

Consolidated income statement

For the year ended 31 December 2013

	Notes	2013 £m	2012 £m
Gross earned premium	5	3,896.3	4,048.5
Reinsurance premium ceded	5	(373.0)	(326.5)
Net earned premium	5	3,523.3	3,722.0
Investment return	6	221.1	281.8
Instalment income		117.8	125.4
Other operating income	7	62.4	73.3
Total income		3,924.6	4,202.5
Insurance claims	8	(2,334.8)	(2,875.3)
Insurance claims recoverable from reinsurers	8	180.5	451.0
Net insurance claims	8	(2,154.3)	(2,424.3)
Commission expenses	9	(392.4)	(452.9)
Operating expenses	10	(928.3)	(1,047.5)
Total expenses		(1,320.7)	(1,500.4)
Operating profit		449.6	277.8
Finance costs	11	(37.7)	(28.7)
Gain on disposal of subsidiary	19	12.0	–
Profit before tax		423.9	249.1
Tax charge	12	(111.1)	(64.8)
Profit for the year attributable to owners of the Company		312.8	184.3
Earnings per share:			
Basic (pence)	15	20.9	12.3
Diluted (pence)	15	20.8	12.3

The attached notes on pages 113 to 167 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Notes	2013 £m	2012 £m
Profit for the year		312.8	184.3
Other comprehensive (loss) / income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension scheme	32	(6.9)	(3.4)
Tax relating to items not reclassified		1.5	0.6
		(5.4)	(2.8)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(4.9)	(2.4)
Fair value (loss) / gain on available-for-sale investments	28	(108.2)	109.9
Less: realised net gains on available-for-sale investments included in income statement	28	(25.7)	(89.5)
Tax relating to items that may be reclassified		33.9	1.3
		(104.9)	19.3
Other comprehensive (loss) / income for the year net of tax		(110.3)	16.5
Total comprehensive income for the year attributable to owners of the Company		202.5	200.8

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Consolidated balance sheet

As at 31 December 2013

	Notes	2013 £m	2012 £m
Assets			
Goodwill and other intangible assets	16	500.1	421.5
Property, plant and equipment	17	102.3	92.4
Investment property	18	223.4	128.9
Reinsurance assets	20	1,011.0	1,102.0
Deferred tax assets	13	19.3	22.5
Current tax assets	12	1.3	5.5
Deferred acquisition costs	21	321.5	327.6
Insurance and other receivables	22	1,122.0	1,164.0
Prepayments, accrued income and other assets		95.7	82.6
Derivative financial instruments	23	40.7	37.5
Retirement benefit asset	32	-	2.5
Financial investments	24	7,441.2	7,801.5
Cash and cash equivalents	25	908.3	1,508.4
Assets held for sale	26	1.0	1.0
Total assets		11,787.8	12,697.9
Equity		2,790.0	2,831.6
Liabilities			
Subordinated liabilities	29	486.6	787.5
Insurance liabilities	30	5,757.4	6,398.5
Unearned premium reserve	30	1,818.7	1,872.9
Retirement benefit obligations	32	2.0	-
Borrowings	25	55.1	90.9
Derivative financial instruments	23	19.3	6.5
Trade and other payables including insurance payables	34	818.3	654.6
Deferred tax liabilities	13	19.3	20.9
Current tax liabilities	12	21.1	34.5
Total liabilities		8,997.8	9,866.3
Total equity and liabilities		11,787.8	12,697.9

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The financial statements were approved by the Board of Directors and authorised for issue on 25 February 2014. They were signed on its behalf by:

John Reizenstein
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Share capital £m	Employee trust shares £m	Capital redemption reserve £m	Revaluation reserve £m	Non-distributable reserve £m	Foreign exchange translation reserve £m	Retained earnings £m	Total shareholders equity £m
Balance at 1 January 2012	1,500.0	–	100.0	137.1	30.3	6.4	1,839.0	3,612.8
Profit for the year	–	–	–	–	–	–	184.3	184.3
Other comprehensive income / (loss)	–	–	–	21.7	–	(2.4)	(2.8)	16.5
Dividends	–	–	–	–	–	–	(1,000.0)	(1,000.0)
Transfer to non-distributable reserve	–	–	–	–	32.9	–	(32.9)	–
Capital contribution ¹	–	–	–	–	–	–	30.9	30.9
Movement in net assets of Direct Line Versicherung AG ²	–	–	–	–	–	1.0	(9.2)	(8.2)
Shares acquired by employee trusts	–	(5.0)	–	–	–	–	–	(5.0)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	0.3	0.3
Issue of own shares	150.0	–	–	–	–	–	–	150.0
Own shares redeemed	(1,500.0)	–	1,350.0	–	–	–	–	(150.0)
Balance at 31 December 2012	150.0	(5.0)	1,450.0	158.8	63.2	5.0	1,009.6	2,831.6
Profit for the year	–	–	–	–	–	–	312.8	312.8
Other comprehensive loss	–	–	–	(100.0)	–	(4.9)	(5.4)	(110.3)
Dividends	–	–	–	–	–	–	(242.7)	(242.7)
Transfer to non-distributable reserve	–	–	–	–	29.6	–	(29.6)	–
Shares acquired by employee trusts	–	(5.7)	–	–	–	–	–	(5.7)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	–	4.1	4.1
Shares distributed by employee trusts	–	0.5	–	–	–	–	(0.5)	–
Deferred tax on share-based payments	–	–	–	–	–	–	0.2	0.2
Balance at 31 December 2013	150.0	(10.2)	1,450.0	58.8	92.8	0.1	1,048.5	2,790.0

Notes:

1. See basis of preparation in note 1.
2. The movements in net assets of Direct Line Versicherung AG ceased on 2 April 2012, see note 1.

	Non-controlling interest £m
Balance at 1 January 2012	258.5
Transfer to subordinated liabilities	(258.5)
Balance at 31 December 2012 and 31 December 2013	–

The attached notes on pages 113 to 167 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December 2013

	Notes	2013 £m	2012 £m
Net cash used by operating activities before investment of insurance assets	35	(307.0)	(966.0)
Cash generated from investment of insurance assets	35	433.0	2,004.8
Net cash generated from operating activities		126.0	1,038.8
Cash flows from investing activities			
Purchases of property, plant and equipment	17	(39.1)	(63.7)
Purchases of intangible assets	16	(115.5)	(96.6)
Net cash flows from disposal of subsidiary	19	18.8	–
Cash flows from net investment hedges		(9.5)	6.1
Net cash used by investing activities		(145.3)	(154.2)
Cash flows from financing activities			
Dividends paid	14	(242.7)	(1,000.0)
Repayment of borrowings and subordinated liabilities		(258.5)	(246.4)
Proceeds on issue of subordinated liabilities		–	493.0
Finance costs		(37.8)	(16.1)
Purchase of employee trust shares		(5.7)	(5.0)
Net cash used by financing activities		(544.7)	(774.5)
Net (decrease) / increase in cash and cash equivalents		(564.0)	110.1
Cash and cash equivalents at the beginning of the year	25	1,417.5	1,309.6
Effect of foreign exchange rate changes		(0.3)	(2.2)
Cash and cash equivalents at the end of the year	25	853.2	1,417.5

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