

Company number 02706280

BFSL Limited

Annual Report and Financial Statements

Year Ended 30 June 2020



BFSL Limited

Year ended 30 June 2020

Annual report and financial statements

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Directors

SD Keating
MM Bailie
DA Finch
DJ Platt
MR Regan
G Shaked
P Thompson

Secretary and registered office

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

Auditor

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

BFSL Limited

Year ended 30 June 2020

Strategic report

The directors present the strategic report for the year ended 30 June 2020.

Results and dividends

The annual results of BFSL Limited ("the Company") are set out on page 13 and show a profit before taxation of £9,312,000 (2019: £5,174,000). The directors are pleased with the performance for the year and are confident of future prospects.

During the year, the Company has paid dividends on ordinary shares of £10.0m (2019: £nil).

Principal activity, trading review and future developments

The Company's principal activity is that of providing credit relating to financial services. The Company's activities are part of the Insurance Distribution and Outsourcing business ("IDO") which operates through the Company's immediate parent company, BISL Limited and its subsidiaries, as a division ("the division").

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

During the year, in March 2020, the World Health Organisation declared the Covid-19 outbreak to be a pandemic. The Company invoked its business continuity plan in the face of the threat caused by Covid-19, moving all colleagues to work from home resulting in an uninterrupted service for all our customers. Revenue increased by 2% due an increase in instalment income penetration on policies sold in the division. Profit before taxation increased by 80% due to lower management charges.

The Company will continue to provide credit relating to financial services through policies sold by its immediate parent Company, BISL Limited.

Key performance indicators

	2020	2019	Movement
	£000s	£000s	£000s
Revenue	76,517	74,694	2%
Operating profit	18,238	15,280	19%
Profit before taxation	9,312	5,174	80%

The Company's balance sheet position remains strong with significant positive operating cash flows. While the scale and duration of the Covid-19 pandemic remain uncertain, the directors believe that the Company is able to withstand the operational and economic disruption of reasonable downside scenarios.

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 Company 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 key risk indicators from the Group suite and thresholds which are appropriately calibrated 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 divisional Audit & Risk Committee and Group Risk Committee.

BFSL Limited

Year ended 30 June 2020

Strategic report

Risks and uncertainties (continued)

The BGL Board and the Board of BFSL Limited ("the Board") 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 and governance review, by the Company Board and Company Executive meetings.

Covid-19

The Covid-19 outbreak, and the resulting measures taken by government to contain the virus, have created a number of new operational, financial and risk challenges for the BGL Group. In the early stages of the pandemic, the Group's Risk Management Framework activated a Crisis Management Team ('CMT') structure, which met regularly to provide a focal point for evaluating newly developing risks and to make recommendations to the Group's governance committees on how to respond. This structure ensured appropriate decisions and actions were taken to quickly respond to a rapidly evolving risk landscape. Following initial activity to ensure that immediate risks were managed, processes were established to ensure ongoing identification and monitoring of the risks, including a Covid-19 risk register and regular risk reporting, and to implement mitigating strategies where needed. These processes will continue to operate as the pandemic and macroeconomic situation develops.

Operational risk

The Company recognises the risks arising from maintaining and making 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 within appetite.

Key sources of operational risk include business partner and supplier management, data security, change management, business continuity, and fraud and financial crime. The impact of the Covid-19 outbreak is set out above.

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 or 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.

BFSL Limited

Year ended 30 June 2020

Strategic report

Risks and uncertainties (continued)

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.

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; 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

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.

Brexit

The Company has performed a review of its operations in the light of the exit of the United Kingdom from the European Union and does not foresee any significant direct impact on the Group's businesses.

Financial risk

The Company's operations 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 changes in interest rates.

The Company has in place a risk management framework as described above, using derivative financial instruments to mitigate these risks where appropriate.

Section 172 (1) statement

The Directors have complied with their duties to promote the success of the Company for the benefit of its members whilst having regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006.

The Board of BFSL Limited (the "Board") is clear that robust decision making and good governance is essential to ensure the continued long-term success of the Company. In conjunction with BGL (Holdings) Limited and fellow group companies (the "BGL Group"), the Board achieves this by giving due regard to the interests of a broad range of stakeholders, including shareholders, employees, suppliers, customers, regulators and others. Whilst there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, some stakeholder engagement activities take place at a BGL Group level, particularly when matters are of Group wide significance. Decisions that are made at a BGL Group level are adopted by the Company Board.

BFSL Limited

Year ended 30 June 2020

Strategic report

Section 172 (1) statement (continued)

One example of how the Company has had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 is in respect of the Covid-19 pandemic. During this period, the Board has met to consider the impact of the crisis on a broad range of stakeholders including, customers, staff and suppliers and the actions being taken by the Company to respond to the challenges that these different groups may have faced. In considering this issue, the Board has given regard to the impact of the Company's operations on the community, employee engagement, responsible business practices and the likely consequences of decisions in the long term. In particular, the Group put in place measures to ensure that colleagues could work from home during the pandemic, including providing the necessary equipment to support physical wellbeing and resources to support emotional and mental health.

Other examples of the general approach to how the Board takes into account its duties under section 172 when making decisions are set out in the remainder of this statement.

The Company does not directly employ any staff. The services of individuals are obtained from the management services company of the BGL Group. There are regular meetings and online opportunities for employees with the aim of disseminating financial and non-financial information on matters of concern and of interest to them as employees. These meetings also give the employees the opportunity to ask questions and make their views known so that the Board can take this dialogue into consideration when making decisions which are likely to affect their interests.

Regular employee satisfaction and feedback surveys are conducted. The Board receives the results of these surveys, which it considers to be a good indicator of employees' confidence in the Company's strategic direction. The Board is also regularly provided with updates on other measures of employee engagement and initiatives undertaken to improve employee relations.

The Company endeavours to provide equality of opportunity in recruiting, training, promoting and career development to all, irrespective of race, ethnicity, religion, sexual orientation, gender or age. Full consideration is given to applications for employment or appointment to the Board from a person with a disability, where such a person can adequately fulfil the requirements of the role and workplace adjustments can be made to facilitate this appointment.

Where existing employees become disabled it is the Company's policy, wherever practicable, to provide workplace adjustments to ensure continuing employment under normal terms and conditions, and to provide training and career development and promotion opportunities, wherever appropriate.

The Company has adopted the BGL Group's 'Speak Up' policy, also known as whistleblowing, to ensure that all employees feel confident to raise any concerns about conduct which may be perceived to be unethical, unlawful and/or damaging to the Company, our people and our customers. The Company offers internal and external channels where workplace concerns may be raised confidentially.

Making a difference for customers is at the core of the Company's purpose and values. To ensure that this is achieved whilst also complying with all applicable regulatory requirements, the BGL Group and the Company provides training to all employees and frequently tests them on their knowledge. There is a Customer Culture Steering Committee made up of employees from across the business which guides and promotes a strong customer culture. The committee oversees a wide range of workstreams and projects to continually improve customer experience and protect vulnerable customers. Consistent customer focus is measured via a Customer Index generated from our employee survey.

Where the principal decisions made by the Company during the year lead to new, or substantially amended, products and marketing activities, the process from inception to launch considers the impact on customers. We publish aggregate complaints data based on volume of complaints received and upheld, and regularly review customer calls. Customer satisfaction is monitored by using Net Promoter Score (NPS), a metric which measures how many customers would recommend a brand.

The size and diversity of the Company means that third-party suppliers range from multinational organisations to local businesses. The Board aims to ensure that arrangements with suppliers are fairly negotiated and provide optimum levels of service.

BFSL Limited

Year ended 30 June 2020

Strategic report

Section 172 (1) statement (continued)

The Board delegates the responsibility for day-to-day supplier management to individual business areas which are required to follow BGL Group policies as adopted by the Company relating to the procurement of suppliers, approval and monitoring of contracts and the raising and authorisation of purchase orders. Together these policies assist the Board in meeting its business and strategic objectives and to balance the needs of customers, staff, commercial partners and other stakeholders.

The intermediary sector has been subject to an increasing degree of scrutiny from their regulatory authorities in recent years including the Financial Conduct Authority, the Competition and Markets Authority and Ofgem. The Company maintains a constructive and open relationship with its regulators with whom it works proactively to provide excellent customer outcomes.

The Board is dedicated to supporting communities in the UK and further afield. The Board promotes funding of locally based charities, volunteering and events at our sites through a dedicated Group-wide corporate social responsibility ("CSR") programme. Match funding and payroll giving are used to encourage employees to raise and donate funds in the aid of good causes.

The CSR programme also develops longer-term partnerships with specific charities at home and abroad which are aligned to the BGL Group and the Company's purpose, vision and values. These partnerships are designed to empower people and encourage education and entrepreneurship.

Reporting of the gender pay gap is considered at a BGL Group level, through the BGL Remuneration Committee. The Group's gender pay summary is published annually on the BGL website and a number of specific initiatives, including flexible working practices and mixed shortlisting are being constantly implemented in an effort to reduce the gap.

The BGL Group publishes a slavery and human trafficking statement for each financial year as required by the Modern Slavery Act 2015. This statement outlines the steps the BGL Group and the Company have taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains and in any part of its own business.

As well as formal environmental reporting, a BGL group-wide employee-led Mi Environment programme covers a range of issues, including reducing plastic use, energy efficiency and wildlife conservation around our sites. Our technology policy promotes flexible working and aims to reduce unnecessary travel.

On behalf of the board:



MR Regan
Director

2 October 2020

BFSL Limited

Year ended 30 June 2020

Report of the directors

The directors present the report together with the audited financial statements for the year ended 30 June 2020.

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 out in the strategic report. The financial position of the Company is disclosed in the balance sheet on page 15.

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 Group and Company will have sufficient resources to meet their liabilities as they fall due. This assessment is based on management's analysis of liquidity stress testing and sensitivity analysis which considers a number of downside scenarios, including the potential impacts of Covid-19.

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
MM Bailie (appointed 1 September 2020)
MO Donaldson (resigned on 14 October 2019)
DA Finch
DJ Platt
MR Regan (appointed 14 October 2019)
G Shaked (appointed 19 July 2019)
P Thompson

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, Ernst & Young LLP has been appointed as the auditor.

BFSL Limited**Year ended 30 June 2020****Report of the directors****Streamlined energy and carbon reporting**

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 require large companies to provide streamlined energy and carbon reporting (SECR) in their Financial Statements.

The Company is a qualifying subsidiary of BGL (Holdings) Limited and has taken the exemption, under Paragraph 20A, part 7A of Schedule 7 of the legislation to not disclose this information in the Company Financial Statements. The relevant disclosures are presented within the Group's report of the directors.

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.

On behalf of the board:



MR Regan
Director
2 October 2020

BFSL Limited

Year ended 30 June 2020

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss 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; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BFSL Limited

Year ended 30 June 2020

Independent auditor's report to the members of BFSL Limited

Opinion

We have audited the financial statements of BFSL Limited for the year ended 30 June 2020 which comprise the Profit and Loss Account, the Statement of changes in equity, the Balance Sheet and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

BFSL Limited

Year ended 30 June 2020

Independent auditor's report to the members of BFSL Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BFSL Limited

Year ended 30 June 2020

Independent auditor's report to the members of BFSL Limited

Use of our report

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.

Ernst & Young LLP

Jonathan Bell (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 2 October 2020

BFSL Limited
Year ended 30 June 2020
Profit and loss account

	Note	2020 £000s	2019 £000s
Revenue	3	76,517	74,694
Other income	3	7,463	9,253
Operating expenses		(65,742)	(68,667)
Operating profit	4	18,238	15,280
Finance income	5	5,063	4,938
Finance costs	6	(13,989)	(15,044)
Profit before taxation		9,312	5,174
Tax expense	7	(1,769)	(983)
Profit for the financial year		7,543	4,191

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 16 to 22 form part of these financial statements.

BFSL Limited**Year ended 30 June 2020****Statement of changes in equity**

	Note	Share capital £000s	Retained earnings £000s	Total equity £000s
At 1 July 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
Profit for the financial year		-	7,543	7,543
Dividends paid	12	-	(10,000)	(10,000)
At 30 June 2020		5,000	18,571	23,571

The notes on pages 16 to 22 form part of these financial statements.

BFSL Limited**Year ended 30 June 2020****Balance sheet**

Company Registration Number 02706280

	Note	2020	2019
		£000s	£000s
ASSETS			
Current assets			
Trade and other receivables	9	544,558	571,334
Total assets		544,558	571,334
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	10	520,376	544,298
Corporation tax		611	1,008
Total liabilities		520,987	545,306
Equity			
Share capital	11	5,000	5,000
Retained earnings		18,571	21,028
Total equity		23,571	26,028
Total equity and liabilities		544,558	571,334

The financial statements were approved by the directors on 1 October 2020 and signed by:



MR Regan
Director

The notes on pages 16 to 22 form part of these financial statements.

BFSL Limited

Year ended 30 June 2020

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") and adopted by the Board of the Company.

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 of BGL Group;
- 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 rounded to the nearest £1,000.

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 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. This assessment is based on management's analysis of liquidity stress testing and sensitivity analysis which considers a number of downside scenarios, including the potential impacts of Covid-19.

As at 30 June 2020, the Company has net assets of £23.6m (2019: £26.0m), and net current assets of £23.6m (2019: £26.0).

Accordingly, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

BFSL Limited

Year ended 30 June 2020

Notes forming part of the financial statements

Revenue from contracts with customers

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.

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.

Trade and other receivables

Trade and other receivables 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.

Doubtful receivables

Loss allowances for expected credit losses ('ECLs') are recognised on financial assets measured at amortised cost. Loss allowances for trade receivables and other receivables are measured at an amount equal to lifetime ECLs.

The credit risk of financial instruments is assessed by comparing the risk of a default occurring on the financial instrument as at reporting date with the risk of default at the date of initial recognition. To assess whether there is an indication of a significant increase of credit risk since initial recognition the Company considers all reasonable and supportable information which is available without undue cost or effort.

The Company assumes that the credit risk on instalment receivables has increased significantly if it is more than 45 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequently to initial recognition they are measured at fair value.

Dividends

Dividends on equity instruments are recognised when they become legally payable.

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.

BFSL Limited**Year ended 30 June 2020****Notes forming part of the financial statements****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

	2020	2019
	£000s	£000s
Instalment income	76,517	74,694
Other income	7,463	9,253
	83,980	83,947

Other income represents credit guarantee income.

(ii) Contract balances

The following table shows the contract liabilities balance:

	2020	2019
	£000s	£000s
Value at start of period	33,309	33,631
Recognised in revenue	(33,309)	(33,631)
Contract liabilities recognised	32,665	33,309
Value at the end of the period	32,665	33,309

Contract liabilities consist entirely of deferred income. The amount of revenue recognised in 2020 from performance obligations satisfied (or partially satisfied) in previous periods is £nil (2019: £nil).

4. Operating profit

Operating profit is stated after charging the following:

	2020	2019
	£000s	£000s
Impairment of trade receivables	7,463	9,253
Auditor's fees - fees for the audit of the Company	25	29

The Company operates 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.

BFSL Limited
Year ended 30 June 2020
Notes forming part of the financial statements

5. Finance income

	2020	2019
	£000s	£000s
Interest receivable from group undertakings	5,063	4,938

6. Finance costs

	2020	2019
	£000s	£000s
Interest payable to group undertakings	12,204	13,163
Interest payable to related entities	1,728	1,827
Interest and charges on bank borrowings	57	54
	13,989	15,044

7. Tax expense

	2020	2019
	£000s	£000s
Current tax		
UK corporation tax charge	1,769	983
Total tax expense	1,769	983

The weighted average rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2019: 19%). There are no reconciling items between the actual tax charge and the tax charge at the standard rate as shown in the table below:

	2020	2019
	£000s	£000s
Profit for the financial year	7,543	4,191
Total tax expense	1,769	983
Profit before taxation	9,312	5,174
Tax at the standard corporation tax rate of 19% (2019: 19%)	1,769	983

A UK corporation tax rate of 19% (effective 1 April 2020) was enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%.

BFSL Limited**Year ended 30 June 2020****Notes forming part of the financial statements****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

	2020	2019
	£000s	£000s
Trade receivables	382,455	393,991
Amounts due from related undertakings	162,064	177,247
Prepayments	39	96
	544,558	571,334

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 0.82% (2019: 0.94%) to policies arranged during the year which are paid by instalment.

Trade receivables include a total credit loss provision of £5,218,000 (2019: £5,457,000).

Movements in the provision for credit losses were as follows:

	2020	2019
	£000s	£000s
Value at start of the period	5,457	6,532
Increase in provision	7,463	9,253
Utilisation	(3,976)	(6,370)
Amounts sold	(2,526)	(2,678)
Amounts recovered	(1,200)	(1,280)
Value at end of the period	5,218	5,457

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 £nil (2019: £96,000) 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.

BFSL Limited**Year ended 30 June 2020****Notes forming part of the financial statements****10. Trade and other payables**

	2020	2019
	£000s	£000s
Amounts due to related undertakings	487,695	510,915
Accruals and deferred income	32,665	33,369
Other payables	16	14
	520,376	544,298

11. Share capital

	Allotted, called up and fully paid	
	2020	2019
	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. Dividends

	2020	2019
	£000s	£000s
<i>Paid during the year:</i>		
Equity dividends on ordinary shares:		
Interim dividend for 2020 (£2.00 per share)	10,000	-

13. 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 2020 the maximum exposure to this liability was £79,000,000 (2019: £66,000,000).

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.

BFSL Limited

Year ended 30 June 2020

Notes forming part of the financial statements

14. 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 £357,699,000 (2019: £364,452,000) from this entity.

15. Events after the reporting date

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

16. Ultimate and immediate holding company

The Company's immediate parent undertaking is BISL Limited, a company incorporated in the United Kingdom. The Company's ultimate parent undertaking and ultimate controlling party is BHL Holdings Limited.

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

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.