

Company number 02706280

BFSL Limited

Annual Report and Financial Statements

Year Ended 30 June 2019

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BFSL Limited

Year ended 30 June 2019

Annual report and financial statements

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Directors

SD Keating
MO Donaldson
DA Finch
DJ Platt
G Shaked
P Thompson

Secretary and registered office

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

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

BFSL Limited

Year ended 30 June 2019

Strategic report

The directors present the strategic report for the year ended 30 June 2019.

Results and dividends

The annual results of BFSL Limited, company number 02706280 ("the Company") are set out on page 10 and show a profit before taxation of £5,174,000 (2018: £6,993,000). The directors are pleased with the performance for the year and are confident of future prospects.

The Company has not paid a dividend in either the current or prior year.

Principal activity, trading review and future developments

The Company's principal activity is that of providing credit relating to financial services.

The Company shares resources with fellow subsidiaries of BGL (Holdings) 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 revenue increase of £1,262,000 results primarily from an increase in trading income in the year. Profit before taxation reduction results from higher finance costs of £15,044,000 (2018: £10,966,000) for the Company.

Key performance indicators

	2019	Restated*	
	2018		
	£000s	£000s	£000s
Revenue	74,694	73,432	2%
Operating profit	15,280	14,945	2%
Profit before taxation	5,174	6,993	(26%)

*Restated for adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers'. See note 1 for further details.

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

The BGL (Holdings) Limited board of directors ("the BGL Board") has established a Group risk appetite, which has been tailored for the Company. The Company has embedded its risk appetite by selecting relevant key risk indicators from the Group suite and establishing a set of thresholds which are appropriately sensitive for the business. All risks considered to be outside of appetite are accompanied by appropriate action plans which are reviewed, approved and tracked by executive management as well as the BSL Audit & Risk Committee.

The BGL Board and the Company's Board review the implementation of processes for identifying, measuring, managing and controlling risks and receive and commission reports in relation to risk management activities.

The risks set out below are monitored using the BGL Group's risk management framework, which has been tailored for the Company, and through established levels of management review, from the BGL Group and subsidiary Board committees, through to the Group Executive Committee and Operating Division Executive meetings.

BFSL Limited

Year ended 30 June 2019

Strategic report

Financial risk

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 change in interest rates. The BGL Group has in place a risk management framework as described above, using derivative financial instruments to mitigate these risks where appropriate.

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

Operational risk

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

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

People risk

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

Technology risk

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

The Company recognises cyber risk, such as the use of hacking techniques, social engineering or other malicious activities with the intent to cause damage or steal data for financial or competitive gain. The Company has in place a comprehensive framework of controls to actively manage this risk.

Conduct and Regulatory risk

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

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

In addition, the business is required to comply with the rules and principles established by other market regulators and competition authorities. This risk is managed through an effective control framework and the operation of the governance structures described in the report of the directors. Management of risks relating to the Company's interactions with its customers are devolved to the operating divisions with oversight being provided by a dedicated compliance team.

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

BFSL Limited

Year ended 30 June 2019

Strategic report

Conflicts of interest risk

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

Strategic risk

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

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

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



DJ Platt
Director
13 September 2019

BFSL Limited

Year ended 30 June 2019

Report of the directors

The directors present the report together with the audited financial statements for the year ended 30 June 2019.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Company is disclosed in the balance sheet on page 12. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

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

SD Keating
G Despas (resigned 31 October 2018)
MO Donaldson
DA Finch
DJ Platt
G Shaked (appointed 19 July 2019)
P Thompson

The directors at the time when this report is approved have confirmed that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that ought to have been taken as directors 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, KPMG LLP has been appointed as the auditor for the year ended 30 June 2019. During the year, the BGL Group Audit Committee oversaw a competitive tender process for the role of external auditor. Based upon the BGL Group Audit Committee's recommendation, shareholders have approved that Ernst & Young LLP be appointed as auditor for the year ending 30 June 2020.

Events since the reporting date

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



DJ Platt
Director
13 September 2019

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the report of the directors 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

BFSL Limited

Year ended 30 June 2019

Independent auditor's report to the members of BFSL Limited

Opinion

We have audited the financial statements of BFSL Limited ("the company") for the year ended 30 June 2019 which comprise the profit and loss account, statement of changes in equity, balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of trade receivables and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

BFSL Limited

Year ended 30 June 2019

Independent auditor's report to the members of BFSL Limited

Strategic report and report of the directors

The directors are responsible for the strategic report and the report of the directors. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the report of the directors and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the report of the directors;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.


BFSL Limited

Year ended 30 June 2019

Independent auditor's report to the members of BFSL Limited

The purpose of our audit work and to whom we owe our responsibilities

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.



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

Date: 13 September 2019

BFSL Limited
Year ended 30 June 2019
Profit and loss account

	Note	2019 £000s	Restated* 2018 £000s
Revenue	3	74,694	73,432
Other income		9,253	10,713
Operating expenses		(68,667)	(69,200)
Operating profit	4	15,280	14,945
Finance income	5	4,938	3,014
Finance costs	6	(15,044)	(10,966)
Profit before taxation		5,174	6,993
Tax expense	7	(983)	(1,329)
Profit for the financial year		4,191	5,664

* 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 in the above profit and loss account; accordingly profit for the financial year is also total comprehensive income for the year.

The notes on pages 13 to 21 form part of these financial statements.

BFSL Limited**Year ended 30 June 2019****Statement of changes in equity**

	Share capital £000s	Retained earnings £000s	Total equity £000s
At 1 July 2017	5,000	11,173	16,173
Profit for the financial year	-	5,664	5,664
At 30 June 2018	5,000	16,837	21,837
Profit for the financial year	-	4,191	4,191
At 30 June 2019	5,000	21,028	26,028

The notes on pages 13 to 21 form part of these financial statements.

BFSL Limited**Year ended 30 June 2019**

Company Registration Number 02706280

Balance sheet

	Note	2019 £000s	Restated* 2018 £000s	Restated* 2017 £000s
ASSETS				
Current assets				
Trade and other receivables	9	571,334	503,761	482,675
Total assets		571,334	503,761	482,675
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	10	544,298	481,700	465,707
Corporation tax		1,008	224	795
Total liabilities		545,306	481,924	466,502
Equity				
Share capital	11	5,000	5,000	5,000
Retained earnings		21,028	16,837	11,173
Total equity		26,028	21,837	16,173
Total equity and liabilities		571,334	503,761	482,675

* See change in accounting policy note, note 1.

The financial statements were approved by the directors on 13 September 2019 and signed by:


DJ Platt
Director

The notes on pages 13 to 21 form part of these financial statements.

BFSL Limited

Year ended 30 June 2019

Notes forming part of the financial statements

1. Accounting policies

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

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

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.

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

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

The financial statements are stated in sterling, which is the Company's functional and presentation currency. Unless otherwise noted, the amounts shown in these financial statements are in £000s.

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

This is the first set of the Company's financial statements have been prepared in which IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' have been applied. The adoption of these new standards is described on page 13.

Changes in accounting policies

The Company has adopted the following IFRS and interpretations during the year and changed the Company's accounting policies accordingly:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

BFSL Limited

Year ended 30 June 2019

Notes forming part of the financial statements

Changes in accounting policies resulting from the adoption of these IFRS have been applied retrospectively. In accordance with IAS 8 Accounting policies, changes in accounting estimates and errors, the Company has elected to restate comparatives accordingly subject to the expedients and clarifications contained with IFRS 15. The Company has taken the exemption detailed in the transitional provisions included in paragraph C4 of IFRS 15 and not disclosed the impact of adoption on the current period.

Further information on the impact of the transition to IFRS 9 and IFRS 15 is provided below.

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.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of adoption. No material changes have arisen as a result of these assessments.

- The determination of the business model within which a financial asset is held.
- The designation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.

The nature and effects of the key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarised below:

Impairment of financial assets

Previous practice under IAS 39 used an 'incurred loss' model which assumed collectability until a loss or trigger event is identified. IFRS 9 introduced an 'expected credit loss' model for the measurement of impairment of financial assets. Expected losses are recognised at initial recognition therefore it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

The Company has considered reasonable and supporting information that is relevant and available without undue cost. Considering both quantitative and qualitative information and analysis, including historical experience, the Company's credit assessment at both initial recognition and at the reporting date has resulted in the recognition of expected credit losses on instalment receivables.

As at 30 June 2018 as a result of adoption of IFRS 9 the Company recognised a decrease to trade and other receivables of £5,333,000 (2017 restated: £5,343,000) and a decrease to trade and other payables of £5,333,000 (2017 restated: £5,343,000). The impact of these restatements on the profit and loss is £nil. The adoption of IFRS 9 has not had a significant impact on the current period profit or loss or balance sheet.

IFRS 15 'Revenue from Contracts with Customers'

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company has also applied the following practical expedients upon adoption of IFRS 15:

- Where the period between the transfer of the promised goods or services to the customer and payment by the customer does not exceed one year then the transaction price is not adjusted for the time value of money.
- For assets relating to the incremental costs of obtaining contracts where the amortisation period is one year or less the expenses are recognised when incurred.
- The disclosures in paragraph 120 of IFRS 15 are not applied where the remaining performance obligations have original expected durations of one year or less.

BFSL Limited

Year ended 30 June 2019

Notes forming part of the financial statements

IFRS 15 has resulted in an adjustment being recognised in relation to the recognition of revenue at the point an insurance product is sold under IFRS 15. Under the previous standard, revenue was recognised at the point of policy inception.

As at 30 June 2018 as a result of adoption of IFRS 15 the Company recognised a increase to trade and other receivables of £12,751,000 (2017 restated: £15,160,000) and an increase to trade and other payables of £12,751,000 (2017 restated: £15,160,000). The impact of these restatements on the profit and loss is £nil.

Impact of transition

The adoption of the new standards has not led to a restatement of profit before taxation in the profit and loss account. The following table shows the impact of the adoption of new standards on the balance sheet.

Impact of adoption of new standards on the balance sheet

	2018 £000s	2017 £000s
Total assets		
Total assets before change in accounting policy	496,343	472,858
Adjustment due to adoption of IFRS 9	10	(5,343)
Adjustment due to adoption of IFRS 15	(2,409)	15,160
Cumulative effect from prior years	9,817	-
	503,761	482,675
Total liabilities		
Total liabilities before change in accounting policy	474,506	456,685
Adjustment due to adoption of IFRS 9	10	(5,343)
Adjustment due to adoption of IFRS 15	(2,409)	15,160
Cumulative effect from prior years	9,817	-
	481,924	466,502

Going concern

The financial statements have been prepared on the going concern basis. The directors have reviewed the budget and cash flow forecasts of the Company for 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.

Revenue from contracts with customers

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' for the first time in the year ended 30 June 2019. This change in accounting policy has been applied retrospectively. See pages 13 to 15 for further details.

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

BFSL Limited

Year ended 30 June 2019

Notes forming part of the financial statements

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.

2. Significant judgements and estimation uncertainty

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

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

3. Revenue from contracts with customers

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

(i) Disaggregation of revenue

	2019	Restated*
	2018	
	£000s	£000s
Instalment income	74,694	73,432
Other Income	9,253	10,713
	83,947	84,145

Other income represents credit guarantee income.

(ii) Contract balances

The following table shows the contract liabilities balance which relates entirely to deferred income:

	£000s
Value as at 1 July 2017 (restated*)	32,769
Value as at 30 June 2018 (restated*)	33,631
Value as at 30 June 2019	33,309

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was £33,631,000 (2018 restated: £32,769,000).

* See change in accounting policy note, note 1.

BFSL Limited**Year ended 30 June 2019****Notes forming part of the financial statements****4. Operating profit**

Operating profit is stated after charging the following:

	2019	Restated*
	£000s	2018
		£000s
Impairment of trade receivables	9,253	10,837
Auditor's fees - fees for the audit of the Company	29	29

Since 1 July 2015 the Company has operated under a guarantee from BISL Limited, the Company's immediate parent, and bears no bad debt risk. The income received from BISL Limited in respect of the impairment loss on trade receivables is disclosed within other income.

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

* See change in accounting policy note, note 1.

5. Finance income

	2019	2018
	£000s	£000s
Interest receivable from group undertakings	4,938	3,014

6. Finance costs

	2019	2018
	£000s	£000s
Interest payable to group undertakings	13,163	8,799
Interest payable to related entities	1,827	1,827
Interest and charges on bank borrowings	54	340
	15,044	10,966

BFSL Limited**Year ended 30 June 2019****Notes forming part of the financial statements****7. Tax expense**

	2019	2018
	£000s	£000s
Current tax		
UK corporation tax charge	983	1,329
Total tax expense	983	1,329

The standard rate of tax for the year ended 30 June 2019 was 19.00% (2018: 19.00%). There are no reconciling items between the actual tax charge and the tax charge at the standard rate as shown in the table below:

	2019	2018
	£000s	£000s
Profit for the financial year	4,191	5,664
Total tax expense	983	1,329
Profit before taxation	5,174	6,993
Tax at the standard corporation tax rate of 19.00% (2018: 19.00%)	983	1,329

The UK corporation tax rate throughout the year was 19%. 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.

8. Employees

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 management services company of the BGL Group.

9. Trade and other receivables

	2019	Restated*
	£000s	2018
		£000s
Trade receivables	393,991	393,003
Amounts due from related undertakings	177,247	110,614
Prepayments	96	144
	571,334	503,761

* See change in accounting policy note, note 1.

BFSL Limited**Year ended 30 June 2019****Notes forming part of the financial statements**

Following the adoption of IFRS 9 trade receivables are shown net of a provision for credit losses of £5,457,000 (2018: restated £6,532,000).

The Company has provided for balances which are unlikely to be recovered taking into consideration quantitative and qualitative information regarding the payment history of customers. In relation to a single class of instalment receivables recognised within trade receivables the Company applied a weighted average loss rate of 0.94% (2018 restated: 1.10%) to policies arranged during the year which are paid by instalment.

Movements in the provision for credit losses were as follows:

	2019	Restated*
	£000s	2018
		£000s
Value at start of the period	6,532	5,999
Increase in provision	9,253	10,713
Utilisation	(6,370)	(6,139)
Amounts sold	(2,678)	(2,745)
Amounts recovered	(1,280)	(1,296)
Value at end of the period	5,457	6,532

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

Prepayments of £96,000 (2018: £92,000) are expected to be fully amortised after more than 12 months from the reporting date. All other amounts fall due for payment within one year.

10. Trade and other payables

	2019	Restated*
	£000s	2018
		£000s
Amounts due to related undertakings	510,915	445,964
Other payables	14	16
Accruals and deferred income	33,369	35,720
	544,298	481,700

BFSL Limited

Year ended 30 June 2019

Notes forming part of the financial statements

11. Share capital

	Allotted, called up and fully paid	
	2019	2018
	£000s	£000s
Ordinary shares of £1 each	5,000	5,000

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

12. Contingent liabilities

The BGL Group has access to substantial committed debt facilities. Under the terms of the £300,000,000 revolving credit facility and the £50,000,000 senior note BGL (Holdings) Limited together with BGL Group Limited, BISL Limited, BFSL Limited, ACM ULR Limited and Compare The Market Limited, provided a joint and several guarantee. At 30 June 2019 the maximum exposure to this liability was £66,000,000 (2018: £50,000,000).

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

13. Related party transactions

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

Directors' emoluments and interests

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

BGL Receivables Financing (1) Limited

Certain trade receivables subject to instalment collection arrangements have been sold to BGL Receivables Financing (1) Limited, a structured entity controlled by the BGL Group. BGL Receivables Financing (1) Limited subsequently secures asset-based securitised financing on these receivables. At the reporting date the Company was owed £364,452,000 (2018: £362,100,000) from this entity.

14. Events after the reporting date

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

15. Ultimate and immediate holding company

Until 30 November 2017 the Company's immediate parent undertaking was BGL Group Limited, a Company incorporated in the United Kingdom. On 1 December 2017 the Company's ultimate parent undertaking became BISL Limited, a subsidiary of BGL Group Limited, following the transfer of BGL Group Limited's entire interest in the Company's shareholding to BISL Limited. BISL Limited is incorporated in the United Kingdom.

The Company's ultimate parent company and ultimate controlling party is BHL Holdings Limited.

BFSL Limited**Year ended 30 June 2019****Notes forming part of the financial statements**

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