

Company Registration No: 01670887

Finsure Premium Finance Limited

Annual Report and Financial Statements

For the year ended 31 December 2018

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



Annual report and financial statements

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Directors:

R C Clifton

H C O'Murchu

H M Tomlinson

Company Secretary:

R C Clifton

Registered office:

Churchill Court

Westmoreland Road

Bromley

BR1 1DP

Independent Auditor:

Deloitte LLP

1 New Street Square

London

EC4A 3HQ

United Kingdom

Company registration:

Registered in England and Wales

Strategic report

For the year ended 31 December 2018

The Directors present their strategic report for the year ended 31 December 2018.

Activities

The principal activity of Finsure Premium Finance Limited (the "Company") was the financing of insurance premiums which it ceased in 2011. In the future, the Directors may consider and, if thought appropriate, liquidate and/or dissolve the Company.

The Company is a member of the Direct Line Group ("the Group") whose ultimate parent Company is Direct Line Insurance Group plc ("DLIG") of which the Company is a subsidiary. The Group provides the Company with access to Group central resources and provides policies in key areas such as finance, risk, human resources and environment. Key performance indicators across the Group taken as a whole are referred to in the DLIG annual report and accounts 2018 ("DLIG annual report") and accordingly for an understanding of the development, performance or position of the Company's business, please refer to the DLIG annual report in conjunction with the financial performance indicators shown below. Copies can be obtained from Direct Line Group Company Secretariat, Churchill Court, Westmoreland Road, Bromley, Kent, BR1 1DP, the Registrar of Companies or through the Group's website at www.directlinegroup.co.uk

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 9. The Company's sole source of income is from interest on loans to DLIG and total profit after tax for the year ended 31 December 2018 was £16,000 (2017: £13,000).

At the end of the year, the balance sheet reflected total assets of £2,825,000 (2017: £2,808,000) and equity of £2,821,000 (2017: £2,805,000).

The Directors do not recommend the payment of a dividend for the financial year ended 31 December 2018 (2017: £nil).

Principal risks and uncertainties

The principal risks applicable to the Company are detailed below.

Market risk

Market risk is the risk of loss resulting from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. In particular, interest rate risk arises mainly from its loans to related parties. No sensitivity analysis has been provided as the impact is deemed to be immaterial.

Credit risk

This is the risk of loss resulting from default in cash inflows and / or changes in market value of issuers of securities, counterparties and any debtors to which the Company is exposed. The Company is mainly exposed to counterparty default risk. This is the risk of loss from unexpected default of the Company's counterparties and debtors.

The main source of counterparty default risk is related to the Company's loans and receivables with its parent and fellow subsidiaries.

Presentation of financial statements

The Company transitioned from preparing these financial statements under EU-adopted IFRS to FRS 101 'Reduced Disclosure Framework' ("FRS 101") during 2018. This had no impact on the Company's financial position or performance. The Company has now taken advantage of several disclosure exemptions available under FRS 101, which are outlined in note 1 of the financial statements.

Strategic report

For the year ended 31 December 2018.

Potential effect of Brexit

Brexit, when the UK is due to leave the EU, was scheduled to take place on 29 March 2019 although this has been delayed. The Company is predominantly a UK business, and has minimal exposure to the EU. The Group has been monitoring events carefully and proactively taken steps to mitigate the likely impact on the Group and the Company to the extent we consider it to be appropriate and proportionate to do so, given the considerable uncertainties; however, in the event of a disruptive Brexit the Company will not be immune. For more information, please refer to the DLIG Annual Report and Accounts.

Outlook

In the future, the Directors may consider and, if thought appropriate, liquidate and/or dissolve the Company.

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



H C O' Murchu
Director
29 April 2019

Directors' report

For the year ended 31 December 2018

The Directors present their annual report and the audited financial statements for the year ended 31 December 2018.

The Company has chosen, in accordance with section 414c(11) of the Companies Act 2006 and as stated in the Directors' report, 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 Company Secretary are listed on page 2. There have been no changes from 1 January 2018 to date.

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.

Having made due enquiries, the Directors reasonably expect that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Accordingly, the Directors have adopted the going concern basis in preparing the financial statements. The Directors may in future consider and if thought fit, decide to place the Company into members' voluntary liquidation.

Employees

All staff, to the extent required, are employed by a fellow subsidiary undertaking of DLIG, DL Insurance Services Limited ("DLIS"). Disclosures relating to employees may be found in the annual report and financial statements of DLIS.

Disclosure of information to the Auditor

Each person who was a Director of the Company on the date of approval of this report confirms that:

- a) so far as the Director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the Company's Auditor is unaware; and
- b) each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the 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.

Auditor

Deloitte LLP has expressed its willingness to continue in office as Auditor and it is the intention of the Directors to reappoint Deloitte LLP under the deemed appointment rules of section 487 of the Companies Act 2006.

Directors' report

For the year ended 31 December 2018

Statement of Directors' responsibilities

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 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), including FRS 101 'Reduced Disclosure Framework', 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 at the end of the year and the profit or loss of the Company for the financial year. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom standards, comprising FRS 101 have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy, the Company's financial position at any time; and enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the Company's assets and, hence, taking reasonable steps to prevent and detect fraud and other irregularities.

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



H C O' Murchu

Director

29 April 2019

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

For the year ended 31 December 2018

Report on the audit of the financial statements**Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Finsure Premium Finance Limited (the "Company") which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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.

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 are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, 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.

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

For the year ended 31 December 2018

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements**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 the Directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

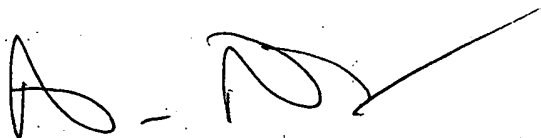
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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.



Adam Addis ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
London, United Kingdom
29 April 2019

Statement of comprehensive income

For the year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
Investment return	2	20	9
Administration expenses recovered	3	-	7
Profit before tax		20	16
Tax charge	4	(4)	(3)
Total comprehensive income for the year attributable to owners of the Company		16	13

The attached notes on pages 12 to 15 form an integral part of these financial statements.

Balance sheet

As at 31 December 2018

	Notes	2018 £'000	2017 £'000
Assets			
Other receivables	5	2,798	2,781
Cash and cash equivalents	6	27	27
Total assets		2,825	2,808
Equity			
		2,821	2,805
Liabilities			
Current tax liability	4	4	3
Total liabilities		4	3
Total equity and liabilities		2,825	2,808

The attached notes on pages 12 to 15 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 29 April 2019.

They were signed on its behalf by:



H C O' Murchu
Director

Statement of changes in equity

For the year ended 31 December 2018

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	1,000	1,792	2,792
Profit for the year	-	13	13
Balance at 31 December 2017	1,000	1,805	2,805
Profit for the year	-	16	16
Balance at 31 December 2018	1,000	1,821	2,821

The attached notes on pages 12 to 15 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies**1.1 Basis of Preparation**

The Company's financial statements are prepared in accordance with Financial Reporting Standard FRS 101 'Reduced Disclosure Framework'. This is the first period of adoption of FRS 101 having previously presented its financial statements under International Financial Reporting Standards as adopted by the EU ("EU-adopted IFRS"). The financial statements are prepared on a historical cost basis.

The Company is incorporated in the UK and registered in England and Wales.

The Company's financial statements are presented in sterling which is the functional and presentational currency of the Company.

No transitional adjustments to the financial position of the Company were required as FRS 101 follows EU-adopted IFRS recognition and measurement principles. Therefore, in preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of EU-adopted IFRS but makes amendments where necessary to comply with Companies Act 2006, and to take advantage of the following disclosure exemptions available under FRS 101:

- FRS 101.8 (g): the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111, and 134 to 136 of IAS 1 'Presentation of Financial Statements' to produce a cash flow statement, a third balance sheet and to make an explicit and unreserved statement of compliance with IFRSs, and capital management information;
- FRS 101.8 (h): the requirements of IAS 7 'Statements of Cash Flows' to produce a cash flow statement and related notes;
- FRS 101.8 (i): the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' to include a list of new IFRSs that have been issued but that have yet to be applied; and
- FRS 101.8 (k): the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to a transaction is wholly owned by such a member.

The Company has considerable financial resources and as a consequence, the Directors believe the Company is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements. 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 on pages 3 and 4 and the Directors' report on pages 5 and 6.

Adoption of new and revised standards

The Company has adopted the following new amendments to IFRSs and the IASs that became mandatory for the Company for the first time during 2018.

IFRS 15 'Revenue from Contracts with Customers' introduces new revenue recognition and disclosure requirements. Entities are required to recognise revenue as goods and services are transferred to the customer in proportion to the total consideration it expects to receive in exchange for those services. The Company does not have revenue within the scope of IFRS 15 and therefore there was no impact on adoption.

The Company has adopted IFRS 9 'Financial Instruments' which became mandatory for the first time in 2018. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' introducing new guidance on the classification and measurement of financial assets, an expected credit loss impairment model, and new hedge accounting requirements.

The Company completed an impact assessment on transition to IFRS 9, including an assessment of its financial assets under the new impairment model, and concluded there was no impact on the Company's equity at 1 January 2018.

The Company assessed which business models apply to the financial assets held by the Company and classified its financial instruments into the appropriate IFRS 9 categories. Financial assets previously classified as loans and receivables were reclassified as financial assets held at amortised cost. These are held within other receivables on the balance sheet. There was no impact on the measurement bases of financial assets and as a result no restatement or opening balance reconciliation on transition to IFRS 9 has been presented.

IFRS 9 accounting policies adopted in the period are presented in note 1.5.

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies continued**1.2 Revenue recognition**

Interest income on financial assets is determined using the effective interest rate method. The effective interest rate method is a way of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the expected life of the asset.

1.3 Taxation

The tax charge or credit represents the proportion of the tax payable and receivable arising in the current year only.

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 statement of comprehensive income 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 Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on ordinary shares are recognised when they have been approved at the annual general meeting.

1.5 Financial assets

Financial assets include other receivables which are classified at initial recognition and subsequently measured as held at amortised cost. The classification of financial assets at initial recognition depends on the financial assets contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus transaction costs. On recognition of the financial asset an expected credit loss allowance assessment is conducted. A financial asset is written off when there is no reasonable expectation of recovery.

Amortised cost

Assets which are held to collect contractual cash flows, and with contractual terms which give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding, are classified as financial assets held at amortised cost. They are subsequently measured using the effective interest rate method where applicable and are subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets

At each balance sheet date the Company assesses, on a forward looking basis, whether there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as held at amortised cost is expected. The Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets including an allowance for expected losses at initial recognition, and the present value of estimate future cash flows from the asset or group of assets, discounted at the effective interest rate of the instrument at initial recognition. The expected loss allowance for financial assets is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the credit quality and history of the financial asset or group of financial assets, as well existing market conditions and forward-looking expectations.

Impairment losses, including the expected credit allowance, are recognised in the statement of comprehensive income and the carrying amount of the financial asset or group of financial assets is reduced by establishing an allowance for the impairment losses. If in a subsequent period the amount of the expected impairment allowance reduces and this can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

2. Investment return

	2018 £'000	2017 £'000
Interest income from parent company	20	4
Interest income from fellow subsidiaries	-	5
Interest income from related parties	20	9

Notes to the financial statements

For the year ended 31 December 2018

3. Administration expenses

	2018	2017
	£'000	£'000
Administration expenses recovered¹	-	7

Note:

- Recovered administration expenses comprise broker debts previously provided as bad debts that have subsequently been recovered in the year ended 31 December 2017.

Staff costs and number of employees

The Company had no employees at any time during the current or preceding year.

Directors' emoluments

The services provided by the Directors of the Company are non-executive in nature and it is not appropriate to allocate their emoluments in respect of services to the Company.

Fees for audit and non-audit services are borne by a fellow subsidiary company.

Fees paid to the Auditor in respect of the statutory audit of the Company's financial statements amount to £2,101 (2017: £2,101). There were no non-audit services recharged during the year ended 31 December 2018 (2017: £nil).

4. Taxation

	2018	2017
	£'000	£'000
Current taxation:		
Charge for the year	4	3
Tax charge for the year	4	3

The following table analyses the difference between the actual income tax charge and the expected income tax charge computed by applying the standard rate of UK corporation tax of 19%¹ (2017: 19.25%).

	2018	2017
	£'000	£'000
Profit before tax	20	16
Expected tax charge	4	3
Tax charge for the year	4	3
Effective income tax rate	19%	19.25%

Note:

- In the Finance (No 2) Act 2015 the UK Government enacted a reduction in the UK corporation tax rate from 20% to 19% effective from 1 April 2017, and then in the Finance Act 2016 enacted a further reduction to 17% effective from 1 April 2020.

	2018	2017
	£'000	£'000
Current tax liabilities	4	3

5. Other receivables

	2018	2017
	£'000	£'000
Loans to related parties	2,798	2,781

Other receivables amounting to £2,798,000 (2017: £2,781,000) are neither past due nor impaired and are classified as unrated. All loans to related parties are considered current, are short-term in nature and repayable when required, and considered due within one year.

Notes to the financial statements

For the year ended 31 December 2018

6. Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash and cash equivalents	27	27

7. Share capital

	2018	2017
	£'000	£'000
Issued and fully paid: equity shares		
1,000,000 Ordinary Shares of £1 each	1,000	1,000

The Company is a member of the Direct Line Group whose ultimate parent company is Direct Line Insurance Group plc, of which the Company is a subsidiary.