

Company Registration No: 01670887

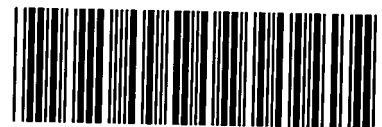
FINSURE PREMIUM FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Group Secretariat
Direct Line Insurance Group plc
Churchill Court
Westmoreland Road
Bromley
BR1 1DP

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Annual report and financial statements

Contents	Pages
Officers and professional advisers	2
Strategic report	3
Directors' report	4 – 5
Independent auditor's report	6 – 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Cash flow statement	11
Notes to the financial statements	12 – 19

Officers and professional advisers

Directors:

P G Edwards

C E Morton

H M Tomlinson

Secretary:

R C Clifton

Registered office:

Churchill Court

Westmoreland Road

Bromley

BR1 1DP

Auditor:

Deloitte LLP

Chartered Accountants

London

Registered in England and Wales

Strategic report

The directors present their Strategic Report for the year ended 31 December 2013.

Activities

The principal activity of Finsure Premium Finance Limited ("the Company") was the financing of insurance premiums which it ceased in 2011. In due course, the Company will be placed into members' voluntary liquidation.

The basis of preparation is referred to further in note 1 of these financial statements.

The Company is a subsidiary of Direct Line Insurance Group plc ("DLIG") which together with its subsidiaries ("the Group") provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment.

Review of the year

Business review

As stated previously, the Company ceased trading in 2011. The Company received interest on its inter-company loans while it is in the process of receiving bad debts previously written off. During 2013 the Company managed to receive £950,000 which it had previously written off as a bad debt. The Company will continue to pursue its bad debts for the foreseeable future.

Financial performance

The Company's financial performance is presented in the statement of comprehensive income on page 8. At the end of the year, the balance sheet reflected total assets of £2,975,000 (2012: £2,064,000) and equity of £2,747,000 (2012: £2,031,000).

No dividend (2012: nil) has been paid; no further dividend for 2013 is proposed.

Principal risks and uncertainties

The Company is funded by facilities from the Group and will continue until the Company is liquidated.

The Company's risk management objectives are set out in note 2.



P G Edwards

Director

27 May 2014

Directors' report (continued)

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

Directors and secretary

The present directors and secretary are listed on page 2.

From 1 January 2013 to date the following changes have taken place:

Director	Appointed	Resigned
K O'Keeffe		5 April 2013
B Thornton		31 March 2014
C E Morton	17 April 2014	
H M Tomlinson	17 April 2014	
Secretary		
P A Hutchings		26 September 2013
R C Clifton	26 September 2013	

Going concern

A review of the Company's operations was undertaken and a decision was made to cease providing finance for new insurance premiums after 31 March 2010. The Company continued to service existing customers into 2011 but these operations have now ceased. It is the intention to place the Company into members' voluntary liquidation in due course. These financial statements have been prepared on a basis other than that of a going concern.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare a directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. 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 at the end of the year and the profit or loss for the financial year of the Company. In preparing these financial statements, under International Accounting Standard 1, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 to enable them to ensure that the directors' report and financial statements comply with the requirements of 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.

Disclosure of information of auditor

Each of the directors at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' report (continued)

Directors' Indemnities

DLIG has made qualifying third party indemnity provisions for the benefits of the directors of the Company which remain in force at the date of this report.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and it is the intention of the directors to re-appoint them under the deemed appointment rules of section 487 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board



P G Edwards
Director

27 May 2014

Independent auditor's report to the member of Finsure Premium Finance Limited

We have audited the financial statements of Finsure Premium Finance Limited ("the Company") for the year ended 31 December 2013 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the Financial statements, the company, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the member of Finsure Premium Finance Limited**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.



David Rush (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

27 May 2014

Statement of comprehensive income

For the year ended 31 December 2013

Discontinued operations

	Notes	2013 £'000	2012 £'000
Administration expenses	4	916	3
Investment return	3	14	15
Profit before tax		930	18
Tax charge	5	(214)	(9)
Total comprehensive income for the year attributable to owners of the Company		716	9

The attached notes on pages 12 to 19 form an integral part of these financial statements.

Balance sheet

As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Assets			
Current tax assets	5	-	102
Trade and other receivables	7	2,970	1,945
Cash and cash equivalents	8	5	17
Total assets		2,975	2,064
Equity			
Share capital	10	1,000	1,000
Retained earnings		1,747	1,031
Total equity		2,747	2,031
Liabilities			
Trade and other payables	9	10	33
Current tax liability	5	218	-
Total liabilities		228	33
Total equity and liabilities		2,975	2,064

The attached notes on pages 12 to 19 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on **27** May 2014. They were signed on its behalf by:



P G Edwards
Director

Statement of changes in equity
For the year ended 31 December 2013

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2012	1,000	1,022	2,022
Profit for the year	-	9	9
Balance at 31 December 2012	1,000	1,031	2,031
Profit for the year	-	716	716
Balance at 31 December 2013	1,000	1,747	2,747

The attached notes on pages 12 to 19 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Total comprehensive income		716	9
Investment return	11	(14)	(15)
Tax charge		214	9
Operating cash flows before movements in working capital		916	3
Movements in working capital			
Net decrease in amount due to related parties	11	(17)	(7)
Net (decrease)/increase in other trade creditors and other payables	9	(6)	6
Cash generated from operations		893	2
Taxes received/(paid)		106	(26)
Net cash flows generated from / (used by) operating activities		999	(24)
Cash flows from investing activities			
Loans advanced	11	(1,119)	(65)
Loan repayments received	11	108	79
Net cash flows (used by) / generated from investing activities		(1,011)	14
Net decrease in cash and cash equivalents		(12)	(10)
Cash and cash equivalents at the beginning of the year		17	27
Cash and cash equivalents at the end of the year		5	17

The attached notes on pages 12 to 19 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

1.1 Presentation of accounts

The accounts have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB as adopted by the European Union ("EU") (together IFRSs). The financial statements are prepared on the historical cost basis.

As required by IAS1 Presentation of Financial Statements, management has prepared the financial statement on the basis that the entity is no longer a going concern (see Directors' Report on page 4). No material adjustments arose as a result of ceasing to apply the going concern basis.

The Company is incorporated in the United Kingdom and registered in England and Wales.

The Company's accounts are presented in accordance with the Companies Act 2006.

1.2 Revenue recognition

Interest income is recognised on acceptance of insurance premium finance loans by the customer.

Interest income on financial assets that are classified as loans and receivables, available-for-sale or held-to-maturity and interest expense on financial liabilities other than those at fair value through profit or loss are determined using the effective interest rate

Debts recovered are recognised in the income statement when received.

1.3 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The current tax expense is based on the taxable profits for the year as determined in accordance with the relevant tax legislation, after any adjustments in respect of prior years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Provision for taxation is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date, and is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity, as appropriate.

Deferred taxation is accounted for in full using the balance sheet liability method on all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is probable that they will not be recovered.

Deferred tax liabilities are calculated at the tax rates expected to apply when the liability is settled and deferred tax assets based on laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

1.4 Financial assets

Financial assets are classified as held-to-maturity, available-for-sale, designated as at fair value through profit or loss, or loans and receivables. The Company only holds assets that are classified as loans and receivables.

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or as held-for-trading, or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs and are subsequently measured at amortised cost using the effective interest method less any impairment losses.

Loans and receivables principally comprise loans to related parties.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.5 Impairment of financial assets

At each balance sheet date the Company assesses whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

Derecognition of financial assets

A financial asset is derecognised when the rights to receive the cash flows from the asset have expired or when the Company has transferred its rights to receive the cash flows from the asset and has transferred substantially all the risk and reward of ownership of the asset.

1.6 Financial liabilities

Financial liabilities are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

1.7 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash, and subject to insignificant risk of change in value.

1.8 Accounting developments

In December 2011 the IASB amended IAS 32 'Financial Instruments: Presentation' for the section dealing with offsetting a financial asset and a financial liability. Effective for annual periods beginning on or after 1 January 2014, to be applied retrospectively, this amendment is not expected to have any effect on the Company.

IFRS 9 'Financial Instruments' is a new standard that is intended to replace IAS 39 'Financial Instruments: Recognition and Measurement' in its entirety. The replacement project consists of three planned phases and will impact the measurement and disclosures of financial instruments.

The first phase will change the basis and treatment of the classification and measurement of financial assets and financial liabilities.

The second phase is the impairment methodology and a revised exposure draft in March 2013 has proposed a more forward-thinking impairment model that reflects expected credit losses as opposed to the incurred loss model in IAS 39.

The final phase will cover the hedge accounting for both general hedge accounting and macro hedge accounting.

There is currently no mandatory effective date for IFRS 9.

Notes to the financial statements (continued)

2. Risk management

2.1 Risk management overview

The Direct Line Insurance Group plc Board ("Group Board") has responsibility for setting and monitoring adherence to the risk strategy, risk appetite and risk framework. The Board has established a risk management model that separates the business's risk management responsibilities into "3 lines of defence" as set out below.

1 st line of defence	- Risk ownership
2 nd line of defence	- Oversight, challenge and support of 1 st line
3 rd line of defence	- Independent assurance

The annual report of DLIG contains a comprehensive review of the risk management framework for the whole group. Copies can be obtained from Direct Line Group Secretariat, Churchill Court, Westmoreland Road, Bromley, BR1 1DP, the registrar of Companies or through Direct Line Insurance Group's website at www.directlinegroup.com.

The key financial risks applicable to the Company are detailed below.

2.2 Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities. The main risks affecting the Company are discussed in greater detail below.

2.2.1 Interest rate risk

Structural interest rate risk arises where assets and liabilities have different repricing maturities.

The financial assets and liabilities of the Company consist of amounts due from and to the group undertaking. These amounts due do not have any significant interest rate risk as they are due primarily on demand.

2.2.2 Liquidity risk

The Company has no material liquidity risk as it has access to Group funding.

2.2.3 Market risk

Market risk is the risk associated with the adverse impact of the market risk factor's movement on the balance sheet due to changes in fair value or cash flows of its assets or liabilities.

The Company is mainly exposed to the following market risk factors:

- interest rate risk.

Notes to the financial statements (continued)

3. Interest income

	2013	2012
	£'000	£'000
Interest income from fellow subsidiaries (note 11)	14	15

4. Administration expenses

	2013	2012
	£'000	£'000
Administration expenses	950	48
Management charges payable to fellow subsidiaries (note 11)	(34)	(45)
Total	916	3

Administration expenses in 2013 include £980,000 of recoveries in respect of customer balances previously written off by the Company.

Management charges

Management charges relate to direct costs of the Company paid by DL Insurance Services Limited, a fellow subsidiary company, and recharged on an annual basis.

Staff costs, number of employees and directors' emoluments

The directors of the Company do not receive remuneration for specific services provided to the Company.

	2013	2012
	£'000	£'000
Operating profit before tax is stated after charging:		
Auditor's remuneration – audit services	2	2

There were no non-audit services recharged during the year (2012: none).

Notes to the financial statements (continued)

5. Tax charge

	2013 £'000	2012 £'000
Current taxation:		
Charge for the year	218	7
Over provision in respect of prior year	(4)	(97)
	214	(90)
Deferred taxation (note 6):		
Under provision in respect of prior year	-	99
	-	99
Tax charge for the year	214	9

The actual income tax charge differs from the expected income tax charge computed by applying the standard rate of UK corporation tax of 23.25% (2012: 24.5%) as follows:

	2013 £'000	2012 £'000
Profit before tax	930	18
Expected tax charge	216	4
Non-deductible items	2	3
Adjustments in respect of prior periods	(4)	2
Tax charge for the year	214	9
Effective income tax rate	23%	50%

The UK Government enacted a reduction in UK corporation tax rate from 24% to 23% effective from 1 April 2013 in Finance Act 2012 which also enacted a further reduction to 21% effective from 1 April 2014 and 20% from 1 April 2015.

6. Deferred tax assets

The following are the major tax assets recognised by the Company, and the movement thereon.

	Other timing differences £'000
At 1 January 2012	99
Charge to income (note 5)	(99)
At 1 January 2013 and 31 December 2013	-

Notes to the financial statements (continued)

7. Trade and other receivables

	2013 £'000	2012 £'000
Loans to related parties (note 11)	2,970	1,945

8. Cash and cash equivalents

	2013 £'000	2012 £'000
Cash at bank and in hand	5	17

9. Trade and other payables

	2013 £'000	2012 £'000
Trade and other creditors	10	16
Due to related parties (note 11)	-	17
Total	10	33

10. Share capital

	2013 £'000	2012 £'000
Issued and fully paid: equity shares		
1,000,000 Ordinary Shares of £1 each	1,000	1,000

11. Related parties

On 13 March 2013, The Royal Bank of Scotland Group plc ("RBSG") sold 16.8% of DLIG's shares and ceased to be the controlling shareholder of Direct Line Group. On 20 September 2013, RBSG sold a further 20.0% of DLIG's ordinary shares, which was a further step towards the complete disposal of Direct Line Group. At 31 December 2013 RBSG held 28.5% of the issued ordinary share capital and the Group was treated as an associated undertaking in the RBSG results. On 27 February 2014 RBSG sold its remaining holding of DLIG shares. The sale marks the completion of RBS Group's EC-mandated disposal of its interest in Direct Line Group.

The UK Government through HM Treasury is the ultimate controlling party of RBSG and was as a consequence a related party of Direct Line Group. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly owned by the UK Government. This gives rise to related party transactions and balances, specifically in respect of tax with HMRC and debt security investments with the UK Government.

At 31 December 2013 the ultimate holding company was DLIG, which is also the immediate parent company and is incorporated in the United Kingdom and registered in England and Wales.

As at 31 December 2013 DLIG heads the largest and smallest group in which the Company is consolidated. Copies of the consolidated accounts of DLIG may be obtained from The Secretary, DLIG, Churchill Court, Westmoreland Road, Bromley, BR1 1DP.

Notes to the financial statements (continued)

11. Related parties continued

The following transactions were carried out with related parties who are all members of Direct Line Group:

i. Investment return

	2013 £'000	2012 £'000
Interest received (note 3)		
Fellow subsidiaries	14	15
Total	14	15

ii. Purchases of products and services

	2013 £'000	2012 £'000
Purchases of services (note 4)		
Fellow subsidiaries	34	45

All employees were employed Direct Line Insurance Services Limited. Total employee costs, including directors' remuneration, recharged to the Company by DLIS during the year were £nil (2012: £nil).

iii. Year-end balances arising from sales/purchases of products/services

	2013 £'000	2012 £'000
Bank deposits held with related parties (note 8):		
Fellow subsidiaries	5	17
Total	5	17

	2013 £'000	2012 £'000
Payables to related parties (note 9):		
Fellow subsidiaries	-	17
Total	-	17

Movements in payables to related parties were as follows:

	2013 £'000	2012 £'000
At 1 January	17	24
Transactions in the year	17	72
Settled in the year	(34)	(79)
At 31 December	-	17

Notes to the financial statements (continued)

11. Related parties continued

iv. Loans to related parties (note 7)

	2013 £'000	2012 £'000
Fellow subsidiaries	2,970	1,945
Total	2,970	1,945

Movements in loan to related parties were as follows:

	2013 £'000	2012 £'000
At 1 January	1,945	1,944
Loans advanced during the year	1,119	65
Loan repayments received	(108)	(79)
Interest received (note 3)	14	15
At 31 December	2,970	1,945