Direct Group Holdings Limited

Directors' report and financial statements

Registered number 4513083

11 months ended 31 December 2012

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Advisors

Directors
DJ Coles
SW Hough
CA Mason (resigned 28 February 2013)
P Clayden (appointed 7 November 2012, resigned 25 January 2013)

Company secretary
Jubilee Insurance Ltd
47 Mark Lane
London
EC3R 7QQ

Registered office
Quay Point
Lakeside Boulevard
Doncaster
South Yorkshire
DN4 5PL

Banker
Lloyds TSB Bank PLC
14 Church Street
Sheffield
South Yorkshire
S1 1HP

Auditor
Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

Solicitor
DLA Piper LLP
1 St Pauls Place
Sheffield
S1 2J

Directors' report

The directors' present their annual report and the audited financial statements for the 11 month period ended 31 December 2012

Principal activities

Direct Group Holdings Limited is an intermediate holding company

Acquisition of Direct Group Holdings Limited's parent company Direct Newco Limited

On 7 November 2012 the entire share capital of the company was acquired by Ryan Direct Newco Limited which is an indirect subsidiary of Ryan Specialty Group LLC, a US company As such the company is now part of the wider Ryan Specialty Group ("RSG") which will allow the company to continue to deliver its strategic objectives

Financial Review

The Company made an operating profit of £nil for the 11 month period (year to 31 January 2012 £nil)

The net interest payable and similar charges in the period were £729,000 (year to 31 January 2012 £796,000) and the tax charge was £nil (year to 31 January 2012 £nil) As a result the company's loss for the financial period was £729,000 (year to 31 January 2012 £796,000)

Going Concern

The directors have continued to closely monitor financial performance and cash flow throughout the period The forecasts and analysis carried out to facilitate these together with current business opportunities have enabled the directors to confirm (using the principles contained within the Financial Reporting Council Paper entitled "Going Concern and Liquidity Risk") that the company has sufficient facilities for the financial statements to be prepared on a going concern basis

Credit and Liquidity risk

As regards to credit and liquidity, the Company's policy has throughout the period been to ensure continuity of funding by generating cash flow to finance the repayment obligations of its various loan facilities It does not set any target maturity profile of its facilities but careful consideration to future requirements and profile are under constant review

Short term flexibility is achieved by overdraft facilities, however these have not been required to be utilised in the year

Dividends

The directors do not recommend the payment of a dividend (year to 31 January 2012 £nil)

Political and charitable contributions

The company made no political donations (year to 31 January 2012 £nil) and no charitable contributions (year to 31 January 2012 £nil) during the period

Directors

The directors who held office during the period unless otherwise indicated were as follows

DJ Coles

SW Hough

CA Mason (resigned 28 February 2013)

PF Clayden (appointed 7 November 2012, resigned 25 January 2013)

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report

Directors' report *(continued)*

Disclosure of information to auditors

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Auditors

KPMG resigned as auditor on 24 September 2012 and Deloitte LLP were appointed on 14 March 2013

Deloitte LLP, have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in accordance with s487 of the Companies Act 2006

By order of the board

SW Hough
Director

Quay Point
Lakeside Boulevard
Doncaster
South Yorkshire
DN4 5PL

25 September 2013

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 period 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) 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 judgements and accounting estimates that are reasonable and prudent,
- have prepared these financial statements and accompanying notes in accordance with United Kingdom Generally Accepted Accounting Practice, 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 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 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

Independent auditor's report to the members of Direct Group Holdings Limited

We have audited the financial statements of Direct Group Holdings Limited for the 11 months ended 31 December 2012 which comprise the Profit and Loss Account, Balance Sheet, Reconciliation of Movements in Shareholder's Funds and the related notes 1 to 12 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 2012 and of its loss for the 11 months then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the 11 months financial period for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Direct Group Holdings Limited

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

Mark Mcllquham (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
25 September 2013

Profit and loss account
for the 11 month period ended 31 December 2012

	Notes	11 months to 31 Dec 2012 £000	Year ended 31 Jan 2012 £000
Turnover and gross profit	*1*	-	-
Administrative expenses		-	-
Operating profit		-	-
Other interest receivable and similar income		-	-
Interest payable and similar charges	*5*	(729)	(796)
Loss on ordinary activities before taxation	*2*	(729)	(796)
Tax on loss on ordinary activities	*6*	-	-
Loss for the financial period	*10*	(729)	(796)

The profit and loss account has been prepared on the basis that all operations are continuing operations

The notes on pages 10 to 15 form an integral part of these financial statements

There are no differences between the loss for the financial period reported above and the total recognised gains and losses relating to the financial period

Balance sheet
at 31 December 2012

	Notes	**31 Dec 2012** **£000**	31 Jan 2012 £000
Fixed assets			
Investments	*7*	**23,800**	23,800
Creditors: amounts falling due within one year	*8*	**(20,386)**	(19,657)
Net current liabilities		**(20,386)**	(19,657)
Net assets		**3,414**	4 143
Capital and reserves			
Called up share capital	*9*	**6,185**	6,185
Share premium account	*10*	**13**	13
Profit and loss account	*10*	**(2,784)**	(2,055)
Total shareholder's funds		**3,414**	4,143

The notes on pages 10 to 15 form an integral part of these financial statements

These financial statements were approved by the board of directors on 25 September 2013 and were signed on its behalf by

SW Hough
Director

Registered number 4513083

Reconciliation of movements in shareholder's funds
for the 11 month period ended 31 December 2012

	11 months to 31 Dec 2012 £000	Year ended 31 Jan 2012 £000
Loss for the financial period and net reduction in shareholder's funds	**(729)**	(796)
Opening shareholder's funds	**4,143**	4,939
Closing shareholder's funds	**3,414**	4,143

Notes to the financial statements

for the 11 month period ended 31 December 2012

1 Accounting policies

The principal accounting policies are set out below and have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the company as an individual undertaking and not about its group

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As all of the company's voting rights are controlled within the group headed by Ryan (JGHL) Bid Co Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Ryan (JGHL) Bid Co Limited, within which this company is included, can be obtained from the address in note 12

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £20,386,000, which the directors believe to be appropriate for the following reasons

The company is dependent for its working capital on funds provided to it by Direct Newco Limited, the company's parent Direct Newco Limited has indicated that for the foreseeable future from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

Fixed asset investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment

Impairment policy

Impairment reviews are carried out when there is an indication that impairment has occurred In considering this the investments are deemed to be impaired if there is an excess of the carrying value over the recoverable amount and are calculated based on the fair values of the business based on discounted cash flows Impairment is recognised in the profit and loss account in the period in which it occurs

Taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Current tax is provided at amounts expected to be paid (or recovered) using the tax rate and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Deferred tax assets and liabilities are calculated at the tax rate expected to be effective at the time the timing differences are expected to reverse

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i e forming part of shareholder's funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholder's funds (see dividend policy) are dealt with as appropriations in the reconciliation of movements in shareholder's funds

Interest receivable and payable

Interest receivable and payable is recognised in the profit and loss account on an accruals basis If the collection of interest is considered doubtful, it is suspended and excluded from interest income in the profit and loss account

2 Notes to the profit and loss account

Auditor's remuneration in the current period of £3,000 (year ended 31 January 2012 £3,000) was borne by another group company on behalf of the company

3 Remuneration of directors

The company paid no directors' remuneration (year ended 31 January 2012 £nil) None of the directors had any pension benefits provided by the company (year ended 31 January 2012 £nil) All of the current directors are also directors of Direct Newco Limited, the company's parent undertaking, and do not specifically receive any remuneration in respect of their services to the company Accordingly disclosure regarding their total emoluments can be found in the financial statements of that company

4 Staff numbers and costs

There are no direct employees of the company Staff costs are borne by another group company on the company's behalf Full disclosure regarding employees can be found in the financial statements of Ryan (JGHL) Bid Co Limited

Notes *(continued)*

5 Interest payable and similar charges

	31 December 2012 £000	31 January 2012 £000
On group loans	729	796

6 Taxation

	31 December 2012 £000	31 January 2012 £000
UK corporation tax @ 24 4% (31 January 2012 26 3%)		
Current tax on income for the period	-	-
	-	-

The current tax charge for the period is higher (31 January 2012 higher) than the standard rate of corporation tax in the UK (24 4%, 31 January 2012 26 3%) The differences are explained below

	31 December 2012 £000	31 January 2012 £000
Loss on ordinary activities before tax	(729)	(796)
Current tax at 24 4% (31 January 2012 26 3%)	(178)	(209)
Effects of		
Surrender of group tax losses	178	209
Total current tax charge (see above)	-	-

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce from 26% to 22% by 1 April 2014 A reduction in the UK corporation tax rate from 26% to 24% was enacted on 21 March 2012 and was effective from 1 April 2012

Notes *(continued)*

7 Fixed asset investments

Investments in group undertakings	**Investments in group undertakings £000**
Cost and net book value	
At beginning and end of period	**23,800**

The company holds 100% of the ordinary share capital of the following group undertakings, all of which were incorporated in England and Wales

	Status and principal activity	*Holding*
Direct Group Limited	Trading – Insurance Service Provider	100% Direct
Direct Group Property Services Limited	Trading – Household Insurance Service Provider	100% Indirect
Direct Creditor Administration Limited	Dormant	100% Indirect
Direct Warranty Administration Limited	Dormant	100% Indirect

On 13 April 2012 the indirect shareholding in Direct Inspection Solutions Limited (formerly Direct Finance & Insurance Services Limited) was transferred to Direct Validation Services Limited, a fellow subsidiary undertaking of Direct Newco Limited

8 Creditors

	31 December 2012 £000	31 January 2012 £000
Amounts falling due within one year		
Amounts owed to group undertakings	**20,386**	19,657

Loan note interest

On 28 October 2002, the company entered into a £8,802,000 Unsecured Series A Loan Note Instrument 2010 This intra-group loan has been continued since maturity during the year on the same terms, with no planned term of expiry The interest on the loan notes was a fixed rate of 8% of which 4% was paid and 4% was capitalised on to the loan note balance, prior to the loan notes being acquired by Direct Group Investment Limited on 5 July 2005 After this date interest on the loan note balance at a fixed rate of 8% continued to accrue with £7,236,000 being paid in December 2012, resulting in a loan note obligation of £8,682,000 (31 January 2012 £15,188,000) to Direct Group Investment Limited as at 31 December 2012

9 Called up share capital

	31 December 2012 £	31 January 2012 £
Allotted, called up and fully paid		
Preferred ordinary shares of £1 each	82,181	82,181
A ordinary shares of £1 each	104,289	104,289
B ordinary shares of £0 01 each	60	60
C ordinary shares of £0 01 each	50	50
D ordinary shares of £0 01 each	24	24
Ordinary shares of £1 each	5,998,000	5,998,000
	6,184,604	6,184,604

Notes *(continued)*

9 Called up share capital *(continued)*

Preferred ordinary shares of £1 each

On a return of capital on winding up, or otherwise, the preferred ordinary shares participate pari passu with the ordinary, A, B, C and D ordinary shares

The preferred ordinary shares carry one vote per share

A ordinary shares of £1 each

On a return of capital on winding up, or otherwise, the A ordinary shares participate pari passu with the ordinary, preferred, B, C and D ordinary shares

The A ordinary shares carry one vote per share

B and C ordinary shares of £0.01 each

On a return of capital on winding up, or otherwise, the B and C ordinary shares participate pari passu with the ordinary, preferred, A and D ordinary shares

The B and C ordinary shares carry no voting rights

D ordinary shares of £0.01 each

On sale to exchange the D ordinary shares rank pari passu with the ordinary, preferred, A, B and C ordinary shares

The D ordinary shares carry no voting rights

Ordinary shares of £1 each

On a return of capital on winding up, or otherwise, the ordinary shares participate pari passu with the preferred, A, B, C and D ordinary shares

The ordinary shares carry no voting rights

10 Share premium and reserves

	Profit and loss account £000	Share premium account £000
At beginning of period	(2,055)	13
Retained loss for the period	(729)	-
At end of period	**(2,784)**	**13**

Notes *(continued)*

11 Commitments

The company did not have any capital or financial commitments as at 31 December 2012 and 31 January 2012

12 Ultimate parent company

The company is a subsidiary undertaking of Direct Group Investment Limited, incorporated in England and Wales

The largest group in which the results of the company are consolidated is that headed by Ryan (JGHL) Bid Co Limited, incorporated in England and Wales The consolidated accounts of this group are available to the public and may be obtained from 47 Mark Lane, London, EC3R 7QQ

The ultimate parent company is Ryan Specialty Group LLC, a company incorporated in Delaware in the United States of America