

esure Finance Limited

Report and Financial Statements

For the year ended 31 December 2017

Company Registration Number 07064319

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Corporate Information.....	1
Reports	
Directors' Report.....	2
Directors' Responsibilities Statement.....	3
Independent auditor's report to the members of esure Finance Limited.....	4
Financial statements	
Statement of comprehensive income.....	5
Statement of financial position.....	6
Statement of changes in equity.....	7
Notes to the financial statements	
1. General information.....	8
2. Accounting policies.....	8
3. Critical accounting judgements and estimates.....	10
4. Profit after tax.....	10
5. Staff cost.....	10
6. Directors' remuneration.....	11
7. Interest payable.....	11
8. Taxation.....	11
9. Investments.....	12
10. Debtors: Amounts falling due within one year.....	12
11. Creditors: Amounts falling due within one year.....	12
12. Share capital.....	12
13. Dividends.....	13
14. Ultimate parent undertaking.....	13
15. Post balance sheet events.....	13

esure Finance Limited

Corporate Information

Directors

P J Wood

D Ogden

D F Pitt (appointed 14th March 2018)

Secretary

A Rivers

Auditors

KPMG LLP

Chartered accountants & Statutory Auditor

15 Canada Square

London

E14 5GL

Registered office

The Observatory

Reigate

Surrey

RH2 0SG

esure Finance Limited

Registered number 07064319

Directors' Report

The Directors present their report and the financial statements for the year ended 31 December 2017.

Principal activity

The nature of the company's operations is as an intermediate holding company of the esure group of companies.

Results and dividends

The profit for the year, after taxation, amounted to £8,841,000 (2016: £187,929,000).

Dividends were paid during the year of £9,100,000 (2016: £188,169,000).

The Directors recommended and paid an interim dividend of £51,300,000 in March 2018.

Directors

The Directors who served during the year were:

P J Wood

D Ogden

S R Vann (resigned 18th January 2018)

P G Ward (resigned 17 May 2017)

The company's Directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Change of auditor

Pursuant to a shareholder resolution, the Company is not obliged to reappoint its auditor annually. KPMG LLP has indicated its willingness to continue in office and therefore the Company has agreed that KPMG LLP will remain in office.

Statement of disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board



A Rivers

Company Secretary

13 August 2018

esure Finance Limited

Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of esure Finance Limited

Opinion

We have audited the financial statements of esure Finance Limited ('the company') for the year ended 31 December 2017 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Philip Smart

for and on behalf of KPMG LLP, Statutory Auditor

Chartered accountants

15 Canada Square, London, E14 5GL

13 August 2018

esure Finance Limited

Statement of comprehensive income For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Administrative expenses		(23)	(21)
Operating loss		(23)	(21)
Income from investments in group undertakings		9,100	188,169
Interest payable	7	(298)	(279)
Profit on ordinary activities before tax		8,779	187,869
Tax credit on profit on ordinary activities	8	62	60
Profit on ordinary activities after tax and other comprehensive income for the year		8,841	187,929

All amounts relate to continuing operations.

The notes on pages 8 to 13 form part of these financial statements.

esure Finance Limited

Statement of financial position As at 31 December 2017

	Notes	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Investments	9		278,600		278,600
			<u>278,600</u>		<u>278,600</u>
Current assets					
Debtors	10	49		33	
Cash at bank		<u>92</u>		<u>91</u>	
		141		124	
Creditors: amounts falling due within one year	11	<u>(2,182)</u>		<u>(1,906)</u>	
Net current liabilities			<u>(2,041)</u>		<u>(1,782)</u>
Net assets			<u>276,559</u>		<u>276,818</u>
Capital and reserves					
Called up share capital	12		131,600		131,600
Profit and loss account			59,959		60,218
Other reserves			<u>85,000</u>		<u>85,000</u>
Shareholder's funds - all equity			<u>276,559</u>		<u>276,818</u>

The notes on pages 8 to 13 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 13 August 2018 and signed on its behalf.



D Ogden
Director

Registered number: 07064319

esure Finance Limited

Statement of changes in equity

	Notes	Called up share capital £000	Profit and loss account £000	Other reserves £000	Shareholders funds £000
Year ended 31 December 2016					
At 1 January 2016		131,600	60,458	85,000	277,058
Profit for the year		-	187,929	-	187,929
Total comprehensive income for the year		-	187,929	-	187,929
Transactions with owners recognised directly in equity:					
Dividends	13	-	(188,169)	-	(188,169)
Total transactions with owners recognised directly in equity:		-	(188,169)	-	(188,169)
At 31 December 2016		131,600	60,218	85,000	276,818
Year ended 31 December 2017					
At 1 January 2017		131,600	60,218	85,000	276,818
Profit for the year		-	8,841	-	8,841
Total comprehensive income for the year		-	8,841	-	8,841
Transactions with owners recognised directly in equity:					
Dividends	13	-	(9,100)	-	(9,100)
Total transactions with owners recognised directly in equity:		-	(9,100)	-	(9,100)
At 31 December 2017		131,600	59,959	85,000	276,559

Other reserves relate to capital contributions made by esure Group plc to esure Finance Limited of £85,000,000. During the years ended 31 December 2017 and 31 December 2016 no additional capital contributions were made. These reserves are realised profit and are therefore available for distribution under the requirements of Companies Act 2006.

The notes on pages 8 to 13 form part of these financial statements.

esure Finance Limited

Notes to the financial statements For the year ended 31 December 2017

1 . General information

esure Finance Limited is a company incorporated in England and Wales. Its registered office is The Observatory, Reigate, Surrey, RH2 0SG.

The nature of the company's operations is as an intermediate holding company of the esure group of companies.

2 . Accounting policies

Basis of preparation

These financial statements present the esure Finance Limited Company financial statements for the year ended 31 December 2017, comprising the statement of comprehensive income, statement of financial position, statement of changes in equity and related notes, as well as comparatives for the year ended 31 December 2016.

The financial statements have been prepared in accordance with the provisions of Section 396 of the Companies Act 2006 (the 'Act') and Schedule 1 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (the 'Regulations').

Under the provisions of Section 400 of the Act, consolidated financial statements have not been prepared. Consolidated financial statements incorporating the results of the Company and its subsidiary undertakings are prepared by the Company's ultimate parent undertaking, esure Group plc. The consolidated financial statements of esure Group plc can be obtained from the address given in note 14.

These financial statements were prepared in accordance with the FRS 101 *Reduced Disclosure Framework* ('FRS 101'). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('IFRSs'), but makes amendments where necessary in order to comply with the Act and the Regulations and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of capital management;
- Disclosure in respect of transactions with other wholly owned subsidiaries of esure Group plc;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of key management personnel as required by IAS 24.

As the consolidated financial statements of esure Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- The disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The financial statements have been prepared on a going concern basis. In considering the appropriateness of this assumption, the board has reviewed the Company's projections for the next twelve months and beyond, including cash flow forecasts. Based on the results of these projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months.

The financial statements have been presented in sterling and rounded to the nearest thousand. Throughout these financial statements any amounts which are less than £500 are shown by 0, where a dash (-) represents that no balance exists.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

At the date of approval of these financial statements there were no standards, amendments or interpretations in issue and endorsed by the EU which the Company had not adopted.

Income from investments in group undertakings

Income from investments in subsidiary undertakings comprises dividend income. Dividends are recognised when the right to receive payment is established.

Interest payable

Interest payable in the year comprises interest due on amounts owed to group undertakings. Interest payable is recognised in the income statement as it accrues, using the effective interest method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instruments yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

esure Finance Limited

Notes to the financial statements For the year ended 31 December 2017

2 . Accounting policies (continued)

Taxation

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the reporting date. Current tax assets and liabilities also include adjustments in respect of tax expected to be payable or recoverable in respect of previous periods.

Current tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement.

Investments in group undertakings

Investments in group undertakings are stated at cost.

Financial assets

Classification

The Company's financial assets include investments in group undertakings, amounts due from group undertakings and cash at bank.

Initial recognition of financial assets

All financial assets held (other than investments in group undertakings) were classified as loans and receivables on initial recognition.

Subsequent measurement

Loans and receivables are measured at amortised cost less accumulated impairment losses using the effective interest rate method.

Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Derecognition of financial assets

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, the Company has a currently enforceable legal right to offset the recognised amounts and it intends to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation.

Financial liabilities

The Company's financial liabilities include trade and other creditors and amounts owed to Group undertakings which are classified as other financial liabilities.

Initial recognition

All financial liabilities are measured initially at fair value less directly attributable transaction costs.

Subsequent measurement

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

Amortised cost is calculated by taking into account any fees or costs that are an integral part of effective interest rate, transaction costs and all other premiums and discounts. The amortisation is included in finance costs in the statement of comprehensive income.

Notes to the financial statements**For the year ended 31 December 2017****2 . Accounting policies (continued)****Financial liabilities (continued)***Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification, is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Share Capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other assets to holders of the financial instruments.

3 . Critical accounting judgements and estimates

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates; however the financial statements presented are based on conditions that existed at the balance sheet date.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4 . Profit after tax

Profit after tax is stated after charging:

	2017 £000	2016 £000
Auditor's remuneration	19	17

The auditor's remuneration for the Company for the year ended 31 December 2017 amounted to £19,000 (2016: £17,000). Details of auditor's remuneration for the esure group of companies are disclosed in the consolidated financial statements of esure Group plc.

5 . Staff cost

The Company employed no staff during the current period (2016: Nil), all duties being carried out by esure Services Limited.

esure Finance Limited

Notes to the financial statements

For the year ended 31 December 2017

6 . Directors' remuneration

	2017 £000	2016 £000
Emoluments in respect of qualifying services	2,284	2,592
Vested share awards	-	390
Contributions to defined contribution pension schemes	141	136
Total Directors' remuneration	<u>2,425</u>	<u>3,118</u>

All of the Directors of esure Group plc and its subsidiary undertakings receive remuneration from esure Services Limited as employees of that company. The Directors of esure Finance Limited received total remuneration of £2,425,000 during the year ended 31 December 2017 (2016: £3,118,000). It is not appropriate to allocate this remuneration between their services as Directors of esure Finance Limited and the other services provided to esure Group plc and its subsidiary undertakings.

During the year, retirement benefits were accruing to 2 Directors of esure Finance Limited (2016: 2) in respect of defined contribution pension schemes.

Remuneration of the highest paid Director

	2017 £000	2016 £000
Emoluments in respect of qualifying services	892	1,062
Vested share awards	-	250
Contributions to defined contribution pension schemes	84	79
	<u>976</u>	<u>1,391</u>

7 . Interest payable

	2017 £000	2016 £000
On amounts owed to group undertakings (Note 11).	298	279
	<u>298</u>	<u>279</u>

8 . Taxation

	2017 £000	2016 £000
UK corporation tax credit on profit for the year	(62)	(60)
Taxation credit	<u>(62)</u>	<u>(60)</u>

The tax rate used for the calculations is the Corporation Tax rate of 19.25% (2016: 20.00%) payable by the corporate entities in the UK on taxable profits under tax law in that jurisdiction.

The expense for the year can be reconciled to the profit per the statement of profit and loss and other comprehensive income as follows:

	2017 £000	2016 £000
Profit before taxation	<u>8,779</u>	<u>187,869</u>
Taxation calculated at 19.25% (2016: 20.00%)	1,689	37,574
Non taxable income	(1,751)	(37,634)
Taxation credit	<u>(62)</u>	<u>(60)</u>

Factors affecting the tax charge for future periods

A reduction in the standard rate of Corporation Tax from 20% to 19% was effective from 1 April 2017. There will be a further reduction in the rate of Corporation Tax to 17% from 1 April 2020. This change was substantively enacted at the year end date.

esure Finance Limited

Notes to the financial statements For the year ended 31 December 2017

9 . Investments

	Shares in group undertakings £000
Cost	
At 1 January 2017 at 31 December 2017	<u>278,600</u>

Investments in group undertakings

Investments in group undertakings, which are wholly and directly owned are as follows:

	Country of Incorporation	Registered office	Class of shares held	Percentage of shares held
esure Holdings Limited	England and Wales	The Observatory, Reigate, Surrey, RH2 0SG	Ordinary	100%

10 . Debtors: Amounts falling due within one year

	2017 £000	2016 £000
Amounts owed by group undertakings	0	0
Current tax	<u>49</u>	<u>33</u>
	<u>49</u>	<u>33</u>

11 . Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Amounts owed to group undertakings	<u>2,182</u>	<u>1,906</u>
	<u>2,182</u>	<u>1,906</u>

12 . Share capital

	2017 £000	2016 £000
Authorised, allotted, called up and fully paid 13,159,990,000 Ordinary shares of 1p each	<u>131,600</u>	<u>131,600</u>

Notes to the financial statements

For the year ended 31 December 2017

13 . Dividends

A final dividend per ordinary share of £nil was declared and paid in March 2017 (2016: 0.11p). An interim dividend of 0.07p per ordinary share was declared and paid during the year (2016: 0.09p).

On 7 June 2016 the Board announced a strategic review which concluded that a demerger of Gocompare.com should be pursued. At a General Meeting on 1 November 2016, the Company's shareholders approved the demerger of Gocompare.com plc - a subsidiary of esure Services Limited. On 3 November 2016, the demerger was completed and the shares in Gocompare.com were admitted to the premium segment of the Official List and to trading on the main market of the London Stock Exchange. The demerger was effected by the Group making an interim in-specie distribution of Gocompare.com shares to shareholders. Prior to the demerger a cash dividend of £62,500,000 was received by the Company from esure Holdings Limited. The value of the in-specie dividend received relating to the demerger was £98,869,000. Equivalent dividends totalling 5.50p per ordinary share were then paid to the Company's shareholders.

14 . Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of esure Group plc. The Company's ultimate parent and the largest and smallest group into which these accounts are consolidated is esure Group plc. The registered office of esure Group plc is The Observatory, Reigate, Surrey RH2 0SG.

15 . Post balance sheet events

The Board of the ultimate parent undertaking, esure Group plc, received an unsolicited proposal from Bain Capital Private Equity, LP and its affiliates to acquire 100% of the issued share capital, it is in advanced stages of discussing a possible offer for the entire issued share capital of the Company.