

BISL Limited
Annual Report and Financial Statements
Year Ended
30 June 2008

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BISL Limited

Annual Report and financial statements for the year ended 30 June 2008

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| | |
|------------------|---|
| Directors | S Klinkert PA Winslow IR Leech BGL Group Limited |
|------------------|---|

| | |
|--|---|
| Secretary and registered office | NE Wright Pegasus House Bakewell Road Orton Southgate Peterborough PE2 6YS |
|--|---|

| | |
|-----------------|--|
| Auditors | KPMG Audit PLC 8 Salisbury Square London EC4Y 8BB |
|-----------------|--|

BISL Limited

Report of the directors for the year ended 30 June 2008

The directors present their report together with the audited financial statements for the year ended 30 June 2008

Results and dividends

The income statement is set out on page 6 and shows a profit before tax for the year of £23,809,024 (2007: £39,302,072)
The directors have declared and paid a total dividend of £13,500,000 (2007: £31,000,000)

Principal activities, trading review and future developments

The principal activity of BISL Limited (the "Company") is that of an insurance intermediary. The Company shares resources with fellow subsidiaries of BGL Group Limited ("the BGL Group"). In order to improve operating efficiencies within the business, personnel and infrastructure services are provided by BGL Group Limited, which raises a management charge in respect of all services provided.

The Company's financial performance has again shown year-on-year improvement. Revenues and profit before tax from continuing operations increased by 45% and 6% respectively. The Company's revenue improvement has been generated by continued strong sales growth in all business units. The lower growth in profitability has been offset by substantially increased profitability at Fusion Contact Centre Services Limited, a fellow subsidiary of the Company's immediate parent undertaking, BFSL Limited, which undertakes call centre operations on behalf of the Company.

Total revenues and profit before tax increased by 26% and decreased by 39% respectively. The fall in total profit before tax is due to the effects of the sale of the retail business during the previous financial year, and the transfer of certain contracts and associates revenue and costs to ACM ULR Limited, a fellow subsidiary of the immediate parent company, BFSL Limited.

Volume growth has been a significant factor in the Company's continuing performance improvement and this is evident in growth of 19% in policy numbers when compared with last year. Policies held by customers at 30 June 2008 was 2.2 million (2007: 1.9 million). The focus for the Company is to continue to further develop sales of its core products and affinity services through its internet and telesales channels.

The Company's working capital requirements are managed as part of the BGL Group treasury operations. The Company is in a healthy financial position.

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 continued to gain a greater share of the market. The company has responded to this by continuing to invest in its aggregator division, Comparethemarket.com, which was launched during the 2006 financial year. To date the Company has successfully focussed on remaining ahead of competition, further developing its affinity division and continually developing and improving its internet sales capabilities.

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

Specific risks and uncertainties relevant to the Company are common to those of the BGL Group. These are discussed in detail in the financial statements of BFSL Limited and BGL Group Limited.

BISL Limited

Report of the directors for the year ended 30 June 2008

Directors

The directors of the Company during the year were

S Klinkert
PA Winslow
IR Leech
BGL Group Limited (appointed 6 March 2008)

None of the Directors, with the exception of BGL Group Limited which has an effective 92.5% shareholding through the intermediate holding company BFSL Limited, had any interest in the ordinary share capital of the Company at any time during the year.

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

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

Auditors

During the financial year Moore Stephens LLP resigned as the Company's auditors, with KPMG Audit Plc being appointed to fill the vacancy arising.

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as the auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Corporate Governance

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

The BGL Board is responsible for the strategic management of the business and all operational matters pertaining therefrom. The BGL 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. The BGL 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.

During the year, the Audit Committee met and reported quarterly to the BGL Board. 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. From August 2008, the activities of the Audit Committee have been integrated into those of the BGL Board. On a quarterly basis the BGL Board will sit as the Audit Committee for a section of the meeting.

BISL Limited

Report of the directors for the year ended 30 June 2008

Corporate Governance (continued)

The Group Risk Committee meets monthly and reports quarterly to the BGL Board. 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.

The Company 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.

On Behalf of the Board



IR Leech
Director

Dated 21 October 2008

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the Company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BISL Limited

Independent Auditors' Report to the Shareholders of BISL Limited

We have audited the financial statements of BISL Limited for the year ended 30 June 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we 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 read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 IFRSs as adopted by the EU, of the state of the Company's affairs as at 30 June 2008 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 information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

8 Salisbury Square

London

EC4Y 8BB

Registered Auditor

21 October 2008

BISL Limited**Income statement for the year ended 30 June 2008**

| | | 2008 | 2007 | 2007 | 2007 |
|--------------------------------|-------------|-------------------|-------------------|-------------------|-------------------|
| | | Continuing | Continuing | Discounted | Total |
| | Note | operations | operations | operations | |
| | | £ | £ | £ | £ |
| Revenues | | 262,334,334 | 181,414,614 | 26,721,253 | 208,135,867 |
| Operating expenses | 2 | (244,068,001) | (164,121,788) | (23,890,894) | (188,012,682) |
| Operating profit | | 18,266,333 | 17,292,826 | 2,830,359 | 20,123,185 |
| Profit on disposal of business | 17 | - | - | 14,110,050 | 14,110,050 |
| Investment income | 3 | 5,659,134 | 5,116,058 | - | 5,116,058 |
| Finance costs | 4 | (116,443) | (11,130) | (36,091) | (47,221) |
| Profit before tax | | 23,809,024 | 22,397,754 | 16,904,318 | 39,302,072 |
| Tax | 5 | (7,024,313) | (6,719,326) | (6,287,051) | (13,006,377) |
| Profit for the year | | 16,784,711 | 15,678,428 | 10,617,267 | 26,295,695 |

The notes on pages 10 to 22 form part of these financial statements

BISL Limited**Balance sheet as at 30 June 2008**

| | Notes | 2008 £ | 2007 £ |
|-------------------------------------|-------|--------------------|--------------------|
| ASSETS | | | |
| Current assets | | | |
| Trade and other receivables | 9 | 115,816,248 | 99,937,497 |
| Cash and cash equivalents | | 7,456,815 | 18,472,409 |
| Derivative financial instruments | 13 | 17,102 | 36,314 |
| | | <u>123,290,165</u> | <u>118,446,220</u> |
| Total assets | | <u>123,290,165</u> | <u>118,446,220</u> |
| EQUITY AND LIABILITIES | | | |
| Current liabilities | | | |
| Borrowings | 11 | 577,848 | 2,919,056 |
| Trade and other payables | 10 | 105,756,947 | 101,811,051 |
| | | <u>106,334,795</u> | <u>104,730,107</u> |
| Total liabilities | | <u>106,334,795</u> | <u>104,730,107</u> |
| Equity | | | |
| Ordinary share capital | 14 | 8,000,000 | 8,000,000 |
| Hedging reserve | 13 | (9,140) | 36,314 |
| Retained earnings | 15 | 8,964,510 | 5,679,799 |
| Total equity | | <u>16,955,370</u> | <u>13,716,113</u> |
| Total equity and liabilities | | <u>123,290,165</u> | <u>118,446,220</u> |

The financial statements were approved by the Board 21 October and signed on its behalf by:

PA Winslow
Director


IR Leech
Director



The notes on pages 10 to 22 form part of these financial statements

BISL Limited**Statement of changes in shareholders' equity at 30 June 2008**

| | Share capital £ | Hedging reserve £ | Retained earnings £ | Total £ |
|---|--------------------------------|----------------------------------|------------------------------------|--------------------|
| At 1 July 2006 | 8,000,000 | - | 10,384,104 | 18,384,104 |
| Profit for the year | - | - | 26,295,695 | 26,295,695 |
| Change in fair value of derivative financial instruments | - | 36,314 | - | 36,314 |
| Equity Dividends paid | - | - | (31,000,000) | (31,000,000) |
| At 30 June 2007 and 1 July 2007 | 8,000,000 | 36,314 | 5,679,799 | 13,716,113 |
| Profit for the year | - | - | 16,784,711 | 16,784,711 |
| Change in fair value of derivative financial instruments | - | (19,212) | - | (19,212) |
| Transfer to Income statement | - | (26,242) | - | (26,242) |
| Equity Dividends paid | - | - | (13,500,000) | (13,500,000) |
| At 30 June 2008 | 8,000,000 | (9,140) | 8,964,510 | 16,955,370 |

The notes on pages 10 to 22 form part of these financial statements

BISL Limited**Statement of cash flows for the year ended 30 June 2008**

| | Note | 2008 | 2007 |
|---|-------------|---------------------|---------------------|
| | | £ | £ |
| Operating profit | | 18,266,333 | 20,123,185 |
| Increase in trade and other receivables | | (5,084,622) | (29,318,880) |
| Increase in trade and other payables | | 4,165,594 | 32,754,395 |
| Loss on sale of property, plant and equipment | | - | 77,084 |
| Depreciation of property, plant and equipment | | - | 71,086 |
| Amortisation of intangible assets | | - | 245,498 |
| Cash generated from operations | | 17,347,305 | 23,952,368 |
| Adjustments for | | | |
| Interest received | 3 | 5,659,134 | 5,116,058 |
| Interest paid | 4 | (116,443) | (47,221) |
| Tax paid | 5 | (7,024,313) | (13,006,377) |
| Cash inflow from operating activities | | 15,865,683 | 16,014,828 |
| Cash flows from investing activities | | | |
| Purchase of intangible assets | | - | (105,033) |
| Net cash received from disposal of Retail business | | - | 25,841,056 |
| Cash inflow from investing activities | | - | 25,736,023 |
| Cash flows from financing activities | | | |
| Amounts (paid to)/ received from group undertakings | | (11,040,069) | 4,706,561 |
| Decrease in bank overdraft | | (2,341,208) | (493,450) |
| Dividends paid | | (13,500,000) | (31,000,000) |
| Cash outflow from financing activities | | (26,881,277) | (26,786,889) |
| Net (outflow)/ inflow of cash and cash equivalents | | (11,015,594) | 14,963,962 |
| Cash and cash equivalents at beginning of the year | | 18,472,409 | 3,508,447 |
| Cash and cash equivalents at end of the year | | 7,456,815 | 18,472,409 |

The notes on pages 10 to 22 form part of these financial statements

1. Accounting policies**Basis of preparation**

BISL Limited, herein after referred to as "BISL" or the "Company", a private limited Company incorporated in England and Wales, has elected to prepare its financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union ('Adopted IFRS'), and the requirements of the Companies Act 1985. The accounting policies below have been applied consistently to all periods presented in these financial statements.

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 financial statements have been prepared on the historical cost basis. The following principal accounting policies have been applied:

Revenues

Revenue consists substantially of gross commissions and fees on insurance business transacted, before deduction of the related amounts payable to agents or affinity partners which are included in operating expenses. Credit is taken for earned commission and fees at the point of 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.

Where the Company enters into joint business arrangements, revenue consists of gross commissions and fees as described above. The share of any profit or loss attributable to the partner is included in operating expenses.

Where the Company sells certain intangible assets to third parties, revenue is recognised when the risks and rewards of ownership are taken up by the third party and the Company is contractually entitled to receive payment.

Advance commission

Advance commission payments made to affinity partners are disclosed in trade and other receivables on the balance sheet and are amortised over the period of the relevant affinity contract, to the extent that the payment is not refundable under certain volume-related contract clauses. Amortisation is charged to operating expenses.

Marketing incentives

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

Depreciation of property, plant and equipment

Property, plant and equipment are included in the balance sheet at cost less accumulated depreciation. 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 |

1. Accounting policies (continued)**Deferred costs**

The Company has paid certain amounts to partners under long-term business relationships the benefits of which will be realised over future accounting periods. These amounts are disclosed in current receivables and are released to the income statement on a systematic basis over the periods during which the benefits are expected to accrue. The carrying value of deferred cost assets are tested annually for impairment.

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.

Foreign exchange

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Intangible assets

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

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. Tax is paid by the ultimate UK parent company, BGL Group Limited, where the year end balance is disclosed.

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.

Impairment

The Group reviews the carrying value of assets on a regular basis. If the carrying value of an asset is greater than the recoverable amount, the carrying value is reduced through a charge to the income statement in the period of impairment.

1. Accounting policies (continued)

Impairment (continued)

The following policies are used to determine the level of any impairment.

Financial assets. Company policy is to write off doubtful receivables shortly after identification and then credit any recovered amounts to the income statement when funds are received. As a result it is considered that no specific provision for doubtful receivables is required.

Non-financial assets. non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Insurance Assets and Liabilities

The Company acts as an agent in broking the insurance risks of its 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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Hedge accounting has been adopted for forward foreign exchange contracts. Therefore, the change in fair value is recognised directly in a hedging reserve on inception and is released to the income statement in the same period in which the hedged item is recognised.

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.

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 the 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.

Borrowings

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

1. Accounting policies (continued)**Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions.

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

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

Future developments

The following pronouncements may be relevant to the Company but were not effective at 30 June 2008 and have not been applied in preparing these financial statements.

| Pronouncement | Nature of change | Effective date |
|--|---|---|
| Amendments to IAS 1 Presentation of Financial Statements | Various changes to presentation of information in financial statements, including transactions with equity holders, statement of comprehensive income and statement of financial position | Annual periods beginning on or after 1 January 2009 |
| Amendments to IAS 23 Borrowing costs | Eliminates the option of recognising all borrowing costs immediately as an expense. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset measured on a cost basis the amendment requires capitalisation as part of the asset. | Annual periods beginning on or after 1 January 2009 |

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.

BISL Limited**Notes forming part of the financial statements for the year ended 30 June 2008****2. Operating expenses**

| | 2008 | 2007 |
|---|--------------------|--------------------|
| | £ | £ |
| Impairment charges, trade and other receivables | 7,183,692 | 4,322,126 |
| Loss on disposal of property, plant and equipment | - | 77,084 |
| Auditors remuneration - audit services | 105,000 | 95,000 |
| Depreciation on property, plant and equipment | | |
| - Owned assets | - | 40,260 |
| - Assets under finance leases | - | 30,826 |
| Amortisation of intangible assets | - | 245,498 |
| Operating lease rentals | - | 100,262 |
| Realised foreign exchange losses | 239,916 | - |
| Other operating costs | 236,539,393 | 183,101,626 |
| | <u>244,068,001</u> | <u>188,012,682</u> |

Other operating costs include recharges of £178,251,571 (2007: £118,365,609) from the UK holding company, BGL Group Limited, and a number of its subsidiaries. Impairment charges to trade and other receivables relate to certain trade debtors receivable under installment arrangements that are financed by the Company's immediate parent company, BFSL limited. The receivables are included in the balance due from BFSL Limited disclosed in notes 9 and 19.

3. Investment income

| | 2008 | 2007 |
|---|------------------|------------------|
| | £ | £ |
| Interest receivable from group undertakings | 5,321,851 | 4,697,058 |
| Interest on bank deposits | 337,283 | 419,000 |
| | <u>5,659,134</u> | <u>5,116,058</u> |

Interest receivable from group undertakings is linked to the bank of England base rate

4. Finance costs

| | 2008 | 2007 |
|-------------------------------------|----------------|---------------|
| | £ | £ |
| Interest payable on bank borrowings | <u>116,443</u> | <u>47,221</u> |

BISL Limited**Notes forming part of the financial statements for the year ended 30 June 2008****5. Tax**

| | 2008 | 2007 |
|--|------------------|-------------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax charge for the year | 7,024,313 | 13,176,590 |
| Deferred tax | | |
| Origination and reversal of timing differences | - | (170,213) |
| Tax | <u>7,024,313</u> | <u>13,006,377</u> |

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 29.5% (2007: 30%). The actual tax charge for the current year and the previous year differs from the tax at the standard rate for the reasons set out in the following reconciliation

| | 2008 | 2007 |
|---|-------------------|-------------------|
| | £ | £ |
| Profit before tax | <u>23,809,024</u> | <u>39,302,072</u> |
| Tax at standard rate | 7,024,313 | 11,790,622 |
| Effects of | | |
| Short term timing differences between capital allowances and depreciation | - | 86,060 |
| Loss on sale of fixed assets | - | 23,125 |
| Disallowable expense in relation to Retail business disposal | - | 1,444,073 |
| Non-taxable items in relation to Retail business disposal | - | (469,244) |
| Other movements | - | 131,741 |
| Tax | <u>7,024,313</u> | <u>13,006,377</u> |

6. Staff costs

The company did not directly employ any staff during the year. The services of individuals were obtained in exchange for payments made to BGL Group Limited, a member of the same group.

7. Intangible assets
Books of business

| | £ |
|---|-------------|
| Cost | |
| Brought forward at 1 July 2006 | 2,654,020 |
| Acquisitions - separately acquired | 105,033 |
| Transfers in | - |
| Disposals | (2,759,053) |
| Carried forward at 30 June 2007 | - |
| Aggregate amortisation and impairment | |
| Brought forward at 1 July 2006 | (1,034,266) |
| Charge for the period | (245,498) |
| Transfers in | - |
| Disposals | 1,279,764 |
| Carried forward at 30 June 2007 | - |
| Net book amount at 30 June 2007 and 2008 | - |

The books of business were disposed of as part of the disposal of the Retail business described in note 17

8. Property, plant and equipment

| | Fixtures and fittings- Branch assets £ | Fixtures and fittings- General £ | Computer equipment £ | Motor vehicles £ | Total £ |
|--|--|---|----------------------------|------------------------|-------------|
| Cost | | | | | |
| At 1 July 2006 | 2,435,942 | 255,734 | 1,148,655 | 20,825 | 3,861,156 |
| Disposals | (9,714) | (5,581) | (315,129) | - | (330,424) |
| Disposals with Retail business | (2,426,228) | (250,153) | (833,526) | (20,825) | (3,530,732) |
| At 30 June 2007, 1 July 2007 and 30 June 2008 | - | - | - | - | - |
| Accumulated depreciation | | | | | |
| At 1 July 2006 | 272,373 | 105,523 | 363,254 | 6,750 | 747,900 |
| Charge for the year | 26,916 | 8,331 | 34,976 | 863 | 71,086 |
| Disposals | (3,106) | (1,448) | (248,787) | - | (253,341) |
| Disposals with Retail business | (296,183) | (112,406) | (149,443) | (7,613) | (565,645) |
| At 30 June 2007, 1 July 2007 and 30 June 2008 | - | - | - | - | - |
| Net book value | | | | | |
| At 30 June 2007 and 2008 | - | - | - | - | - |

The Property, plant and equipment was disposed of as part of the disposal of the Retail business described in note 17

9. Trade and other receivables

| | 2008 £ | 2007 £ (restated) |
|---------------------------------------|--------------------|-------------------------|
| Trade receivables | 1,892,228 | 13,665,873 |
| Amounts due from related undertakings | 70,652,244 | 59,858,115 |
| Deferred costs | 31,359,391 | 19,624,802 |
| Other receivables | 11,912,385 | 6,788,707 |
| | <u>115,816,248</u> | <u>99,937,497</u> |

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

Concentrations of credit risk with respect to trade receivables are limited due to 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 no credit risk provision required, further than the provision for bad debts in the normal course of business.

The restatement of the comparatives above was required to reclassify £19,288,662 from other debtors to deferred costs.

10. Trade and other payables

| | 2008 £ | 2007 £ |
|------------------------------|--------------------|--------------------|
| Trade payables | 84,763,531 | 82,878,957 |
| Accruals and deferred income | 20,993,416 | 18,932,094 |
| | <u>105,756,947</u> | <u>101,811,051</u> |

All trade and other payables are financial liabilities designated as financial liabilities measured at amortised cost.

11. Borrowings

Borrowings comprise a bank overdraft, which 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 5.75%. The facilities are subject to review at various dates during the 2009 financial year.

At 30 June 2008, the entirety of the balance of £577,848 (2007: £2,919,056) was floating rate and had maturity terms of less than one year. Borrowings are financial liabilities designated as financial liabilities measured at amortised cost.

The fair value of borrowings and other financial assets and liabilities approximates their book value.

12. Provision for deferred tax

Provision for deferred taxation consists of the following amounts

| | 2008 £ | 2007 £ |
|---|-----------|-----------|
| Depreciation in excess of capital allowances | - | - |
| Deferred tax liability at the start of the year | - | 170,213 |
| Deferred tax credit in income statement | - | (170,213) |
| Deferred tax at the end of the year | - | - |

All deferred tax relates to Property, plant and equipment and has been charged directly to the income statement.

13. Financial instruments

All balance sheet assets and liabilities are classified as financial instruments. Designation and description of the nature and extent of risk exposures of trade and other receivables, trade and other payables and borrowings are disclosed in notes 9, 10 and 11 respectively. The directors are of the opinion that the fair value of financial instruments approximates to their book value.

The carrying value of financial assets at the balance sheet date represents the maximum credit exposure.

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

Derivative financial instruments

The Company has entered into forward foreign exchange contracts to provide funding to Fusion Outsourcing Services (Pty) Limited ("FOSL"), a fellow subsidiary undertaking located in South Africa, during the next financial year. The contracts have been taken out in order to hedge movements in the South African Rand which would otherwise impact on the income statement of FOSL (which has Sterling as its functional currency) and have therefore been designated as cash flow hedges, with the change in fair value during the year recognised in reserves. Changes in fair value initially recognised in reserves are expected to impact on the income statement during the next financial year.

The fair value of these contracts of £17,102 (2007: £36,314) at the balance sheet date has been recognised as financial assets and designated as derivative hedging instruments. The fair value has been determined using confirmations received from the counterparty to the contracts. At the balance sheet date, a total of Rand 120m (UK sterling equivalent £7,480,164) has been contracted at average exchange rates of 16.11. For these derivatives, sensitivity to an immediate 10% favourable or adverse change in the value of the Rand is approximately £0.7m increase or decrease in value of the derivatives.

Cash and cash equivalents

Cash and cash equivalents are designated as loans and receivables and comprise bank account balances and short-term deposits with financial institutions with maturity dates of up to one month. Counterparties are subject to pre-approval and are limited to institutions with a certain credit rating. The amount of exposure to any individual counterparty is subject to limits, which are reassessed regularly.

13. Financial instruments (continued)*Cash and cash equivalents (continued)*

The Company operates a South African Rand bank account with a balance of £554,307 (2007 £2,829,414) at the balance sheet date, into which Rand is deposited on settlement of the forward foreign exchange contracts described above. The balance is considered part of the cash flow hedging arrangements described above and therefore related foreign exchange gains and losses are initially recognised in reserves and recycled to the income statement when the related funds are transferred to FOSL.

Borrowings

Current borrowings are drawn down under annual facilities subject to review at various dates during the 2009 financial year.

Risk management

Including those procedures disclosed above and in note 9, management of the Company's credit, liquidity and market risks is undertaken at the level of the immediate parent company, BFSL Limited, and the UK parent company, BGL Group Limited. Full disclosure on these risks is made in those company's consolidated financial statements.

14. Share capital

| | Authorised | | Allotted, called up and fully paid | |
|----------------------------|-------------------|-------------------|---|------------------|
| | 2008 | 2007 | 2008 | 2007 |
| | £ | £ | £ | £ |
| 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 all of which carry equal voting and dividend rights.

15. Retained earnings

Retained earnings are distributable, subject to the covenants under the bank borrowings arranged for the Company with Lloyd TSB bank.

16. Dividends

The Company, which has 8,000,000 ordinary shares in issue, paid the following dividends during the year:

- 81 25 pence share on 14 September 2007, giving a total dividend of £6,500,000
- 87 5 pence per share on 27 September 2006, giving a total dividend £7,000,000

During the financial year ended 30 June 2007, the company paid the following dividends:

- 75 pence share on 18 August 2006, giving a total dividend of £6,000,000
- £1 25 per share on 27 September 2006, giving a total dividend £10,000,000
- £1 875 per share on 10 April 2007, giving a total dividend of £15,000,000

17. Disposal of Retail business

On 4 August 2006, the Company signed an agreement to sell the business and assets of its Retail business unit. The sale was completed on 31 August 2006. The profit and loss of the business for the period 1 July 2006 to 31 August 2006 is disclosed separately under discontinued operations in the income statement. Details of the profit on disposal are shown below

| | 2007 |
|---------------------------------------|-----------------------|
| | £ |
| Net cash consideration | 25,866,056 |
| Less incidental costs of sale | <u>(25,000)</u> |
| Net sale proceeds | <u>25,841,056</u> |
| Assets and liabilities disposed | |
| Intangible assets – books of business | 1,479,289 |
| Property, plant and equipment | 2,965,087 |
| Trade and other receivables | 17,829,170 |
| Trade and other payables | (8,042,177) |
| Borrowings | <u>(2,500,363)</u> |
| Net assets disposed | <u>11,731,006</u> |
| Profit on disposal of business | <u>14,110,050</u> |

Trade and other receivables includes adjustments to inter company balances with the Company's immediate parent, BFSL Limited, to compensate BFSL Limited for impairment of goodwill (£8,021,257) and investments (£4,813,579) relating to the Retail business unit recognised in its company financial statements

18. Contingent liability

The Company has entered into an omnibus guarantee in respect of the debts and liabilities arising from the loan and overdraft facilities of BGL Group Limited and all the companies within the BFSL Limited group. At 30 June 2008 the maximum exposure to these liabilities was £nil (2007 £nil)

BISL Limited

Notes forming part of the financial statements for the year ended 30 June 2008

19. 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 Immediate parent company
- Fusion Outsourcing Services (Pty) Limited, fellow subsidiary
- Fusion Contact Centre Services Limited fellow subsidiary
- ACM ULR Limited fellow subsidiary
- Budget Insurance Company Limited fellow subsidiary
- BGL Group Limited UK Group Parent company

The Company had balances from the following the related parties

| | 2008 | 2007 |
|--------------|------------|------------|
| | £ | £ |
| BFSL Limited | 70,652,244 | 59,858,115 |

Trading activities

The Company received inter company interest of £4,892,793 (2007: £4,697,058) from BFSL Limited and £429,058 (2007: £nil) from Budget Insurance Company Limited.

The Company paid management and service charges to BGL Group Limited of £90,193,022 (2007: £54,286,197), BFSL Limited of £12,353,866 (2007: £3,251,722), ACM ULR Limited of £3,272,867 (2007: £3,222,626), Fusion Contact Centre Services Limited of £45,697,346 (2007: £32,986,437) and Fusion Outsourcing Services (Pty) Limited of £24,404,481 (2007: £24,618,627). The Company received profit-share payments from ACM ULR Limited of £26,748,227 (2007: £nil).

Directors' Emoluments

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

20. Events after the balance sheet date

There have been no events since the balance sheet date that materially affect the position of the Company.

21. Ultimate and immediate parent company

The Company is a subsidiary undertaking of Budget Holdings Limited which is the ultimate parent company incorporated in Guernsey. The ultimate controlling party is Budget Holdings Limited.

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

22. 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 financial statements, no judgements have been made by the management that have significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Other than where indicated in the notes to the financial statements, 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