

Company number 3231094

BISL Limited

Annual report and financial statements

Year ended 30 June 2012

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BISL Limited

Year ended 30 June 2012

Annual report and financial statements

Contents

Report of the directors	2
Statement of directors' responsibilities in respect of the directors' report and the financial statements	5
Independent auditor's report to the members of BISL Limited	6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes forming part of the financial statement	11

Directors	S Klinkert PA Winslow CBE IR Leech BGL Group Limited
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Secretary and registered office	NE Wright Pegasus House Bakewell Road Orton Southgate Peterborough PE2 6YS
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Auditor	KPMG Audit Plc 15 Canada Square London E14 5GL
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BISL Limited

Year ended 30 June 2012

Report of the directors

The directors present their report together with the audited financial statements for the year ended 30 June 2012

Results and dividends

The annual results for BISL Limited, company number 3231094 (the "Company") are set out on page 7 and show a profit before taxation of £48,599,000 (2011 £52,882,000). The directors are satisfied with the performance for the year and are confident of future prospects.

The directors have declared and paid a total dividend of £32,000,000 (2011 £32,800,000).

Principal activities, trading review and future developments

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

The Company's financial performance is consistent with the investment being made in the Company's brands. Revenue has increased by 17.5%, while profit before tax has decreased by 8.1%. The growth in revenues results from a continued improvement in performance consistent with the previous year in the core intermediary business and substantial growth in the Company's price comparison website, comparethemarket.com. The Company's profitability has decreased as it continues to invest in the brands and infrastructure of the Company. This enables all its businesses to compete successfully in difficult market conditions, which have included rising premiums and increasing consumer price sensitivity in the general insurance market and continuing competition in the price comparison market. In a challenging trading environment intermediary volumes have remained constant compared to the previous year, with policies under management of 2.3 million at the reporting date (2011 2.4 million). A rewards program offering free soft toys to customers has successfully increased market share and profitability for comparethemarket.com. The focus for the intermediary business is to continue to further develop sales of core products and affinity services through internet and telesales channels.

In addition to pre-tax profit and customer policy numbers, other important KPI's include underwriters' net rate inflation and aggregator volumes and market share. Net rates have increased by approximately 10% in the current year (2011 27%). Aggregator volumes and market share continue to be strong and have performed above expectations in the current year.

During the year the Company's affinity division, Junction, renewed its contract with Marks and Spencer Financial Services which is due to commence on 1 July 2012.

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

Risks and uncertainties

The Company's risks are managed at a Group level.

The markets in which the Company operates are highly competitive and constantly evolving. Recent trends in the intermediary market of the shift from telesales to internet and the dominance of aggregators have continued during this year. The Company closely monitors the wider economic environment in order to assess potential future impacts, and has continued to develop its internal audit and governance functions in order to identify and monitor financial and operational risks inherent in its business.

The following specific risks are noted and discussed:

Market risk

The Group is continually managing a wide variety of risks relating to the markets in which it operates. These include:

BISL Limited

Year ended 30 June 2012

Report of the directors

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

The above risks are monitored in using the Group's risk management framework and through established levels of management review, from the Board of the Company, through to the Group Executive, Performance Review Group and Business Unit Board and Management meetings. Specific market risks and the measures taken to monitor them are discussed below.

- Credit risk – exposures report established to monitor counterparty credit risk within the Group's treasury and investment policy, review of monthly KPI's relating to receivables write-offs and collection performance
- Liquidity risk – monthly treasury report to the Board, including twelve-month rolling cash flow forecasts and monitoring against the Group's existing and expected future available funding and cash requirements
- Interest rate risk - Review of consensus forecasts for interest rates, periodic assessment of the need to hedge variable rate exposures

Operational risk

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

Reputational risk

Reputational risk is the risk of adverse publicity arising from the Group's relationships with its customers, partners, suppliers and regulators. Key sources of reputational risk arise around direct interaction with consumers, and the performance of the Group's affinity partner arrangements. The Group seeks to minimise reputational risks wherever possible and also manages these risks where they arise through established communications and public relations channels.

Regulatory risk

Regulatory risk is the risk that one of the Group's regulated entities will breach the requirements of the FSA. This risk is mitigated through effective operation of the governance structures described elsewhere in this report. Management of risks relating to the Group's interactions with its customers are devolved to individual operating units with detailed management oversight being provided by a dedicated compliance team.

In June 2010 the Government announced new regulatory arrangements for the future. Under the Government's plans, the UK's new model of regulation has seen the responsibilities of the FSA split between two new bodies. The Prudential Regulation Authority (PRA) will be a subsidiary of the Bank of England, and will supervise deposit takers, insurers and a small number of significant investment firms. The Financial Conduct Authority (FCA) will be responsible for regulating conduct in retail and wholesale markets and will operate with the single strategic objective of protecting and enhancing confidence in the UK financial system. The FCA, which will apply a new approach to consumer protection, will regulate BISL Ltd.

The proposed changes are being made via the Financial Services Bill which is currently making its way through the House of Lords. The Government's aim is for the bill to gain Royal Assent by the end of 2012 and for the new system to be operational in March 2013.

As a result of FSA guidance issued in November 2011 the FSA has confirmed that the sale of insurance through comparison sites is regulated activity. In terms of systems and controls this has not had an impact on the business as comparethemarket.com has always operated as a regulated entity.

BISL Limited

Year ended 30 June 2012

Report of the directors

The impending Legal Aid, Sentencing and Punishment of Offenders (LASPO) Bill proposes to ban referral fee payments from solicitors for personal injury claims. The bill is effective from April 2013, however, the scope and exact details of the bill are not yet clear. The Group continues to review the legal and regulatory environment relating to the claims management industry and seeks to work proactively to manage risks to the business in this area.

Disclosures relating to the risks arising from financial instruments, including those around capital management, credit and liquidity risks, are discussed in detail in the notes to financial statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Company is disclosed on the statement of financial position on page 8. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors of the Company during the year were

S Klinkert
PA Winslow CBE
IR Leech
BGL Group Limited

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 auditor is unaware, and each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

Auditor

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

Corporate governance

BGL Group Limited, into which the Company is consolidated, is committed to high standards of corporate governance appropriate to the size and nature of the business. The board of directors of BGL Group Limited (the "Board") is the governing body of the Group and is responsible for the strategic management of the business and all resulting operational matters. The 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 Board has established a number of management and assurance forums which focus upon key aspects of the business in particular the Audit Committee. The Audit Committee terms of reference include monitoring the scope, independence, objectivity and effectiveness of the audit process, ensuring that management addresses external auditor's recommendations and observations, reviewing the programme and effectiveness of the internal audit function, and monitoring the effectiveness of internal controls.

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

On behalf of the board



IR Leech
Director

Date 27th September 2012

BISL Limited

Year ended 30 June 2012

Report of the directors

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 International Financial Reporting Standards as adopted by the EU ("IFRS") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the 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 IFRS 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Independent auditor's report to the members of BISL Limited

We have audited the financial statements of BISL Limited for the year ended 30 June 2012 set out on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the EU.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

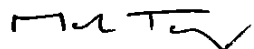
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



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

27 September 2012

BISL Limited**Year ended 30 June 2012****Statement of comprehensive income**

		2012 Total £000s	2011 Total £000s
Revenue	Note	381,320	324,511
Operating expenses	2	(333,222)	(272,469)
Operating profit		<u>48,098</u>	<u>52,042</u>
Finance income	3	633	844
Finance costs	4	(132)	(4)
Profit before taxation		<u>48,599</u>	<u>52,882</u>
Taxation	5	(12,453)	(14,544)
Profit for the year		<u>36,146</u>	<u>38,338</u>

There are no other items of comprehensive income

All comprehensive income relates to continuing activities

The notes on pages 11 to 25 form part of these financial statements

BISL Limited**Year ended 30 June 2012****Statement of financial position**

Company Number 3231094

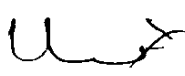
BISL Limited**Year ended 30 June 2012**

	Notes	2012 £000s	2011 £000s
ASSETS			
Non-current assets			
Intangible assets	7	5,911	6,966
Deferred tax asset	19	1,121	-
		<u>7,032</u>	<u>6,966</u>
Current assets			
Inventory	8	3,568	660
Trade and other receivables	9	86,836	58,249
Financial assets	13	4,185	6,800
Cash and cash equivalents	10	154,705	109,518
		<u>249,294</u>	<u>175,227</u>
Total assets		<u>256,326</u>	<u>182,193</u>
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	12	112	79
Trade and other payables	11	227,905	167,951
		<u>228,017</u>	<u>168,030</u>
Total liabilities		<u>228,017</u>	<u>168,030</u>
Equity attributable to equity holders of Company			
Share capital	14	18,000	8,000
Retained earnings	15	10,309	6,163
Total equity		<u>28,309</u>	<u>14,163</u>
Total equity and liabilities		<u>256,326</u>	<u>182,193</u>

The financial statements were approved by the board of directors on 27th September 2012 and signed on its behalf by



PA Winslow CBE
Director



IR Leech
Director

The notes on pages 11 to 25 form part of these financial statements

BISL Limited**Year ended 30 June 2012****Statement of changes in equity**

	Share capital £000s	Retained earnings £000s	Total £000s
At 1 July 2010	8,000	625	8,625
Profit for the year	-	38,338	38,338
Equity dividends paid	-	(32,800)	(32,800)
At 30 June and 1 July 2011	8,000	6,163	14,163
Profit for the year	-	36,146	36,146
Issue of share capital	10,000	-	10,000
Equity dividends paid	-	(32,000)	(32,000)
At 30 June 2012	18,000	10,309	28,309

The notes on pages 11 to 25 form part of these financial statements

BISL Limited**Year ended 30 June 2012****Statement of cash flows**

	2012 £000s	2011 £000s
Operating profit	48,098	52,042
(Increase)/decrease in receivables	(28,587)	6,124
Increase in payables	40,718	24,813
(Increase) in inventory	(2,908)	(660)
Change in financial asset at fair value	2,615	(1,939)
Amortisation of intangible assets	1,055	805
Cash generated from operations	60,991	81,185
Adjustments for		
Interest received	633	844
Interest paid	(132)	(4)
Tax paid	(13,574)	(14,544)
Cash inflow from operating activities	47,918	67,481
Cash flows from investing activities		
Purchase of intangible assets	-	(2,500)
Cash (outflow) from investing activities	-	(2,500)
Cash flows from financing activities		
Increase share capital	10,000	-
Amounts received from group undertakings	19,236	7,840
Increase/(decrease) in bank overdraft	33	(296)
Dividends paid	(32,000)	(32,800)
Cash (outflow) from financing activities	(2,731)	(25,256)
Net inflow of cash and cash equivalents	45,187	39,725
Cash and cash equivalents at beginning of the year	109,518	69,793
Cash and cash equivalents at end of the year	154,705	109,518

10

The notes on pages 11 to 25 form part of these financial statements

BISL Limited

Year ended 30 June 2012

Notes forming part of the financial statement

1. Accounting policies

Basis of preparation

BISL Limited (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 ("IFRS"), and the requirements of the Companies Act 2006. The accounting policies below have been applied consistently to all periods presented in these financial statements.

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

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 (£000s).

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss, which are stated at fair value.

The following principal accounting policies have been applied:

Business combinations

The acquisition of trade and assets is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Where the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income.

Revenues

Revenue consists substantially of gross commissions and fees on insurance and other business transacted, before deduction of the related amounts payable to agents or affinity partners, which are included in operating expenses. Revenue is analysed into its constituent components with each element recognised at fair value upon provision of each service. For the intermediary business this is generally at policy inception and varies depending upon contractual arrangements for the price comparison website.

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

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.

BISL Limited

Year ended 30 June 2012

Notes forming part of the financial statements

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 statement of comprehensive income on a systematic basis over the contract period.

Prepaid commissions

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

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.

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 financial statements.

Rates that are substantially enacted at the reporting date are used to determine the deferred tax.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Intangible assets

Customer bases

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

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

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

Affinity relationships

Affinity relationships are recognised as intangible assets when the Company has acquired the right to control either directly or jointly with the affinity partner key aspects of the relationship such as pricing, insurer panel selection, product design and marketing and as a result these rights confer direct probable economic benefits to the Company.

BISL Limited

Year ended 30 June 2012

Notes forming part of the financial statements

The Company capitalises the amounts paid at cost or at fair value, less accumulated amortisation and impairment losses where appropriate. Amortisation is recognised on a systematic basis over the periods during which the related economic benefits arise, usually the length of the original contract.

Where the Company acquires intangible assets as part of a business combination and the fair value of those assets exceeds the fair value of the consideration paid, the gain is recognised immediately in the statement of comprehensive income. The carrying value of assets is tested annually for impairments.

Impairment

The Company 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 statement of comprehensive income in the period of impairment.

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

Non-derivative financial assets financial assets not carried at fair value through profit or loss are assessed at each reporting date. Company policy is to write off doubtful receivables shortly after identification and then credit any recovered amounts to the statement of comprehensive income 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 other than inventories and deferred tax 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.

Financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets

The Company initially recognises loans and receivables, deposits and other financial assets on the date that they are originated.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such assets and makes decisions based on their fair value, in accordance with a documented strategy. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss. Financial assets designated at fair value through profit or loss comprise the fair value of trail commission receivable where no subsequent service obligations exist, and on receivables relating to the terminal value of an affinity partner contract.

Loans and receivables

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

BISL Limited

Year ended 30 June 2012

Notes forming part of the financial statements

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

ii Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured on an average cost basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Insurance assets and liabilities

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and, as such, are not liable as principals for amounts arising from such transactions. In recognition of this relationship, receivables from insurance broking transactions are not included as an asset of the Group.

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

In certain circumstances, the Group advances premiums, refunds or claims to insurance underwriters or clients prior to collection. These advances are reflected in the consolidation Statement of Financial Position as part of trade receivables.

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.

BISL Limited

Year ended 30 June 2012

Notes forming part of the financial statements

Dividends

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

Borrowings

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

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent 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 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.

BISL Limited

Year ended 30 June 2012

Notes forming part of the financial statements

Future developments

The following pronouncements may be relevant to the Company but were not effective at 30 June 2012 and have not been applied in preparing these financial statements

IAS 1 Presentation of Items of Other Comprehensive Income Amendments	Amends require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss	Annual periods beginning on or after 1 July 2012
IFRS 10 Consolidated Financial Statements	Replaces the existing accounting for subsidiaries and joint ventures. It provides a single model to be applied in the control analysis of investees	Annual periods beginning on or after 1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	Contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities	Annual periods beginning on or after 1 January 2013
IFRS 13 Fair Value Measurement	New standard to replace existing guidance on fair value measurement in different IFRS with a single definition of fair value, a framework for measuring fair values and disclosures about fair value measurements	Annual periods beginning on or after 1 January 2013
IFRS 9 Financial Instruments	IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset	Annual periods beginning on or after 1 January 2015

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

2. Operating expenses

	2012 £000s	2011 £000s
Impairment charges trade and other receivables	21,507	17,913
Auditor fees – fees for the audit of the company	217	206
Amortisation of intangible assets	1,055	805
Other operating costs	310,443	253,545
	<u>333,222</u>	<u>272,469</u>

Other operating costs include recharges of £226,351,000 (2011: £177,061,000) from the UK holding company, BGL Group Limited, and a number of its subsidiaries. An element of the impairment charges to trade and other receivables relate to certain trade debtors receivable under instalment 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 11 and 18.

BISL Limited**Year ended 30 June 2012****Notes forming part of the financial statements****3. Finance income**

	2012 £000s	2011 £000s
Interest receivable from group undertakings	61	606
Interest on bank deposits	572	238
	<u>633</u>	<u>844</u>

Interest receivable from group undertakings is charged at a fixed premium of 0.85% above the Bank of England base rate

4. Finance costs

	2012 £000s	2011 £000s
Interest payable to group undertaking	122	-
Interest payable on bank borrowings	10	4
	<u>132</u>	<u>4</u>

Interest receivable from group undertakings is charged at a fixed premium of 0.85% above the Bank of England base rate

5. Taxation

	2012 £000s	2011 £000s
Current tax		
UK corporation tax charge for the year	<u>13,574</u>	<u>14,544</u>
Deferred tax		
Origination and reversal of timing differences	<u>(1,121)</u>	<u>-</u>
Taxation	<u>12,453</u>	<u>14,544</u>

The effective rate of tax for the year ended 30 June 2012 was 25.5% (2011: 27.5%). This rate is the same as the UK standard rate of corporation tax. There are no reconciling items between the actual tax charge and the tax charge at the standard rate.

The 2012 budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

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.

BISL Limited**Year ended 30 June 2012****Notes forming part of the financial statements****7. Intangible assets**

Cost	Affinity relationships £000s	Customer base £000s	Total £000s
At 1 July 2010	-	5,956	5,956
Acquisitions	2,500	-	2,500
At 30 June 2011 and 30 June 2012	2,500	5,956	8,456
Amortisation			
At 1 July 2010	-	(685)	(685)
Amortisation	(250)	(555)	(805)
At 30 June 2011	(250)	(1,240)	(1,490)
Amortisation	(500)	(555)	(1,055)
At 30 June 2012	(750)	(1,795)	(2,545)
Net Book Value			
At 30 June 2012	1,750	4,161	5,911
At 30 June 2011	2,250	4,716	6,966

During 2011 the Company acquired the contractual rights to manage the RAC book over 5 years. As this will lead to enhanced future income streams the cost of acquisition was capitalised as an intangible asset.

8. Inventory

	2012 £000s	2011 £000s
Finished goods	3,568	660

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

BISL Limited**Year ended 30 June 2012****Notes forming part of the financial statements****9. Trade and other receivables**

	2012 £000s	2011 £000s
Trade receivables	14,618	13,614
Other receivables at fair value through profit or loss (see note 13)	16,000	16,000
Accrued income	36,714	2,791
Prepayments	15,624	20,782
Other receivables	3,880	5,062
	<u>86,836</u>	<u>58,249</u>

Prepayments of approximately £6,668,000 (2011 £14,225,000) are forecast to be recognised in the statement of comprehensive income after more than 12 months from the reporting date. Trade receivables of £667,000 (2011 £1,597,000) are due in instalments between 2013 and 2014. All other amounts 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 netted against amounts due to 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 the Company has policies that require appropriate checks on potential customers before trade commences. Accordingly, management believes that no credit risk provision is required, further than the provision for bad debts in the normal course of business.

Trade receivables include a total provision of £5,484,000 (2011 £516,000), of which £813,000 (2011 £516,000) are against non-insurance related receivables.

10. Cash and cash equivalents

	2012 £000s	2011 £000s
Restricted cash and cash equivalents	3,250	-
Cash and cash equivalents	151,455	109,518
	<u>154,705</u>	<u>109,518</u>

Restricted cash and cash equivalents are money held on behalf of customers until payment is made. The corresponding payable is included in other payables.

BISL Limited**Year ended 30 June 2012****Notes forming part of the financial statements****11. Trade and other payables**

	2012 £000s	2011 £000s
Trade payables	134,459	148,575
Amounts due to related undertakings	68,752	5,458
Accruals and deferred income	24,694	13,918
	<u>227,905</u>	<u>167,951</u>

Included in trade payables is the corresponding payable of £3,250,000 (2011 nil) of the Restricted cash and cash equivalent balance as disclosed in note 10

12. 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 reporting date was 0.5%. The facilities are subject to review at various dates during the 2012 financial year.

At 30 June 2012, the entirety of the balance of £112,000 (2011 £79,000) was floating rate and had maturity terms of less than one year.

The fair value of borrowings approximates their book value.

13. Financial instruments

2012	Loans and receivables	Financial assets at fair value	Financial liabilities measured at amortised cost	Total
	£000s	£000s	£000s	£000s
Financial assets				
Trade and other receivables	55,212	16,000	-	71,212
Cash and cash equivalents	154,705	-	-	154,705
Financial assets at fair value	-	4,185	-	4,185
Financial liabilities				
Borrowings - current	-	-	(112)	(112)
Trade and other payables	-	-	(227,905)	(227,905)
	<u>209,917</u>	<u>20,185</u>	<u>(228,017)</u>	<u>2,085</u>
2011	Loans and receivables	Financial assets at fair value	Financial liabilities measured at amortised cost	Total
	£000s	£000s	£000s	£000s
Financial assets				
Trade and other receivables	21,467	16,000	-	37,467
Cash and cash equivalents	109,518	-	-	109,518
Financial assets at fair value	-	6,800	-	6,800
Financial liabilities				
Borrowings - current	-	-	(79)	(79)
Trade and other payables	-	-	(167,951)	(167,951)
	<u>130,985</u>	<u>22,800</u>	<u>(168,030)</u>	<u>(14,245)</u>

BISL Limited

Year ended 30 June 2012

Notes forming part of the financial statements

All assets and liabilities, with the exception of intangible assets, inventory and prepayments, 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, 11 and 12 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 reporting 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.

Cash and cash equivalents

Cash and cash equivalents 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.

Of the £154,705,000 (2011: £109,518,000) cash and cash equivalents at the reporting date, £nil (2011: £74,018,000) was deposited with AA rated counterparties, £60,090,000 (2011: £10,037,000) with AA- rated counterparties, £nil (2011: £25,463,000) with A+ rated counterparties and £94,615,000 (2011: nil) with A rated counterparties. Ratings were obtained from Standard & Poor's.

The Company operates a South African Rand bank account with a balance of £32,209 (2011: £37,000) at the reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss of £4,185,000 (2011: £6,800,000) represent the fair value of total trail commission receivable from a product provider where no subsequent servicing obligations exist under the contract.

These assets are designated Level 3 Fair Values by IFRS 7 since they are measured using valuation techniques for which significant inputs are not based on market observable data.

The fair value assessment was undertaken by taking into account the total contractual commission entitlement per policy sold, applying lapse rates and an additional margin of prudence of approximately 30% to adjust for uncertainty based on historical observed metrics. A further discount factor of 5% was then applied to take account of the time value of money. The following table sets for a reconciliation of opening and closing balances for these assets:

	2012 £000s	2011 £000s
Value at start of year	6,800	4,861
Purchases	5,600	5,603
Change in lapses	(3,702)	1,245
Settlements	(4,513)	(4,909)
Value at end of year	<u>4,185</u>	<u>6,800</u>

The net debit to the statement of comprehensive income in 2012 was £2,615,000 (2011: net credit £1,938,000).

Other receivables at fair value through profit or loss

Other receivables at fair value through profit or loss of £16,000,000 (2011: £16,000,000) represent receivables from specific affinity partners.

BISL Limited

Year ended 30 June 2012

Notes forming part of the financial statements

These assets are designated Level 3 Fair Values by IFRS 7 since they are measured using valuation techniques for which significant inputs are not based on market observable data

The fair value assessment was undertaken by taking in to account the most likely expected cash flows due at the end of the contract, and then applying a 10% prudency margin to take into account possible downgrade risk as assessed by management modelling. A further discount of 0.95% (2011 1.36%) was then applied to take account of the time value of money

Borrowings

Current borrowings are drawn down under annual facilities subject to review at various dates during the financial year. The current revolving credit facility is due to mature in the 2015 financial year

14. Share capital

	Authorised		Allotted, called up and fully paid	
	2012 £000s	2011 £000s	2012 £000s	2011 £000s
Ordinary shares of £1 each	20,000	10,000	18,000	8,000

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

On 19 June 2012, the Company authorised and issued an additional 10,000,000 £1 ordinary share capital

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 had 8,000,000 ordinary shares in issue, paid the following dividends during the year

£0.9375 per share on 8 September 2011, giving a total dividend of £7,500,000
£1.5625 per share on 19 December 2011, giving a total dividend of £12,500,000
£1.50 per share on 10 April 2012, giving a total dividend of £12,000,000

No dividends were made after the issue of new shares

During the financial year ended 30 June 2011, the Company paid the following dividends

£0.475 per share on 17 September 2010, giving a total dividend of £3,800,000
£2.1875 per share on 14 December 2010, giving a total dividend of £17,500,000
£1.4375 per share on 18 April 2011, giving a total dividend of £11,500,000

17. 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 BFS Limited group. At 30 June 2012 the maximum exposure to these liabilities was £nil (2011 £nil)

BISL Limited

Year ended 30 June 2012

Notes forming part of the financial statements

18. Related party transactions

The Company has related party transactions with a number of associated companies. Interest on intercompany balances is charged at market rates. Other related party transactions are conducted at arm's length terms.

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

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

The Company had balances from the following related parties:

	2012 £000s	2011 £000s
BFSL Limited	<u>(68,752)</u>	<u>(5,458)</u>

Trading activities

The Company received intercompany interest of £61,000 (2011: £606,000) from BFSL Limited and paid £122,000 to BFSL Limited.

The Company paid management and service charges to:

- BGL Group Limited of £176,088,000 (2011: £120,851,000),
- Fusion Contact Centre Services Limited of £47,888,000 (2011: £41,469,000), and
- Fusion Outsourcing Services (Pty) Limited of £2,376,000 (2011: £6,507,000)

During the year, the Company received fee income from BFSL Limited of £51,981,000 (2011: £51,114,000) and paid management charges to the same company of £11,242,000 (2011: £8,234,000).

The Company received profit-share payments from ACM ULR Limited of £33,967,000 (2011: £31,365,000).

Directors' emoluments and interests

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

P A Winslow CBE and S Klinkert respectively hold 5% and 2.5% interests in the ordinary share capital of the Company through their holdings in BFSL Limited.

BISL Limited

Year ended 30 June 2012

Notes forming part of the financial statements

19. Deferred Tax

	2012	2011
	£000s	£000s
Other temporary differences	1,121	-
Deferred tax asset	<u>1,121</u>	<u>-</u>

Deferred tax relates to provisions and has been charged directly to the statement of comprehensive income

20. Risk management

Including those procedures disclosed above, 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

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

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

Credit risk

Concentrations of credit risk with respect to trade receivables are limited due to Group's customer base being large and unrelated. It is the Group's policy to write off doubtful insurance receivables when identified, however due to the time lag in identifying such balances, management have provided for £4,671,000 (2011: nil) against insurance receivables. A provision of £813,000 (2011: £516,000) has been made against certain non-insurance receivables. Details of both provisions are disclosed in note 9

Counter-parties for short-term deposits are subject to pre-approval, and are limited to institutions with a certain credit rating. The amount of exposure to any individual counter party is subject to defined limits. Both the acceptable credit rating and exposure limits are reassessed on a regular basis

Details of the credit risk to cash balances are given in note 13

Liquidity risk

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

The borrowings of the Group and all the companies within the 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

The Group has also 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 Group. At 30 June 2012 the maximum exposure of these liabilities was £nil (2011: £nil)

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. The Group is exposed to market risks arising from price movements in the foreign exchange markets and in interest rates

BISL Limited

Year ended 30 June 2012

Notes forming part of the financial statements

Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. Cash and cash equivalents earn interest primarily at the rates available in the short-term deposit markets. The Group's borrowings are charged interest exclusively at floating rates. Interest on asset-based securitised financing is charged at effective rates approximating UK LIBOR plus a fixed premium. Interest on sterling-denominated bank borrowings and amounts payable to and receivable from group undertakings is charged at Bank of England base rate plus a fixed premium. The Group is therefore exposed to interest rate risk, including that on the spread between Bank of England base rate and UK LIBOR. The Group regularly reviews this exposure, and enters into hedging contracts as it deems necessary. No such contracts were outstanding at year end.

The company is exposed to minimal interest rate risk as all interest bearing assets and liabilities are intercompany and under the control of the group.

Capital Management

The company is regulated by the FSA and therefore must maintain adequate capital. The Company regularly reviews its capital position to ensure suitable headroom is maintained.

21. Events after the reporting date

On 1 July 2012 the company acquired the trade of its fellow subsidiary Fusion Contact Centre Services Limited and since that date has continued to provide contact centre services.

22. 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.

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

23. 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 reporting date that had a significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year.