loan attracts interest at Euribor base rate plus 2% and is payable monthly. The loan capital is repayable by 31 December 2020. The loan has been fully serviced during the period and management believe it fully recoverable.

#### **17. Inventories**

##### **Accounting policy**

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, production or conversion costs 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.

##### **Group**

	2013 £	2012 £
Finished goods	<u>1,532</u>	<u>3,568</u>

Finished goods relates to inventory held for a customer reward scheme. During the year, costs were recognised in operating expenses as goods were dispatched. No items of inventory have been written down in the year.

#### **18. Trade and other receivables**

##### **Accounting policy**

##### *Prepaid commissions*

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

##### *Doubtful receivables*

Group policy is to write off doubtful insurance receivables shortly after identification and then credit any recovered amounts to the statement of comprehensive income 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.

**BFSL Limited****30 June 2013****Notes forming part of the financial statements**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Trade receivables	348,290	297,761	249,295	276,182
Amounts due from related undertakings	67,727	44,028	79,310	132,986
Other receivables at fair value through profit or loss	16,000	16,000	-	-
Other receivables	10,066	3,926	-	-
Corporate tax receivable	1,066	434	-	-
Accrued income	35,487	23,972	-	-
Prepayments	13,567	16,286	1,556	-
	<b>492,203</b>	<b>402,407</b>	<b>330,161</b>	<b>409,168</b>

Trade receivables of £nil (2012 £929,000), accrued income of £nil (2012 £nil), prepayments and accrued income of approximately £1,635,000 (2012 £6,668,000) and other receivables at fair value through profit or loss of £16,000,000 (2012 £16,000,000) are forecast to be received under agreed collection arrangements or recognised in the statement of comprehensive income after more than 12 months from the reporting date. All other amounts fall due for payment within one year.

Trade receivables include a total provision of £1,678,000 (2012 £5,786,000), of which £455,000 (2012 £1,114,000) are against non-insurance related receivables.

Trade receivables include £nil (2012 £5,423,000) of accrued consideration in relation to the sale of discontinued operations (see note 27 for details).

Certain trade receivables subject to instalment collection arrangements have been securitised. See note 21 for further details.

Other receivables at fair value through profit or loss of £16,000,000 (2012 £16,000,000) represent receivables from specific affinity partners. 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 in to account the most likely expected cash flows due at the end of the contract, and then applying a 10% prudency margin to take into account possible downgrade risk as assessed by management modelling. A further discount of 0.95% (2012 0.95%) was then applied to take account of the time value of money.

There has been no change in carrying value during the financial year.

Trade debtors included long term contract debtors of £73,952,000 (2012 nil). These long term contract debtors are held as security for other loans held by the group.

Unbilled disbursements are disclosed net in the financial statements. At 30 June 2013 £5,042,000 (2012 nil) remained unpaid. The disbursements became payable, and hence recoverable, if the case is won.

Long term contract balances relate to work done with major insurance companies, and as such there is significant certainty around the successful settlement and recoverability of these amounts.

All other trade and other receivables, with the exception of prepayments, have been classified as loans and receivables.

## **BFSL Limited**

**30 June 2013**

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

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

Of the financial assets at fair value through profit or loss, £4,563,000 (2012 £4,185,000) represents the fair value of total trail commission receivable from a product provider where no subsequent servicing obligations exist under the contract

These assets are designated Level 3 fair values under 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. The following table sets for a reconciliation of opening and closing balances for these assets

<b>Group</b>	<b>2013 £000s</b>	<b>2012 £000s</b>
<b>Brought Forward</b>	<b>4,185</b>	<b>6,799</b>
Purchases	4,257	5,600
Lapses	967	(3,701)
Settlements	(4,846)	(4,513)
<b>Carry Forward</b>	<b>4,563</b>	<b>4,185</b>

The net credit to revenue in 2013 was £378,000 (2012 debit £2,614,000)

#### **20. Cash and cash equivalents**

##### **Accounting policy**

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 are cash or cash equivalents set aside for a specific purpose due to them 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

	<b>2013 £000s</b>	<b>2012 £000s</b>
Restricted cash and cash equivalents	750	4,000
Cash and cash equivalents	26,899	151,475
	<b>27,649</b>	<b>155,475</b>

BISL Limited operates a South African Rand bank account with a balance of £273,922 (2012 £32,209) at the reporting date

Courtanet SAS operate a Euro bank account with a balance of £500,000 (2012 £15,000) at the year end



**BFSL Limited****30 June 2013****Notes forming part of the financial statements**

All of the cash held is classified as a loan and receivable

The carrying amount of these assets approximates their fair value

Restricted cash and cash equivalents is in respect of collateral held as part of a customer contract. The corresponding payable is included in trade payables (2013 £nil, 2012 £3,250,000) and other payables (2013 £750,000, 2012 £750,000)

All cash in the Company is unrestricted

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.

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

	<b>2013</b> <b>£000s</b>	<b>2012</b> <b>£000s</b>
AA	-	-
AA-	-	60,090
A+	-	-
A	27,649	95,385
Not rated	-	-
	<b>27,649</b>	<b>155,475</b>

**21. Borrowings****Accounting policy**

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.

	<b>Group</b>		<b>Company</b>	
	<b>2013</b> <b>£000s</b>	<b>2012</b> <b>£000s</b>	<b>2013</b> <b>£000s</b>	<b>2012</b> <b>£000s</b>
<b>Current</b>				
Bank loans and overdrafts due within one year or on demand				
Bank overdraft secured	109	112	-	-
Bank loans secured	356	1,167	-	-
Asset-based securitised financing	165,183	172,844	165,183	172,844
	<b>165,648</b>	<b>174,123</b>	<b>165,183</b>	<b>172,844</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.

## BFSL Limited

30 June 2013

### Notes forming part of the financial statements

In addition to the asset-based securitised financing described above, the Group has substantial available but undrawn borrowing facilities that are subject to review during the 2015 financial year. These facilities comprise a £200 million securitisation facility (reduced to £190 million in July 2013) maturing August 2014.

The bank loans and overdraft classified as current are secured by a fixed and floating charge over all the assets.

Bank loans are denominated in Sterling (2012 Sterling), and bear interest based on bank base rate and LIBOR.

All of the above have been classified as financial liabilities measured at amortised cost.

The effective interest rates at the reporting dates were as follows:

	2013	2012
Bank overdraft secured	1.25%	1.25%
Bank loans secured	1.88%	1.71%
Asset-based securitised financing	2.29%	2.15%

### 22 Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	£000s	£000s	£000s	£000s
Trade creditors	156,171	134,936	-	-
Amounts owed to related undertakings	177,728	244,976	217,817	246,833
Other creditors	2,140	1,805	267	107
Accruals and deferred income	28,261	26,289	19,537	23,936
	<b>364,300</b>	<b>408,006</b>	<b>237,621</b>	<b>270,876</b>

All of the above have been classified as financial liabilities measured at amortised cost.

### 23. Provisions

#### Accounting policy

##### 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. The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

##### 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.

**BFSL Limited****30 June 2013****Notes forming part of the financial statements**

	<b>Dilapidations</b>	<b>Claw back provisions</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	
<b>At 1 July 2011 and 30 June 2012</b>	-	-	-
Transfer of provision	-	813	813
Increase on acquisition of subsidiary	326	-	326
Increase in provision	-	3,789	3,789
Amounts paid	-	(3,284)	(3,284)
<b>As at 30 June 2013</b>	<b>326</b>	<b>1,318</b>	<b>1,644</b>
Current provisions	-	1,318	1,318
Non-current provisions	326	-	326
<b>At 30 June 2013</b>	<b>326</b>	<b>1,318</b>	<b>1,644</b>

The above claw back provisions relate to an estimation of the insurer claw back of commission following the lapse of policies recognised as income over the period. The key assumption in this accounting estimate is the future lapse rate.

**24. Financial instruments**

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

**25 Critical accounting judgements and key sources of estimation uncertainty****Critical judgements in applying the Group's accounting policies**

Other than as indicated in the notes to the financial statements, no judgements have been made by the management that have significant effect on the amounts recognised in the financial statements.

**Key sources of estimation uncertainty**

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

## BFSL Limited

30 June 2013

### Notes forming part of the financial statements

#### 26. Acquisitions

On 25 July 2012, BFSL Limited acquired 85% of the share capital of the Netherlands price comparison company Verzekeringssite BV

Consideration	£000s	€000
Cash	2,444	3,110
<b>Total consideration</b>	<b>2,444</b>	<b>3,110</b>
<b>Provisional fair values of assets and liabilities acquired</b>		
Intangible assets	1,430	1,820
Fixed assets	23	29
Trade and other receivables	406	516
Cash and cash equivalents	98	125
Trade and other payables	(668)	(850)
Deferred Tax Liability	(414)	(527)
<b>Total</b>	<b>875</b>	<b>1,113</b>
<b>Non-controlling interest</b>	<b>(131)</b>	<b>(167)</b>
<b>Goodwill</b>	<b>1,700</b>	<b>2,164</b>
<b>Total</b>	<b>2,444</b>	<b>3,110</b>

Goodwill was recognised on the purchase of Verzekeringssite BV and is made up of the knowhow and relationships built by Verzekeringssite BV prior to its purchase by the Group. None of the goodwill is deductible for tax purposes.

The Group incurred acquisition costs of £120,000 relating to legal fees and due diligence costs that are included in administrative expenses.

The fair value of the acquired identified intangible assets is £1,430,000.

The fair value and gross contractual amount of trade and other receivables is £406,000. £Nil is expected to be uncollectible.

Non-controlling interest in Verzekeringssite BV of £168,000 was calculated as 15% of the net assets recognised in Verzekeringssite BV.

The revenue included in the consolidated statement of comprehensive income since 25 July 2012 contributed by Verzekeringssite BV was £1,091,000. Verzekeringssite BV also contributed profit of £622,000 over the same period.

Had Verzekeringssite BV been consolidated from 1 July 2012, the consolidated statement of income would show revenue of £446,403,000 and profit of £86,383,000.

## **BFSL Limited**

**30 June 2013**

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

On 28 June 2013, BFSL Limited acquired 100% of the share capital of the UK solicitor company Minster Law Limited

<b>Consideration</b>	<b>£000s</b>
Cash	11,368
<b>Total consideration</b>	<b><u>11,368</u></b>
<b>Provisional fair values of assets and liabilities acquired</b>	
Intangible assets	1,974
Fixed assets	1,028
Trade and other receivables	96,905
Cash and cash equivalents	616
Trade and other payables	(89,155)
<b>Total</b>	<b><u>11,368</u></b>
<b>Non-controlling interest</b>	-
<b>Goodwill</b>	-
<b>Total</b>	<b><u>11,368</u></b>

The Group incurred acquisition costs of £nil

No fair value adjustments have been made

There are no separable intangible assets for which any value has been subscribed

The fair value and gross contractual amount of trade and other receivables is £96,905,000 £Nil is expected to be uncollectible

Minster Law Limited and the Group have a pre-existing trading relationship This amounted to £39,951,000 of revenue for the Group in the year

Had Minster Law Limited been consolidated from 1 July 2012, the consolidated statement of income would show revenue of £547,352,000 and profit of £86,463,000

**BFSL Limited****30 June 2013****Notes forming part of the financial statements****27. Discontinued operations**

On 21 June 2012 BFSL Limited sold Fusion Outsourcing Services (Pty) Limited (South Africa),

	<b>Note</b>	<b>2012 £000s</b>
<b>Results of discontinued operation</b>		
Revenue	3	10,389
Expenses	4	(14,009)
Finance income	5	146
<b>Results from operating activities</b>		<b>(3,474)</b>
Taxation	7	(792)
<b>Results from operating activities, net of income tax</b>		<b>(4,266)</b>
Gain on sale of discontinued operation		5,963
<b>Profit/(loss) for the period</b>		<b>1,697</b>
		<b>2012</b>
<b>Cash flows from (used in) discontinued operation</b>		
Net cash used in operating activities		-
Net cash from/(used in) investing activities		4,771
Net cash from financing activities		-
<b>Net cash from/(used in) discontinuing operation</b>		<b>4,771</b>
	<b>Note</b>	<b>2012 £000s</b>
<b>Effect of disposal on the financial position of the Group</b>		
Property, plant and equipment	12	(2,126)
Trade and other receivables		(2,539)
Cash and cash equivalents		(229)
Trade and other payables		1,300
<b>Net assets</b>		<b>(3,594)</b>
<b>Total consideration</b>		
Consideration received, satisfied in cash		5,000
Cost of disposal		(866)
Accrued consideration in 2012 now paid		5,423
		<b>9,557</b>
Consideration received, satisfied in cash		5,000
Cash and cash equivalents disposed of		(229)
<b>Net cash inflow</b>		<b>4,771</b>

## **BFSL Limited**

**30 June 2013**

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

#### **28 Share capital**

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>

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

#### **29. Dividends**

##### **Accounting policy**

Dividends on equity instruments that are declared and paid in an accounting period are recognised in that accounting period. Dividends are not a liability until such time as they are declared and approved by the board of directors

The Company paid the following dividends during the financial year

- £4 60 per share on 28 September 2012, of which £21,275,000 was paid to BGL Group Limited and £1,725,000 to minority shareholders, and
- £3 60 per share on 21 December 2012, of which £16,650,000 was paid to BGL Group Limited and £1,350,000 to minority shareholders

The Company paid the following dividends during the financial year ended 30 June 2012

- £2 80 per share on 8 September 2011, of which £12,950,000 was paid to BGL Group Limited and £1,050,000 to minority shareholders, and
- £3 20 per share on 19 December 2011, of which £14,800,000 was paid to BGL Group Limited and £1,200,000 to minority shareholders, and
- £4 00 per share on 10 April 2012, of which £18,500,000 was paid to BGL Group Limited and £1,500,000 to minority shareholders

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

The Company has entered into an omnibus guarantee in respect of the debts and liabilities arising from the loan and overdraft facilities of BGL Group Limited and all the companies within the BFSL Limited group. At 30 June 2013 the maximum exposure to these liabilities was £nil (2012 £nil)

#### **31. Reserves**

Other reserves of £392,000 (debit) relate to the recognition of a put option liability over minority interest shares in Verzekeringssite BV

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

##### *Financial covenants*

The ability to distribute consolidated retained earnings of the Group is restricted by the covenants under funding arrangements with Lloyds TSB Bank. These restrictions include minimum limits for the Group's consolidated tangible net worth

## **BFSL Limited**

**30 June 2013**

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

#### **Foreign currency translation reserve**

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 Company, 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 year and, assets and liabilities are translated at the year-end exchange rates.

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

#### **32. Commitments under operating leases**

##### **Accounting policy**

Leases other than finance leases are treated as operating leases. Their annual rentals are charged to the statement of comprehensive income 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.

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

	<b>2012</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>
Within one year	1,094	111
One to five years	4,149	425
More than five years	607	323
	<b>5,850</b>	<b>859</b>

Operating lease commitment relates to the buildings occupied by Minster Law in York and Wakefield and the building occupied by Courtanet SAS in Paris. The leases on which expires in 2019 and 2020 respectively.

#### **33. Related party transactions**

Transactions between Group companies, which are related parties, have been eliminated on consolidation. Transactions between the Company and its subsidiaries and associates are disclosed below. All intercompany transactions are charged at a rate comparable to prevailing market rates.



## **BFSL Limited**

**30 June 2013**

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

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

- BGL Group Limited Immediate parent company
- Budget Insurance Company Limited Fellow subsidiary of BGL Group Limited
- Coral Underwriting Limited fellow subsidiary

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

- BISL Limited subsidiary undertaking
- Fusion Contact Centre Services Limited subsidiary undertaking
- ACM ULR Limited subsidiary undertaking
- Bakewell Property Development Limited subsidiary undertaking
- Budget Retail Limited subsidiary undertaking
- Courtanet SAS subsidiary undertaking
- Budget Insurance Company Limited fellow subsidiary
- Coral Underwriting Limited fellow subsidiary
- BGL Group Limited immediate parent company
- BGL Direct Life Limited subsidiary undertaking
- Verzekeringssite BV subsidiary undertaking
- Minster Law Limited subsidiary undertaking

The Company acquired the entire share capital of Minster Law Limited on 28 June 2013. Any transactions between the Company and Minster Law before this date is not considered a related party transaction and accordingly not disclosed in this note. Balances between the Company and Minster Law existing at 30 June 2013 have been disclosed accordingly as related party balances.

#### **Related party balances**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>
BGL Group Limited	67,727	44,028
BGL Group Limited	(168,490)	(244,977)
Budget Insurance Company Limited	(9,180)	-
Coral Underwriting Limited	(58)	-
	<b>(110,001)</b>	<b>(200,949)</b>

	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>
Bakewell Property Development Limited	-	8,017
ACM ULR Limited	76,520	51,892
BGL Group Limited	(100,570)	(244,977)
BISL Limited	(116,046)	68,752
Fusion Contact Centre Services Limited	-	(655)
Budget Retail Limited	(1,188)	(1,188)
Courtanet SAS	15,401	4,325
BGL Direct Life Limited	2,102	-
Verzekeringssite BV	17	-
Other dormant subsidiaries	(13)	(13)
	<b>(123,777)</b>	<b>(113,847)</b>

**BFSL Limited****30 June 2013****Notes forming part of the financial statements****Related party transactions**

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>
<b>Interest receivable / (payable)</b>		
BGL Group Limited	3,062	2,592
BGL Group Limited	(2,865)	(1,586)
<b>Dividends paid</b>		
BGL Group Limited	(37,925)	(46,250)
Minority interests	(3,075)	(3,750)
<b>Management and other charges payable (net)</b>		
BGL Group Limited	(227,085)	(219,366)

	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>
<b>Interest receivable/(payable)</b>		
Fusion Outsourcing Services (Pty) Limited	-	26
Bakewell Property Development Limited	(117)	61
ACM ULR Limited	(871)	641
BISL Limited	(302)	61
BGL Group Limited	2,865	(2,424)
Fusion Contact Centre Services Limited	-	(9)
Courtanet SAS	(654)	154
BGL Direct Life Limited	(12)	-
<b>Dividends received</b>		
ACM ULR Limited	8,000	16,500
BISL Limited	24,000	32,000
Fusion Contact Centre Services Limited	655	-
<b>Dividends paid</b>		
BGL Group Limited	(37,925)	(46,250)
Minority interests	(3,075)	(3,750)
<b>Management and other charges receivable/(payable)</b>		
BGL Group Limited	(944)	(1)
BISL Limited	(35,433)	(40,739)

**Directors' emoluments and interests**

None of the directors were remunerated primarily for their services to the Company, and it is not possible to determine the proportion of remuneration which relates to this company. The directors are employed by BGL Group Limited, the parent company, and the emoluments are disclosed within the financial statements of that company.

## **BFSL Limited**

**30 June 2013**

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

Director's interests in the shares of the Company are as follows

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
S Klinkert	125,000	125,000
PA Winslow CBE	250,000	250,000

#### **34 Events after the reporting date**

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

#### **35. Ultimate and immediate holding company**

The Company is a subsidiary undertaking of BGL Group Limited which is a company incorporated in England and Wales. The ultimate controlling party is Budget Holdings Limited.

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

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