

Company number 02706280

BFSL Limited

Annual Report and Financial Statements

Year Ended 30 June 2021



BFSL Limited

Year ended 30 June 2021

Annual report and financial statements

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Directors

SD Keating
K Chung
DA Finch
R Hoskins
PD Jackson
IR Leech
DJ Platt
G Shaked
P Thompson

Secretary and registered office

JC Brown
Pegasus House
Bakewell Road
Orton Southgate
Peterborough
PE2 6YS

Auditor

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

BFSL Limited

Year ended 30 June 2021

Strategic Report

The directors present the strategic report for the year ended 30 June 2021.

Results and dividends

The annual results of BFSL Limited ("the Company") are set out on page 13 and show a profit before taxation of £7,053,000 (2020: £9,312,000). The directors are satisfied with the performance for the year and are confident of future prospects.

During the year, the Company has paid dividends on ordinary shares of £nil (2020: £10,000,000).

Trading review and future developments

The Company's principal activity is that of providing credit relating to financial services. The Company's activities are part of the Insurance Distribution and Outsourcing division ("IDO") which operates through the Company's immediate parent company, BISL Limited and its subsidiaries, as a division ("the division"). The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). From 1 July 2021, the IDO was renamed "BGL Insurance".

The Company shares resources with fellow subsidiaries of BGL (Holdings) Limited ("the BGL Group"). Personnel and infrastructure services are provided by BGL Group Limited to the Company, which raises a management charge in respect of all services provided.

The BGL Group commenced a restructuring programme during the year. From 1 June 2021, personnel services were provided by BISL Limited to the Company, following the transfer of employees relating to the IDO division to BISL Limited. From 1 July 2021, certain management services provided by BGL Group Limited to the Company, were provided by BISL Limited.

The impact of Covid-19 was still prevalent for the entirety of the current financial year. A decrease in instalment income penetration as well as a change in some commercial terms has resulted in revenue decreasing by 19% in the year. Profit before taxation decreased by 24% due to overall decrease in trading income and lower management charges incurred.

The Company will continue to provide credit relating to financial services through policies sold by its immediate parent company, BISL Limited.

Key performance indicators

	2021	2020	Movement
	£000s	£000s	
Revenue	62,124	76,517	(19%)
Operating profit	15,057	18,238	(17%)
Profit before taxation	7,053	9,312	(24%)

The Company's balance sheet position remains strong with significant positive operating cash flows. The directors believe that the Company is able to withstand the operational and economic disruption of reasonable downside scenarios.

Principal risks and uncertainties

The Company has adopted the BGL Group's risk management framework. The framework seeks to identify and limit potential adverse effects on the financial performance of the Company and achievement of its objectives.

The BGL (Holdings) Limited Board of Directors ("the BGL Board") has established a Group risk appetite, which has been tailored for the Company. The Company has embedded its risk appetite by selecting key risk indicators from the Group suite and thresholds which are appropriately calibrated for the Company. During the year these indicators were monitored on a quarterly basis and all risks considered to be outside of appetite were accompanied by appropriate action plans which were reviewed, approved and tracked by the Company Board and the Audit & Risk Committee with escalation to the BGL Board where appropriate.

BFSL Limited

Year ended 30 June 2021

Strategic Report

Principal risks and uncertainties (continued)

The BGL Board and the Board of BFSL Limited ("the Board") review the implementation of processes for identifying, measuring, managing and controlling risks and receive and commission reports in relation to risk management activities.

The risks set out below are monitored using the BGL Group's risk management framework, which has been tailored for the Company, and through established levels of management and governance review, by the Company Board and Company Executive meetings.

Covid-19

The Covid-19 outbreak and resulting measures taken by the government to contain the virus, continued to provide operational, financial and risk challenges for the markets in which the Company operates during the year. The Company's risk management processes continued to ensure ongoing monitoring of the risks and mitigating strategies as needed.

Operational risk

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

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

In addition, the Company assesses and manages execution risks of significant projects, including organisational change initiatives, through adopting a consistent project methodology which incorporates risk management activities. Significant risks arising from change activity are monitored by the Company Board and Company Executive.

People risk

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

Technology risk

The Company has in place processes to manage the design, availability, capacity, performance, infrastructure failure, integrity and security of its technology assets to support the current operations of the Company and future change requirements. The Company, along with the rest of the financial services industry, recognises cyber risk, such as the use of hacking techniques, social engineering or other malicious activities with the intent to cause damage or steal data for financial or competitive gain, as a growing threat. The Company already has in place a comprehensive framework of controls to actively manage this risk which it regularly reviews and adapts as this threat evolves.

Conduct and Regulatory risk

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

Regulatory risk is the risk that the Company will breach the requirements of a regulator or competition authority. The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

In addition, the Company is required to comply with the rules and principles established by other market regulators and competition authorities. This risk is managed through an effective control framework and the operation of the governance structures.

BFSL Limited

Year ended 30 June 2021

Strategic Report

Principal risks and uncertainties (continued)

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

Conflicts of interest risk

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

Strategic risk

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

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

Reputational risk

Reputational risk is the risk of adverse publicity arising from the Company 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 Company seeks to address reputational risks and also manages these risks where they arise, through established communications and public relations channels.

Exiting the European Union

Following the exit of the United Kingdom from the European Union, the Company has not seen any significant direct impact on the Company's business.

Financial risk

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risks, liquidity and changes in interest rates.

The Company has in place a risk management framework as described above, using derivative financial instruments to mitigate these risks where appropriate.

Section 172 (1) statement

The directors have complied with their duties to promote the success of the Company for the benefit of its members whilst having regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006.

The Board of BFSL Limited (the "Board") is clear that robust decision making and good governance is essential to ensure the continued long-term success of the Company. In conjunction with the BGL Group, the Board achieves this by giving due regard to the interests of a broad range of stakeholders, including shareholders, employees, suppliers, customers, regulators and others. Whilst there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, some stakeholder engagement activities take place at a BGL Group level, particularly when matters are of Group wide significance. Decisions that are made at a BGL Group level are adopted by the Company Board where appropriate.

BFSL Limited

Year ended 30 June 2021

Strategic Report

Section 172 (1) statement (continued)

The Company did not directly employ any staff. Up to 1 June 2021, the services of individuals were obtained from BGL Group Limited, the management services company of the BGL Group. From 1 June 2021, the services of the individuals were obtained from BISL Limited, the Company's immediate parent undertaking, following the transfer of employees relating to IDO to that Company. There are regular meetings and online opportunities for 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 ask questions and make their views known so that the Board can take this dialogue into consideration when making decisions which are likely to affect their interests.

Regular employee satisfaction and feedback surveys are conducted. The Board receives the results of these surveys, which it considers to be a good indicator of employees' confidence in the Company's strategic direction. The Board is also regularly provided with updates on other measures of employee engagement and initiatives undertaken to improve employee relations.

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

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

The Company has adopted the BGL Group's 'Speak Up' policy, also known as whistleblowing, to ensure that all employees feel confident to raise any concerns about conduct which may be perceived to be unethical, unlawful and/or damaging to the Company, our people and our customers. The Company offers internal and external channels where workplace concerns may be raised confidentially.

The size and diversity of the Company means that third-party suppliers range from multinational organisations to local businesses. The Board aims to ensure that arrangements with suppliers are fairly negotiated and provide optimum levels of service.

The Board delegates the responsibility for day-to-day supplier management to individual business areas which are required to follow BGL Group policies as adopted by the Company relating to the procurement of suppliers, approval and monitoring of contracts and the raising and authorisation of purchase orders. Together these policies assist the Board in meeting its business and strategic objectives and to balance the needs of customers, staff, commercial partners and other stakeholders.

Making a positive difference for customers is at the core of the Group's purpose and values. To ensure that this is achieved whilst also complying with all applicable regulatory requirements, the Group provides training to all employees and frequently tests them on their knowledge. The Group promotes a strong customer culture with a range of workstreams and projects continually focussed on improving customer experience and protecting vulnerable customers.

Where the principal decisions made by the Company during the year lead to new, or substantially amended, products and marketing activities, the impact on customers is formally reviewed by the Executive Directors and Executive Committee. We publish aggregate complaints data based on volume of complaints received and upheld, and regularly review customer calls. Customer satisfaction is monitored by using Net Promoter Score (NPS), a metric which measures how many customers would recommend a brand.

The intermediary sector has been subject to an increasing degree of scrutiny from their regulatory authorities in recent years including the Financial Conduct Authority, the Competition and Markets Authority and OFGEM. The Company maintains a constructive and open relationship with its regulators and works proactively to provide excellent customer outcomes.

BFSL Limited

Year ended 30 June 2021

Strategic Report

Section 172 (1) statement (continued)

The Board is dedicated to supporting communities in the UK and further afield. The Board promotes funding of locally based charities, volunteering and events at our sites through a dedicated Group-wide corporate social responsibility ("CSR") programme. Match funding and payroll giving are used to encourage employees to raise and donate funds in the aid of good causes.

The CSR programme also develops longer-term partnerships with specific charities at home and abroad which are aligned to the BGL Group and the Company's purpose, vision and values. These partnerships are designed to empower people and encourage education and entrepreneurship.

Reporting of the gender pay gap has been considered during the year at a BGL Group level, through the BGL Remuneration Committee. The Group's gender pay summary is published annually on the BGL website and a number of specific initiatives, including flexible working practices and mixed shortlisting are being constantly implemented in an effort to reduce the gap.

The BGL Group publishes a slavery and human trafficking statement for each financial year as required by the Modern Slavery Act 2015. This statement outlines the steps the BGL Group and the Company have taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains and in any part of its own business.

As well as formal environmental reporting, a BGL group-wide employee-led Mi Environment programme covers a range of issues, including reducing plastic use, energy efficiency and wildlife conservation around our sites. The Group's policies promote flexible working and aim to reduce unnecessary travel.

On behalf of the board:



DJ Platt
Director
7 October 2021

BFSL Limited

Year ended 30 June 2021

Report of the directors

The directors present the report together with the audited financial statements for the year ended 30 June 2021.

Results, dividends and future developments

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Company is disclosed in the balance sheet on page 15.

The directors have reviewed the budget and cash flow forecasts of the IDO division, which includes results for the Company, for the period to 7 October 2022 and are confident that they show the Group and Company will have sufficient resources to meet their liabilities as they fall due. This assessment is based on management's analysis of liquidity stress testing and sensitivity analysis which considers a number of downside scenarios.

The directors are satisfied that the Company has 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 and to the date of signature were as follows:

SD Keating
MM Bailie (appointed 1 September 2020, resigned 1 July 2021)
K Chung (appointed 1 July 2021)
DA Finch
R Hoskins (appointed 1 July 2021)
PD Jackson (appointed 1 July 2021)
IR Leech (appointed 1 July 2021)
DJ Platt
MR Regan (resigned 1 July 2021)
G Shaked
P Thompson

Changes to the corporate governance arrangements since the year end

Changes to the BGL Group's operating model were implemented to devolve central Group activity into the operating divisions. To align the Group's corporate governance structure with the changes to the Group's operating model, a restructuring of the BGL Board was carried out with effect from 1 July 2021. As part of this restructuring, a number of the independent Non-Executive Directors and Shareholder Non-Executive Directors previously on the BGL Board joined the Board of BISL Limited (the "Board") and the Boards of its subsidiaries, which includes BFSL Limited. The overall goal of the restructuring is to strengthen and empower the Board and simplify the governance of the BGL Group's regulated entities, with governance driven from the divisional level, and decisions taken closest to the Company's customers. Divisional Audit, Risk and Remuneration Committees have been established by the Board. The role of the BGL Board is to act as the holding company portfolio manager and will be complimentary to the role of the Board. The BGL Board will continue to be responsible for setting the overall Group strategy, with oversight of all subsidiaries within the Group via regular and timely management information on all key aspects of the Company including, risks and opportunities, the financial performance of the Company, strategy, regulatory and strategy and operational matters and market conditions.

BFSL Limited

Year ended 30 June 2021

Report of the directors

Disclosure of information to auditor

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

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

Directors' indemnity provision

In accordance with the Company's Articles of Association, the Company has indemnified the directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is still in place as at the date of this report.

Auditor

In accordance with section 487 of the Companies Act 2006, Ernst & Young LLP has been appointed as the auditor.

Streamlined energy and carbon reporting

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 require large companies to provide streamlined energy and carbon reporting (SECR) in their Financial Statements.

The Company is a qualifying subsidiary of BGL (Holdings) Limited and has taken the exemption, under Paragraph 20A, part 7A of Schedule 7 of the legislation to not disclose this information in the Company Financial Statements. The relevant disclosures are presented within the Group's report of the directors.

Events since the reporting date

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

On behalf of the board:



DJ Platt
Director
7 October 2021

BFSL Limited

Year ended 30 June 2021

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 Company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on a going concern basis, unless they consider that to be inappropriate.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BFSL Limited

Year ended 30 June 2021

Independent auditor's report to the members of BFSL Limited

Opinion

We have audited the financial statements of BFSL Limited (the 'company') for the year ended 30 June 2021 which comprise the Profit and Loss Account, the Statement of changes in equity, the Balance Sheet and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 7 October 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

BFSL Limited

Year ended 30 June 2021

Independent auditor's report to the members of BFSL Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

BFSL Limited

Year ended 30 June 2021

Independent auditor's report to the members of BFSL Limited

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the direct laws and regulations related to the UK Companies Act 2006 and UK tax legislation, and the financial reporting framework (UK GAAP).
- We understood how the company is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed minutes of the Board of directors; and gained an understanding of the company's approach to governance, demonstrated by the Board's approval of the governance framework.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the entity, or that otherwise seek to prevent, detect or deter fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of those charged with governance and senior management of their awareness of any non-compliance of laws and regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, and inquiring about the company's methods of enforcing and monitoring compliance with such policies. Further, we performed audit procedures which included testing the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals and evaluating the business rationale for significant and unusual transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

**Neil Treadgold (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London**

12 October 2021

BFSL Limited
Year ended 30 June 2021
Profit and loss account

	Note	2021 £000s	2020 £000s
Revenue	3	62,124	76,517
Other income	3	4,186	7,463
Operating expenses		(51,253)	(65,742)
Operating profit	4	15,057	18,238
Finance income	5	3,316	5,063
Finance costs	6	(11,320)	(13,989)
Profit before taxation		7,053	9,312
Tax expense	7	(1,340)	(1,769)
Profit for the financial year		5,713	7,543

All amounts relate to continuing activities.

There are no other items of comprehensive income other than those included in the above profit and loss account; accordingly profit for the financial year is also total comprehensive income for the year.

The notes on pages 16 to 22 form part of these financial statements.

BFSL Limited**Year ended 30 June 2021****Statement of changes in equity**

	Note	Share capital £000s	Retained earnings £000s	Total equity £000s
At 1 July 2019		5,000	21,028	26,028
Profit for the financial year		-	7,543	7,543
Dividends paid	12	-	(10,000)	(10,000)
At 30 June 2020		5,000	18,571	23,571
Profit for the financial year		-	5,713	5,713
At 30 June 2021		5,000	24,284	29,284

The notes on pages 16 to 22 form part of these financial statements.

BFSL Limited**Year ended 30 June 2021****Balance sheet**

Company Registration Number 02706280

	Note	2021 £000s	2020 £000s
ASSETS			
Current assets			
Trade and other receivables	9	402,151	544,558
Total assets		402,151	544,558
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	10	372,867	520,987
Total liabilities		372,867	520,987
Equity			
Share capital	11	5,000	5,000
Retained earnings		24,284	18,571
Total equity		29,284	23,571
Total equity and liabilities		402,151	544,558

The financial statements were approved by the directors on 7 October 2021 and signed by:



DJ Platt
Director

The notes on pages 16 to 22 form part of these financial statements.

BFSL Limited

Year ended 30 June 2021

Notes forming part of the financial statements

1. Accounting policies

The Company's significant accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out below. Accounting policies have been applied consistently to all periods presented in these financial statements.

The accounting policies of the Company are set at a group level by BGL (Holdings) Limited ("the BGL Group") and adopted by the Board of the Company.

Basis of preparation

The Company, a private limited company incorporated and domiciled in England and Wales, has elected to prepare its financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries of BGL Group;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel.

BGL (Holdings) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of BGL (Holdings) Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and, as they include equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following:

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

The 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 rounded to the nearest £1,000.

The financial statements have been prepared on the historical cost basis.

Going concern

The financial statements have been prepared on the going concern basis. The directors have reviewed the budget and cash flow forecasts of the Company for the period to 7 October 2022 and are confident that they show the Company will have sufficient resources to meet its liabilities as they fall due. This assessment is based on management's analysis of liquidity stress testing and sensitivity analysis which considers several downside scenarios, including the potential impacts of Covid-19.

As at 30 June 2021, the Company has net assets and net current assets of £29,284,000 (2020: £23,571,000).

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

BFSL Limited

Year ended 30 June 2021

Notes forming part of the financial statements

Revenue from contracts with customers

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

Taxation

Current tax

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequently to initial recognition they are measured at amortised cost using the effective interest method, less any impairment for losses.

Doubtful receivables

Loss allowances for expected credit losses ('ECLs') are recognised on financial assets measured at amortised cost. Loss allowances for trade receivables and other receivables are measured at an amount equal to lifetime ECLs.

The credit risk of financial instruments is assessed by comparing the risk of a default occurring on the financial instrument as at reporting date with the risk of default at the date of initial recognition. To assess whether there is an indication of a significant increase of credit risk since initial recognition the Company considers all reasonable and supportable information which is available without undue cost or effort.

The Company assumes that the credit risk on instalment receivables has increased significantly if it is more than 45 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequently to initial recognition they are measured at fair value.

Dividends

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

2. Significant judgements and estimation uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

There are no key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

BFSL Limited**Year ended 30 June 2021****Notes forming part of the financial statements****3. Revenue from contracts with customers**

Revenue is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

(i) Disaggregation of revenue

	2021	2020
	£000s	£000s
Instalment income	62,124	76,517
Other income	4,186	7,463
	66,310	83,980

Other income represents credit guarantee income.

(ii) Contract balances

The following table shows the contract liabilities balance:

	2021	2020
	£000s	£000s
Value at start of period	32,665	33,309
Recognised in revenue	(32,665)	(33,309)
Contract liabilities recognised	29,945	32,665
Value at the end of the period	29,945	32,665

Contract liabilities consist entirely of deferred income.

4. Operating profit

Operating profit is stated after charging the following:

	2021	2020
	£000s	£000s
Impairment of trade receivables	4,186	7,463
Auditor's fees - fees for the audit of the Company	25	25

The Company operates under a guarantee from BISL Limited, the Company's immediate parent, and is reimbursed for bad debt. The income received from BISL Limited in respect of the impairment loss on trade receivables is disclosed within other income.

Auditors fees are recharged from BGL Group Limited and form part of the management charges.

BFSL Limited
Year ended 30 June 2021
Notes forming part of the financial statements

5. Finance income

	2021	2020
	£000s	£000s
Interest receivable from group undertakings	3,316	5,063

6. Finance costs

	2021	2020
	£000s	£000s
Interest payable to group undertakings	9,387	12,204
Interest payable to related entities	1,478	1,728
Interest and charges on bank borrowings	455	57
	11,320	13,989

7. Tax expense

	2021	2020
	£000s	£000s
Current tax		
UK corporation tax charge	1,340	1,769
Total tax expense	1,340	1,769

The weighted average rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2020: 19%). There are no reconciling items between the actual tax charge and the tax charge at the standard rate as shown in the table below:

	2021	2020
	£000s	£000s
Profit for the financial year	5,713	7,543
Total tax expense	1,340	1,769
Profit before taxation	7,053	9,312
Tax at the standard corporation tax rate of 19% (2020: 19%)	1,340	1,769

A UK corporation tax rate of 19% (effective 1 April 2020) was enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

BFSL Limited

Year ended 30 June 2021

Notes forming part of the financial statements

8. Employees

The Company did not directly employ any staff during the year. Up to 1 June 2021, the services of individuals were obtained in exchange for payments made to BGL Group Limited, the management services company of the BGL Group. From 1 June 2021, the services of the individuals were obtained in exchange for payments made to BISL Limited, the Company's immediate parent undertaking, following the transfer of employees relating to IDO to that Company.

9. Trade and other receivables

	2021	2020
	£000s	£000s
Trade receivables	338,637	382,455
Amounts due from related undertakings	62,621	162,064
Prepayments	440	39
Corporation tax receivable	453	-
	402,151	544,558

The Company has provided for balances which are unlikely to be recovered taking into consideration quantitative and qualitative information regarding the payment history of customers. In relation to a single class of instalment receivables recognised within trade receivables the Company applied a weighted average loss rate of 0.72% (2020: 0.82%) to policies arranged during the year which are paid by instalment.

Trade receivables include a total credit loss provision of £4,219,000 (2020: £5,218,000).

Movements in the provision for credit losses were as follows:

	2021	2020
	£000s	£000s
Value at start of the period	5,218	5,457
Increase in provision	4,186	7,463
Utilisation	(1,871)	(3,976)
Amounts sold	(1,824)	(2,526)
Amounts recovered	(1,490)	(1,200)
Value at end of the period	4,219	5,218

Certain trade receivables subject to instalment collection arrangements have been sold to BGL Receivables Financing (1) Limited, a structured entity controlled by the BGL Group. These are shown with amounts due from related undertakings. BGL Receivables Financing (1) Limited subsequently secures asset-based securitised financing on these receivables.

Prepayments of £291,000 (2020: £nil) are expected to be fully amortised after more than 12 months from the reporting date. All other amounts fall due for payment within one year.

BFSL Limited**Year ended 30 June 2021****Notes forming part of the financial statements****10. Trade and other payables**

	2021	2020
	£000s	£000s
Amounts due to related undertakings	342,869	487,695
Accruals and deferred income	29,945	32,665
Other payables	53	16
Corporation tax payable	-	611
	372,867	520,987

11. Share capital

	Allotted, called up and fully paid	
	2021	2020
	£000s	£000s
Ordinary shares of £1 each	5,000	5,000

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

12. Dividends

	2021	2020
	£000s	£000s
<i>Paid during the year:</i>		
Equity dividends on ordinary shares:		
Interim dividend for 2020 (£2.00 per share)	-	10,000

13. Contingent liabilities

The BGL Group has access to substantial committed debt facilities, BGL (Holdings) Limited and BGL Group Limited can access a £175,000,000 (2020: £300,000,000) revolving credit facility and the £100,000,000 (2020: £nil) term loan. A £50,000,000 (2020: £50,000,000) senior note is outstanding in the name of BGL (Holdings) Limited. Under the terms of these facilities BGL (Holdings) Limited, BGL Group Limited, BISL Limited, BFSL Limited, ACM ULR Limited and Compare The Market Limited, provide a joint and several guarantee. At 30 June 2021 the drawn balance under these facilities, and therefore maximum exposure to this contingent liability, was £150,000,000 (2020: £79,000,000).

The Company has joint and several liability under the group VAT registration and joint liability under the group payment arrangement in relation to corporation tax.

BFSL Limited

Year ended 30 June 2021

Notes forming part of the financial statements

14. Related party transactions

The Company has taken the exemption available under paragraph 8(k) FRS 101 from the disclosure requirements of IAS 24 in relation to entities which are wholly owned members of the same group. Transactions between the Company and other related parties are disclosed below:

Directors' emoluments and interests

None of the directors were remunerated primarily for their qualifying services to the Company, and it is not possible to determine the proportion of remuneration which relates to the Company. Up to 1 June 2021, the directors were employed by BGL Group Limited, the management services company of the BGL Group. From 1 June 2021, some of the directors are employed by BISL Limited, the Company's immediate parent undertaking. The emoluments are disclosed within the financial statements of BISL Limited.

BGL Receivables Financing (1) Limited

Certain trade receivables subject to instalment collection arrangements have been sold to BGL Receivables Financing (1) Limited, a structured entity controlled by the BGL Group. BGL Receivables Financing (1) Limited subsequently secures asset-based securitised financing on these receivables. At the reporting date the Company was owed £319,180,000 (2020: £357,699,000) from this entity.

15. Events after the reporting date

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

16. Ultimate and immediate holding company

The Company's immediate parent undertaking is BISL Limited, a company incorporated in the United Kingdom. The Company's ultimate parent undertaking and ultimate controlling party is BHL Holdings Limited.

The largest group in which the results of the Company are consolidated is that headed by BHL (UK) Holdings Limited. The smallest group in which they are consolidated is that headed by BGL (Holdings) Limited.

The consolidated financial statements of BHL (UK) Holdings Limited can be obtained from BHL (UK) Holdings Limited, Bath House, 16 Bath Row, Stamford, PE9 2QU. The consolidated financial statements of BGL (Holdings) Limited can be obtained from BGL (Holdings) Limited, Pegasus House, Bakewell Road, Orton Southgate, Peterborough, PE2 6YS.