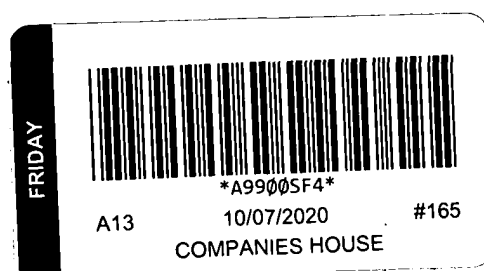


Ryan Specialty Group Europe Limited

**Annual report and consolidated financial statements
for the year ended 31 December 2019**

Registered number 07632134



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Company information

Directors

TR Truax
JGM Verhagen

Registered office

30 St Mary Axe
13th Floor
London, England
United Kingdom
EC3A 8BF

Independent Auditor

Deloitte LLP
Hill House
1 Little New Street
London, England
United Kingdom
EC4A 3TR

Company Number

07632134
Registered in England and Wales

Strategic Report

The directors present their Strategic Report of Ryan Specialty Group Europe Limited and its subsidiaries for the year ended 31 December 2019 and therefore give greater emphasis to those matters that are significant to the Group when viewed as a whole.

Context

Ryan Specialty Group Europe Limited (the “Company”, or “RSGEL”) is a private company limited by its shares. RSGEL and its subsidiary undertakings are herein referred to as the European Group. The Company’s ultimate parent company is Ryan Specialty Group, LLC, USA (“RSG”), which is a Delaware limited liability company.

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

Review of the business

Overview of strategy, objectives and future developments

The principal activity of the Company is that of a holding company. Its subsidiaries are active as managing general agents and approved coverholders at Lloyd’s of London.

- RSG Underwriting Managers Europe Limited, UK, (“RSGUME”) is a subsidiary of the Company and operated four specialised MGA divisions during 2019:
 - EmergIn Risk (cyber)
 - StartPoint Executive Risks (D&O USA risks)
 - Lodestar Marine (Marine P&I, from February 2019 until 31 December 2019). This business was discontinued and sold to a third party. RSGUME continues servicing the marine P&I business until fully run-off; and
 - RSG Transactional Risks Europe (transactional risks, from 1 September 2019). Transactional risks was previously underwritten by RSGUME’s subsidiary Hunter George & Partners Limited (“Hunter George”).
- Ryan Specialty Group Sweden AB (“RSG Sweden”), Sweden, offers D&O insurance, primarily in the Nordics and Benelux countries.
- RSG Construction and Specialty AB (“C&S”), Sweden, offers coverage for construction risks primarily in Sweden.
- Ryan Specialty Group Denmark A/S (“RSG Denmark”), Denmark, offers professional liability primarily in Denmark.
- RSG Europe Service Centre Limited (“RSGESCL”) is a Lloyd’s of London broker. Until 2019 RSGESCL was a specialised MGA offering fixed premium marine P&I insurance. The Marine P&I book of business was sold to a third party. RSGESCL continues servicing the marine P&I business until fully run-off. From 1 January 2020 RSGESCL provides premium processing services to RSG MGA’s.

During 2019, the Group’s management continued to focus on recruiting underwriting talent and expanding product offerings. The Group is investing in various opportunities to expand its various specialised product lines and geographical footprint in Europe.

Financial performance and key performance indicators

To measure performance of the operations, the directors monitor organic growth, operating EBITDA, margin and net assets.

The directors are satisfied with the European Group’s performance as a result of its continued development within its chosen markets, products and services as outlined in this Strategic Report.

The European Group has seen a stable performance in its financial performance, which is reflected in the Group delivering an operating EBITDA profit of £10.1m (2018: £12.8m) on turnover of £26.6m for the year (2018: £24.4m). The European Group’s profit for the financial year was £1.9m (2018 loss: £16.2m).

Strategic Report *(continued)*

The key financial and other performance indicators during the year were as follows:

	2019 £'000	2018 £'000
Turnover	26,637	24,416
Earnings before interest, taxes, depreciation and amortisation	10,093	12,788
EBITDA Margin %	37.9%	52.4%
Profit/(loss) on ordinary activities before taxation	3,285	(14,173)
Net (liabilities) / assets	(38,261)	(40,106)

Turnover increased by 9.1% (2018: decreased by 12.4%) in 2019 compared to 2018 as a result of continued growth within the Group.

The net liability position of the European Group improved by £1.8m as a result of the profit after tax for the financial year.

Significant events during the year

Effective 1 September 2019 RSGUME joined the merger and acquisition underwriting facility of Hunter George and started underwriting transactional risks as RSG Transactional Risks Europe. Hunter George ceased writing new risks.

Effective 12 December 2019 RSGUME and RSGESCL entered into an agreement to transfer its Marine P&I book of business to a third party and both ceased underwriting Marine P&I business.

On 30 December 2019 Hunter George declared an interim dividend of £14.0m to RSGUME.

Principal risks and uncertainty

Risk Factors

Factors likely to affect the future development of the Group are:

- The Group's international expansion plans might be impacted by Brexit, as UK MGA's may not benefit from free trade facilities throughout the EU;
- An economic decline due to COVID-19;
- The number of M&A transactions in the UK might decrease because of a weakened economy and/or currency.

Credit and Liquidity risk and Borrowing Facilities

The Company is a party to the European Group's debt facility, as described in note 19. The European Group relies on cash flows from its operations to make debt service payments on the facility as they come due. Drawings on the facility are available as necessary to meet short-term liquidity needs for all European Group companies. Future requirements and maturity profile are under constant review.

Throughout the period the Company's policy has been to ensure continuity of funding by generating cash flow to finance its operations.

Pandemic-related risks

In March 2020, the World Health Organization declared a global pandemic related to the outbreak of a respiratory illness caused by the coronavirus, COVID-19. Related impacts and disruptions are being experienced in the geographical areas in which the European Group operates, and the ultimate duration and intensity of this global health emergency is unclear. Given the dynamic nature of the emergency, its long term impact on the European Group's operations, cash flows, and financial condition cannot be reasonably estimated at this time.

Regulatory risk

This is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Company's subsidiaries are required to comply with the requirements of their national financial services authorities applicable to insurance mediation companies. The directors monitor regulatory developments and assess the impact on the European Group's policies.

Strategic Report (*continued*)

Operational risk

An operational risk facing the Group is the inability to adequately underwrite on behalf of insurance companies that companies in the European Group represent.

The European Group relies on the efficient, uninterrupted, and secure operation of complex information technology systems and networks provided by RSG. Any significant system or network disruption due to a breach in the security of the information technology systems could have a negative impact on the European Group's reputation, regulatory compliance status, operations, income and operating results.

The European Group's ability to conduct business may be adversely affected by a disruption in the infrastructure of personnel, property and equipment, technology, and systems that support our business and those of our clients and trading partners. Natural disasters could result in disruptions to our or others' infrastructures, as a result of, among other things, restricted physical site access, terrorist activities, disease pandemics (such as COVID-19), and outages to electrical, communications, or other services used by us or our trading partners. The Company has certain disaster recovery procedures in place and insurance to protect against such contingencies. However, such procedures may not be effective and any insurance or recovery procedures may not continue to be available at reasonable prices and may not address all such losses.

In addition, the European Group monitors market developments that might impact the delegated authorities of the European Group.

Brexit-related risks

The European Group's international expansion plans are impacted by Brexit, as UK based regulated entities may no longer benefit from free trading rights throughout the European Union at the end of the Brexit transition period.

The directors have considered the uncertainties about the near-term and longer-term effects of Brexit on the European Group.

The potential risks of Brexit affecting the Company is monitored and assessed by the directors on a regular basis. The European Group has prepared for a scenario where an EU-based RSG entity (Ryan Specialty Group Sweden AB) will write EEA risks with full support from the European Group's underwriters. The directors therefore does not consider Brexit to impose a substantial risk to the European Group.

Approved by the Board and signed on its behalf by:


JGM Verhagen
Director

30 St Mary Axe
13th Floor
London
EC3A 8BF
3 July 2020

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

The principal activities of the European Group are set out in the Strategic Report on page 3. The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report on pages 3 to 5. This includes a review of the development of the business of the European Group during the year and of likely future developments in its business.

Details of the principal risks and uncertainties are included in the Strategic Report.

Directors

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

Directors

JGM Verhagen
TR Truax

Dividends

At the date of this report the Company did not propose any dividends to be paid (2018: £nil).

Directors' indemnities

RSG has made qualifying third party indemnity provisions for the benefit of its directors, including the European Group, which remain in force at the date of this report.

Political and charitable contributions

The European Group made no political or charitable contributions during the year (2018: £nil).

Going Concern

The directors have continued to closely monitor financial performance and cash flow throughout the year. The directors have reviewed additional information to assess whether COVID-19 could cast any significant doubt on the European Group's ability to continue as a going concern. The additional information included financial performance to date and stress test scenarios on the European Group's two-year forecast, primarily focused on revenue. Whilst COVID-19 is likely to have a substantial impact on various sectors of the economy, the directors still anticipate that the European Group will continue to have positive cash flows for the foreseeable future.

The forecasts and analysis carried out to facilitate the review of financial performance and future expectations together with current business opportunities and the continued support from its ultimate parent RSG have enabled the directors to confirm (using the principles contained within the Financial Reporting Council Paper entitled "Going Concern and Liquidity Risk") that the European Group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors 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.

Future Developments

The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report on pages 3 to 5. This includes a review of the development of the business of the Group during the year and of likely future developments in its business.

Events after the balance sheet date

Details of significant events since the balance sheet date are set out in note 24 to the financial statements.

Directors' Report

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/she ought to have taken as a director to make himself/herself 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 reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



JGM Verhagen
Director

30 St Mary Axe
13th Floor
London
EC3A 8BF
3 July 2020

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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, subject to any material departures disclosed and explained in the financial statements; 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Ryan Specialty Group Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Ryan Specialty Group Europe Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Ryan Specialty Group Europe Limited *(continued)*

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 respect of these matters.

Use of our report

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.



Jamie Weisfeld, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

3 July 2020

Consolidated Profit and loss account
for the year ended 31 December 2019

		2019	2018
	<i>Notes</i>	Total	Total
		£000	£000
Turnover and gross profit	3	26,637	24,416
Administrative expenses		<u>(18,664)</u>	<u>(15,389)</u>
Group operating profit	4	7,973	9,027
Other interest receivable and similar income	8	523	7
Interest payable and similar charges	9	<u>(4,715)</u>	<u>(4,623)</u>
Acquisition-related compensation		<u>(496)</u>	<u>(18,584)</u>
Profit / (loss) on ordinary activities before taxation		3,285	(14,173)
Tax on profit / (loss) on ordinary activities	10	<u>(1,435)</u>	<u>(2,069)</u>
Profit / (loss) for the financial year		<u>1,850</u>	<u>(16,242)</u>

The notes on pages 18 to 30 form an integral part of these financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	2019	2018
	Total	Total
	£000	£000
Profit / (loss) for the financial year	1,850	(16,242)
Currency translation difference on foreign currency	(5)	(3)
Other Comprehensive Loss	(5)	(3)
Total Comprehensive Expense	1,845	(16,245)
 Profit / (loss) attributable to:		
Equity shareholders of the Company	1,850	(16,242)
	1,850	(16,242)
 Total Comprehensive Income attributable to:		
Equity shareholders of the Company	1,845	(16,245)
	1,845	(16,245)

The notes on pages 18 to 30 form an integral part of these financial statements.

Consolidated Statement of Financial Position

as at the year ended 31 December 2019

	Notes	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	12	11,554		13,499	
Tangible assets	13	<u>27</u>		<u>61</u>	
			11,581		13,560
Current assets					
Debtors	14	7,080		9,077	
Cash at bank and in hand	15	<u>11,334</u>		<u>12,957</u>	
			18,414		22,034
Creditors: amounts falling due within one year	16		<u>(5,646)</u>		<u>(10,881)</u>
Net current assets			<u>12,768</u>		<u>11,153</u>
Debtors: amounts falling due after more than one year	14		475		188
Total assets less current liabilities			<u>24,824</u>		<u>24,901</u>
Creditors: amounts falling due after more than one year	16		<u>(63,085)</u>		<u>(65,007)</u>
Net liabilities			<u>(38,261)</u>		<u>(40,106)</u>
Capital and reserves					
Share Capital	18		0		0
Other Reserves	18		49,789		49,789
Revaluation reserve	18		1		6
Profit and loss account	18		<u>(88,051)</u>		<u>(89,901)</u>
Shareholders' deficit			<u>(38,261)</u>		<u>(40,106)</u>

The notes on pages 18 to 30 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 3 July 2020 and were signed on its behalf by:



JGM Verhagen
Director

Registered number 07632134.

Parent Company Statement of Financial Position

as at the year ended 31 December 2019

	Notes	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Investments	11		97,695		97,695
Current assets					
Debtors	14	1,364		1,453	
Creditors: amounts falling due within one year	16	<u>(56,762)</u>		<u>(49,635)</u>	
Net current assets			<u>(55,398)</u>		<u>(48,182)</u>
Total assets less current liabilities			<u>42,297</u>		<u>49,513</u>
Creditors: amounts falling due after more than one year	16		<u>(62,467)</u>		<u>(64,167)</u>
Net liabilities			<u>(20,170)</u>		<u>(14,654)</u>
Capital and reserves					
Share Capital	18		0		0
Other Reserves	18		49,789		49,789
Profit and loss account	18		<u>(69,959)</u>		<u>(64,443)</u>
Shareholders' deficit			<u>(20,170)</u>		<u>(14,654)</u>

The loss of the parent company for the financial year was £5.5m (2018: £9.2m).

The notes on pages 18 to 30 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 3 July 2020 and were signed on its behalf by:



JCM Verhagen
Director

Registered number 07632134

Consolidated statement of changes in equity
as at the year ended 31 December 2019

	Called up share capital £000	Other Reserves £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2018	0	2,995	9	(73,659)	(70,655)
Loss for the financial year	-	-	-	(16,242)	(16,242)
Currency translation difference on foreign currency net	-	-	(3)	-	(3)
Total comprehensive expense for the year	-	-	(3)	(16,242)	(16,245)
Capital contribution	-	46,794	-	-	46,794
Repurchase of shares in non- controlling interest	-	-	-	-	-
At 31 December 2018	0	49,789	6	(89,901)	(40,106)
Profit for the financial year	-	-	-	1,850	1,850
Currency translation difference on foreign currency net	-	-	(5)	-	(5)
Total comprehensive expense for the year	-	-	(5)	1,850	1,845
At 31 December 2019	0	49,789	1	(88,051)	(38,261)

The notes on pages 18 to 30 form an integral part of these financial statements.

Parent Company statement of changes in equity
as at the year ended 31 December 2019

	Called up share capital £000	Other Reserves £000	Profit and loss account £000	Total £000
At 1 January 2018	0	2,995	(55,276)	(52,281)
Loss and total comprehensive income	-	-	(9,167)	(9,167)
Capital contribution	-	46,794	-	46,794
At 31 December 2018	0	49,789	(64,443)	(14,654)
Loss and total comprehensive income	-	-	(5,516)	(5,516)
At 31 December 2019	0	49,789	(69,959)	(20,170)

The notes on pages 18 to 30 form an integral part of these financial statements.

Consolidated Cash flow statement
as at the year ended 31 December 2019

		2019	2018
		£000	£000
Net cash flows from operating activities	<i>Notes</i> 20.	947	(1,737)
Cash flows from investing activities			
Acquisition of tangible assets		-	(29)
Disposal of tangible assets		18	149
Acquisition of subsidiary		-	(8,470)
Interest received		22	7
Net cash flows from investing activities		40	(8,343)
Cash flows from financing activities			
Proceeds from borrowings		-	3,000
Repayment of borrowings		(1,700)	-
Interest paid		(905)	(1,088)
Capital contributions from parent		-	11,404
Net cash flows from financing activities		(2,605)	13,316
Net increase/(decrease) in cash and cash equivalents		(1,618)	3,236
Cash and cash equivalents at beginning of period		12,957	9,724
Effect of foreign exchange rate changes		(5)	(3)
Cash and cash equivalents at end of period	15	11,334	12,957

The notes on pages 18 to 30 form an integral part of these financial statements.

Notes to the financial statements

for the year ending 31 December 2019

1 Accounting policies

RSGEL is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of the Company's registered office and principal place of business is shown on page 2.

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.

The Company has chosen to apply the provision of Section 11 (Basic Financial Instruments) of FRS 102 for treatment and disclosure of financial assets and liabilities.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidation financial statements. Exemptions have been taken in relation to presentation of a cash-flow statement, intra-group transactions, financial instruments and remuneration of key management personnel for the separate financial statements.

Under section 408 of the Companies Act 2016 the Company is exempt from the requirement to present its own profit and loss account. The result for the year, after taxation, of the Company was a loss of £5.5m (2018: £9.2m).

The following dormant subsidiary of the Company has taken advantage of the Companies Act 2016 Section 394A exemption from preparing individual accounts and Section 448A exemption from filing individual accounts.

Subsidiary Name
RSG (2) Limited

Companies House Registration Number
06885617

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 December 2019. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. The result of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the European Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Group'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, liquidity risk and the risks related to Brexit.

The directors have continued to closely monitor financial performance and cash flow throughout the year. The directors have reviewed additional information to assess whether COVID-19 could cast any significant doubt on the European Group's ability to continue as a going concern. The additional information included financial performance to date and stress tested scenarios on the European Group's two-year forecast, primarily focused on revenue. Whilst COVID-19 is likely to have a substantial impact on various sectors of the economy and will impact its business, the directors still anticipate that the European Group will continue to have positive cash flows for the foreseeable future.

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

RSG is the direct parent of the Company. RSG has a strong financial position with net income, positive cash flow, and positive net equity. RSG is a US-based privately held company whose financial statements are not publicly available. RSG maintains audited annual US GAAP financial statements.

Notes to the financial statements (continued)
for the year ending 31 December 2019

1 Accounting policies (continued)

RSG ensures the European Group has sufficient capital and liquidity either directly or through its intermediate holding companies. The capital structure of all of the European Group are periodically reviewed and adjusted to maximise the overall corporate efficiency while still exceeding regulatory capital requirements. 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.

The financial statements have been prepared on a going concern basis.

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 as calculated based on the fair values of the business derived from discounted cash flow projections. Any impairment is recognised in the profit and loss account in the year in which it occurs.

Goodwill

Goodwill arises at the European Group on acquisitions and represents the excess of the fair value of the consideration paid over the aggregate fair value of the identifiable assets and liabilities acquired. Goodwill is amortised to the profit and loss account on a straight line basis over the useful economic life up to a maximum period of 20 years.

The carrying value of goodwill is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. In considering this the goodwill is deemed to be impaired if there is an excess of the carrying value over the recoverable amount as calculated based on the fair values of the business derived from discounted cash flow projections. Impairment is recognised in the profit and loss account in the year in which it occurs.

Other intangible fixed assets

Intangible assets are capitalised and amortised on a systematic basis over their useful economic lives, ranging from 2 to 10 years, in proportion with the realisation of economic benefit.

The carrying values of intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If indicators of impairment exist, intangible fixed assets are deemed to be impaired if there is an excess of the carrying value over the recoverable amount as calculated based on the fair values of the projected future discounted cash flow benefits of the asset. Impairment is recognised in the profit and loss account in the year in which it occurs.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight-line basis over their expected useful economic lives, as follows:

Leasehold improvements	period of the lease
Fixtures, fittings and equipment	3 – 5 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. In considering this, the tangible fixed assets are deemed to be impaired if there is an excess of the carrying value over the recoverable amount and are calculated based on the greater of the net selling price and the fair value in use, which is based on discounted cash flows. Impairment is recognised in the profit and loss account in the period in which it occurs. No impairments have been made to fixed assets held by the European Group.

Tangible fixed assets are derecognised upon disposal or when no future economic value is expected to arise from the continued use of the asset. Any gain or loss arising on derecognised tangible fixed assets is recognised in the profit and loss account in the period in which it occurs.

Insurance balances

The European Group's insurance intermediaries act as Managing General Agents that act as agents for the markets they represent in placing the insurable risks and are, as such, generally not liable as principals for amounts arising from such transactions. As these cash balances, debtors (net off commissions) and creditors arising from insurance intermediary transactions do not meet the definition of financial assets, they are not recognised as assets and liabilities.

Notes to the financial statements (continued)
for the year ending 31 December 2019

1 Accounting policies (continued)

Provisions

Provisions are recognised when the European Group has a financial obligation as a result of a past event and it is probable that the European Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 are dealt with as appropriations in the reconciliation of movements in shareholder's funds.

Revenue recognition

The Group operates a number of different activities with different income streams; therefore requiring the use of a variety of methods to recognise revenue as set out below. In all cases revenue is recognised when the service or activity has been performed and it is probable that the European Group will have the economic benefits and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Commission and fees

Revenue consists principally of commissions and fees associated with the placement of insurance contracts, net of commissions payable to other directly involved parties. Revenue from commissions and fees is recognised generally at the later of billing or effective date of the insurance policy. Any adjustments to commissions arising from premium additions or reductions are recognised as and when the Company is notified of such adjustments by third parties.

Profit commission

Profit commissions arising from the profitability of underwritten insurance contracts or the exercise of an underwriting agency by the European Group is recognised when the right to such profit commission is established through a contract, but only to the extent that a reliable estimate of the amount due can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

Dividend Income

Interim dividend income is recognised in the period in which the related dividends are actually received. Final dividends are recognised when they are approved by the Board of the dividend distributing company.

Service fee income

Service fee income comprises fees receivable from group companies for the provision of underwriting and administrative services. Revenue is recorded when the services are rendered.

Interest receivable and payable

Interest receivable and payable is recognised in the Consolidated Profit and Loss and Statement of Comprehensive Income on an accruals basis. If the collection of interest is considered doubtful, it is suspended and excluded from interest income.

Leases

Leases where the European Group does not have substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are charged to the profit and loss account on a straight-line basis over the period of the lease.

Foreign currency

Transactions in foreign currencies are remeasured to the functional currency using the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheet at the rates prevailing at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity.

Notes to the financial statements (continued)
for the year ending 31 December 2019.

1 Accounting policies (continued)

Pension schemes

The European Group maintains a number of contracted-out defined contribution pension schemes and contributions are charged to the profit and loss account in the period in which they are due. These schemes are funded and the payments of contributions are made to an independently administered fund and the assets of these schemes are held separately from the European Group in an independently administered fund. Any unpaid contributions at the period end are accrued for in these financial statements.

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 Critical accounting judgements and key sources of estimation uncertainty

In the application of the European Group's accounting policies, the directors may be required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

Critical judgements in applying the Group's accounting policies

The directors present critical judgements and sources of estimation uncertainty below.

Impairment of intangible assets

Determining whether intangible assets are impaired requires an assessment of whether impairment indicators exist. If such impairment indicators are present, the intangible asset is required to be estimated at the value in use to the Group. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the intangible asset and a suitable discount rate in order to calculate fair value.

Revenue recognition on profit commissions

Profit-based contingent commissions are commissions paid by an insurance carrier based on the overall profitability of the business placed by a Group company and serviced on behalf of that insurance carrier during a particular contractual period. These amounts are determined after the contractual period. Generally these contingent commission revenues cannot be reasonably determined or recognised until the Group company has received either cash or explicit notice of the contingent commission from the carrier.

Key source of estimation uncertainty:

There is no key sources of estimation.

Notes to the financial statements (continued)
for the year ending 31 December 2019.

3 Turnover

An analysis of the European Group's turnover is set out below:

	Group 2019 £000	Group 2018 £000
Underwriting services related income	26,025	23,604
Profit commissions	612	812
	<u>26,637</u>	<u>24,416</u>

All policies are concluded in the UK, Sweden or Denmark.

An analysis of the European Group's turnover by class of business is set out below:

	Group 2019 £000	Group 2018 £000
Mergers and Acquisitions	17,378	17,448
Cyber Risks	2,035	1,381
Marine	195	667
Construction	1,310	171
Professional and Management Liabilities	5,719	4,749
	<u>26,637</u>	<u>24,416</u>

An analysis of the European Group's Underwriting services related income by geographical market is set out below:

	Group 2019 £000	Group 2018 £000
United Kingdom	22,762	21,673
Europe (excl UK)	3,263	1,931
	<u>26,025</u>	<u>23,604</u>

4 Notes to the profit and loss account

Profit/(loss) on ordinary activities before tax is stated after charging:

	2019 £000	2018 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Amounts received by the auditor and their associates in respect of:		
audit of the Group's financial statements	52	75
audit of the financial statements of the Company's subsidiary undertakings	50	23
Amortisation of intangible assets	999	1,082
Impairment of intangible assets	38	2,101
Amortisation of goodwill	526	480
Depreciation of tangible fixed assets	56	44
Change in provision for bad debt	25	136
Foreign exchange loss/(gain)	671	(492)

5 Remuneration of directors

The directors of the Company are executives of RSG or employed by the European Group and paid for services as such. As such, the Director's remuneration for the current year was £nil (2018: £nil).

Notes to the financial statements (continued)
for the year ending 31 December 2019

6 Staff numbers and costs

The monthly average number of employees (including directors) employed by the European Group was:

	Group 2019 No	Group 2018 No.
Underwriters	33	28
Management	11	9
Support	14	6
	58	43

The average number of employees represents the number of employees with cost remaining in the European Group.

The aggregate payroll costs of these persons were as follows:

	Group 2019 £000	Group 2018 £000
Wages and salaries	9,797	7,269
Social security costs	1,376	1,025
Pension contributions	546	375
Healthcare	618	41
Other long-term compensation	68	53
Share based payments granted	105	134
	12,510	8,897

Other long-term compensation consists of the periodic forgiveness of amounts lent to employees.

The Company had nil employees during the period (2018: nil).

The Company bore £nil of compensation expense during the year on behalf of Group companies (2018: £nil).

7 Shared-based payments

Equity classified awards

RSG has established equity-based long-term incentive plans to recruit and retain key talent. During 2019 0.7m (2018: 1.1m) RSG common units were granted to certain employees of the Group. The vesting of these awards is subject to service conditions. These employee units shall become gradually vested over 5 years subject to the employee continued to be employed by a company of the RSG Group.

	Group 2019 No	Group 2018 No
Outstanding at beginning of the period	2,250	1,200
Granted during period	700	1,050
Outstanding at the end of the period	2,950	2,250

The fair value of equity-settled transactions is measured at the grant date using the Black Scholes model, which is considered to be an appropriate generally accepted valuation method of measuring fair value. The expense is recognised over the vesting period of 5 years. The cost is pushed down to the employing subsidiaries.

RSG has no market for its units, however management has no intent of settling these awards in cash within a period of time that would remove the risks and rewards of equity ownership and therefore the awards are treated as equity-settled.

The Group recognised total expenses of £0.1m (2018: £0.1m) relating to the equity awards. The amount included in amounts due to group companies is £0.1m (2018: £0.1m).

Notes to the financial statements (continued)
for the year ending 31 December 2019

8 Other interest receivable and similar incomes

	Group 2019 £000	Group 2018 £000
Service fee income	251	-
Other Income	250	-
Interest income	22	7
	<u>523</u>	<u>7</u>

The Company recognised £0.1m (2018: £13k) of service fee income in the year.

9 Interest payable and similar charges

	Group 2019 £000	Group 2018 £000
On bank loans and overdrafts	905	1,088
On loans due to group companies	3,810	3,535
	<u>4,715</u>	<u>4,623</u>

The Company had £4.7m of interest payable during the year (2018: £4.6m).

10 Taxation

Analysis of tax charge for the year:

	2019 £000	2018 £000
Current tax		
UK corporation tax at 19.0% (2018: 19.0%)	(1,465)	(2,791)
Adjustments in respect of prior years	(105)	188
Overseas corporation tax - current year	(176)	(48)
	<u>(1,746)</u>	<u>(2,651)</u>
Deferred tax (see note 17):		
Original and reversal of timing differences	(301)	582
Adjustments in respect of prior years	612	-
	<u>311</u>	<u>582</u>
Tax charge for the period	<u>(1,435)</u>	<u>(2,069)</u>

The tax charge for the year is higher (2018: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £000	2018 £000
Profit/(loss) on ordinary activities before tax	<u>3,285</u>	<u>(14,173)</u>
Tax credit at 19.0% (2018: 19.0%)	(624)	2,693
Effects of:		
Expenses not deductible for tax purposes	(326)	(3,657)
Non-taxable income	6	234
Preference dividends	(724)	(672)
Adjustments in respect of prior years	506	188
Effect of tax rate change on opening balance	53	(56)
Deferred tax not recognised	(326)	(799)
	<u>(1,435)</u>	<u>(2,069)</u>

Notes to the financial statements (continued)
for the year ending 31 December 2019

11 Fixed asset investments

	Investments in group undertakings	
	Company	Company
	2019 £000	2018 £000
<i>Cost, valuation and net book value</i>		
At beginning of year	97,695	61,866
Additions	-	39,409
Write-offs	-	(3,580)
At end of year	<u>97,695</u>	<u>97,695</u>

The Company's investments are carried at cost, less any impairments.

At 31 December 2019, the Company held ordinary share capital in the following group undertakings:

<i>Company</i>	<i>Country</i>	<i>Status and principal activity</i>	<i>Holding</i>
Jubilee Group Holdings Limited	United Kingdom	Intermediate holding company	100% Direct
RSG Underwriting Managers Europe Limited	United Kingdom	Insurance services	100% Direct
Hunter George & Partners Limited	United Kingdom	Insurance services	100% Indirect
RSG Europe Service Centre Limited	United Kingdom	Insurance services	100% Direct
Ryan Specialty Group Denmark A/S	Denmark	Insurance services	100% Direct
Ryan Specialty Group Sweden AB	Sweden	Insurance services	100% Direct
RSG Construction & Specialty AB	Sweden	Insurance services	100% Indirect
RSG (2) Limited	United Kingdom	Dormant company	100% Direct

The registered address of JGHL, RSGUMEL, Hunter George, RSGESCL and RSG (2) Limited is 30 St Mary Axe, 13th Floor, London, England, EC3A 8BF.

RSG Denmark has a registered address of 125 Strandvejen, 2900 Hellerup, Copenhagen, Denmark.

RSG Sweden and RSG Construction & Specialty have their registered address at Ingmar Bergmansgata 2, 114 34 Stockholm, Sweden.

12 Intangible fixed assets

	Group			
	Goodwill £000	Customer relationships £000	Trade Names £000	Total £000
<i>Cost or valuation</i>				
At 1 January 2019	10,620	8,245	141	19,006
Acquired during the year	-	-	-	-
Foreign exchange	(146)	(287)	(5)	(438)
At 31 December 2019	<u>10,474</u>	<u>7,958</u>	<u>136</u>	<u>18,568</u>
<i>Amortisation</i>				
At 1 January 2019	1,269	4,211	27	5,507
Charge for the year	526	954	83	1,563
Foreign exchange	(6)	(49)	(1)	(56)
At 31 December 2019	<u>1,789</u>	<u>5,116</u>	<u>109</u>	<u>7,014</u>
<i>Net book value</i>				
At 31 December 2019	<u>8,685</u>	<u>2,842</u>	<u>27</u>	<u>11,554</u>
At 31 December 2018	<u>9,351</u>	<u>4,034</u>	<u>114</u>	<u>13,499</u>

The Company held no intangible fixed assets in the year.

Notes to the financial statements (continued)
for the year ending 31 December 2019

13 Tangible fixed assets

	Group		
	Leasehold Improvement	Fixtures, fittings & equipment	Total
	£000	£000	
<i>Cost</i>			
At 1 January 2019	28	72	100
Disposals	(28)	-	(28)
At 31 December 2019	-	72	72
<i>Depreciation</i>			
At 1 January 2019	7	32	39
Charge for the year	3	13	16
Disposals	(10)	-	(10)
At 31 December 2019	-	45	45
<i>Net book value</i>			
At 31 December 2019	-	27	27
At 31 December 2018	21	40	61

The Company held no tangible fixed assets in the year.

14 Debtors

	Group 2019 £000	Company 2019 £000	Group 2018 £000	Company 2018 £000
<i>Amounts falling due within one year:</i>				
Trade debtors:				
Insurance trade debtors	4,950	-	3,298	-
Other trade debtors	8	-	32	-
Amounts due from parent undertaking	1,854	-	5,300	-
Amounts due from subsidiary undertakings	202	1,364	183	1,453
Prepayments and accrued income	66	-	264	-
	7,080	1,364	9,077	1,453
<i>Amounts falling due after more than one year:</i>				
Other debtors	253	-	112	-
Employee debtors	71	-	64	-
Deferred tax asset (see note 17)	151	-	12	-
	475	-	188	-
Total debtors	7,555	1,364	9,265	1,453

In addition to the above trade debtor balance, which represents the commissions and fees receivable on insurance contracts, there are also net premiums due amounting to £15.9m (2018: £13.9m). As these premium debts, net of commission, do not meet the definition of financial assets, they are not recognized on the balance sheet.

15 Cash at bank and in hand

	Group 2019 £000	Group 2018 £000
Unrestricted cash balances	11,334	12,957

The Company held no cash or in hand at the end of the year (2018: £nil).

Notes to the financial statements (continued)
for the year ending 31 December 2019

16 Creditors

	Group	Company	Group	Company
	2019	2019	2018	2018
	£000	£000	£000	£000
<i>Amounts falling due within one year:</i>				
Trade creditors	705	-	447	13
Amounts owed to parent undertaking	-	6,366	-	2,555
Amounts owed to subsidiary undertaking	204	50,324	5,122	46,875
Taxes and social security	697	-	1,543	-
Accruals and deferred income	4,040	72	3,769	192
	5,646	56,762	10,881	49,635
<i>Amounts falling due after more than one year:</i>				
Bank loans and overdrafts	29,300	29,300	31,000	31,000
Non-redeemable preference shares	33,167	33,167	33,167	33,167
Deferred tax liability (see note 17)	618	-	840	-
	63,085	62,467	65,007	64,167
Total creditors	68,731	119,229	75,888	113,802

There are net premiums on insurance contracts due to insurance companies of £26.6m (2018: £25.9m). These premiums need not be remitted if the premiums are not remitted to the Group. As these premium debts, net of commission, do not meet the definition of financial liabilities, they are not recognised on the balance sheet.

Financial liabilities

The following table and descriptions summarises the maturity and interest rate profile of the Group's financial liabilities.

	Group			
	Bank loans	Other	Total	Total
	2019	2019	2019	2018
	£000	£000	£000	£000
<i>Debt can be analysed as falling due:</i>				
Within one year	-	177	177	-
Between two and five years	29,300	2,438	31,738	31,000
In five or more years	-	3,251	3,251	33,167
	29,300	5,866	35,166	64,167

Bank loans

The Company's ultimate parent undertaking RSG entered into a new group wide banking facility on 29 August 2018 which replaced the existing facility. This facility is provided by a syndicate of lenders with the borrowers being RSG and RSGEL. As part of this facility the European Group acts as guarantor to the borrowers. The balance outstanding on this facility at RSGEL as at 31 December 2019 was £29.3m (2018: £31.0m).

Cumulative Non-redeemable Preference Shares

On 7 November 2012 33,167 cumulative non-redeemable preference shares were issued for £1,000 each to RSG in three tranches of 14,599, 18,268 and 300. These shares carry a cumulative dividend of 10% per annum, compounded quarterly.

Notes to the financial statements (continued)
for the year ending 31 December 2019

17 Deferred tax (liability)/asset

	Group	Group
	2019	2018
	£000	£000
At beginning of year	(828)	(186)
Acquired/disposal in purchase/sale of subsidiaries	-	(1,231)
Charge to the profit and loss account	311	582
Change in tax rate	(1)	7
Foreign exchange differences	50	-
At end of year	(468)	(828)

The Company had £nil (2018: £nil) deferred taxes during or at the end of the year.

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Group.

The amounts recognised for deferred taxation and the amounts not recognised are set out below.

	Recognised	Not	Recognised	Not
	2019	recognised	2018	recognised
	£000	£000	£000	£000
<i>Group</i>				
Difference between accumulated depreciation and amortisation and capital allowances	12	50	17	50
Other timing differences	(35)	-	-	-
Losses	138	4,278	-	4,620
Intangibles	(583)	-	(845)	-
Deferred tax (liability)/asset	(468)	4,328	(828)	4,670

Due to unrelieved tax losses arising in the Company and some of its subsidiaries, deferred tax assets of £4.3m (2018: £4.6m) and £1.2m (2018: £1.7m) have been created by the Group and Company respectively. These assets have not been recognised at 31 December 2019 as it is envisaged that the Group company in question will not generate sufficient taxable profits in the foreseeable future to facilitate recovery of the tax assets.

The 2018 comparative was updated to include the deferred tax asset not recognised for RSGESCL of £1.3m, which was excluded in the prior period.

A reduction in the UK corporation tax rate from 20% to 19% took effect from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% in future. Deferred taxes at balance sheet date have been calculated using these enacted tax rates.

18 Called up share capital

The Company has one class of ordinary share:

	Company	Company
	2019	2018
	£	£
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1 each	1	1

The Company has one class of ordinary shares which carry full voting and economic rights.

The Company's other reserves are as follow:

- The profit and loss reserve represents cumulative profit and losses, net of dividends and other adjustments.
- The revaluation reserve represents the cumulative effect of the exchange differences arising on the translations of the opening assets and results of foreign operations.

Notes to the financial statements (continued)
for the year ending 31 December 2019

- Other reserves represents the amount of capital contributions from the parent.

19 Commitments and guarantee

	Land & Buildings 2019 £000	Land & Buildings 2018 £000
<i>Operating leases which expire:</i>		
Within one year	177	-
In the second to fifth years inclusive	2,438	-
Over five years	3,251	-
	<u>5,866</u>	<u>-</u>

On 23 December 2019 the Company entered into a new operating lease agreement.

The Company's ultimate parent undertaking RSG entered into a new group wide banking facility on 29 August 2018 which replaced the existing facility. This facility is provided by a syndicate of lenders with the borrowers being RSG and RSGEL. As part of this facility the UK Group acts as guarantor to the borrowers. The balance outstanding on this facility at RSGEL as at 31 December 2019 was £29.3m (2018: £31.0m).

20 Cash flow statement

Reconciliation of operating profit to cash generated by operations of continuing operations:

	2019 £000	2018 £000
Profit/(loss) on ordinary activities before taxation	3,285	(14,173)
Adjustments for:		
Depreciation and amortisation	1,579	3,697
Foreign exchange (gains)/losses	382	(164)
Interest receivable	(22)	(7)
Interest paid	905	1,088
Income taxes paid	(2,281)	(1,999)
Operating cash flow before movement in working capital	<u>3,848</u>	<u>(11,558)</u>
Decrease in trade and other debtors	1,710	(2,687)
Decrease in trade and other creditors	(4,611)	(5,416)
Decrease in provisions	-	17,924
Net cash flows from operating activities	<u>947</u>	<u>(1,737)</u>

21 Pension commitments

The European Group operates defined contributions scheme. The assets of the scheme are held separately from those of the European Group in independently administered funds. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The pension cost and charge represents contributions payable by the European Group to the funds and amounted to £0.5m (2018: £0.4m). At 31 December 2019 contributions amounting to £0.1m (2018: £0.1m) were payable to the funds and were included in creditors.

22 Related Parties

The Company has taken relevant exemptions under FRS 102 Section 33 from disclosing related party transactions with other companies that are wholly owned within the European Group.

The only related parties that have transacted with the company are companies with the RSG group of companies.

Directors' transactions

Notes to the financial statements (continued)
for the year ending 31 December 2019

An unsecured 2.5% loan, repayable on the earliest to occur of termination of borrowers' employment or a monetisation event, made to three key management personnel, was outstanding during the year. The amount of the liability including interest due to the European Group at the beginning of the year was £0.1m, the maximum during the year was £0.1m and at the end of the year was £0.1m. During the year £nil of the loans were repaid, £nil of the loans were written off and £nil of the loans were waived.

23 Ultimate parent company

The immediate parent company, the ultimate parent company and the ultimate controlling party is Ryan Specialty Group, LLC, a company incorporated in Delaware in the United States of America, with a registered address of 180 North Stetson Avenue Suite 4600, Chicago, Illinois, 60601.

The smallest and largest group in which the results of the Company are consolidated is the group headed by Ryan Specialty Group, LLC. The consolidated financial statements of this group is not publicly available.

24 Subsequent Events

In March 2020, the World Health Organization declared a global pandemic related to the outbreak of a respiratory illness caused by the coronavirus, COVID-19. Related impacts and disruptions are being experienced in the geographical areas in which we operate, and the ultimate duration and intensity of this global health emergency is unclear. The directors consider the emergence of COVID-19 as a pandemic, and the associated economic impact and governmental measure in response, as a non-adjusting post balance sheet event. Given the dynamic nature of the emergency, its impact on the Company's operations, cash flows, and financial condition cannot be reasonably estimated at the time of this report.

On 29 January 2020 RSG Sweden registered a branch in London, England, with the Swedish Financial Service Authority, Finansinspektionen, to enable the European Group's Brexit strategy.

On 17 June 2020 RSGESCL registered a branch in Stockholm, Sweden with the Swedish Companies House to enable the Brexit strategy of RSGESCL.