

Company Registration No: 01670887

Finsure Premium Finance Limited

Annual Report and Financial Statements

31 December 2014

Group Secretariat
Finsure Premium Finance Limited
Churchill Court
Westmoreland Road
Bromley
BR1 1DP

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Annual report and financial statements

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Officers and professional advisers

Directors:

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 2014.

Activities

The principal activity of Finsure Premium Finance Limited (the "Company") was the financing of insurance premiums which it ceased in 2011. It is the intention of the Directors to place the Company into members' voluntary liquidation in due course.

The Company is a subsidiary of Direct Line Insurance Group plc ("DLIG") which together with its fellow subsidiaries ("Direct Line Group" or the "Group") provides the Company access to central resources and provides policies in all key areas such as finance, risk and human resources. For this reason, the Directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual report of DLIG reviews these matters on a Group basis, copies of which 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.

Review of the year*Business review*

The Company does not trade and the only amounts reported in the current and prior year statement of comprehensive income and balance sheets relate to the Company's ongoing existence.

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 £2,986,000 (2013: £2,975,000) and equity of £2,757,000 (2013: £2,747,000).

The Directors do not recommend the payment of a final dividend for the financial year ended 31 December 2014 (2013: £nil).

Principal risks and uncertainties

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

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



C E Morton
Director

27 August 2015

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2014.

The Company has chosen, in accordance with section 414c(11) of the Companies Act 2006, to include certain additional matters in its Strategic report that would otherwise be required to be disclosed in this Directors' report.

Directors and Secretary

The present Directors and Secretary, who have served throughout the year except where noted below, are listed on page 2.

From 1 January 2014 to date the following changes have taken place:

Director	Appointed	Resigned
B Thornton		31 March 2014
C E Morton	17 April 2014	
H M Tomlinson	17 April 2014	
P G Edwards		31 July 2014

Going concern

As stated previously, the Company does not trade and the only amounts reported to the current and prior year statements of comprehensive income and balance sheet relate to the Company's ongoing existence.

The Directors, having a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future, have prepared the financial statements on a going concern basis. However, it is the intention to place the Company into members' voluntary liquidation in due course.

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 person who was a Director of the Company on 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.

Directors' report (continued)**Disclosure of information to auditor (continued)**

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

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 by:



C E Morton

Director

23 August 2015

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

We have audited the financial statements of Finsure Premium Finance Limited (the "Company") for the year ended 31 December 2014 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 10. 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 2014 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.

-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

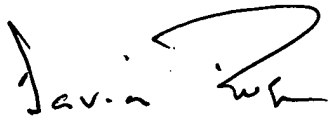
In our opinion the information given in the Directors' report and the Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

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



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

28 August 2015

Statement of comprehensive income

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Investment return	3	16	14
Administration expenses	4	(4)	916
Profit before tax		12	930
Tax charge	5	(2)	(214)
Total comprehensive income for the year attributable to owners of the Company		10	716

The attached notes on pages 12 to 18 form an integral part of these financial statements.

Balance sheet

As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Assets			
Trade and other receivables	6	2,984	2,970
Cash and cash equivalents	7	2	5
Total assets		2,986	2,975
Equity			
Share capital	9	1,000	1,000
Retained earnings		1,757	1,747
Total equity		2,757	2,747
Liabilities			
Trade and other payables	8	226	10
Current tax liability	5	3	218
Total liabilities		229	228
Total equity and liabilities		2,986	2,975

The attached notes on pages 12 to 18 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 27 August 2015. They were signed on its behalf by:



C E Morton
Director

Statement of changes in equity

For the year ended 31 December 2014

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2013	1,000	1,031	2,031
Profit for the year	-	716	716
Balance at 31 December 2013	1,000	1,747	2,747
Profit for the year	-	10	10
Balance at 31 December 2014	1,000	1,757	2,757

The attached notes on pages 12 to 18 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Cash flows from operating activities			
Total comprehensive income		10	716
Investment return	3	(16)	(14)
Tax charge	5	2	214
Operating cash flows before movements in working capital		(4)	916
Movements in working capital			
Net increase / (decrease) in amount due to related parties	8	216	(17)
Net decrease in other trade creditors and other payables		-	(6)
Net cash flows generated by operating activities		212	893
Taxes (paid)/received		(217)	106
Net cash flows (used by) / generated from operating activities		(5)	999
Cash flows from investing activities			
Loans advanced	10	-	(1,119)
Loan repayments received	10	2	108
Net cash flows generated from / (used by) investing activities		2	(1,011)
Net decrease in cash and cash equivalents		(3)	(12)
Cash and cash equivalents at the beginning of the year		5	17
Cash and cash equivalents at the end of the year	7	2	5

The attached notes on pages 12 to 18 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.

The directors confirm, at the time of approving the financial statements that the Company has adequate resources to continue in operational existence for the foreseeable future. They have thus adopted the going concern basis of accounting in preparing the financial statements. Further detail is contained in the directors' report on page 4.

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 on financial assets that are classified as loans and receivables, is determined using the effective interest rate.

Debts recovered are recognised in the income statement when received.

1.3 Taxation

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

The current tax charge 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.

1.4 Financial assets

The Company only holds assets which comprises loans and related parties.

Loans and receivables

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.

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.

Notes to the financial statements (continued)**1. Accounting policies (continued)****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 comprise 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 July 2014, the IASB issued IFRS 9 'Financial Instruments' that will replace IAS 39 'Financial Instruments: Recognition and Measurement' in its entirety. The classification and measurement of financial assets and liabilities will be directly linked to the nature of the instrument's contractual cash flows and the business model employed by the holder of the instrument.

The standard introduces a new expected loss model that is a departure from the current incurred loss model. The model requires a 12 month expected loss to be recognised for all financial instruments when they are first originated or acquired. In subsequent periods, if there is a significant increase in credit risk of a financial instrument since it was first entered into or acquired, the full lifetime expected credit losses would then be recognised.

The standard has introduced greater flexibility in the type of transactions eligible for hedge accounting and broadened the type of instruments that qualify as hedging instruments. The hedge effectiveness test has been replaced with the principle of an 'economic relationship'.

The standard is effective for annual periods beginning on or after 1 January 2018, although early adoption is permitted.

In May 2014, IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB, to establish a single comprehensive model to use in accounting for revenue recognition and measurement, from contracts (note: insurance contracts are excluded from the scope of IFRS 15) with customers. The standard provides a more prescriptive guidance on when and how combined contracts should be unbundled and when a transaction price includes a variable consideration element. The standard will require the Company to consider contracts with customers to determine if changes are required to existing accounting practices, but is not expected to have a material impact on the Company's financial statements.

The standard is effective for annual periods beginning on or after 1 January 2018, although early adoption is permitted.

Notes to the financial statements (continued)

2. Risk management

2.1 Risk management overview

The Direct Line Insurance Group plc Board ("Group Board") provides and monitors adherence to the risk strategy, risk appetite and risk framework for the Group. The Group 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 Counterparty risk

The Company is exposed to counterparty risk relating to its trade and other receivables. The Company's counterparties are fellow subsidiaries of Direct Line Insurance Group plc.

2.3 Interest rate risk

The Company has exposure to changes in interest rates through the returns it receives on its trade and other receivables with fellow subsidiaries.

Notes to the financial statements (continued)

3. Investment return

	2014 £'000	2013 £'000
Interest income from fellow subsidiaries (note 10)	16	14

4. Administration expenses

	2014 £'000	2013 £'000
Administration expenses	(4)	950
Management charges payable to fellow subsidiaries (note 10)	-	(34)
Total	(4)	916

Management charges

Management charges relate to direct costs of the Company paid by DL Insurance Services Limited ("DLIS"), 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.

	2014 £'000	2013 £'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 (2013: none).

Notes to the financial statements (continued)

5. Tax charge

	2014 £'000	2013 £'000
Current taxation:		
Charge for the year	3	218
Over provision in respect of prior year	(1)	(4)
Tax charge for the year	2	214

The actual income tax charge differs from the expected income tax charge computed by applying the standard rate of UK corporation tax of 21.5% (2013: 23.25%) as follows:

	2014 £'000	2013 £'000
Profit before tax	12	930
Expected tax charge	2	216
Non-deductible items	1	2
Adjustments in respect of prior periods	(1)	(4)
Tax charge for the year	2	214
Effective income tax rate	17%	23%

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

6. Trade and other receivables

	2014 £'000	2013 £'000
Loans to related parties (note 10)	2,984	2,970

Trade and other receivables amounting to £2,984,168 (2013: £2,969,581) are neither past due nor impaired and are classified as unrated.

7. Cash and cash equivalents

	2014 £'000	2013 £'000
Cash at bank and in hand (note 10)	2	5

Notes to the financial statements (continued)

8. Trade and other payables

	2014 £'000	2013 £'000
Trade and other creditors	10	10
Due to related parties (note 10)	216	-
Total	226	10

9. Share capital

	2014 £'000	2013 £'000
Issued and fully paid: equity shares		
1,000,000 Ordinary Shares of £1 each	1,000	1,000

10. Related parties

On 27 February 2014, RBS Group announced the completion of the sale of its remaining interest of 423.2 million Ordinary Shares in DLIG.

RBS Group has now sold all its Ordinary Shares in DLIG except for the shares held to satisfy long-term incentive plan awards granted by RBS Group to Direct Line Group management.

As at 31 December 2014 the immediate parent and ultimate holding company was DLIG which is incorporated in the United Kingdom and registered in England and Wales.

As at 31 December 2014 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.

The following transactions were carried out with related parties, who are all members of DLIG.

i. Investment return

	2014 £'000	2013 £'000
Interest received (note 3)		
Fellow subsidiaries	16	14

ii. Purchases of products and services

	2014 £'000	2013 £'000
Purchases of services (note 4)		
Fellow subsidiaries	-	34

All employees were employed by DLIS. Total employee costs, including Directors' remuneration, recharged to the Company by DLIS during the year were £nil (2013: £nil).

Notes to the financial statements (continued)

10. Related parties (continued)

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

	2014 £'000	2013 £'000
Bank deposits held with related parties		
Fellow subsidiaries (note 7)	-	5

	2014 £'000	2013 £'000
Payables to related parties		
Fellow subsidiaries (note 8)	216	-

Movements in payables to related parties were as follows:

	2014 £'000	2013 £'000
At 1 January	-	17
Transactions in the year	216	17
Settled in the year	-	(34)
At 31 December	216	-

iv. Loans to related parties

	2014 £'000	2013 £'000
Fellow subsidiaries (note 7)	2,984	2,970

Movements in loan to related parties were as follows:

	2014 £'000	2013 £'000
At 1 January	2,970	1,945
Loans advanced during the year	-	1,119
Loan repayments received	(2)	(108)
Interest charged (note 3)	16	14
At 31 December	2,984	2,970