

**Direct Group Holdings Limited**

**Annual report and financial statements**

**Registered number 04513083**

**Year ended 31 December 2014**



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## **Company information**

### **Directors**

#### *Executive directors*

DJ Coles  
SW Hough

### **Registered office**

Quay Point  
Lakeside Boulevard  
Doncaster  
South Yorkshire  
DN4 5PL

### **Bankers**

Lloyds Bank plc  
25 Gresham Street  
London  
EC2V 7HN

### **Auditor**

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

### **Solicitor**

DLA Piper UK LLP  
101 Barbirolli Square  
Bridgewater  
Manchester  
M2 3DL

## Strategic report

### Context

Direct Group Holdings Limited, hereby referred to as the Company, is a subsidiary of Ryan Direct Group Limited, the combined businesses are hereby referred to as RDG.

### Strategy and Objectives

#### *Overview of strategy and objectives*

The company acts as an intermediate holding company within RDG.

#### *Financial performance and key performance indicators*

The Company had an operating profit of £nil (2013: £nil). The net interest payable and similar charges in the year was £796,000 (2013: £796,000) and the tax charge was £nil (2013: £nil). As a result the Company's loss for the financial year was £796,000 (2013: £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 adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

### Principle risks and uncertainties

#### *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.

By order of the board



**SW Hough**  
Director

Quay Point  
Lakeside Boulevard  
Doncaster  
South Yorkshire  
DN4 5PL

31 March 2015

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

### Political and charitable contributions

The Company made no political donations (2013: £nil) and no charitable contributions (2013: £nil) during the year.

### Directors

The directors who served throughout the year to date of this report are as follows:

#### *Executive directors*

DJ Coles  
SW Hough

### Directors' indemnities

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

### Dividends

The directors do not recommend the payment of a dividend (2013: £nil).

### Disclosure of information to the 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. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Auditor

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 the absence of an Annual General Meeting.

By order of the board



**SW Hough**  
*Director*

Quay Point  
Lakeside Boulevard  
Doncaster  
South Yorkshire  
DN4 5PL

31 March 2015

## **Statement of directors' responsibilities in respect of the strategic report, 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 year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;
- state whether applicable UK Accounting Standards have been followed; 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 year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the 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 2014 and of its loss for the year 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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 McIlquham (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, UK

31 March 2015 2 April 2015

**Profit and loss account**  
*for the year ended 31 December 2014*

	<i>Notes</i>	<b>Year ended 31 Dec 2014 £000</b>	<b>Year ended 31 Dec 2013 £000</b>
<b>Turnover</b>		-	-
Administrative expenses		-	-
<b>Operating profit</b>		-	-
Interest payable and similar charges	5	(796)	(796)
<b>Loss on ordinary activities before taxation</b>	2	(796)	(796)
Tax on loss on ordinary activities	6	-	-
<b>Loss for the financial year</b>	10	(796)	(796)

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

The notes on pages 9 to 14 form an integral part of these financial statements.

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



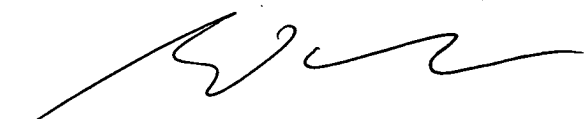
## Balance sheet

at 31 December 2014

	Notes	31 Dec 2014 £000	31 Dec 2013 £000
<b>Fixed assets</b>			
Investments	7	23,800	23,800
<b>Creditors: amounts falling due within one year</b>	8	(21,978)	(21,182)
<b>Net current liabilities</b>		<u>(21,978)</u>	<u>(21,182)</u>
<b>Net assets</b>		<u>1,822</u>	<u>2,618</u>
<b>Capital and reserves</b>			
Called up share capital	9	6,185	6,185
Share premium account	10	13	13
Profit and loss account	10	(4,376)	(3,580)
<b>Total shareholder's funds</b>		<u>1,822</u>	<u>2,618</u>

The notes on pages 9 to 14 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 31 March 2015 and were signed on its behalf by:



**SW Hough**  
Director

## Reconciliation of movements in shareholder's funds

*for the year ended 31 December 2014*

	Year ended 31 Dec 2014 £000	Year ended 31 Dec 2013 £000
Loss for the financial year and net reduction in shareholder's funds	(796)	(796)
Opening shareholder's funds	2,618	3,414
Closing shareholder's funds	<u>1,822</u>	<u>2,618</u>

## Notes to the financial statements

*for the year ended 31 December 2014*

### 1 Accounting policies

The following accounting policies have been applied consistently throughout the current and preceding year.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, and under the historical cost accounting convention.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of Ryan Specialty Group Europe Limited, a company registered in England and Wales. 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 Ryan Specialty Group Europe Limited includes the Company in its own published consolidated financial statements.

As all of the Company's voting rights are controlled within the UK group headed by Ryan Specialty Group Europe 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 Specialty Group Europe Limited, within which this Company is included, can be obtained from Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL.

#### *Going concern*

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The strategic report also describes the liquidity position and borrowing facilities, its financial risk management objectives, and its exposure to credit risk and liquidity risk.

The financial statements have been prepared on a going concern basis, notwithstanding the net current liability position of the Company's balance sheet, which the directors believe to be appropriate for the reasons set out below.

The Company is dependent for its working capital on funds provided to it by Ryan Direct Group Limited and its subsidiary undertakings. Ryan Direct Group Limited has directed its subsidiaries to each make available such funds as are needed by the Company for the foreseeable future from the date of approval of these financial statements, 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 provisions for impairment.

The carrying values of fixed asset investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. 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.

## **Notes to the financial statements (continued)**

*for the year ended 31 December 2014*

### **1 Accounting policies (continued)**

#### ***Financial liabilities and equity***

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or liabilities with another party under conditions that are potentially unfavourable to the Company.

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.

#### ***Taxation***

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***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is considered recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated without discounting, at the tax rate expected to be effective at the time the timing differences are expected to reverse.

### **2 Notes to the profit and loss account**

Auditor's remuneration for statutory audit work in the current year of £8,500 (2013: £8,500) was borne by another group company on behalf of the Company.

### **3 Remuneration of directors**

The Company paid no directors' remuneration (2013: £nil). None of the directors had any pension benefits provided by the Company (2013: £nil). None of the directors receive any remuneration in respect of their services to the Company in the current or preceding year.

## Notes to the financial statements *(continued)*

for the year ended 31 December 2014

### 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.

### 5 Interest payable and similar charges

	31 December 2014 £000	31 December 2013 £000
On group loans	<u>796</u>	<u>796</u>

### 6 Taxation

	31 December 2014 £000	31 December 2013 £000
<i>UK corporation tax at 21.5% (2013: 23.3%)</i>		
Current tax on income for the year	-	-
	<u>-</u>	<u>-</u>

The current tax charge for the year is higher (2013: *higher*) than the standard rate of corporation tax in the UK of 21.5% (2013: 23.3%). The difference is explained below.

	31 December 2014 £000	31 December 2013 £000
Loss on ordinary activities before tax	<u>(796)</u>	<u>(796)</u>
Current tax at 21.5% (2013: 23.3%)	(171)	(185)
<i>Effects of:</i>		
Surrender of group tax losses	171	185
<b>Total current tax charge (see above)</b>	<u>-</u>	<u>-</u>

A reduction in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

## Notes to the financial statements *(continued)*

for the year ended 31 December 2014

### 7 Fixed asset investments

Investments in group undertakings	Investments in group undertakings £000
<i>Cost and net book value</i>	
At beginning and end of year	<u>23,800</u>

The Company holds 100% of the ordinary share capital of the following group undertakings, all of which were incorporated in the United Kingdom and registered in England and Wales:

	<i>Status and principal activity</i>	<i>Holding</i>
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

### 8 Creditors

	31 December 2014 £000	31 December 2013 £000
<i>Amounts falling due within one year:</i>		
Amounts owed to group undertakings	<u>21,978</u>	<u>21,182</u>

#### 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 £10,274,000 (2013: £9,478,000) to Direct Group Investment Limited as at 31 December 2014.

### 9 Called up share capital

	31 December 2014 £	31 December 2013 £
<i>Allotted, called up and fully paid</i>		
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
	<u>6,184,604</u>	<u>6,184,604</u>

## Notes to the financial statements *(continued)*

for the year ended 31 December 2014

### 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 account and reserves

	Profit and loss account		Share premium account	
	31 December 2014 £000	31 December 2013 £000	31 December 2014 £000	31 December 2013 £000
At beginning of year	(3,580)	(2,784)	13	13
Loss for the year	(796)	(796)	-	-
At end of year	<u>(4,376)</u>	<u>(3,580)</u>	<u>13</u>	<u>13</u>

## **Notes to the financial statements *(continued)***

*for the year ended 31 December 2014*

### **11 Commitments and guarantee**

The Company did not have any capital or financial commitments as at the current or prior year ends.

The Company's ultimate parent undertaking, Ryan Specialty Group, LLC, entered into a new group wide banking facility on 16 October 2013, which was amended on 2 December 2013 and 14 July 2014. This facility is provided by a syndicate of lenders (Bank of Montreal, JP Morgan Chase, Wells Fargo and Barclays) with the borrowers being Ryan Specialty Group LLC, and Ryan Specialty Group Europe Limited. As part of this facility the Company act as guarantors of the borrowers. The balance outstanding on this facility as at 31 December 2014 was £90,119,000 (2013: £88,829,000).

### **12 Ultimate parent company**

The Company is a subsidiary undertaking of Direct Group Investment Limited, incorporated in the United Kingdom and registered in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by Ryan Specialty Group Europe Limited, incorporated in the United Kingdom and registered in England and Wales. The consolidated accounts of this group are available to the public and may be obtained from Quay Point, Lakeside Boulevard, Doncaster, South Yorkshire, DN4 5PL.

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