



For Immediate Release

**Billing Services Group Limited**  
**(“BSG” or the “Company”)**

**Unaudited interim results for the six months ended June 30, 2010**

**FAVORABLE FIRST HALF PERFORMANCE ON  
REVENUE GROWTH AND STRONG CASH FLOW**

**TRADING IN LINE WITH EXPECTATIONS**

**(August 13, 2010) San Antonio, Texas** - BSG, a leading provider of clearing, settlement, payment and financial risk management solutions for the telecommunications industry, merchants and online stores, today announces its unaudited interim results for the six months ended June 30, 2010.

**Financial Highlights**  
*(All amounts in US\$)*

	<b>Six Months Ended June 30</b>		
	<b>2010</b>	<b>2009</b>	<b>% Change</b>
Revenues	\$75.5 million	\$ 71.6 million	+ 5%
EBITDA <sup>(1)</sup>	\$18.6 million	\$ 19.2 million	- 3%
Net income	\$ 4.5 million	\$ 5.8 million	- 22%
Net income per basic share	\$0.02 per share	\$0.02 per share	-
Net income per diluted share	\$0.02 per share	\$0.02 per share	-

(1) EBITDA (a non-GAAP measure) is computed as earnings before interest expense, income taxes, depreciation, amortization and other non-cash and non-recurring expenses.

**Operational Highlights**

- Revenue increased by \$3.9 million (5%) to \$75.5 million (2009: \$71.6 million)
- Bill2Phone™ revenue increased by \$3.7 million to \$4.3 million in the first half of 2010 (2009 first half: \$0.6 million; 2009 second half: \$1.3 million)
- Implemented a reduction in force which will lower future annual operating expenses by approximately \$2.2 million

## **Current Trading**

- Year-to-date results are modestly better than expectations
- Second half revenues and earnings will likely be modestly lower than first half results

### **Commenting on the results, Greg Carter, Chief Executive Officer, said:**

*“Our first half results demonstrate progress in several areas. Revenues advanced 5% due in part to gains in the Bill2Phone™ service offering. With EBITDA of \$18.6 million, we reduced long-term debt by \$5.6 million and increased our cash position by \$4.3 million.*

*Our first priority is to generate revenues from new market-driven product offerings. At the same time, we are acting aggressively to improve processes and capitalize upon cost-reducing opportunities. We made advances in both areas during the first half of 2010.*

*We are confident about the business, though the realities of the current market will likely restrain performance over the near term. Nonetheless, we expect continued successful execution of value-enhancing strategies to generate strong cash flow and pay down long-term debt.”*

### **INQUIRIES:**

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### **NOTE TO EDITORS:**

**BSG ([www.bsgclearing.com](http://www.bsgclearing.com)) was admitted to the AiM market of the London Stock Exchange in June 2005 and trades under the symbol BILL. The Company’s operating subsidiary, BSG Clearing Solutions, is the leading provider of third party clearinghouse services for the North American telecommunications industry.**

## **CHIEF EXECUTIVE'S STATEMENT**

Our results in the first half of 2010 reflected three significant business developments with mixed long-term implications:

- Success in Bill2Phone™ product offering
- Increased revenues from enhanced customer service transactions
- Further cost saving initiatives through a reduction in force

### **Bill2Phone™**

The Bill2Phone™ service is the Company's most prominent new product offering, intended to mitigate the long-term secular decline in wireline telephone usage. Revenues from the product offering totaled \$4.3 million in the first half of 2010, compared to \$0.6 million in the first half of 2009. While on its face the revenue growth is encouraging, we note that more than one-half of the increase resulted from customer service elements, including complaint fees and recourse charges. While some of these revenue sources are customary with any new LEC-product introduction as our customers' marketing plans are refined and tailored to better penetrate the end-user base, our experience tells us that these percentages are unusually high, and the future revenue curve related to abnormally high customer service revenue is generally unsustainable. Accordingly, we are working with both our customer base and the local exchange carriers in reviewing each customer's marketing plan to ensure a sound underlying product offering. Additionally, in order to reduce unwanted product sales, BSG is authenticating each Bill2Phone™ sale through our platform instead of allowing our customers to authenticate their own transactions. This authentication requirement, which has the approval of the LEC community, has necessitated the termination of several Bill2Phone™ customer relationships.

We remain optimistic about the prospects of further revenue growth for Bill2Phone™, but given the long lead cycles associated with the sales process, we do not expect any material contribution to either revenue or EBITDA for the remainder of 2010. As always, we will continue to monitor carefully our tactical sales execution.

### **Customer Service Revenue Increase**

As reported previously, we have been addressing issues related to certain clients' billing records for enhanced services. We have terminated our relationship with some of these clients and worked with others to improve their internal controls and marketing practices. These developments have coincided with an increasingly negative perception of enhanced billing transactions from certain local exchange carriers.

In the short-run, this situation has worked to our benefit. In the first half of 2010, billable customer service revenue for enhanced transactions was \$4.1 million higher than in the first half of 2009. This increase was entirely related to complaint fees charged by the local exchange carriers that we, in turn, charged to the respective customer providing enhanced services. We believe the nature of this revenue is unsustainable in the long-run, and we

expect to experience a modest reduction in enhanced billing volume with a concurrent drop in related customer service revenue through the balance of 2010. To minimize any permanent erosion, we are implementing strategies to safeguard existing enhanced service revenue, including authenticating certain enhanced product sales through our Bill2Phone™ authentication engine, and working diligently with the local exchange carriers to dispel unwarranted perceptions about enhanced billing.

### **Cost Reduction Initiative and Reduction in Force**

We strive to be the low-cost provider in the industry. This requires a continuous review of staffing, technology and processes to ensure operations are conducted in the most cost-efficient manner. During the first half of 2010, we acted upon opportunities to consolidate facilities and streamline operational processes. When fully implemented by the end of 2010, these actions will generate annual savings of approximately \$2.2 million. The restructuring measures resulted in a one-time charge of \$0.8 million in the first half of 2010.

### **Current Trading and Prospects**

We have begun the year with favorable results, and trading was modestly better than expectations. We are seeing promising results from new policies and procedures which address and mitigate the concerns of our LEC partners about enhanced billing. Nonetheless, we expect the second half of the year to show modestly lower revenues and earnings than achieved in the first half, particularly as the volume of billable customer service transactions declines.

Greg Carter  
Chief Executive Officer

## FINANCIAL REVIEW

### **Financial Review of the Six Months Ended June 30, 2010**

The Company's unaudited results for the six months ended June 30, 2010 are compared against the corresponding period of 2009 in the accompanying financial statements. BSG's consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in the United States.

#### **Certain Terms**

**Revenues.** Revenues are derived primarily from fees charged to wireline service providers for data clearing, financial settlement, information management, payment and financial risk management, third party verification and customer service functions.

**Cost of Services and Gross Profit.** Cost of services primarily includes fees charged by local exchange carriers ("LECs") for billing and collection services. Such fees are assessed for each record submitted and for each bill rendered to end-user customers. BSG charges its customers a negotiated fee for LEC services. Accordingly, gross profit is generally dependent upon transaction volume, processing fees charged per transaction and any differential between the LEC fees charged to customers by BSG and the related fees charged to BSG by LECs.

**Cash Operating Expenses.** Cash operating expenses include all selling, marketing, customer service, facilities and administrative costs (including payroll and related expenses) incurred in support of operations and settled through the payment of cash.

**Depreciation and Amortization.** Depreciation expense applies to software, furniture and fixtures, telecommunications and computer equipment. Amortization expense relates to definite-lived intangible assets that are amortized in accordance with ASC 350, *Intangibles – Goodwill and Other*. These assets consist of contracts with customers, contracts with LECs and trademarks. The assets are depreciated or amortized, as applicable, over their respective useful lives. In addition, deferred finance fees are amortized over the term of the related loans.

**Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA").** Earnings before interest expense, income taxes, depreciation and amortization, a non-GAAP metric, is a measurement of profitability often used by investors and lenders. EBITDA excludes non-cash charges and non-recurring items.

**Third Party Payables.** Third party payables include amounts owed to customers in the ordinary course of clearinghouse activities and additional amounts maintained as reserves for retrospective charges from LECs. In its clearinghouse business, the Company aggregates call records submitted by its customers and submits them to LECs for billing to end-user customers. The Company collects funds from LECs each day and, approximately ten days later, distributes to customers the collected cash, net of withholdings, under weekly settlement

protocols. The Company withholds a portion of the funds received from the LECs to pay billing and collection fees of LECs, to pay the Company's processing fees and to serve as a reserve against retrospective charges from LECs. Reserves are generally released to customers over an 18-month period, based upon loss experience. Depending upon the timing of receipts, weekly settlements and reserve releases, both cash and third party payables can fluctuate materially from day-to-day.

### **Comparison of Results for the Six Months Ended June 30, 2010 to the Six Months Ended June 30, 2009**

**Total Revenues.** Total revenues of \$75.5 million during the first half of 2010 were \$3.9 million, or 5%, higher than the \$71.6 million of revenues recorded during the first half of 2009. The \$3.9 million increase reflected \$6.7 million of additional revenue from customer service-related activities for core clearing and settlement offerings and \$3.7 million of additional revenue from Bill2Phone™ services, offset by \$6.3 million of revenue declines in the Company's historical clearing and settlement offerings, particularly enhanced services.

The \$6.7 million increase in revenues from customer service activities includes \$4.1 million related to certain enhanced service clients. The Company has discontinued billing for certain enhanced service clients, and certain LECs have recently limited the Company's ability to bill charges related to newly marketed enhanced services.

**Cost of Services and Gross Profit.** The Company's cost of services in the first half of 2010 was \$45.3 million, compared to \$42.5 million during the first half of 2009. The \$2.8 million, or 7%, increase in cost of services reflected higher LEC fees for billing and collection services associated with elevated levels of revenue. The Company generated \$30.2 million of gross profit in the first half of 2010, compared to \$29.2 million in the same period of 2009. Gross margin of 40.0% in the first half of 2010 was 0.7 points lower than the 40.7% margin achieved in the first half of 2009. The decline in margin largely reflected a greater proportion of revenue generated by complaint fees that carry a lower margin than the Company's overall business, and a discounted billing rate negotiated with a customer for whom the Company did not provide clearinghouse services in the first half of 2009.

**Cash Operating Expenses.** Cash operating expenses were \$11.5 million in the first half of 2010, compared to \$9.9 million in 2009. The \$1.6 million increase in expenses reflected \$0.9 million of higher compensation costs arising from additional personnel, \$0.4 million of increases in the cost of professional services (legal, tax and accounting) and \$0.4 million of additional bad debt expense.

**Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA").** The Company generated \$18.6 million of EBITDA during the first half of 2010, compared to \$19.2 million in 2009.

**Depreciation and Amortization Expense.** Depreciation and amortization expense during the first half of 2010 was \$7.3 million, compared to \$7.2 million in the same period of 2009. The

\$0.1 million increase was attributable to \$0.2 million of higher depreciation charges related to assets added during 2009, offset by \$0.1 million of lower amortization expense related to original issued discount on long-term debt.

***Non-recurring Restructuring Expense.*** In June 2010, the Company recorded \$0.8 million of restructuring charges related to a cost reduction program. The restructuring charges primarily consist of severance and related compensation costs paid or reserved for terminated employees. Given its nonrecurring nature, the expense was not included as a deduction to earnings for purposes of calculating EBITDA.

***Stock-based Compensation Expense.*** The Company recognized \$0.3 million of stock-based compensation expense during the first half of both 2010 and 2009. Stock-based compensation expense, all of which is non-cash, was not included as a deduction to earnings for purposes of calculating EBITDA.

***Interest Expense.*** Interest expense was \$2.7 million during the first half of 2010, which was \$0.3 million lower than the \$3.0 million of expense incurred during the first half of 2009. The lower expense level during the first half of 2010 largely reflected a lower level of outstanding debt during the period.

***Settlement and Mark-to-Market of Derivatives.*** The Company borrows funds on a floating rate basis, typically related to the London Interbank Offered Rate (“LIBOR”). As required by its credit agreement, the Company is obligated to enter into interest rate swap contracts which have the effect of fixing the interest rate on a portion of outstanding debt. During the first half of 2010, the Company recognized a loss of \$0.1 million related to the cancellation of certain interest rate swap contracts. Due to its non-operational nature, the expense was not included as a deduction to earnings for purposes of computing EBITDA.

***Other Income and Expense.*** During the first half of 2010, the Company realized \$0.1 million of other expense compared to \$0.4 million of other income in the first half of 2009. The \$0.4 million of other income in the first half of 2009 included \$0.2 million of income arising from extinguishment of debt. Other income arises from miscellaneous items of a non-recurring nature. Accordingly, other income was not included as earnings for purposes of computing EBITDA.

***Change in Cash.*** BSG’s cash balance at June 30, 2010 was \$18.7 million, compared to \$14.4 million at December 31, 2009. The \$4.3 million increase in cash during 2010 is largely attributable to \$2.6 million of cash flow from operations and an \$8.3 million reduction in receivables purchased from customers, offset by \$5.6 million in principal payments on long-term debt and \$0.8 million in capital expenditures.

***Change in Third Party Payables.*** Third party payables at June 30, 2010, inclusive of long-term liabilities, were \$13.3 million, compared to \$25.5 million at December 31, 2009. The \$12.2 million reduction in third party payables during the first half of 2010 resulted from \$6.5 million of net payments in the ordinary course of clearinghouse settlements (see ‘*Certain Terms*’ above), \$4.4 million paid from net collections of purchased receivables and a \$1.3

million reduction in liabilities related to the Company's dial-around compensation clearing business.

When the Company purchases receivables from a customer, the Company typically advances approximately 50% of the gross receivable amount to the customer. The remaining 50% is classified as a third party payable until the Company completes settlement activities related to the purchased receivable. During the first half of 2010, the Company reduced purchased receivables by \$8.3 million, which resulted in a \$4.4 million reduction in third party payables. The Company's dial-around compensation service is essentially a pass-through cash account into which the Company deposits certain receipts from long distance carriers and distributes such amounts, net of fees, to pay phone owners.

***Change in Working Capital.*** The Company's working capital position (net of funded debt) at June 30, 2010 was \$20.6 million compared to \$17.1 million at December 31, 2009. The \$3.5 million improvement largely resulted from \$4.5 million of net income and \$7.3 million of non-cash charges for depreciation and amortization, offset by \$5.6 million in principal payments on long-term debt, a \$1.5 million reduction in long-term liabilities, \$0.8 million in capital expenditures and a \$0.6 million reduction in deferred taxes – noncurrent.

***Capital Expenditures.*** During the first half of 2010, the Company purchased \$0.8 million of software, telecommunications equipment and computer hardware.

### **Cash Flow for the Six Months Ended June 30, 2010**

***Cash flow from operating activities.*** Net cash provided by operating activities was \$2.6 million during the first half of 2010. Net cash provided was principally attributable to \$4.5 million of net income, \$7.3 million of depreciation and amortization, a \$3.4 million decrease in accounts receivable and a \$1.2 million increase in accrued liabilities, offset by a \$12.2 million decrease in third-party payables, a \$1.0 million decrease in the provision for deferred taxes and a \$0.6 million increase in other current assets and other assets.

***Cash flow from investing activities.*** Cash provided by investing activities was \$7.5 million, reflecting an \$8.3 million reduction in purchased receivables offset by \$0.8 million of capital expenditures.

***Cash flow from financing activities.*** Cash used in financing activities was \$5.6 million, reflecting principal payments on long-term debt.

A copy of this statement is available on the Company's website ([www.bsgclearing.com](http://www.bsgclearing.com)) and copies are available from BSG's Nominated Advisor at the address below:

**Billing Services Group Limited**  
c/o Evolution Securities Limited  
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## Forward Looking Statements

*This report contains certain "forward-looking" statements and information relating to the Company that are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate," "believe," "estimate," "expect" and "intend" and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitation, competitive factors, general economic conditions, customer relations, relationships with vendors, borrowing arrangements, interest rates, foreign exchange rates, litigation, governmental regulation and supervision, seasonality, product introductions and acceptance, technological change, changes in industry practices, one-time events and other factors described herein and in other announcements made by the Company. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.*

## Billing Services Group Limited

### Consolidated Balance Sheets (In thousands, except shares)

	<b>June 30 2010</b>	<b>December 31 2009</b>	<b>June 30 2009</b>
	(Unaudited)	(Audited)	(Unaudited)
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 18,748	\$ 14,425	\$ 18,632
Accounts receivable	15,559	19,005	20,719
Purchased receivables	11,100	19,390	19,341
Income tax receivable	1,023	1,262	-
Prepaid expenses and other current assets	1,061	588	1,030
Deferred taxes – current	1,864	1,433	3,607
Total current assets	49,355	56,103	63,329
Property, equipment and software	39,405	38,576	37,213
Less accumulated depreciation and amortization	22,008	19,470	17,061
Net property, equipment and software	17,397	19,106	20,152
Deferred finance costs, net of accumulated amortization of \$760, \$659 and \$550 at June 30, 2010, December 31, 2009 and June 30, 2009, respectively	586	687	796
Intangible assets, net of accumulated amortization of \$55,285, \$50,964 and \$46,644 at June 30, 2010, December 31, 2009 and June 30, 2009, respectively	38,491	42,811	47,132
Goodwill	34,368	34,492	34,615
Other assets	659	534	534
Total assets	\$ 140,856	\$ 153,733	\$ 166,558

## Billing Services Group Limited

### Consolidated Balance Sheets (continued) (In thousands, except shares)

	<b>June 30 2010</b>	<b>December 31 2009</b>	<b>June 30 2009</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Trade accounts payable	\$ 12,222	\$ 12,447	\$ 13,452
Third-party payables	12,941	24,197	39,262
Accrued liabilities	3,563	2,392	4,455
Income tax payable, net	-	-	(323)
Current portion of long-term debt	11,250	11,250	9,187
Total current liabilities	39,976	50,286	66,033
Long-term debt, net of current portion and unamortized original issue discount of \$1,977, \$2,319 and \$2,687 at June 30, 2010, December 31, 2009 and June 30, 2009, respectively	61,227	66,509	71,767
Deferred taxes – noncurrent	4,952	5,560	5,475
Other liabilities	4,592	6,114	7,524
Total liabilities	110,747	128,469	150,799
<b>Commitments and contingencies</b>			
Shareholders' equity:			
Common stock, \$0.59446 par value; 350,000,000 shares authorized and 279,863,248 shares issued and outstanding	166,368	166,368	166,368
Additional paid-in capital (deficit)	(175,477)	(175,786)	(174,273)
Retained earnings	40,888	36,396	25,297
Accumulated other comprehensive loss	(1,670)	(1,714)	(1,633)
Total shareholders' equity	30,109	25,264	15,759
Total liabilities and shareholders' equity	\$ 140,856	\$ 153,733	\$166,558

*See accompanying notes.*

## Billing Services Group Limited

### Consolidated Statements of Operations (In thousands, except per share amounts)

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
	(Unaudited)	(Unaudited)
Operating revenues	\$ 75,479	\$ 71,620
Cost of services	45,309	42,465
Gross profit	<u>30,170</u>	<u>29,155</u>
Selling, general, and administrative expenses	<u>11,522</u>	<u>9,943</u>
EBITDA	18,648	19,212
Depreciation and amortization expense	7,302	7,246
Non-recurring restructuring expense	761	-
Stock-based compensation expense	310	337
Operating income	<u>10,275</u>	<u>11,629</u>
Other income (expense):		
Interest expense	(2,730)	(2,964)
Settlement and mark-to-market of derivatives	(101)	(299)
Interest income	287	400
Other (expense) income, net	(114)	437
Total other expense, net	<u>(2,658)</u>	<u>(2,426)</u>
Income from operations before income taxes	7,617	9,203
Income tax expense	(3,125)	(3,445)
Net income	<u>\$ 4,492</u>	<u>\$ 5,758</u>
Net income per basic and diluted share:		
Basic net income per share	<u>\$0.02</u>	<u>\$ 0.02</u>
Diluted net income per share	<u>\$0.02</u>	<u>\$ 0.02</u>
Weighted average shares outstanding	<u>279,863</u>	<u>279,863</u>

*See accompanying notes.*

Billing Services Group Limited

Consolidated Statements of Cash Flows  
(In thousands)

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>Operating activities</b>		
Net income	\$ 4,492	\$ 5,758
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	2,537	2,351
Amortization of intangibles	4,321	4,321
Amortization of deferred finance costs	101	132
Amortization of original issue discount on debt	342	442
Stock-based compensation expense	310	337
Loss on settlement of derivative contracts	101	299
(Gain) on extinguishment of debt	-	(185)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	3,446	1,469
Decrease in income taxes receivable	239	-
Increase in other current assets and other assets	(598)	(494)
(Decrease) increase in trade accounts payable	(225)	43
Decrease in third-party payables	(12,168)	(8,235)
Increase (decrease) in accrued liabilities	1,171	(100)
Provision for deferred taxes	(1,039)	(362)
Decrease in other liabilities	(460)	(1,633)
Net cash provided by operating activities	<u>2,570</u>	<u>4,143</u>
<b>Investing activities</b>		
Purchases of property, equipment and software	(828)	(1,862)
Net receipts (advances) on purchased receivables	8,290	(1,082)
Net cash provided by (used in) investing activities	<u>7,462</u>	<u>(2,944)</u>

Billing Services Group Limited

Consolidated Statements of Cash Flows (continued)  
(In thousands)

	<b>Six Months Ended June 30</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Financing activities</b>		
Payments on long-term debt	(5,625)	(9,591)
Payments in settlement of derivative contracts	-	(835)
Net cash used in financing activities	(5,625)	(10,426)
Effect of exchange rate changes on cash	(84)	505
Net increase (decrease) in cash and cash equivalents	4,323	(8,722)
Cash and cash equivalents at beginning of year	14,425	27,354
Cash and cash equivalents at June 30	<u>\$ 18,748</u>	<u>\$ 18,632</u>

*See accompanying notes.*

**BILLING SERVICES GROUP LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**NOTE 1      BASIS OF PRESENTATION**

The accompanying unaudited interim consolidated financial statements of Billing Services Group Limited (“BSG” or the “Company”) have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were used.

**NOTE 2      NET INCOME PER COMMON SHARE**

Basic and diluted net income per share are computed by dividing net income by the weighted average number of shares of common stock outstanding during the relevant periods.

Diluted net income per share includes the effect of all dilutive options exercisable into common stock. For the six month periods ended June 30, 2010 and 2009, basic and diluted net income per share equaled \$0.02.

**NOTE 3      LONG-TERM DEBT**

The Company’s credit facility matures in 2014. Outstanding loans at June 30, 2010 and 2009 were \$74.5 million and \$83.6 million, respectively. At June 30, 2010, the actual interest rate on the debt was 4.81%, reflecting a 90-day London Interbank Offered Rate (“LIBOR”) of 0.56% plus a margin of 4.25%.

At June 30, 2010, the Company had in place interest rate swap arrangements for a notional amount of \$48 million. Under the contracts, the Company will effectively pay fixed rates *per annum* of 4.00% to 4.18% on its loans, excluding the applicable interest margin on such loans.

**BILLING SERVICES GROUP LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**(UNAUDITED)**

**NOTE 4      COMMITMENTS AND CONTINGENCIES**

The Company is involved in various claims, legal actions and regulatory proceedings arising in the ordinary course of business. The Company believes it is unlikely that the final outcome of any of the claims or proceedings to which the Company is a party will have a material adverse effect on the Company's financial position or results of operations. Due to the inherent uncertainty of litigation, however, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations for the fiscal period in which such resolution occurred.

The Company's subsidiary's tax returns for the 2007 through 2009 tax years generally remain subject to examination by the federal and most state tax authorities. In June 2010, the Internal Revenue Service completed its examination of the federal income tax returns of the Company's subsidiary for the years ended December 31, 2004 to 2006. As a result of the examination, the Company's subsidiary made an additional tax payment of \$0.7 million. Of this amount, \$0.5 million had been reserved in prior periods and accordingly had no effect on net income realized during the first six months of 2010.