

Company number 03231094

BISL Limited

Annual Report and Financial Statements

Year Ended 30 June 2016

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BISL Limited

Year ended 30 June 2016

Annual report and financial statements

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Director MO Donaldson

Secretary and registered office R Simms
Pegasus House
Bakewell Road
Orton Southgate
Peterborough
PE2 6YS

Auditor KPMG LLP
15 Canada Square
London
E14 5GL

BISL Limited

Year ended 30 June 2016

Strategic report

The director presents the strategic report for the year ended 30 June 2016.

Results and dividends

The annual results of BISL Limited, company number 03231094, ("the Company"), are set out on page 9 and show a profit before taxation of £103,809,000 (2015 restated: £129,363,000). The director is satisfied with the underlying trading performance for the year and is confident of future prospects.

The Company has paid dividends on ordinary shares of £160,000,000 (2015: £40,000,000) during the year.

Principal activities, trading review and future developments

The Company's principal activity is that of insurance distribution and outsourcing and price comparison services and it is therefore authorised and regulated by the Financial Conduct Authority ("FCA").

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 to the Company, 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. Turnover has increased by 4% (2015: 17% increase), while profit on ordinary activities before taxation has fallen by 20% (2015: 29% increase). The increase in turnover results from a continued improvement in performance in the core intermediary business and in the Company's price comparison website, comparethemarket.com. The Company's operating profitability has increased 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 increasing consumer price sensitivity in the general insurance market and continuing competition in the price comparison market. The decline in profit on ordinary activities before taxation is due to a one-off impairment loss of £15,584,000 recorded in the current year following an accounting policy review resulting in changes in accounting estimates for useful lives and residual values of contract assets and a review of further contract balances held within other debtors.

Within the Insurance Distribution and Outsourcing business (IDO), the focus has been on growing customer numbers. Total policies under management have increased during the year. In a challenging trading environment intermediary volumes have remained stable compared to the previous year, with policies under management of 2,908,000 at the reporting date (2015: 2,712,000 excluding Bennetts). The focus for the intermediary business is to continue to further develop sales of core products and affinity services through internet and telesales channels.

Following a review in the prior year of the BGL Group's core businesses and to support the BGL Group's long term strategy of focusing on developing highly profitable and scalable business, the BGL Group made the decision to dispose of the Bennetts business on 30 June 2015, which resulted in a profit on disposal of £22,048,000 in the previous year.

During the year, the board performed a detailed review of its accounting policies and assumptions and have decided the following revisions are appropriate for the business:

- Changes to accounting policies (see note 1):
 - Fees for mid-term adjustments and cancellations are now recognised at the point the adjustment or cancellation is performed.
 - Fees for guaranteed replacement car and emergency vehicle hire are now recognised over the period of service obligation.
- Changes to assumptions:
 - Amortisation practice in respect of intangible assets has been changed to ordinarily write off contract payments over the contract period on a straight line basis. See note 10.

BISL Limited

Year ended 30 June 2016

Strategic report

- Impairment of assets:
 - An impairment of £9,714,000 has been made to write down an intangible asset to its recoverable value.
 - £5,870,000 of other debtors have been impaired following a review of recoverability of contract related assets.

The impact of changes to accounting policies is disclosed in note 1 to the accounts.

The changes in accounting policies have been applied retrospectively in line with the requirements of IAS 8 'Accounting policies, changes in accounting estimates and errors'. Further details on the nature of these changes in policy and the impact can be found in note 1 on pages 15 and 16.

Key performance indicators

Management's key performance indicators are:

| | 2016 £000s | 2015 £000s | Movement |
|---|---------------|---------------|----------|
| Turnover | 468,576 | 451,178 | 4% |
| Operating profit | 98,962 | 104,253 | (5%) |
| Profit on ordinary activities before taxation | 103,809 | 129,363 | (20%) |

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. With the refinancing carried out in March 2016, the BGL Group is in a strong position to support the liquidity requirements of the business for the foreseeable future.

In March 2016 the BGL Group successfully completed a refinancing of its bank facilities. These facilities comprise a £200,000,000 securitisation facility and a £70,000,000 revolving credit facility. Both of these facilities mature in March 2019.

Risks and uncertainties

Risks of the Company are managed at a group level by the UK parent company, BGL Group Limited.

Financial risk

The Group has in place a risk management framework that seeks to identify and limit potential adverse effects on the financial performance of the BGL Group.

The BGL Group Limited board of directors ("the BGL Board") reviews its risk appetite annually and a risk management framework is established. Risk is assessed within each area of the business and a quarterly group-wide risk report is produced for the Audit Committee.

The Audit Committee reviews the implementation of processes for identifying, measuring, managing and controlling financial risks and receives and commissions reports in relation to risk management activities.

The BGL 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 framework as described above, using derivative financial instruments where appropriate.

The use of derivative financial instruments is governed by the Group's policies approved by the BGL Board, 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.

BISL Limited

Year ended 30 June 2016

Strategic report

Operational risk

The BGL Group recognises the need to maintain people, organisational structures, systems and infrastructure to support current operations and the on-going growth of the business. The BGL Group monitor these risks on an on-going basis and puts in place appropriate controls to mitigate.

People risk

Key sources of people risk arise from BGL Group's resourcing, skills and competence requirements, key person dependency and its approach to reward and recognition. The Group seeks to minimise these people risks where possible through on-going planning and mitigation activities.

Technology risk

The BGL Group has in place processes to manage the availability, capacity, performance, integrity and security of its technology assets to support both the current operations of the business and future change requirements.

Conduct risk

Conduct risk is the risk that the BGL Group acts against its customers' best interest in pursuit of its own interests. The Group has in place a clearly defined framework of controls to manage and mitigate conduct risk.

Strategic risk

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

- risks relating to the general economic environment, which can impact the overall size of the markets in which the Group operates, the claims environment and recoverability of premium receivables;
- risks arising from the insurance underwriting cycle;
- risks relating to reputation
- regulatory risk; 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 using the Group's risk management framework and through established levels of management review, from the BGL Board, through to the Executive Board and business unit executive meetings.

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 its regulator. The Company is authorised and regulated by the Financial Conduct Authority ("FCA");

This risk is mitigated through effective operation of the governance structures as determined by BGL Group Limited. Management of risks relating to the BGL Group's interactions with its customers are devolved to individual operating units with detailed management oversight being provided by a dedicated compliance team.

BISL Limited

Year ended 30 June 2016

Strategic report

The BGL 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.

A handwritten signature in black ink, appearing to read 'MO Donaldson', with a long horizontal stroke extending to the right.

MO Donaldson
Director
22 September 2016

BISL Limited

Year ended 30 June 2016

Report of the director

The director presents his report together with the audited financial statements for the year ended 30 June 2016.

Results, dividends and future developments

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set in the strategic report. The financial position of the Company is disclosed on the balance sheet on page 11. The director is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors of the Company during the year and to the date of signature were:

MO Donaldson
AB Lenman (resigned 31 December 2015)

Disclosure of information to auditor

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

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

Directors' indemnity provision

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

Auditor

In accordance with section 487 of the Companies Act 2006, the auditor will be deemed reappointed, and KPMG LLP will therefore continue in office.



MO Donaldson
Director
22 September 2016

BISL Limited

Year ended 30 June 2016

Statement of director's responsibilities

The director is responsible for preparing the report of the director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the director must not approve the financial statements unless he is 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 these financial statements, the director is required to:

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

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

BISL Limited

Year ended 30 June 2016

Independent auditor's report to the member of BISL Limited

We have audited the financial statements of BISL Limited for the year ended 30 June 2016 set out on pages 9 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the company's member 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 member those matters we are required to state to it 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 member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditor

As explained more fully in the Statement of director's responsibilities set out on page 7, the director is 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Director's 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.



Murray Raisbeck (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 23 September 2016

BISL Limited**Year ended 30 June 2016****Profit and loss account**

| | Note | 2016 £000s | Restated* 2015 £000s |
|--|-------------|-----------------------|-------------------------------------|
| Turnover | 3 | 468,576 | 451,178 |
| Cost of sales | | (283,233) | (269,279) |
| Gross profit | | 185,343 | 181,899 |
| Administrative expenses | | (177) | (301) |
| Other operating expenses | | (70,620) | (77,345) |
| Impairment loss | 5 | (15,584) | - |
| Operating profit | 4 | 98,962 | 104,253 |
| Profit on disposal of operations | 6 | - | 22,048 |
| Interest receivable and similar income | 7 | 5,386 | 3,646 |
| Interest payable and similar charges | 8 | (539) | (584) |
| Profit on ordinary activities before taxation | | 103,809 | 129,363 |
| Tax on profit on ordinary activities | 9 | (20,458) | (22,728) |
| Profit for the financial year | | 83,351 | 106,635 |

*See change in accounting policy note, Note 1.

All amounts relate to continuing activities.

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

The notes on pages 12 to 25 form part of these financial statements.

BISL Limited

Year ended 30 June 2016

Statement of changes in equity

| | Called up share capital £000s | Restated* Profit and loss account £000s | Restated* Shareholder's funds £000s |
|--|--|--|--|
| At 1 July 2014 as previously stated | 18,000 | 58,238 | 76,238 |
| Effect of restatement* | - | (7,085) | (7,085) |
| Tax effect of restatement* | - | 1,417 | 1,417 |
| At 1 July 2014 as restated | 18,000 | 52,570 | 70,570 |
| Profit for the financial year as previously stated | - | 107,441 | 107,441 |
| Effect of restatement* | - | (1,008) | (1,008) |
| Tax effect of restatement* | - | 202 | 202 |
| Profit for the year as restated | - | 106,635 | 106,635 |
| Equity dividends paid | - | (40,000) | (40,000) |
| At 30 June 2015 as previously stated | 18,000 | 125,679 | 143,679 |
| At 30 June 2015 as restated | 18,000 | 119,205 | 137,205 |
| Profit for the financial year | - | 83,351 | 83,351 |
| Equity dividends paid | - | (160,000) | (160,000) |
| At 30 June 2016 | 18,000 | 42,556 | 60,556 |

*See change in accounting policy note, Note 1.

The notes on pages 12 to 25 form part of these financial statements.

BISL Limited**Year ended 30 June 2016**

Company Number 03231094

Balance sheet

| | Note | 2016 £000s | Restated* 2015 £000s | Restated* 2014 £000s |
|---|------|----------------|----------------------------|----------------------------|
| Fixed assets | | | | |
| Intangible assets | 10 | 10,942 | 26,090 | 30,479 |
| Deferred tax asset | 11 | - | 1,619 | 1,417 |
| | | 10,942 | 27,709 | 31,896 |
| Current assets | | | | |
| Stock | 12 | 5,048 | 2,627 | 1,749 |
| Debtors | 13 | 473,025 | 462,843 | 208,990 |
| Cash at bank and in hand | 15 | 12,165 | 7,329 | 77,443 |
| | | 490,238 | 472,799 | 288,182 |
| Creditors: amounts falling due within one year | 17 | 437,561 | 360,580 | 246,684 |
| Net current assets | | 52,677 | 112,219 | 41,498 |
| Total assets less current liabilities | | 63,619 | 139,928 | 73,394 |
| Provisions for liabilities | 18 | 3,063 | 2,723 | 2,824 |
| Net assets | | 60,556 | 137,205 | 70,570 |
| Capital and reserves | | | | |
| Called up share capital | 19 | 18,000 | 18,000 | 18,000 |
| Profit and loss account | | 42,556 | 119,205 | 52,570 |
| Shareholder's funds | | 60,556 | 137,205 | 70,570 |

*See change in accounting policy note, Note 1.

The financial statements were approved by the director on 22 September 2016 and signed by:


MO Donaldson
Director

The notes on pages 12 to 25 form part of these financial statements.

BISL Limited

Year ended 30 June 2016

Notes forming part of the financial statements

1. Accounting policies

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

The accounting policies of the Company are set at a group level by the UK parent company, BGL Group Limited ("the BGL Group").

Basis of preparation

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

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

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

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

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

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

The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of a trading portfolio or are derivatives.

The financial statements are stated in sterling, which is the Company's functional and presentation currency.

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

Going concern

The financial statements have been prepared on the going concern basis. The director has 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 is confident that they show the Company will have sufficient resources to meet its liabilities as they fall due. Accordingly the director believes that it remains appropriate to prepare the financial statements on a going concern basis.

BISL Limited

Year ended 30 June 2016

Notes forming part of the financial statements

Changes in accounting standards

During the current year a number of amendments to existing IFRSs became effective. None of these had a material impact on the amounts included or the disclosures made within these financial statements.

Turnover

Turnover 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 cost of sales. Turnover is analysed into its constituent components with each element recognised at fair value upon provision of each service.

For the intermediary businesses this is generally at policy inception or once the service has been delivered. Previously mid-term adjustment and cancellation fees were recognised as part of the fair value of consideration at the point of sale however the policy has been changed during the year to recognise fee revenue at the point the adjustment or cancellation is performed.

For the price comparison business revenue recognition is at provision of lead where revenue can be reliably estimated and the business has no further outstanding performance obligations, otherwise recognition is at point of confirmation of sale.

When the sale comprises of an obligation to deliver an incentive such as a free gift, revenue is allocated between the components of the sale and the amount allocated to the gift is deferred and recognised as revenue when the Company has fulfilled its obligation to supply the items under the terms of the agreement.

Guaranteed replacement car and emergency vehicle hire fees were previously recognised at point of sale however the policy has been changing during the year to recognise these fees over the period of service obligation.

Commission is recognised when it can be measured with suitable reliability and the Company has sufficient evidence of recovery.

Where the Group has post-sale servicing obligations which are not sufficiently covered by future revenue, a proportion of revenue is deferred and recognised in the periods in which these activities take place.

Income from the financial assets at fair value through profit and loss representing trail commission income including any change in the assets value are recognised as part of turnover as earned and entitlement can be reliably measured. Where material, trail commission receivable in greater than one year is discounted to present value using an effective interest rate methodology.

Taxation

Current tax

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

Deferred tax

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.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences 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.

BISL Limited

Year ended 30 June 2016

Notes forming part of the financial statements

The rates enacted or substantively enacted at the reporting date are used to determine the deferred tax.

Insurance assets and liabilities

Insurance intermediaries 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. The Company recognises receivables, representing cash in respect of premiums and a corresponding liability is established in favour of the insurer, representing the premium amount net of any commission due from the Company.

Intangible assets

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 or the right to administer insurance policies or other customer contracts for a given period of time. As a result these rights confer direct probable economic benefits to the Company.

When separately acquired, the Company initially measures the amounts paid at cost and subsequently at cost less accumulated amortisation and accumulated 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 which is typically 3 – 5 years. We have changed our amortisation practice in the current year to ordinarily write off contract payments over the contract period on a straight line basis. Previous amortisation methodology permitted deferral of contract asset amortisation to the run off period or onto a subsequent contract.

Impairment

Intangible 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 levels for which there are separately identifiable cash flows.

Stock

Stock is stated at the lower of cost and net realisable value. The cost of stock is based on the weighted average cost principle, and includes expenditure incurred in acquiring the stock, production or conversion costs and other costs incurred in bringing the items to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less costs to sell.

Non derivative financial instruments

Non derivative financial instruments comprise trade and other debtors, cash at bank and in hand, bank loans and overdrafts, and trade and other creditors.

Trade and other debtors

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

Group policy is to write off doubtful debtors shortly after identification and then credit any recovered amounts to the profit and loss account when funds are received. Recoverability of debtors and financial assets are assessed on a case by case basis and provisions are recognised where appropriate.

Contract assets

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 included within

BISL Limited

Year ended 30 June 2016

Notes forming part of the financial statements

trade and other debtors and are charged to operating expenses in the profit and loss on a systematic basis over the periods during which the benefits are expected to accrue. The carrying value of these assets are tested annually for impairment.

An impairment loss is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the assets original effective interest rate.

The Company policy is to write off doubtful debtors shortly after identification and then credit any recovered amounts to the profit and loss account when funds are received. Recoverability of debtors are assessed on a case by case basis and provisions are recognised where appropriate.

Cash at bank and in hand

Cash at bank and in hand consist of cash at bank and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with less than 90 days' maturity from the date of acquisition.

Restricted cash is cash set aside for a specific purpose due to them being either notionally or legally 'ring-fenced'. The Company considers the nature of any restrictions in order to identify whether the deposit can be classified as cash.

Bank loans and overdrafts

Interest bearing borrowings are initially recognised at fair value less any attributable transaction costs. Subsequently to initial recognition interest bearing borrowings are stated at amortised cost using the effective interest method less any impairment losses.

Bank loans and overdrafts are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and other creditors

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

Provisions

Provisions 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 are recognised when they become legally payable. Dividends that are declared and approved by the director in an accounting period are recognised in that accounting period.

Changes in accounting policies

As noted in the Strategic Report, the BGL Group board of directors has performed a detailed review of its key accounting policies and assumptions and have decided that the following revisions are appropriate for the business:

Mid-term adjustment and cancellation fees

Previously, estimated future fees receivable were recognised as part of the fair value of consideration at the point of sale of the related policy. Whilst acceptable under IFRS, following a detailed review of this policy, it was concluded that recognising fees for mid-term adjustments and cancellations at the point the adjustment or cancellation is performed is more appropriate for the business. The director has therefore decided to change its policy and the impact of this change is shown in the table below.

BISL Limited

Year ended 30 June 2016

Notes forming part of the financial statements

Guaranteed replacement car and emergency vehicle hire fees

The director has revisited the practice of recognising fixed fees on guaranteed replacement car and emergency vehicle hire add-ons upfront. Whilst acceptable under IFRS, following a detailed review of this policy and taking into account that these products are not currently underwritten, it was concluded that recognising these fees over the period of the service obligation is more appropriate for the business. The impact of this change is shown in the table below.

The tables below show the impact of the change in accounting policy:

| Profit before taxation | 2016 £000s | 2015 £000s | |
|--|-----------------------|-----------------------|------------------------|
| Profit before change in accounting policy | 104,681 | 130,371 | |
| Adjustment to revenue due to change in accounting policy | (872) | (1,008) | |
| | <u>103,809</u> | <u>129,363</u> | |
| Total assets | 2016 £000s | 2015 £000s | 2014 £'000s |
| Total assets before change in accounting policy | 507,768 | 507,088 | 325,897 |
| Adjustment due to change in accounting policy | (8) | (761) | (5,819) |
| Cumulative effect from prior years | (6,580) | (5,819) | - |
| | <u>501,180</u> | <u>500,508</u> | <u>320,078</u> |
| Total liabilities | 2016 £000s | 2015 £000s | 2014 £'000s |
| Total liabilities before change in accounting policy | 440,040 | 363,409 | 249,658 |
| Adjustment due to change in accounting policy | 690 | 44 | (150) |
| Cumulative effect from prior years | (106) | (150) | - |
| | <u>440,624</u> | <u>363,303</u> | <u>249,508</u> |

2. Significant judgements and estimation uncertainty

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

Judgements and estimates

In the process of applying the Company's accounting policies, management have not made significant judgements.

Impairment of intangible assets

The Company has recognised intangible assets as a result of transactions with affinity partners. The total value of intangible assets at the balance sheet date is £10,942,000 (2015: £26,090,000). The value of these assets is expected to be recovered through value in use and the recoverability of these assets at each balance sheet date is assessed with reference to the cash flows associated with the relevant CGU. Various assumptions around discount rates, growth rates and future cash flows have been made by management in assessing the recoverability intangible assets which may differ from actual results, and could lead to an impairment of intangible assets.

BISL Limited

Year ended 30 June 2016

Notes forming part of the financial statements

Trail commissions

The Company has recognised revenue on the sale of certain products which earn trail commissions based on the expected fair value of the total consideration receivable in relation to the Company's performance obligations. The ultimate fair value of the consideration may differ from the amounts included in the income statement to date which may result in a gain or loss recognised in future periods. The value of the related asset in the balance sheet is £3,086,000 (2015: £5,469,000) and is included within financial assets at fair value.

Clawback provisions

Provisions are made in the balance sheet for the expected level of cancellations in relation to life insurance policies on which the Company has earned commission. The key assumption made by management in the determination of the value of this provision is the expected future lapse rates. The provision held in the balance sheet at the year end was £3,063,000 (2015: £2,723,000).

3. Turnover

Turnover is wholly attributable to the principal activity of the Company and arises solely within the UK.

| | 2016 | Restated* |
|----------------------|----------------|----------------|
| | £000s | 2015 £000s |
| Fees and commissions | 468,576 | 451,178 |

*See change in accounting policy note, Note 1.

4. Operating profit

Operating profit is stated after charging the following:

| | 2016 | 2015 |
|--|-------|-------|
| | £000s | £000s |
| Impairment loss on trade and other debtors | 7,986 | 9,986 |
| Auditor's fees for the audit of the Company's financial statements | 180 | 188 |
| Amortisation of intangible assets | 5,434 | 4,496 |

Auditor's fees are recharged from BGL Group Limited and form part of the management charges.

5. Impairment loss

| | 2016 | 2015 |
|---------------------------------|---------------|----------|
| | £000s | £000s |
| Impairment of intangible assets | 9,714 | - |
| Impairment of other debtors | 5,870 | - |
| | 15,584 | - |

During the year, the director performed a detailed review of the Company's accounting policies and assumptions and made a number of revisions.

BISL Limited

Year ended 30 June 2016

Notes forming part of the financial statements

In line with the requirements of IAS 36, annual impairment reviews have been performed for all intangible assets and property, plant and equipment. An impairment of £9,714,000 has been made to an affinity relationship following a review of the profitability of the contract.

Certain items within other debtors have also been impaired during the year following a balance sheet review.

6. Profit on disposal of operations

In the prior year the trade and assets of motorbike broker Bennetts were hived down into a group company, Bennetts Biking Services Limited ('BBSL'). At the same time, BGL Group Limited sold BBSL to Saga Services Limited for net consideration, including payment for intercompany debt, of £24.8 million.

After deducting the net assets disposed of and directly attributable transaction costs, a profit on the sale of this operation of £22.0 million was recorded in the profit and loss account for the year ended 30 June 2015.

7. Interest receivable and similar income

| | 2016 £000s | 2015 £000s |
|---|---------------|---------------|
| Interest receivable from group undertakings | 5,256 | 3,548 |
| Interest on bank deposits | 130 | 98 |
| | 5,386 | 3,646 |

8. Interest payable and similar charges

| | 2016 £000s | 2015 £000s |
|---|---------------|---------------|
| Interest and charges payable on bank borrowings | 539 | 584 |

9. Taxation

| | 2016 £000s | Restated* 2015 £000s |
|--|---------------|----------------------------|
| Current tax | | |
| UK corporation tax charge | 20,807 | 22,478 |
| Adjustment in respect of prior years | (349) | 453 |
| Impact of prior year adjustments | (1,619) | - |
| Total current tax | 18,839 | 22,931 |
| Deferred tax | | |
| Origination and reversal of timing differences | 1,619 | (203) |
| Total deferred tax | 1,619 | (203) |
| Total tax expense | 20,458 | 22,728 |

BISL Limited**Year ended 30 June 2016****Notes forming part of the financial statements**

The standard rate of tax for the year ended 30 June 2016 was 20.00% (2015: 20.75%). The reconciling items between the actual tax charge and the tax charge at the standard rate are shown in the table below:

| | 2016 | Restated* |
|---|----------------|------------------|
| | £000s | 2015 |
| | | £000s |
| Profit for the period | 83,351 | 106,635 |
| Total income tax expense | 20,458 | 22,728 |
| Profit before tax | 103,809 | 129,363 |
| | | |
| Tax at the weighted average corporate tax rate of 20.00% (2015: 20.75%) | 20,762 | 26,843 |
| Effects of: | | |
| Adjustment in respect of prior periods | (349) | 453 |
| Expenses not deductible for tax purposes | 302 | - |
| UK transfer pricing adjustment | (257) | - |
| Effect of changes in tax rates | - | 7 |
| Income not taxable | - | (4,575) |
| Total tax expense | 20,458 | 22,728 |

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 18 November 2015. In his Budget on 16 March 2016 the Chancellor of the Exchequer announced an additional planned reduction to 17% by 1 April 2020. This was substantively enacted on 6 September 2016 and will reduce the company's future current tax charge accordingly.

*See change in accounting policy note, Note 1.

BISL Limited**Year ended 30 June 2016****Notes forming part of the financial statements****10. Intangible assets**

| | Affinity relationships £000s |
|---------------------------------|---|
| Cost | |
| At 1 July 2014 | 39,993 |
| Additions | 174 |
| Disposals | (97) |
| At 30 June 2015 | 40,070 |
| Disposals | (332) |
| At 30 June 2016 | 39,738 |
| Accumulated amortisation | |
| At 1 July 2014 | (9,514) |
| Charge for the year | (4,496) |
| Disposals | 30 |
| At 1 July 2015 | (13,980) |
| Charge for the year | (5,434) |
| Disposals | 332 |
| Impairment | (9,714) |
| At 30 June 2016 | (28,796) |
| Net book value | |
| At 30 June 2016 | 10,942 |
| At 30 June 2015 | 26,090 |

A review of the useful economic lives of intangible assets was completed and resulted in an increase in the amortisation charge in the year of £1,200,000 (2015: £nil) impacting assets which cost £3,600,000 (2015: £nil).

BISL Limited**Year ended 30 June 2016****Notes forming part of the financial statements****11. Deferred tax asset**

| | 2016 | Restated* |
|--|--------------|------------------|
| | £000s | 2015 |
| | | £000s |
| Losses | - | 1,619 |
| Deferred tax asset | - | 1,619 |
| Deferred tax asset at the start of the year | 1,619 | 1,417 |
| Adjustment in respect of prior year | (1,619) | - |
| Deferred tax credit in the income statement | - | 202 |
| Deferred tax asset at the end of the year | - | 1,619 |

*See change in accounting policy note, Note 1.

12. Stock

| | 2016 | 2015 |
|----------------|--------------|--------------|
| | £000s | £000s |
| Finished goods | 5,048 | 2,627 |

Finished goods relate to inventory held for customer reward schemes. During the year, costs were recognised in operating expenses as goods were dispatched. During the year, £408,000 (2015: £nil) of inventory has been impaired.

13. Debtors

| | 2016 | Restated* |
|-------------------------------------|----------------|------------------|
| | £000s | 2015 |
| | | £000s |
| Trade debtors | 39,143 | 36,477 |
| Amounts due from group undertakings | 385,495 | 385,368 |
| Accrued income | 31,670 | 26,744 |
| Prepayments | 1,996 | 1,390 |
| Other debtors | 14,721 | 12,864 |
| | 473,025 | 462,843 |

*See change in accounting policy note, Note 1.

All amounts fall due for payment within one year with the exception of £3,086,000 (2015: £5,469,000) included within other debtors relating to the fair value of trail commission, see note 14.

Trade debtors include a total provision of £615,000 (2015: £506,000), of which £nil (2015: £nil) are against non-insurance related receivables.

BISL Limited**Year ended 30 June 2016****Notes forming part of the financial statements****14. Other assets**

| | 2016 £000s | 2015 £000s |
|----------------------------|-----------------------------|-----------------------------|
| Other assets at fair value | 3,086 | 5,469 |

Other assets at fair value through profit or loss of £3,086,000 (2015: £5,469,000) represent the fair value of total trail commission receivable from a product provider where no subsequent servicing obligations exist under the contract.

The fair value assessment was undertaken by taking into account the total contractual commission entitlement per policy sold, applying lapse rates 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 out a reconciliation of opening and closing balances for these assets.

| | 2016 £000s | 2015 £000s |
|------------------------|-----------------------------|-----------------------------|
| Value at start of year | 5,469 | 2,885 |
| Purchases | 437 | 3,277 |
| Change in lapses | 238 | 1,976 |
| Settlements | (3,058) | (2,669) |
| Value at end of year | 3,086 | 5,469 |

The net credit to revenue in the current year was £675,000 (2015: £5,253,000).

The director is of the opinion that the carrying value of the financial instruments held approximate to the fair value.

Risks of the Company are managed at a group level by the UK parent company, BGL Group Limited.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the Company by failing to pay its obligation.

Trade debtors

Certain trade debtors subject to instalment collection arrangements have been securitised. See note 16 for details.

Concentrations of credit risk with respect to trade debtors are limited due to the Company's customer base being large and diversified. It is the Group's policy to write off doubtful insurance debtors when identified.

Short-term deposits

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.

Measures taken to monitor these risks include exposure reports to monitor counterparty credit risk and review of monthly key performance indicators.

BISL Limited

Year ended 30 June 2016

Notes forming part of the financial statements

Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in paying its financial liabilities.

The Group 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 with the Group's main bankers, Lloyds Bank PLC ("Lloyds Bank") as well as HSBC Bank PLC ("HSBC Bank"), are secured through a fixed and floating charge over all of the Group's assets, including those of the Company.

In March 2016, BGL Group Limited and certain subsidiaries provided a joint and several guarantee in respect of the newly executed £70,000,000 revolving credit facilities of BGL Group Limited. At 30 June 2016 the maximum exposure to these liabilities was £nil (2015: £nil).

Measures taken to monitor these risks include regular treasury reporting to the Board, including monitoring against the Group's existing and expected future available funding and cash requirements and compliance with financial covenants included within the committed debt facilities.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

15. Cash at bank and in hand

| | 2016 | 2015 |
|--------------------------|---------------|--------------|
| | £000s | £000s |
| Restricted cash | 6,892 | - |
| Cash at bank and in hand | 5,273 | 7,329 |
| | 12,165 | 7,329 |

Cash of £6,892,000 (2015: £nil) is restricted under the arrangement with securitisation structured entity, BGL Receivables Financing (1) Limited.

16. Bank loans and overdrafts

Bank loans and overdrafts comprise a bank overdraft, which is secured by a fixed and floating charge over all the assets of the Company.

At 30 June 2016, the entirety of the balance of £173,000 (2015: £165,000) was floating rate and had maturity terms of less than one year.

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 March 2019.

BISL Limited**Year ended 30 June 2016****Notes forming part of the financial statements****17. Creditors: amounts due within one year**

| | 2016 £000s | 2015 £000s |
|---|-----------------------------|-----------------------------|
| Bank loans and overdrafts (see note 16) | 173 | 165 |
| Trade creditors | 409,820 | 340,917 |
| Other creditors including tax and social security | 6,497 | - |
| Accruals and deferred income | 21,071 | 19,498 |
| | 437,561 | 360,580 |

18. Provisions for liabilities

| | 2016 £000s | 2015 £000s |
|------------------------|-----------------------------|-----------------------------|
| Value at start of year | 2,723 | 2,824 |
| Increase in provision | 4,125 | 2,587 |
| Utilised | (3,785) | (2,688) |
| Value at end of year | 3,063 | 2,723 |

The above provisions relate to an estimation of the insurer or broker claw back of commission following the lapse of life insurance policies recognised as income over the period. The key assumption in this accounting estimate is the future lapse rate.

19. Share capital

| | Authorised | | Allotted, called up and fully paid | |
|----------------------------|-----------------------------|-----------------------------|---|-----------------------------|
| | 2016 £000s | 2015 £000s | 2016 £000s | 2015 £000s |
| Ordinary shares of £1 each | 20,000 | 20,000 | 18,000 | 18,000 |

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

20. Dividends

| | 2016 £'000s | 2015 £'000s |
|---|------------------------------|------------------------------|
| <i>Declared and paid during the year:</i> | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2016 (£3.33 per share) | 60,000 | - |
| Interim dividend for 2016 (£5.56 per share) | 100,000 | - |
| Dividend for 2015 (£2.22 per share) | - | 40,000 |
| | 160,000 | 40,000 |

In the prior year £40,000,000 of the loan that was outstanding between BISL Limited and BGL Group Limited was formally waived. This was deemed as a distribution.

BISL Limited

Year ended 30 June 2016

Notes forming part of the financial statements

21. Employee 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, the parent company.

22. Contingent liability

In March 2016, BGL Group Limited and certain subsidiaries provided a joint and several guarantee in respect of the newly executed £70,000,000 revolving credit facilities of BGL Group Limited. At 30 June 2016 the maximum exposure to these liabilities was £nil (2015: £nil).

23. Related party transactions

The Company has taken the exemption available under paragraph 8(k) FRS 101 from the disclosure requirements of IAS 24 in relation to entities which are wholly owned members of the same group.

| | 2016 | 2015 |
|----------------------------------|--------------|--------------|
| | £000s | £000s |
| Related party balances | | |
| Coral Insurance Services Limited | - | (42) |

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 parent company, and the emoluments are disclosed within the financial statements of that company.

24. Ultimate and immediate parent company

The immediate parent company is BGL Group Limited which is incorporated in the United Kingdom. The Company's ultimate parent undertaking and ultimate controlling party is Reef Holdings Limited which is incorporated in Guernsey. Reef Holdings Limited, which is wholly owned by The Concrete Trust. The Reef Foundation acts as trustee of The Concrete Trust.

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

The consolidated financial statements of BHL Holdings Limited are not available to the public. The consolidated financial statements of BHL (UK) Holdings Limited can be obtained from Companies House. The consolidated financial statements of 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.