

Company Registration No: 02811437

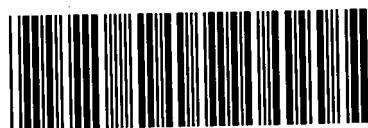
DIRECT LINE GROUP LIMITED

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 2013

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DIRECT LINE GROUP LIMITED

02811437

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

Direct Line Group Limited ("the Company") is a subsidiary of Direct Line Insurance Group plc (DLIG) which provides the Company with access to all central resources and policies it needs in all key areas such as finance, risk, human resources and environment. 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 Direct Line Insurance Group plc reviews these matters on a group basis. Copies can be obtained from Direct Line Group Secretariat, Churchill Court, Westmoreland Road, Bromley, BR1 1DP, the Registrar of Companies or through the Group's website of www.directlinegroup.com

The Company is currently exploring the potential disposal of its interest in Direct Line Insurance S.p.A., however at this stage there is no certainty that a disposal will occur.

ACTIVITIES AND BUSINESS REVIEW**Activities**

The Company's principal activity during the year was that of an intermediate holding company for the companies trading under the Direct Line and Green Flag brands in the United Kingdom and overseas.

Review of the year**Business review**

The Directors are satisfied with the Company's performance in the year. The Company will be guided by its shareholders in seeking further opportunities for growth.

Financial performance

The Company's financial performance is presented in the statement of comprehensive income on page 7.

During 2013, no dividend was paid (2012: £31m). The Directors do not recommend the payment of a final dividend.

During 2013, dividends of £3m were received (2012: £1m).

At the end of the year, the balance sheet showed total assets of £98.4m (2012: £354.4m) and equity of £98.4m (2012: £96.2m). On 8th January 2013, DLIG repaid a loan of £255 million to the Company which was subsequently used to repay the undated subordinated loan of £255 million to Tesco Personal Finance.

Principal risks and uncertainties

The Company's financial risk management objectives and policies are set out in note 2 to these financial statements.



C E Morton
Director

16 September 2014

DIRECTORS' REPORT

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

The Company has chosen, in accordance with section 414c(11) of the Companies Act 2006, and as noted in this 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 Secretary who have served throughout the year, except where noted below, are listed on page 1.

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

Directors	Appointed	Resigned
A W Palmer		4 July 2013
P G Edwards	13 September 2013	31 July 2014
C E Morton	13 September 2013	
H M Tomlinson	13 September 2013	
P R Geddes		13 September 2013
A J Reizenstein		13 September 2013

Secretary

R C Clifton	26 September 2013	
P A Hutchings		26 September 2013

Going concern

The Directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

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.

DIRECTORS' REPORT (continued)

DISCLOSURE OF INFORMATION TO AUDITOR

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

- (a) so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) 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' 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 reappoint 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



C E Morton
Director

10 September 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIRECT LINE GROUP LIMITED

We have audited the financial statements of Direct Line Group 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 14. 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 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.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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.

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 matter prescribed by the Companies Act 2006

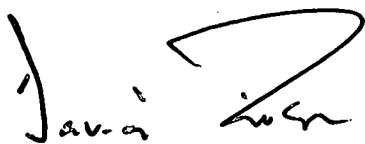
In our opinion the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIRECT LINE GROUP LIMITED (continued)

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.

A handwritten signature in black ink, appearing to read 'David Rush', with a large, stylized flourish above the name.

David Rush
Senior Statutory Auditor - for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
10 September 2014

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	2013 £ Million	2012 £ Million
Operating expenses	3	(0.8)	(0.7)
Operating loss		(0.8)	(0.7)
Investment return	4	3.1	7.8
Profit before tax		2.3	7.1
Tax (charge)/credit	5	(0.1)	2.7
Total comprehensive income for the year		2.2	9.8

The accompanying notes on Page 11 to 19 form an integral part of these financial statements.

BALANCE SHEET
 as at 31 December 2013

	Notes	2013 £ Million	2012 £ Million
Assets			
Investments in subsidiary undertakings	7	96.2	93.5
Trade and other receivables	8	2.2	260.9
Total assets		98.4	354.4
Equity		98.4	96.2
Liabilities			
Subordinated liabilities	12	-	255.0
Borrowings	11	-	1.2
Derivative financial instruments	9	-	0.5
Current tax liabilities	5	-	1.5
Total liabilities		-	258.2
Total equity and liabilities		98.4	354.4

The accompanying notes on Page 11 to 19 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 10 September 2014 and signed on its behalf by:



C E Morton
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Share capital £ Million	Other reserves £ Million	Retained earnings £ Million	Total £ Million
At 1 January 2012	50.0	255.0	67.4	372.4
Profit for the year	-	-	9.8	9.8
Dividends paid (note 6)	-	-	(31.0)	(31.0)
Transfer to subordinated liabilities (note 12)	-	(255.0)	-	(255.0)
At 31 December 2012	50.0	-	46.2	96.2
Profit for the year	-	-	2.2	2.2
At 31 December 2013	50.0	-	48.4	98.4

The accompanying notes on Page 11 to 19 form an integral part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2013

	Notes	2013 £ Million	2012 £ Million
Cash flow from operating activities.			
Profit for the year		2.2	9.8
Adjustments for:			
(Gain)/loss on foreign exchange translations on investments	7	(2.7)	2.0
Other losses		0.2	-
Investment income	4	(3.1)	(7.8)
Tax charge/(credit)	5	0.1	(2.7)
Operating cash flows before movements in working capital		(3.3)	1.3
Movements in working capital			
Net decrease in trade and other receivables		258.1	51.2
Net (decrease)/increase in derivative financial instruments	9	(0.5)	0.5
Cash generated from operations		254.3	53.0
Tax paid		(1.6)	(0.9)
Net cash generated from operating activities		252.7	52.1
Cash flows from investing activities			
Interest received from loans to related parties	14	0.5	6.8
Dividends received	4	3.0	1.0
Net cash generated from investing activities		3.5	7.8
Cash flows from financing activities			
Dividends paid	6	-	(31.0)
Repayment of subordinated liabilities	12	(255.0)	-
Decrease in borrowings	14	(1.2)	(29.0)
Net cash used by financing activities		(256.2)	(60.0)
Net decrease in cash and cash equivalents		-	(0.1)
Cash and cash equivalents at the beginning of the year		-	0.1
Cash and cash equivalents at the end of the year	10	-	-

The accompanying notes on Page 11 to 19 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

1. Accounting policies

1.1) Presentation of accounts

The accounts have been prepared on the going concern basis (see Directors' report on page 3) and 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 of the IASB as adopted by the European Union (EU) (together IFRS).

The accounts are prepared on the historical cost basis except for derivative financial instruments, which are measured at fair value.

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) Consolidated financial statements

The financial statements contain information about Direct Line Group Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IFRS 10 Consolidated Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent, Direct Line Insurance Group plc, a public company registered in the United Kingdom.

1.3) Foreign currencies

The Company's financial statements are presented in Pounds Sterling which is the functional currency of the Company.

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

1.4) Investment return

Interest income on financial assets is determined using the effective interest method. The effective interest 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.

Dividend income from investments in subsidiaries is recognised when the right to receive payment is established.

1.5) Taxation

The tax charge or credit represents the sum of the tax currently payable or receivable.

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.

1.6) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any impairment.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

1. Accounting policies (continued)

1.7) Financial assets

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

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.

Loans and receivables

If there is objective evidence that an impairment loss has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets, discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually where significant or collectively for assets that are not individually significant.

Impairment losses are recognised in the income statement 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 impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

Derivatives

Derivative financial instruments are recognised initially, and subsequently measured, at fair value. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

Gains and losses arising from changes in the fair value of a derivative are recognised as they arise in the income statement. Previously the Company entered into hedge relationships for net investments.

Derecognition of financial assets

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

1.8) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs incurred. Other than derivatives which are recognised and measured at fair value, all other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

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

1.9) Subordinated liabilities

Subordinated liabilities comprise subordinated undated loans, which are initially measured at the consideration received less related transaction costs. Subsequently, subordinated liabilities are measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

1. Accounting policies (continued)

1.10) 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.

Borrowings, comprising bank overdrafts, are measured at amortised cost using the effective interest rate method.

1.11) Capital instruments

The Company classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms, or as equity if it evidences a residual interest in the assets of the group after the deduction of liabilities.

1.12) Adoption of new and revised standards

The following new or revised standards have been adopted in the year and have not had a material impact on the Company's financial statements:

IFRS 10 'Consolidated Financial Statements' replaced SIC 12 'Consolidation – Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements'. The new standard adopts a single definition of control: a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity;

IAS 27 'Separate Financial Statements' was amended to delete all other aspects of the previous standard other than those dealing with separate financial statements;

IFRS 12 'Disclosure of Interests in Other Entities' covers disclosures for entities reporting under IFRS 10 and IFRS 11, replacing requirements in IAS 28 and IAS 27. Entities are required to disclose information that helps financial statements readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities;

IFRS 13 'Fair Value Measurement' sets out a single IFRS framework for defining and measuring fair value and requiring disclosure about fair value measurements;

IAS 1 'Presentation of Items of Other Comprehensive Income' requires items that will never be recognised in the income statement to be presented in other comprehensive income separately from those that are subject to subsequent reclassification; and

IFRS 7 'Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities' was amended to allow users to consider the impact of netting arrangements as permitted by IAS 32 (paragraph 42) on the financial statements.

1.13) 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

For the year ended 31 December 2013

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 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.

1st line of defence	- Risk ownership
2nd line of defence	- Oversight, challenge and support of 1st line
3rd 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) Market risk

The company is subject to market risk, in particular interest rate risk, due to its loans to related parties.

Sensitivity analysis

The results of sensitivity testing are set out below. For each sensitivity test the impact of a reasonably possible change in a single factor on the current balance sheet is shown, with other assumptions left unchanged.

Sensitivity factor	Description of sensitivity analysis
Interest rate and investment return	The impact of a change in market interest rates by +1% (e.g. if a current interest rate is 1%, the impact of an immediate change to 2%)

For the year ended 31 December 2013

	Interest rates
	+1%
Impact on profit before tax (£ Million)	-
Impact before tax on shareholders' equity (£ Million)	-

For the year ended 31 December 2012

	Interest rates
	+1%
Impact on profit before tax (£ Million)	0.3
Impact before tax on shareholders' equity (£ Million)	0.3

2.3) Currency risk

The Company has exposure to currency risk in the form of its investment in foreign subsidiaries. On 17th September 2013, following discussion in the Asset and Liability Committee (ALCO) meeting, it was agreed that the open forward foreign currency contracts in net investment hedge relationships would be unwound and that prospectively the Company would no longer hedge its net investments in foreign subsidiaries.

All other assets and liabilities are denominated in sterling and do not bear any exposure to currency risk.

2.4) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

3. Operating expenses

	2013 £ Million	2012 £ Million
Management fees	-	0.7
Net foreign exchange translation losses	0.6	-
Sundry expenses	0.2	-
	<u>0.8</u>	<u>0.7</u>

Auditor's remuneration

Fees for audit and non-audit services for the current and prior years were borne by a related party, Direct Line Insurance Services Limited.

Fees paid to the auditor in respect of the audit of the accounts of the Company amount to £5,000 (2012: £6,325).

Directors' emoluments

All strategic and management decisions for the Company are made by the executive of DLIG, comprising the Board of Directors and Executive Committee. The services provided by the Directors to the Company are non-executive in nature and therefore it is not appropriate to allocate their emoluments in respect of services to the Company.

4. Investment return

	2013 £ Million	2012 £ Million
Interest income from loans to related parties (note 14)	0.1	6.8
Dividend income from subsidiaries (note 14)	3.0	1.0
	<u>3.1</u>	<u>7.8</u>

5. Tax

	2013 £ Million	2012 £ Million
Current taxation:		
Tax charge for the year	-	1.5
Under/(over) provision in respect of prior periods	0.1	(4.2)
Tax charge/(credit) for the year	<u>0.1</u>	<u>(2.7)</u>

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 £ Million	2012 £ Million
Expected tax charge	0.5	1.7
Effects of:		
Unrealised gains/losses - hedging	(0.6)	0.3
Dividends from UK subsidiaries	(0.7)	(0.2)
Foreign currency forward contracts	0.8	(0.3)
Adjustments in respect of prior periods	0.1	(4.2)
Actual tax charge for the year	<u>0.1</u>	<u>(2.7)</u>
Effective income tax rate	<u>4.35%</u>	<u>(38.03)%</u>

Current tax liabilities

	2013 £ Million	2012 £ Million
Corporation tax payable	-	1.5
	<u>-</u>	<u>1.5</u>

6. Ordinary dividends

	2013 £ Million	2012 £ Million
Dividends paid	-	31.0

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

7. Investments in subsidiary undertakings

	2013 £ Million	2012 £ Million
At 1 January	93.5	95.5
Exchange differences	2.7	(2.0)
At 31 December	<u>96.2</u>	<u>93.5</u>

Details of the Company's directly held subsidiary undertakings as at 31 December 2013 are as follows:

Name of subsidiary	Place of incorporation and operation	Class of shares held	Proportion of ownership interest/voting power held	Principal activity
Direct Line Insurance S.p.A.	Italy	Ordinary	90%	General Insurance
Green Flag Holdings Limited	United Kingdom	Ordinary	100%	Holding company
UKI Life Assurance Services Limited	United Kingdom	Ordinary	100%	Dormant
DL Dormant 5 Limited	United Kingdom	Ordinary	100%	Dormant
DL Dormant 6 Limited	United Kingdom	Ordinary	100%	Dormant

The Company holds the share capital of the following companies through subsidiaries of the Company. Unless otherwise indicated all companies are registered in England and Wales:

Name of subsidiary	Place of incorporation and operation	Class of shares held	Proportion of ownership interest/voting power held	Principal activity
Green Flag Group Limited	United Kingdom	Ordinary & Preference	100%	Holding company
Green Flag Limited	United Kingdom	Ordinary & Deferred Ordinary	100%	Motor vehicle assistance, repair and recovery services
National Breakdown Recovery Club Limited	United Kingdom	Ordinary	100%	Dormant
Nationwide Breakdown Recovery Services Limited	United Kingdom	Ordinary	100%	Dormant

8. Trade and other receivables

	2013 £ Million	2012 £ Million
Loans to related parties (note 14)	2.2	256.6
Receivables from related parties (note 14)	-	4.3
	<u>2.2</u>	<u>260.9</u>

Trade and other receivables amounting to £2.2m (2012: £260.9) is neither past due or impaired and is classified as unrated.

9. Derivative financial instruments

	2013		2012	
	Notional amounts £ Million	Liabilities £ Million	Notional amounts £ Million	Liabilities £ Million
Forward foreign exchange contracts	-	-	103.9	0.5

Derivative financial instruments as shown above are all classified as level 2 under the fair value hierarchy. These are measured at fair value, which equates to carrying value.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

10. Cash and cash equivalents

The cash at bank as at December 2013 was £4,957 (2012: £4,383).

Cash and cash equivalents are neither past due or impaired and are classified as A rated or above.

11. Borrowings

	2013 £ Million	2012 £ Million
Loans from related parties (note 14)	-	1.2
	<u>-</u>	<u>1.2</u>

In 2012, borrowings amounting to £1.2m were due within 1 year.

12. Subordinated liabilities

	2013 £ Million	2012 £ Million
Undated Subordinated loans	-	255.0
	<u>-</u>	<u>255.0</u>

The undated subordinated loan of £255 million was provided by Tesco Personal Finance in 2006 and was reclassified from other reserves in 2012 following regulatory approval to repay the loan. There was no interest payable on this instrument and the loan was fully repaid on 8 January 2013.

13. Share capital

	2013 £ Million	2012 £ Million
Issued and fully paid:		
Equity shares		
50 million ordinary shares of £1 each		
At 1 January and 31 December	<u>50.0</u>	<u>50.0</u>

14. 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 ("the 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 RBS Group results. On 27 February 2014, RBSG sold its remaining holding of DLIG shares, except for 4.2 million shares (representing a holding of 0.28%), held to satisfy long term incentive plan awards granted by RBS Group to DLIG management. The sale marks the completion of RBS Group's EC-mandated disposal of its interest in DLIG.

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.

As 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 Direct Line Insurance Group plc may be obtained from The Secretary, DLIG, Churchill Court, Westmoreland Road, Bromley, BR1 1DP.

The following transactions were with related parties, who are members of RBS Group or the Group.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

14. Related parties (continued)

i. Investment return

	2013 £ Million	2012 £ Million
Interest received (note 4)		
Parent	0.1	6.5
Fellow subsidiaries	-	0.3
Total	<u>0.1</u>	<u>6.8</u>

Interest income received from deposits held with related parties was at rates ranging from 0.51% to 2.02% (2012: 0.52% to 2.92%).

Dividends

	2013 £ Million	2012 £ Million
Dividend income (note 4)		
Subsidiaries	<u>3.0</u>	<u>1.0</u>

ii. Purchase of services

	2013 £ Million	2012 £ Million
Management fees (note 3)		
Fellow subsidiaries	<u>-</u>	<u>0.7</u>

iii. Year-end balances arising from transactions

	2013 £ Million	2012 £ Million
Receivables from related parties (note 8)		
Fellow subsidiaries	<u>-</u>	<u>4.3</u>

Movements in receivables from related parties were as follows:

	2013 £ Million	2012 £ Million
At 1 January	4.3	0.2
Transactions in the year	-	4.1
Settled in the year	(4.3)	-
At 31 December	<u>-</u>	<u>4.3</u>

Payables to related parties
Fellow subsidiaries

	2013 £ Million	2012 £ Million
	<u>-</u>	<u>-</u>

Movements in payables to related parties were as follows:

	2013 £ Million	2012 £ Million
At 1 January	-	0.1
Transactions in the year	-	0.6
Settled in the year	-	(0.7)
At 31 December	<u>-</u>	<u>-</u>

iv. Loans to related parties

	2013 £ Million	2012 £ Million
Loans to related parties (note 8)		
Parent	-	255.6
Fellow subsidiaries	2.2	1.0
	<u>2.2</u>	<u>256.6</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

14. Related parties (continued)

iv. Loans to related parties (continued)

	2013	2012
	£ Million	£ Million
Movements in loans to related parties were as follows:		
Loans to related parties		
At 1 January	256.6	311.8
Loans advanced during year	6.5	4.3
Loan repayments made	(260.5)	(59.9)
Interest charged (note 4)	0.1	6.8
Interest received	(0.5)	(6.4)
At 31 December	<u>2.2</u>	<u>256.6</u>

v. Loans from related parties

	2013	2012
	£ Million	£ Million
Loans from related parties (note 11)		
Fellow subsidiaries	<u>-</u>	<u>1.2</u>

	2013	2012
	£ Million	£ Million
Movements in loans from related parties were as follows:		
Loans from related parties		
At 1 January	1.2	30.1
Loans advanced during year	10.4	21.2
Loan repayments made	(11.6)	(49.1)
Exchange movements	-	(1.0)
At 31 December	<u>-</u>	<u>1.2</u>