

**BISL Limited**  
**Annual Report and Financial Statements**  
**Year Ended**  
**30 June 2006**

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# **BISL Limited**

## **Annual Report and financial statements for the year ended 30 June 2006**

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### **Contents**

#### **Page:**

1. Report of the directors
  3. Statement of directors' responsibilities
  4. Report of the auditors
  5. Income statement
  6. Balance sheet
  7. Statement of reconciliation of shareholders' equity
  8. Cash flow statement
  9. Notes forming part of the financial statements
- 

#### **Directors**

S Klinkert  
PA Winslow  
IR Leech

#### **Secretary and registered office**

NE Wright  
Pegasus House  
Bakewell Road  
Orton Southgate  
Peterborough  
PE2 6YS

#### **Auditors**

Moore Stephens LLP  
Chartered Accountants  
St. Paul's House  
Warwick Lane  
London  
EC4M 7BP

## **BISL Limited**

### **Report of the directors for the year ended 30 June 2006**

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The directors present their report together with the audited financial statements for the year ended 30 June 2006.

#### **Results and dividends**

The income statement is set out on page 5 and shows the profit for the year. The directors have declared and paid a dividend of £12,000,000 (2005: £6,000,000).

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

The principal activity of the BISL Limited (the "Company") is that of an insurance intermediary. The Company's financial performance has again shown a significant year-on-year improvement, with revenues and profit before tax, both increasing by 48% and 40%, respectively. The Company's improvement has been generated by continued strong growth in its business units combined with increased sales levels generated through the acquisition of the insurance intermediary business of Budget Retail Limited, a fellow subsidiary of the BFSL Limited Group, on 31 December 2005.

Volume growth has been a significant factor in the Company's continuing performance improvement and this is evident in a filesize growth of 65% when compared with last year. The filesize at 30 June 2006 was 1.4 million (2005: 850,000). The focus for the Company is to continue to further develop sales of its core products and affinity services through its internet, telesales and retail channels.

On 4 August 2006, the Company, signed an agreement to sell the business and assets of the its Retail Network. The profit on sale of the business is not yet known as total consideration will not be finalised until later in 2006.

The Company is authorised and regulated by the Financial Services Authority.

#### **Risks and uncertainties**

The insurance intermediary industry is both highly competitive and constantly evolving. Recent developments have included a significant shift from telesales to internet originated sales. In addition, aggregators and affinity businesses have gained a greater share of the market. To date the Company has successfully focussed on remaining ahead of the competition, developing its affinity division and continually developing and improving its internet sales capabilities. During 2006 the Group launched a new aggregator division, Compare-the-Market through which it hopes to generate additional sales.

The Company has continued to develop its internal audit and governance functions in order to identify and monitor financial and operational risks inherent its business.

#### **International Financial Reporting Standards, as adopted by the European Union ('IFRS')**

These statements have been prepared in compliance with IFRS introduced for the Company for the first time in the year ended 30 June 2006. Prior year comparatives have been restated accordingly. Refer to Note 24 of the financial statements for details of restatement.

#### **Directors**

The directors of the Company during the year were:

S Klinkert  
PA Winslow  
IR Leech

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

## **BISL Limited**

### **Report of the directors for the year ended 30 June 2006 (continued)**

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#### **Directors (continued)**

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.

#### **Corporate Governance**

Budget Group Limited (the "Group"), of which BISL is a subsidiary, is committed to high standards of corporate governance appropriate to the size and nature of the business. The 'Board' is the governing body of the group. It comprises of the Chairman, Executive Directors and two Non-executive Directors.

The Executive Directors (with the exception of the Chairman) and one Non-executive Director of the Company meet as the Advisory Board, a sub-committee of the full Board of Budget Group Limited, which is the parent company of BFSL Limited. This Board is responsible for the strategic management of the business and all operational matters pertaining there from. The Advisory Board has management authority over all subsidiaries within the Group and accordingly individual Board meetings for subsidiaries are restricted to statutory and certain operational matters.

BISL Limited is authorised and regulated by the Financial Services Authority (FSA) and as a result, achieves a comprehensive level of monitoring, compliance, regulation and risk assessment.

The Advisory Board has established certain sub-committees, which focus upon key aspects of the business including in particular the Audit Committee and the Group Risk Committee.

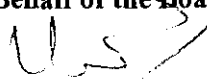
The Audit Committee meets quarterly and reports quarterly to the Board of Budget Group Limited. Its terms of reference include the review of regulatory compliance; monitoring the scope, independence, objectivity and effectiveness of the audit process; ensuring that management addresses external auditors' recommendations and observations; reviewing the programme and effectiveness of the internal audit function; and monitoring the effectiveness of internal controls.

The Group Risk Committee meets monthly and reports quarterly to the Board of Budget Group Limited. Its purpose is the development and implementation of a risk management framework in order to ensure that risks are assessed and effectively managed. Its terms of reference include developing and implementing processes for identifying, measuring, managing and controlling risks; and receiving, reviewing and commissioning reports in relation to risk management activities. This includes reports on exposure, breaches of policy and remedial activities from various areas in the business.

#### **Auditors**

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

#### **On Behalf of the Board**

  
IR Leech  
Director

28 September 2006

**Statement of directors' responsibilities**

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

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

**Independent Auditors' Report to the Shareholders of BISL Limited**

We have audited the financial statements of BISL Limited for the year ended 30 June 2006 which are set out on pages 5 to 23. These financial statements have been prepared under the accounting policies set out therein. This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

**Basis of audit opinion**

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

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

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Company's affairs as at 30 June 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the Directors' Report is consistent with the financial statements.

St Paul's House  
Warwick Lane  
LONDON  
EC4M 7BP

*Moore Stephens LLP*  
Moore Stephens LLP  
Registered Auditors  
Chartered Accountants

*5 October 2006*

**BISL Limited****Income statement for the year ended 30 June 2006**

	Note	2006 £	2005 £
Revenues		121,722,432	82,508,659
Operating expenses	3	<u>(106,318,498)</u>	<u>(71,591,859)</u>
<b>Operating profit</b>		15,403,934	10,916,800
Investment revenues	4	4,167,386	4,030,765
Finance costs	5	<u>(955,594)</u>	<u>(1,637,467)</u>
<b>Profit before taxation</b>		18,615,726	13,310,098
Income tax expense	6	<u>(5,709,097)</u>	<u>(4,040,826)</u>
<b>Profit for the year</b>		12,906,629	9,269,272
Dividends paid	17	<u>(12,000,000)</u>	<u>(6,000,000)</u>
<b>Profit attributable to equity holders</b>		<u>906,629</u>	<u>3,269,272</u>

All amounts relate to continuing activities.

The notes on pages 9 to 23 form part of these financial statements.

**BISL Limited****Balance sheet as at 30 June 2006**

	Notes	2006 £	2005 £
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Intangible assets	9	1,619,754	-
Tangible assets	10	<u>3,113,256</u>	<u>-</u>
		4,733,010	-
<b>Current assets</b>			
Trade and other receivables	11	93,061,635	73,549,665
Cash and cash equivalents		<u>3,508,447</u>	<u>1,540,262</u>
		96,570,082	75,089,927
<b>Total assets</b>		<u>101,303,092</u>	<u>75,089,927</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	13	30,909,710	27,530,382
Trade and other payables	12	<u>51,825,555</u>	<u>30,082,070</u>
		82,735,265	57,612,452
<b>Non-current liabilities</b>			
Borrowings	13	<u>183,723</u>	<u>-</u>
		183,723	-
<b>Total liabilities</b>		<u>82,918,988</u>	<u>57,612,452</u>
<b>Equity attributable to equity holders of Company</b>			
Share capital	15	8,000,000	8,000,000
Retained earnings	16	<u>10,384,104</u>	<u>9,477,475</u>
<b>Total equity</b>		<u>18,384,104</u>	<u>17,477,475</u>
<b>Total equity and liabilities</b>		<u>101,303,092</u>	<u>75,089,927</u>

The financial statements were approved by the Board on 28 September 2006



PA Winslow  
Director



IR Leech  
Director

The notes on pages 9 to 23 form part of these financial statements.



**BISL Limited****Statement of changes in shareholders' equity at 30 June 2006**

	Share capital	Retained earnings	Total
	£	£	£
At 1 July 2004	8,000,000	6,208,203	14,208,203
Profit for the year	-	9,269,272	9,269,272
Dividends paid	-	(6,000,000)	(6,000,000)
At 1 July 2005	8,000,000	9,477,475	17,477,475
Profit for the year	-	12,906,629	12,906,629
Dividends paid	-	(12,000,000)	(12,000,000)
At 30 June 2006	8,000,000	10,384,104	18,384,104

**BISL Limited****Statement of cash flows for the year to 30 June 2006**

	Notes	2006 £	2005 £
<b>Cash generated from operations</b>	18	27,714,758	10,021,696
Interest received		4,167,386	4,030,763
Interest paid		(1,211,585)	(1,339,483)
Finance lease interest		(10,992)	-
Tax paid		<u>(5,585,693)</u>	<u>(4,040,839)</u>
<b>Cash inflow from operating activities</b>		25,073,874	8,672,137
<b>Cash flows from investing activities</b>			
Purchase of tangible assets		(392,009)	-
Purchase of intangible assets		(1,348,188)	(63,081)
Disposal of intangible assets		-	1,291,740
Transfer of Retail business	19	<u>2,600,589</u>	<u>-</u>
<b>Cash (outflow)/inflow from investing activities</b>		860,392	1,228,659
<b>Cash flows from financing activities</b>			
Amounts paid to group undertakings		(14,913,632)	(13,916,000)
Bank overdraft funding		3,135,447	9,767,688
Capital element of finance leases repayments		(187,896)	-
Dividends paid		<u>(12,000,000)</u>	<u>(6,000,000)</u>
<b>Cash outflow from financing activities</b>		(23,966,081)	(10,148,312)
<b>Cash inflow/(outflow) of cash and cash equivalents</b>		1,968,185	(247,516)
Cash and cash equivalents at beginning of the year		1,540,262	1,787,778
<b>Cash and cash equivalents at end of the year</b>		<u>3,508,447</u>	<u>1,540,262</u>

**1. Accounting policies****Basis of preparation**

BISL Limited, herein after referred to as "BISL" or the "Company", has elected to prepare its financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union ('IFRS'), and the requirements of the Companies Act 1985. This is the Company's first set of results prepared in accordance with IFRS and its previously reported 2005 financial statements have accordingly been restated to comply with IFRS, with the date of transition to IFRS being 1 July 2004.

The financial statements have been prepared in accordance with IFRS applicable at 30 June 2006.

The following pronouncements may be relevant to the Company but were not effective at 30 June 2006 and have not been applied in preparing these accounts:

<b>Pronouncement</b>	<b>Nature of change</b>	<b>Effective date</b>
IFRS 7 Financial instruments: Disclosures	Consolidates the current financial instruments disclosures into a single standard and requires more detailed qualitative disclosures about exposure to risk arising from financial instruments.	Annual periods beginning on or after 1 January 2007
Amendments to IAS 39: Financial instrument: Recognition and Measurement	Requires issued financial guarantee contracts to be accounted for as financial instruments.	Annual periods beginning on or after 1 January 2007
Amendments to IAS 39: Financial Instruments: Recognition and Measurement - The Fair Value Option	Restricts the fair value option for financial instruments to certain situations, including when doing so results in more relevant information because it eliminates or reduces a measurement or recognition inconsistency or where a group of financial instruments is managed and evaluated on a fair value basis in accordance with capital requirements.	Annual periods beginning on or after 1 January 2006
Amendments to IAS 1: Presentation of Financial Statements - Capital Disclosures	Introduces additional disclosures of the objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and compliance with capital requirements.	Annual periods beginning on or after 1 January 2007
IFRIC Interpretation 4: Determining Whether an Arrangement Contains a Lease	Interpretation provides guidance for determining whether the arrangements comprising transactions that do not take the legal form of a lease but convey a right to use an asset contains leases that should be separately accounted for.	Annual periods beginning on or after 1 January 2006

The Company 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 requirements of IAS 32 *Financial Instruments: Disclosure and presentation* and IAS 39 *Financial Instruments: Recognition and measurement* have been adopted from 1 July 2005, with no restatement for comparatives as at 30 June 2005.

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 in sterling (£).

The comparatives presented for the year ended 30 June 2005 have therefore been prepared in accordance with the Company's IFRS accounting policies and the transitional arrangements above.

The directors regard the Company's activities as predominantly insurance broking and these accounts are prepared in accordance with Schedule 4 of the Companies Act 1985.

**1. Accounting policies and first time adoption of IFRS (continued)****Basis of preparation (continued)**

The following principal accounting policies have been applied:

**Revenues**

Income consists of commission and fees on insurance business transacted. Credit is taken for earned commission and fees at the point at which the Company becomes contractually entitled to it. Alterations in commission and fees arising from premium adjustments are accounted for when such payments are made.

**Depreciation of tangible assets**

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets evenly over their expected lives. It is calculated at the following annual rates:

Computer equipment	-	25% per annum
Office furniture and equipment	-	20% per annum
Fixtures and fittings	-	33% per annum
Fixtures and fittings – Branch assets	-	6.67% - 10% per annum
Motor vehicles	-	25% per annum
Leasehold improvements	-	Over the term of the lease

**Operating leases**

Leases other than finance leases are treated as operating leases. Their annual rentals are charged to the income statement 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, or form, or timing of payments. The aggregate benefit of incentive is recognised as a reduction of rental expense over the lease term, on a straight-line basis.

**Intangible assets**

Books of business are capitalised as an intangible asset when acquired externally, and amortisation over the expected useful life. Amortisation of books of business is calculated on a 3-2-1 basis, over a three year period.

**Assets under finance leases**

Where assets are financed by leasing agreements that give rights approximate to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the income statement. Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balances of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

**1. Accounting policies and first time adoption of IFRS (continued)****Taxation**

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to reserves as appropriate.

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.

The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantively enacted at the balance sheet date are used to determine the deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of available-for-sale investments and other amounts taken directly to equity is recognised in the balance sheet as a deferred tax asset or liability.

**Dividends**

Dividends on equity instruments that are declared and paid in an accounting period are recognised in that accounting period.

Interim dividends declared but unpaid at balance sheet date are not a liability at that balance sheet date. Final dividends are not a liability until such time as they are declared by the Company at the general meeting.

**Insurance Assets and Liabilities**

The Company acts as an agent in broking the insurance risks of its clients, and generally is not liable as a principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the Company's legal relationship with clients and underwriters, it has followed generally accepted accounting practice for insurance intermediaries by showing debtors, creditors and cash balances relating to insurance business as assets and liabilities of the Company itself.

In the ordinary course of insurance broking business, settlement is required to be made with certain market settlement bureaux or insurance intermediaries on the basis of the net balance due to or from the bureau or intermediary in question rather than the amount due to or from the individual third parties which it represents. This basis of settlement is reflected in the amounts included in the insurance debtors and creditors.

**Borrowings**

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, most borrowings are generally stated at amortised cost.

**1. Accounting policies and first time adoption of IFRS *(continued)*****Provisions for liabilities and charges**

Provisions for liabilities and charges are recognised when the Company 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 Company 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.

**2. Critical accounting judgements and key sources of estimation uncertainty***Critical judgements in applying the Company's accounting policies*

Other than as indicated in the notes to the accounts, 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*

The management considers that there have been no key sources of estimation uncertainty at the balance sheet date that had a significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year.

**3. Operating expenses**

	2006	2005
	£	£
Impairment charges: trade and other receivables	2,053,131	1,124,754
Remuneration for services provided by group's auditors	75,000	35,000
Depreciation on property, plant and equipment		
- Owned assets	34,964	-
- Assets under finance leases	100,869	-
Amortisation of intangible assets	384,146	392,010
Operating lease rentals	601,570	-
Other operating costs	103,068,818	70,040,095
	<u>106,318,498</u>	<u>71,591,859</u>

All operating expenses are recharged from the UK holding company, Budget Group Limited.

**4. Investment revenues**

	2006	2005
	£	£
Interest receivable from group undertakings	4,098,167	3,659,508
Interest on bank deposits	69,219	371,257
	<u>4,167,386</u>	<u>4,030,765</u>

**5. Finance costs**

	2005	2005
	£	£
Interest payable on bank borrowings	319,888	742,029
Swap Interest expense	183,808	-
Interest payable to group undertakings	451,898	895,438
	<u>955,594</u>	<u>1,637,467</u>

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

	2006	2005
	£	£
<b>Current taxation</b>		
UK corporation tax charge for the year	5,585,692	2,786,560
Group relief paid	-	1,254,266
	<u>5,585,692</u>	<u>4,040,826</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	123,405	-
	<u>5,709,097</u>	<u>4,040,826</u>

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

	2006	2005
	£	£
Profit on ordinary activities before tax	<u>18,615,726</u>	<u>13,310,098</u>
Tax on profit on ordinary activities at standard rate	5,584,718	3,993,029
Effects of:		
Short term timing differences between capital allowances and depreciation	104,494	34,993
Loss on sale of fixed assets	5,843	12,804
Other movements	<u>14,042</u>	<u>-</u>
	<u>5,709,097</u>	<u>4,040,826</u>

**BISL Limited**Notes forming part of the financial statements for the year ended 30 June 2006 *(continued)***7. Directors**

All staff costs were incurred by the parent company, Budget Group Limited who subsequently raised a management charge in respect of costs incurred.

**8. Provision for deferred taxation**

Provision for deferred taxation consists of the following amounts:

	2006 £	2005 £
Depreciation in excess of capital allowances	<u>170,213</u>	-
Deferred tax liability at the start of the year	-	-
Deferred tax liability transferred	46,808	-
Deferred tax charge in profit and loss account	<u>123,405</u>	-
Deferred tax liability at end of year	<u>170,213</u>	-

**9. Intangible assets**

	<b>Books of business £</b>
<b>Cost</b>	
At 1 July 2005	-
Transfers in	1,305,832
Acquisitions - separately acquired	<u>1,348,188</u>
At 30 June 2006	<u>2,654,020</u>
<b>Aggregate amortisation and impairment</b>	
At 1 July 2005	-
Transfers in	(650,120)
Charge for the period	<u>(384,146)</u>
At 30 June 2006	<u>(1,034,266)</u>
<b>Net book amount at 30 June 2006</b>	<u>1,619,754</u>
Net book amount at 30 June 2005	-



**BISL Limited**Notes forming part of the financial statements for the year ended 30 June 2006 *(continued)***10. Tangible assets**

	Fixtures and fittings- Branch assets	Fixtures and fittings- General	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 July 2005	-	-	-	-	-
Transfers	2,182,401	256,453	901,692	16,325	3,356,871
Additions	282,120	-	267,944	4,500	554,564
Disposals	(28,579)	(719)	(20,981)	-	(50,279)
At 30 June 2006	2,435,942	255,734	1,148,655	20,825	3,861,156
<b>Accumulated depreciation</b>					
At 1 July 2005	-	-	-	-	-
Transfers	276,455	80,693	281,181	4,538	642,867
Charge for the year	5,018	25,549	103,054	2,212	135,833
Disposals	(9,100)	(719)	(20,981)	-	(30,800)
At 30 June 2006	272,373	105,523	363,254	6,750	747,900
<b>Net book value</b>					
At 30 June 2006	2,163,569	150,211	785,401	14,075	3,113,256
At 30 June 2005	-	-	-	-	-

Included in the above net book value is an amount of £692,348 (2005: £Nil) in respect of assets held under finance leases.

**11. Trade and other receivables**

	2006 £	2005 £
Trade debtors	11,154,573	5,634,169
Less: Bad debt provision	(281,498)	(269,796)
Net trade debtors	10,873,075	5,364,373
Amounts due from related undertakings (Note 22)	78,408,796	65,025,868
Deferred costs	1,127,000	590,581
Other debtors	2,652,764	2,568,843
	93,061,635	73,549,665

All amounts shown under debtors fall due for payment within one year. Certain trade debts subject to instalment collection arrangements are financed by a fellow group undertaking and are accordingly included as part of amounts owed by group undertakings.

Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large and unrelated. In addition, it is the Company policy to write off doubtful receivables when identified. Accordingly, management believes that there is no credit risk provision required, further than the provision for bad debts in the normal course of business.

**BISL Limited**Notes forming part of the financial statements for the year ended 30 June 2006 *(continued)***12. Trade and other payables: current**

	2006	2005
	£	£
Trade creditors	39,052,448	20,001,114
Amounts owed to related undertakings (Note 22)	-	1,530,704
Deferred income	1,323,587	548,628
Accruals and deferred income	11,279,307	8,001,624
Deferred tax liability	170,213	-
	<u>51,825,555</u>	<u>30,082,070</u>

**13. Borrowings**

	2006	2005
	£	£
<b>Current</b>		
Bank overdraft	30,665,829	27,530,382
Finance lease obligations	<u>243,881</u>	<u>-</u>
	<u>30,909,710</u>	<u>27,530,382</u>
<b>Non-current</b>		
Finance lease obligations	<u>183,723</u>	<u>-</u>
	<u>183,723</u>	<u>-</u>

The bank overdraft is secured by a fixed and floating charge over all the assets of the Company. The effective interest rate at the balance sheet date was 5.77%. The fair value of borrowings and other financial assets and liabilities approximates their book value. The facilities within one year are annual facilities subject to review at various dates during the current financial year.

**14. Maturity of financial liabilities**

The maturity profile of the carrying amount of the Company's non-current liabilities is as follows:

	Floating rate	Fixed rate	2006 Total
	£	£	£
Expiring within one year	30,665,829	243,881	30,909,710
Expiring between one and two years	-	123,495	123,495
Expiring in more than two years	-	60,228	60,228
	<u>30,665,829</u>	<u>427,604</u>	<u>31,093,433</u>

All of the 30 June 2005 balance of £27,530,382 was floating rate and had maturity terms of less than one year.

**14. Maturity of financial liabilities (continued)**

The minimum lease payments under finance leases fall due as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2006 £	2005 £	2006 £	2005 £
Amounts payable under finance leases:				
Within one year	259,448	-	243,884	-
In more than one year but not more than five years	190,635	-	183,723	-
	<u>450,083</u>	<u>-</u>	<u>427,607</u>	<u>-</u>
Less: Future finance charges	<u>(22,476)</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>
Present value of finance lease liabilities	<u>427,607</u>	<u>-</u>	<u>427,607</u>	<u>-</u>

**15. Share capital**

	Authorised		Allotted, called up and fully paid	
	2006 £	2005 £	2006 £	2005 £
Ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>

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

**16. Retained earnings**

	£
At 1 July 2005	9,477,475
Profit for the year	12,906,629
Dividends paid	<u>(12,000,000)</u>
<b>At 30 June 2006</b>	<u><b>10,384,104</b></u>
At 1 July 2004	6,208,203
Profit for the year	9,269,272
Dividends paid	<u>(6,000,000)</u>
<b>At 30 June 2005</b>	<u><b>9,477,475</b></u>

Reserves are distributable, subject to the covenants under the bank borrowings arranged for the Company with

**BISL Limited**

Lloyd TSB bank.

Notes forming part of the financial statements for the year ended 30 June 2006 (*continued*)**17. Dividend paid**

	2006	2005
	£	£
Ordinary dividend paid £1.50 per share (2005: £0.75)	<u>12,000,000</u>	<u>6,000,000</u>

**18. Reconciliation of operating profit to cash generated from operations**

	2006	2005
	£	£
Profit from ordinary activities before interest, tax and dividends	15,403,934	10,916,800
Increase in debtors	(6,129,042)	(5,080,620)
Increase in creditors	23,417,768	3,828,776
Non cash assets obtained from the acquisition of retail network	(5,517,360)	-
Loss on sale of fixed assets	19,479	-
Depreciation	135,833	-
Amortisation of intangible assets	<u>384,146</u>	<u>358,740</u>
<b>Cash generated from operations</b>	<u>27,714,758</u>	<u>10,021,696</u>

**19. Acquisition of retail network**

On 31 December 2005, the Company acquired the assets and liabilities of Budget Retail Limited's insurance intermediary business. The assets and liabilities recognised at the date of acquisition are as follows:

	2006
	£
Property, plant and equipment	2,714,004
Intangible assets	655,712
Trade and other receivables	4,163,622
Cash and cash equivalents	560,885
Trade and other payables	(7,354,246)
Provision for charges and liabilities	(46,808)
Borrowings	<u>(3,293,758)</u>
Net liabilities acquired	<u>(2,600,589)</u>
Cash inflow on acquisition	<u>2,600,589</u>

**20. 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 Budget Group Limited and all the companies within the BFSL Limited. At 30 June 2006 the maximum exposure of these liabilities was £29,457,463 (2005: £29,653,205).

In the normal course of business, the Company has deposited £1m in Escrow in favour of a corporate client to provide certain guarantees. At 30 June 2006, the maximum potential liability that could arise in this connection was £1m (2005: £1m) and there were no actual claims on the funds held at that date.

**21. Events after the balance sheet date**

On 4 August 2006, BISL Limited signed an agreement to sell the business and assets of its Retail Network. The profit on sale of the business is not yet known as consideration will not be finalised until later in 2006. There have been no other events since the balance sheet date that materially affect the position of the Company.

On 16 August 2006, the Company declared a dividend of £10,000,000 (£1.25 per share).

**22. Related party transactions**

The Company has related party transactions with a number of associated companies. Interest on inter company balances is charged at a rate comparable to prevailing market rates.

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

- BFSL Limited: Parent company
- Fusion Outsourcing Services (Pty) Limited: fellow subsidiary
- Budget Retail Limited: fellow subsidiary
- Budget Insurance Company Limited: fellow subsidiary

The Company had the following balances with related parties:

	2006	2005
	£	£
BFSL Limited	75,733,425	65,025,868
Fusion Outsourcing Services (Pty) Limited	-	(1,530,704)
Budget Retail Limited	<u>2,675,371</u>	<u>-</u>
	<u>78,408,796</u>	<u>63,495,164</u>

**Trading activities**

The Company had the following transactions with related parties:

- Received inter company interest income from Budget Group Limited of £4,098,167 (2005: £3,659,508)
- Paid inter company interest to Budget Insurance Company Limited of £451,898 (2005: £895,438).
- Purchased insurance intermediary business of Budget Retail Limited for consideration of the net book value of the assets and liabilities at 31 December 2005.

**23. Ultimate and immediate parent company**

The accounts of the Company are consolidated into those of the immediate parent company, BFSL Limited, which is incorporated in England and Wales. The directors regard the Company to be ultimately controlled by Budget Holdings Limited, a company incorporated in Guernsey.

**24. Reconciliation of net assets and profit under UK GAAP to IFRS**

The accounting policies and methods of computation adopted in these financial statements differ from those disclosed previously in the financial statements for the year ended 30 June 2005. Such financial statements for the year then ended conformed with the applicable UK accounting standards and were prepared under the historic cost convention, as required by the Companies' Act 1985.

The analysis below shows a reconciliation of equity and profit as reported under UK GAAP as at 30 June 2005 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of equity under UK GAAP to IFRS at the transition date, being 1 July 2004.

**Reconciliation of equity at 1 July 2004 and 30 June 2005 and profit before tax, minority interest and dividends**

			Shareholders' funds		Profit before tax, MI and dividends
			1 July 2004	30 June 2005	Year to 30 June 2005
			£	£	£
As originally reported			14,117,571	17,429,522	13,352,777
<b>Note a</b>	Deferral of revenues on Affinity contracts	IAS 18	(158,188)	(264,798)	(106,610)
<b>Note b</b>	Revenue recognised on inception date (deferred from transaction date)	IAS 18	-	(277,830)	(277,830)
<b>Note c</b>	Deferral of costs to match revenues recognised at inception date	Framework	248,820	590,581	341,761
As restated			<u>14,208,203</u>	<u>17,477,475</u>	<u>13,310,098</u>

**24. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)**

		As originally reported	Presentation reclassifications (Note 24 a)	Accounting policy changes	Restated
		Continuing operations	Continuing operations		Continuing operations
	Note	£	£	£	£
<i>Turnover</i>	24 a	82,893,099	(82,893,099)		-
Revenues	24 b		82,893,099	(384,440)	82,508,659
<i>Net operating expenses</i>		(71,933,620)	71,933,620		-
Operating expenses	24 c		(71,933,620)	341,761	(71,591,859)
<b>Operating profit</b>		10,959,479	-	(42,679)	10,916,800
<i>Interest receivable</i>	24 a	4,030,765	(4,030,765)		-
Investment revenue			4,030,765		4,030,765
<i>Interest payable and similar charges</i>	24 a	(1,637,467)	1,637,467		-
Finance costs			(1,637,467)		(1,637,467)
<b>Profit before taxation</b>		13,352,777	-	(42,679)	13,310,098
<i>Tax on profit on ordinary activities</i>	24 a	(4,040,826)	4,040,826		-
Income tax expense			(4,040,826)		(4,040,826)
<b>Profit for the period</b>		9,311,951	-	(42,679)	9,269,272
Dividend paid		(6,000,000)			(6,000,000)
		<u>3,311,951</u>	<u>-</u>	<u>(42,679)</u>	<u>3,269,272</u>

**BISL Limited**

Notes forming part of the financial statements for the year ended 30 June 2006 *(continued)*

**24. Reconciliation of net assets and profit under UK GAAP to IFRS *(continued)***

30 June 2005

	Note	As previously reported	Presentation reclassifications (Note 24 a)	Accounting policy changes	Restated
		£	£	£	£
<b>ASSETS</b>					
<b>Current assets</b>					
Debtors	24 a	72,959,084	(72,959,084)		-
Trade and other receivables	24 c		72,959,084	590,581	73,549,665
Cash at bank and in hand	24 a	1,540,262	(1,540,262)		-
Cash and cash equivalents			1,540,262		1,540,262
<b>Total assets</b>		<u>74,499,346</u>	<u>-</u>	<u>590,581</u>	<u>75,089,927</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	24 a	57,069,824	(57,069,824)		-
Borrowings			27,530,382		27,530,382
Trade and other payables	24 b		29,539,442	542,628	30,082,070
<b>Total liabilities</b>		<u>57,069,824</u>	<u>-</u>	<u>542,628</u>	<u>57,612,452</u>
<b>Equity attributable to equity holders of Company</b>					
Called up share capital		8,000,000	(8,000,000)		-
Profit and loss account		9,429,522	(9,429,522)		-
Share capital			8,000,000		8,000,000
Retained earnings			9,429,522	47,953	9,477,475
<b>Total equity</b>		<u>17,429,522</u>	<u>-</u>	<u>47,953</u>	<u>17,477,475</u>
<b>Total equity and liabilities</b>		<u>74,499,346</u>	<u>-</u>	<u>590,581</u>	<u>75,089,927</u>



**24. Reconciliation of net assets and profit under UK GAAP to IFRS (continued)**

**Explanation of reconciling items between UK GAAP and IFRS**

**a) Reclassifications**

The adoption of IFRS has given rise to a number of accounting changes and reclassifications, which are detailed above. In addition there are significant changes to both format and terminology, by which the Group is required to report. The reclassifications required from these changes have no impact on the reported profits or shareholders' funds of the Group for the year ended 30 June 2005. For the sake of clarity they have been set out in the adjustments analysis included as part of this note.

**b) Revenues**

*Deferral of Revenues*

Under IAS 18, up-front fees should be recognised as revenue over the life of agreement to which they relate, by reference to services supplied under such agreement.

IAS, with regard to insurance broker commission, specifically requires that where an agent is required to provide further services during the life of the policy, the commission is deferred and recognised as revenue over the period that the policy is in force.

The impact on operating profit of the deferral of recognition of up-front fees and insurance broker commission is a charge of £106,610 for the year ending 30 June 2005.

*Revenue Recognised on Commencement Date Vs Transaction Date*

IAS 18 requires that commissions are recognised on the commencement or renewal date of the policy (i.e. inception date). Accordingly, income previously recognised at transaction date by certain Group entities is now recognised at inception date. The impact on operating profit is a charge of £277,830 for the year ended 30 June 2005.

**c) Deferred Costs**

Based on the Framework, expenses are systematically recognised, based on direct association between the costs incurred and specific items of income. Therefore, where the revenues are recognised on policy inception date (rather than transaction date), the costs should be deferred to match the revenues. The impact on operating profit is a credit of £341,761 for the year ended 30 June 2005.

**Explanation of material adjustments to the cash flow statements for the year to 30 June 2005**

There were no material significant adjustments to the 2005 cash flow, other than of a presentational nature.