

Direct Group Investment Limited

**Annual report and financial
statements**

Registered number 05433486

For the year ended 31 December
2015



Contents

| | |
|--|-------|
| Company information | 1 |
| Strategic Report | 2-3 |
| Directors' Report | 4 |
| Statement of directors' responsibilities | 5 |
| Independent auditor's report to the members of Direct Group Investment Limited | 6 |
| Statement of Comprehensive Income | 7 |
| Statement of Financial Position | 8 |
| Statement of Changes in Equity | 9 |
| Notes to the financial statements | 10-15 |

Company information

Directors

DJ Coles
SW Hough

Registered office

Quay Point
Lakeside Boulevard
Doncaster
South Yorkshire
DN4 5PL

Bankers

Lloyds Bank plc
14 Church Street
Sheffield
South Yorkshire
United Kingdom
S1 1HP

Auditor

Deloitte LLP
Hill House.
Chartered Accountants and Statutory Auditors
1 Little New Street
London
United Kingdom
EC4A 3TR

Solicitor

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

Strategic Report

Context

Direct Group Investment Limited (the "Company") is a subsidiary of the ultimate UK parent Ryan Specialty Group Europe Limited ("RSGEL"). RSGEL and its subsidiary undertakings hereby referred to as the UK Group. The Company's ultimate parent company is Ryan Specialty Group, LLC ("RSG").

The annual report and financial statements present the results of the Company.

Strategy and objectives

Overview of strategy and objectives

The Company is a non-trading intermediate holding company within RSGEL.

Change in group structure

During the year the UK Group underwent a group reorganisation. As part of this the Company acquired the entire share capital of Direct Group Property Services Limited from Direct Group Holdings Limited through a distribution in specie for £300,000 on 30 October 2015. On the same day the Company disposed of its' entire interest in Direct Group Property Services Limited through a distribution for £300,000 to Direct Newco Limited.

On 27 November 2015 the Company acquired the entire share capital of Direct Group Limited for £23,800,000. On the same day the Company sold its' entire interest in Millennium Insurance Brokers Limited to Direct Group Limited through a share for share exchange of £2,180,000, increasing its investment to £25,980,000.

On 27 November 2015 the Company sold its entire interest in Direct Group Limited for its book value of £25,980,000 to Direct Newco Limited.

Changes in share capital

On 30 October 2015 the Company capitalised a loans and inter-company balances of £42,236,000 with Direct Newco Limited, the Company's immediate parent company, by increasing its share capital by this amount. On 30 October the Company undertook a capital reduction to reduce its' share capital by £43,466,000 to £108.67.

On 27 November 2015 the Company issued share capital of £17,811,000 in settlement of inter-company balances with Direct Newco Limited, its immediate parent undertaking. On the same day the Company undertook a capital reduction to reduce its share capital by £17,811,000 to £153.19.

Business Review

Financial performance and key performance indicators

The Company had an operating profit of £nil (2014: £nil). The net interest payable and similar charges in the year was £1,679,000 (2014: £1,935,000), the Company received a dividend of £11,534,000 (2014: £nil) and wrote down its investment in its direct subsidiary undertaking, Direct Group Holdings Limited, by £34,201,000 (2014: £nil). With a tax charge of £nil (2014: £nil) the Company's loss for the financial year was £24,346,000 (2014: £1,935,000).

Dividends paid

The Company declared and paid a dividend of £300,000 on 30 October 2015 which was settled through the transfer of its newly acquired interest in Direct Group Property Services Limited.

On 27 November 2015 the Company declared and settled a dividend of £25,847,000 via its inter-company account.

Strategic Report *(continued)*

Business Review *(continued)*

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.

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.

By order of the board



SW Hough
Director

Quay Point
Lakeside Boulevard
Doncaster
South Yorkshire
DN4 5PL

25 October 2016

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2015.

Directors

The directors who served throughout the year except as noted are as follows:

Directors

SW Hough
DJ Coles

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.

Political and charitable contributions

The Company made no political or charitable contributions in the year (2014: £nil).

Dividends

The Company declared and paid a dividend of £300,000 on 30 October 2015 which was settled through the transfer of its newly acquired interest in Direct Group Property Services Limited.

On 27 November 2015 the Company declared and settled a dividend of £25,847,000 via its inter-company account.

No dividends were declared or paid in the prior year.


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

25 October 2016

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 Investment Limited

We have audited the financial statements of Direct Group Investment Limited for the year ended 31 December 2015 which comprise the Primary Statements and the related notes 1 to 13. 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 Statement of Directors' Responsibilities, 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 2015 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.

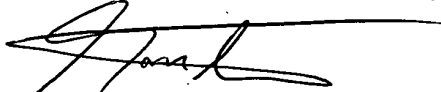
Opinion on other matter prescribed by the Companies Act 2006

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, United Kingdom
25 October 2016

Statement of Comprehensive Income
for the year ended 31 December 2015

| | <i>Notes</i> | 2015 £000 | 2014 £000 |
|--|--------------|----------------------------|----------------------------|
| Turnover and gross result | | - | - |
| Administrative expenses | | - | - |
| Operating result | | - | - |
| Dividends received from subsidiaries | | 11,534 | - |
| Write off of investment in subsidiaries | 8 | (34,201) | - |
| Other interest receivable and similar income | 5 | 597 | 796 |
| Interest payable and similar charges | 6 | (2,276) | (2,731) |
| Loss on ordinary activities before taxation | | (24,346) | (1,935) |
| Tax on loss on ordinary activities | 7 | - | - |
| Loss for the financial year | | (24,346) | (1,935) |

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.

Statement of Financial Position

as at 31 December 2015

| | Notes | 2015 £000 | 2014 £000 |
|---|-------|--------------|--------------|
| Fixed assets | | | |
| Investment | 8 | 100 | 39,194 |
| Current assets | | | |
| Debtors | 9 | - | 2,845 |
| Creditors: amounts falling due within one year | 10 | (67) | (51,559) |
| Net current liabilities | | (67) | (48,714) |
| Net assets / (liabilities) | | 33 | (9,520) |
| Capital and reserves | | | |
| Called up share capital | 11 | - | 1,230 |
| Profit and loss account | | 33 | (10,750) |
| Shareholder's funds / (deficit) | | 33 | (9,520) |

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 October 2016 and were signed on its behalf by:



SW Hough
Director

Registered Number: 05433486

Statement of Changes in Equity
for the year ended 31 December 2015

| | Called-up share capital £000 | Profit & loss Account £000 | Total £000 |
|----------------------------|---|---|-----------------------|
| At 1 January 2014 | 1,230 | (8,815) | (7,585) |
| Loss for the year | - | (1,935) | (1,935) |
| At 31 December 2014 | 1,230 | (10,750) | (9,520) |
| Loss for the year | - | (24,346) | (24,346) |
| Issue of shares | 60,046 | - | 60,046 |
| Capital reduction | (61,276) | 61,276 | - |
| Dividends paid | - | (26,147) | (26,147) |
| At 31 December 2015 | - | 33 | 33 |

Notes to the financial statements

for the year ended 31 December 2015

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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below

This is the first year in which the financial statements have been prepared under FRS 102. This resulted in no transitional changes being required.

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.

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.

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 its subsidiary undertakings and the Company's ultimate parent undertaking Ryan Specialty Group, LLC. Ryan Specialty Group LLC, 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 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 year in which it occurs.

Notes to the financial statements (*continued*)

for the year ending 31 December 2015

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.

Notes to the financial statements *(continued)*

for the year ending 31 December 2015

2 Notes to the profit and loss account

The auditor's remuneration for the statutory audit work in the current year was £6,200 (2014: £8,500) and was borne by another company within the UK Group.

3 Remuneration of directors

The Company paid no directors' remuneration in the current or preceding year. None of the directors had a pension benefit paid by the Company in the current or preceding year. None of the directors received any remuneration in respect of their services to the Company in the current or preceding year.

4 Staff numbers and costs

There are no direct employees of the company in the current or preceding year. Staff costs are borne by another company within the UK Group on the Company's behalf in the current or preceding year.

5 Other interest receivable and similar income

| | 2015 £000 | 2014 £000 |
|-----------------------------|--------------|--------------|
| On loans to group companies | 597 | 796 |

6 Interest payable and similar charges

| | 2015 £000 | 2014 £000 |
|---------------------------------|--------------|--------------|
| On loans due to group companies | 2,276 | 2,731 |

7 Taxation

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| UK corporation tax at 20.25% (2014: 21.5%): | | |
| Current tax on income for the year | - | - |

The current tax charge for the year is lower (2014: higher) than the expected income tax charge computed using the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| Loss on ordinary activities before tax | (24,346) | (1,935) |
| Current tax at 20.25% (2014: 21.5%) | 4,930 | 416 |
| Effects of: | | |
| Write down of investment not subject to tax | (6,926) | - |
| UK dividends not subject to tax | 2,336 | - |
| Surrender of group tax losses | (340) | (416) |
| | - | - |

With effect from 1 April 2014 the UK corporation tax rate was reduced from 23% to 21%. The rate subsequently reduced further to 20% on 1 April 2015.

Notes to the financial statements (continued)

for the year ending 31 December 2015

8 Fixed asset investments

| | Investment in subsidiaries £000 |
|--------------------------------|------------------------------------|
| <i>Cost or valuation</i> | |
| At beginning of year | 39,194 |
| Additions | 31,336 |
| Disposals | (36,229) |
| At end of year | 34,301 |
| <i>Accumulative impairment</i> | |
| At beginning of year | - |
| Impairment loss | 34,201 |
| At end of year | 34,201 |
| At 31 December 2015 | 100 |
| At 31 December 2014 | 39,194 |

On 30 October 2015 the Company acquired the entire share capital of Direct Group Property Services Limited from Direct Group Holdings Limited through a distribution in specie for £300,000. On the same day the Company disposed of its' entire interest in Direct Group Property Services Limited through a distribution for £300,000 to Direct Newco Limited.

On 27 November 2015 Direct Group Holdings Limited settled £9,949,000 of loan notes held by the Company within the investment in subsidiaries.

On 27 November 2015 the Company acquired the entire share capital of Direct Group Limited for £23,800,000. On the same day the Company sold its' entire interest in Millennium Insurance Brokers Limited to Direct Group Limited through a share for share exchange of £2,180,000, increasing its investment to £25,980,000.

On 27 November 2015 the Company sold its entire interest in Direct Group Limited for its book value of £25,980,000 to Direct Newco Limited.

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

| Company | Status and principal activity | Holding |
|-------------------------------|-------------------------------|-------------|
| Direct Group Holdings Limited | Non-trading company | 100% Direct |

9 Debtors

| | 2015 £000 | 2014 £000 |
|---|--------------|--------------|
| <i>Amounts falling due within one year:</i> | | |
| Amounts due from group undertaking | - | 2,845 |

Notes to the financial statements (continued)

for the year ending 31 December 2015

10 Creditors

| | 2015 £000 | 2014 £000 |
|---|--------------|---------------|
| <i>Amounts falling due within one year:</i> | | |
| Amounts owed to group undertaking | <u>67</u> | <u>51,559</u> |

Loan note interest

On 3 August 2007 the Company received a £37,749,000 loan from Direct Newco Limited. The interest on the loan was a fixed rate of 7%.

On 2 June 2008 Direct Newco Limited paid cash consideration of £1,267,000 for the purchase of Millennium Insurance Brokers Limited before the company was hived down to Direct Group Investment Limited on the same date. The interest on this loan was a fixed rate of 7%.

The capital amount on these loans was settled on 30 October 2015 through the issue of new share capital in the Company to Direct Newco Limited. The outstanding interest was subsequently settled on 27 November 2015 through the issue of new share capital in the Company Direct Newco Limited.

As a result the Company's loan note and associated interest obligations were £nil (2014: £50,535,000) to Direct Newco Limited as at 31 December 2015.

11 Called up share capital

| | 2015 £ | 2014 £ |
|---|------------|------------------|
| <i>Allotted, called up and fully paid</i> | | |
| Preferred ordinary shares of £1 each | - | 395,000 |
| A ordinary shares of £1 each | - | 415,000 |
| B ordinary shares of £1 each | - | 190,000 |
| Deferred shares of £1 each | - | 229,948 |
| Ordinary shares of £0.01 each | <u>153</u> | <u>-</u> |
| | <u>153</u> | <u>1,229,948</u> |

On 30 October 2015 the Company capitalised a loans and inter-company balances of £42,236,000 with Direct Newco Limited, the Company's immediate parent company, by increasing its' share capital by this amount. On 30 October the Company undertook a capital reduction to reduce its' share capital by £43,466,000 to £108.67.

On 27 November 2015 the Company issued share capital of £17,810,000 in settlement of inter-company balances with Direct Newco Limited, its immediate parent undertaking. On the same day the Company undertook a capital reduction to reduce its share capital by £17,811,000 to £153.19.

12 Commitments and guarantee

The Company's ultimate parent undertaking, Ryan Specialty Group, LLC, entered into a new group wide banking facility on 14 July 2014 which replaced the existing facility. This facility is provided by a syndicate of lenders (Bank of Montreal, JP Morgan Chase, SunTrust Bank, PNC Bank and National Association, Private Bank Trust Company and Barclays) with the borrowers being Ryan Specialty Group, LLC and the Company. As part of this facility the Company and certain of its subsidiary undertakings act as guarantors of the borrowers. The balance outstanding on this facility as at 31 December 2015 was £120,273,000 (2014: £90,119,000).

Notes to the financial statements *(continued)*

for the year ending 31 December 2015

13 Ultimate parent company

The Company is a subsidiary undertaking of Direct Newco 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 Direct Group 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.