

Company Registration No: 02622895

Green Flag Group Limited

Annual Report and Financial Statements

For the year ended 31 December 2017



Direct Line Group Company Secretariat
Green Flag Group Limited
Churchill Court
Westmoreland Road
Bromley
BR1 1DP

Annual report and financial statements

Contents	Pages
Officers and professional advisers	2
Strategic report	3
Directors' report	4 – 5
Independent Auditor's report	6 – 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Cash flow statement	11
Notes to the financial statements	12 – 18

Officers and professional advisers

Directors:

R C Clifton

H C O'Murchu

H M Tomlinson

Secretary:

R C Clifton

Registered office:

The Wharf

Neville Street

Leeds

LS1 4AZ

Independent Auditor:

Deloitte LLP

2 New Street Square

London

EC4A 3BZ

Company registration

Registered in England and Wales

Strategic report

For the year ended 31 December 2017

The Directors present their strategic report for the year ended 31 December 2017.

Activities and business review

Activities

The principal activity of Green Flag Group Limited (the "Company") continues to be the intermediate parent undertaking for a subsidiary involved in motor vehicle assistance, repair and recovery services.

The Company is a subsidiary of Direct Line Group ("the Group") headed by Direct Line Insurance Group plc ("DLIG"). The Company is a subsidiary of Green Flag Holdings Limited. The Group provides the Company with access to central resources that it needs and provides policies in all key areas such as finance, risk, human resources and environment. Key performance indicators across the Group taken as a whole are referred to in the DLIG annual report and accounts 2017 ("DLIG annual report") and accordingly for an understanding of the development, performance or position of the Company's business, please refer to the DLIG annual report in conjunction with the financial performance indicators shown below. Copies of the DLIG annual report can be obtained from Direct Line Group Company Secretariat, Churchill Court, Westmoreland Road, Bromley, BR1 1DP, the Registrar of Companies or through the Group's website at www.directlinegroup.com

Review of the year

Business review

The Directors are satisfied with the Company's performance during the year. The Company may take into account proposals provided from within the Group in seeking further opportunities for growth.

Financial performance

The Company's financial performance is presented in the statement of comprehensive income on page 8.

As in the previous year, income for the financial year ended 31 December 2017 was interest receivable of £908 (2016: £1,257).

The Directors do not recommend the payment of a final dividend for the financial year ended 31 December 2017 (2016: £nil).

At the end of the year, the balance sheet reflected total assets of £7,269,389 (2016: £7,269,023) and total equity was £7,265,877 (2016: £7,265,144).

Principal risks and uncertainties

The Company's risk management objectives are set out in note 2 to these financial statements.

Approved by the Board of Directors and signed on behalf of the Board by:



H C O'Murchu
Director
24 April 2018

Directors' report

For the year ended 31 December 2017

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

The Company has chosen, in accordance with section 414c(11) of the Companies Act 2006, and as noted in the Directors' report, to include certain additional matters in its strategic report that would otherwise be required to be disclosed in the Directors' report.

Directors and Secretary

The present Directors and Company Secretary, who have served throughout the year except where noted below, are listed on page 2. There have been no changes from 1 January 2017 to date.

Going concern

Having made due enquiries, the Directors reasonably expect that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. Accordingly, the Directors have adopted the going concern basis in preparing the financial statements.

Employees

All staff are employed by a fellow subsidiary undertaking of DLIG, DL Insurance Services Limited ("DLIS"). Disclosures relating to employees may be found in the DLIS annual report and financial statements.

Disclosure of information to the Auditor

Each person who was a Director of the Company on the date of approval of this report confirms that:

- a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- b) each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information, and to establish that the Auditor is aware of that information.

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Deloitte LLP has expressed its willingness to continue in office as Auditor and it is the intention of the Directors to reappoint Deloitte LLP under the deemed appointment rules of section 487 of the Companies Act 2006.

Directors' report (continued)

For the year ended 31 December 2017

Statement of Directors' responsibilities

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 a Directors' report and financial statements for each financial year and the Directors have elected to prepare them in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board ("IASB"). 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 at the end of the year and the profit or loss of the Company for the financial year. In preparing these financial statements, under International Accounting Standard ("IAS") 1, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance; and
- make an assessment of the Company's ability to continue as a going concern.

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, the Company's financial position at any time; and enable them to ensure the financial statements comply with the Companies Act 2006. Additionally, the Directors are responsible for safeguarding the Company's assets and, hence, taking reasonable steps to prevent and detect fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board by:



H C O' Murchu
Director
24 April 2018

Independent Auditor's report to the members of Green Flag Group Limited

For the year ended 31 December 2017

Report on the audit of the financial statements**Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU and IFRSs as issued by the IASB; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Green Flag Group Limited (the "Company") which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 12.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the EU.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 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 Green Flag Group Limited (continued)

For the year ended 31 December 2017

Responsibilities of Directors

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, 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 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 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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 Company and its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Adam Addis ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
24 April 2018

Statement of comprehensive income

For the year ended 31 December 2017

	Notes	2017 £	2016 £
Investment return	3	908	1,257
Profit before tax		908	1,257
Tax charge	5	(175)	(251)
Total comprehensive income for the year attributable to owners of the Company		733	1,006

The total comprehensive income for the year is entirely attributable to the equity shareholders of the Company.

The attached notes on pages 12 to 18 form an integral part of these financial statements.

Balance sheet

As at 31 December 2017

	Notes	2017 £	2016 £
Assets			
Investments in subsidiaries	7	7,012,938	7,012,938
Loans and receivables	8	256,451	256,085
Total assets		7,269,389	7,269,023
Equity			
		7,265,877	7,265,144
Liabilities			
Borrowings	9	3,337	3,337
Loans and other payables	10	-	291
Current tax liabilities	6	175	251
Total liabilities		3,512	3,879
Total equity and liabilities		7,269,389	7,269,023

The attached notes on pages 12 to 18 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 24 April 2018. They were signed on its behalf by:



H C O' Murchu
Director

Statement of changes in equity

For the year ended 31 December 2017

	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	1,001,000	6,263,138	7,264,138
Total comprehensive income for the year	-	1,006	1,006
Balance at 31 December 2016	1,001,000	6,264,144	7,265,144
Total comprehensive income for the year	-	733	733
Balance at 31 December 2017	1,001,000	6,264,877	7,265,877

The attached notes on pages 12 to 18 form an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Profit for the year before tax		908	1,257
Adjustments for:			
Interest received		(908)	(1,257)
Operating cash flows before movements in working capital		-	-
Movements in working capital			
Net (decrease) / increase in trade and other payables	10	(291)	291
Net cash (used in) / generated from operating activities before tax		(291)	291
Taxes paid		(251)	(291)
Net cash flows used in from operating activities		(542)	-
Cash flows from investing activities			
Loan advances to related parties	12	(253,290)	-
Loan repayments from related parties	12	253,832	-
Net cash flows generated from investing activities		542	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

Non-cash transactions

The Company did not operate a bank account during the current or previous year. Trading was carried out via bank accounts owned by related parties, through inter-company transactions. As a result, all transactions shown above were non-cash transactions.

The attached notes on pages 12 to 18 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2017

1. Accounting policies

1.1 Presentation of accounts

The financial statements have been prepared on the going concern basis (see the Directors' report on pages 4 and 5) and in accordance with IFRSs issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS). The financial statements are prepared on the historical cost basis.

The Company's financial statements are presented in Sterling.

The Company is incorporated in the United Kingdom and registered in England and Wales.

The Company's financial statements are prepared in accordance with the Companies Act 2006.

Going concern

The Company has adequate financial resources and as a consequence, the Directors believe the Company is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual report and financial statements. 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 on page 3 and the Directors' report on pages 4 and 5. In addition, note 2 to the financial statements includes the Company's objectives, policies and processes for risk management.

Adoption of new and revised standards

There are no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that have a significant effect on the Company's financial statements. None of the amendments to standards that are effective from 1 January 2017 have a significant effect on the Company's financial statements.

1.2 Consolidated financial statements

The financial statements contain information about the Company as an entity and do not contain consolidated financial information as the parent of a group. The Company is exempt under IFRS 10 'Consolidated Financial Statements' and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its ultimate parent, DLIG, a public limited company registered in England and Wales.

1.3 Revenue recognition

Interest income on financial assets is determined using the effective interest rate method. The effective interest rate method is a way of calculating the amortised cost of a financial asset (or group of financial assets) and of allocating the interest income over the expected life of the asset.

1.4 Taxation

The tax charge or credit represents the sum of the tax currently payable or receivable.

The current tax charge is based on the taxable profits for the year as determined in accordance with the relevant tax legislation, after any adjustments in respect of prior years. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Provision for taxation is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date, and is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity, as appropriate.

1.5 Dividends

Interim dividends on Ordinary Shares are recognised in equity in the period in which they are paid. Final dividends on Ordinary Shares are recognised when they have been approved at the annual general meeting.

1.6 Investment in subsidiary undertakings

Investment in subsidiaries are stated at cost less any impairment.

1.7 Financial assets

On initial recognition, all financial assets are classified as loans and receivables.

Loans and receivables are initially recognised at fair value plus directly related transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses.

Notes to the financial statements (continued)

For the year ended 31 December 2017

1. Accounting policies (continued)**1.7 Financial assets (continued)***Impairment of financial assets*

At each balance sheet date the Company assesses whether there is any objective evidence that loans and receivables balances are impaired. A financial asset is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset, discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually where significant or collectively for assets that are not individually significant.

1.8 Financial liabilities

Financial liabilities are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

1.9 Accounting developments

New IFRSs and amendments that are issued, but not yet effective for the 31 December 2017 reporting period and have not been early adopted by the Company are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

In July 2014, the IASB issued the final version of IFRS 9 'Financial Instruments' that replaces IAS 39 'Financial Instruments: Recognition and Measurement' and all previous versions of IFRS 9; it was endorsed by the EU in 2016. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets and is effective for annual periods beginning on or after 1 January 2018. The new standard is not expected to have any impact on the financial statements of the Company.

In May 2014 the IASB issued IFRS 15 'Revenue from Contracts with Customers' to establish a single comprehensive model to use in accounting for revenue recognition and measurement. The standard provides guidance on when and how combined contracts should be unbundled and when a contract price includes a variable consideration element.

IFRS 15 was endorsed by the EU in 2016. The Company currently has no revenue that falls within the scope of IFRS 15; this will be monitored in future periods.

In December 2017 the IASB issued 'Annual Improvements to IFRS Standards 2015-2017 Cycle' with an effective date of 1 January 2019, which included the following three amendments:

IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' – the amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business; the amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 'Income Taxes' – the amendments clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises.

IAS 23 'Borrowing Costs' – the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Directors do not expect that these amendments to have a material impact on the financial statements of the Company.

2. Risk management**2.1 Risk management overview**

The Direct Line Insurance Group plc Board ("Group Board") monitors adherence to the risk strategy, risk appetite and risk framework across the Group. The Group Board has established a risk management model that separates the business's risk management responsibilities into "3 lines of defence" as set out below.

- 1st line of defence - Risk ownership
- 2nd line of defence - Oversight, challenge and support of 1st line
- 3rd line of defence - Independent assurance

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Risk management (continued)**2.1 Risk management overview (continued)**

DLIG's annual report contains a comprehensive review of the risk management framework for the whole Group. The Company adheres to this risk management framework.

2.1.1 Risk strategy and risk appetite

The Group's risk appetite statements express the level of risk the Group (including the Company) is prepared to accept to achieve its business objectives. Details of the Group's risk strategy and risk appetite are contained in the DLIG annual report.

2.1.2 Enterprise-wide Risk Management Framework

This sets out, at a high level, the Group's (which includes the Company) approach to setting risk strategy and the Enterprise-wide Risk Management Framework ("ERMF") for managing risks. Details of the Group's ERMF are contained in the DLIG annual report.

Copies of the DLIG annual report can be obtained from Direct Line Group Company Secretariat, Churchill Court, Westmoreland Road, Bromley, BR1 1DP, the Registrar of Companies or through the Group's website at www.directlinegroup.com

2.1.3 Principal risks and uncertainties

Risks are always present in business. It is important to ensure that the Company identifies measures, monitors and reports these risks throughout the business on an on-going basis. It also monitors changes in these risks over time. It believes these risks are broadly unchanged over the last year.

The principal risks applicable to the Company are detailed below.

2.2 Market risk

Market risk is the risk of loss resulting from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. In particular, interest rate risk arises mainly from its loans to related parties. No sensitivity analysis has been provided as the impact is deemed to be immaterial.

2.3 Credit risk

This is the risk of loss resulting from default in cash inflows and / or changes in market value of issuers of securities, counterparties and any debtors to which the Company is exposed. The Company is mainly exposed to counterparty default risk. This is the risk of loss from unexpected default of the Company's counterparties and debtors.

The main source of counterparty default risk is related to the Company's loans and receivables with its parent and its parent and fellow subsidiaries.

3. Investment return

	2017 £	2016 £
Interest receivable on loans to related parties (note 12)	908	1,257

4. Operating profit before tax**Auditor's remuneration**

Fees for audit and non-audit services are borne by a fellow subsidiary company.

Fees paid to the Auditor in respect of the statutory audit of the Company amount to £2,101 (2016: £2,000).

Staff costs and number of employees

The Company had no employees at any time during the current or preceding year.

Directors' emoluments

The services provided by the Directors of the Company are non-executive in nature and it is not appropriate to allocate their emoluments in respect of services to the Company.

Notes to the financial statements (continued)

For the year ended 31 December 2017

5. Tax charge

	2017 £	2016 £
Current taxation:		
Charge for the year	175	251
Tax charge for the year	175	251

The following table analyses the difference between the actual income tax charge and the expected income tax charge computed by applying the standard rate of UK corporation tax of 19.25%¹ (2016: 20%) as shown below:

	2017 £	2016 £
Profit before tax	908	1,257
Expected tax charge	175	251
Tax charge for the year	175	251
Effective income tax rate	19.3%	20.0%

Note:

- In the Finance (No 2) Act 2015 the UK Government enacted a reduction in the UK corporation tax rate from 20% to 19% effective from 1 April 2017, and then, the Finance Act 2016 enacted a further reduction to 17% effective from 1 April 2020.

6. Current tax liabilities

	2017 £	2016 £
Per balance sheet:		
Current tax liabilities	175	251

7. Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment. There were no movements during the year.

	2017 £	2016 £
At 1 January and 31 December	7,012,938	7,012,938

Details of the Company's directly held subsidiary undertakings as at 31 December 2017 are as follows:

Name of subsidiary	Place of incorporation	Class of shares held	Proportion of voting power held	Principal activity
Green Flag Limited ¹	United Kingdom	Ordinary, Preferred Ordinary and Deferred	100%	Motor vehicle assistance
National Breakdown Recovery Club Limited ²	United Kingdom	Ordinary	100%	Dormant
Nationwide Breakdown Recovery Services Limited ²	United Kingdom	Ordinary	100%	Dormant

Notes:

- Registered office at: The Wharf, Neville Street, Leeds, LS1 4AZ.
- Registered office at: Churchill Court, Westmoreland Road, Bromley, BR1 1DP.

Notes to the financial statements, (continued)

For the year ended 31 December 2017

8. Loans and receivables

	2017 £	2016 £
Loans to related parties (note 12)	256,451	256,085

Loans and other receivables are neither past due nor impaired and are classified as unrated. All receivables from related parties are considered current. Loans are short-term in nature and repayable when required.

9. Borrowings

	2017 £	2016 £
Preferred Ordinary Shares issued to Green Flag Holdings Limited (note 11)	3,337	3,337

The Preferred Ordinary Shares were made up as follows:

	2017 £	2016 £
333,667 525% cumulative Preferred Ordinary Shares of 1p each	3,337	3,337

Preferred Ordinary Shares shall carry the right to a cumulative preferential dividend at the rate of 525% per annum (net of basic rate income tax) on the amount being paid up or credited as paid up on such shares. The shares shall rank for dividend in priority to any other shares of the Company. The holder of 333,334 Preferred Ordinary shares has waived its rights to dividends.

10. Loans and other payables

	2017 £	2016 £
Loans from related parties	-	291

11. Share capital

	2017 £	2016 £
Issued and fully paid:		
Equity shares		
1,000,000 Ordinary Shares of £1 each	1,000,000	1,000,000
1,000 Deferred Shares of £1 each	1,000	1,000
Total	1,001,000	1,001,000

The Company's issued and fully paid share capital is made up of 1,000,000 Ordinary Shares of £1 each amounting to £1,000,000 (2016: £1,000,000) and 1,000 Deferred Shares of £1 each amounting to £1,000 (2016: £1,000). The Company also has cumulative Preferred Ordinary Shares in issue which has been classified as borrowings (see note 9) in accordance with IAS 32 – 'Financial Instruments: Presentation'.

Rights

The rights attaching to the share capital of the Company are as follows:

Dividends

- Deferred Ordinary Shares shall not rank for dividend; and
- Ordinary Shares shall be entitled to the profits of the Company which it may from time to time determine to distribute in respect of any financial year or other period.

Voting rights

- Ordinary Shares are the only shares that entitle the holder thereof to receive notice of and to attend and to vote at meetings of the Company.

Notes to the financial statements (continued)

For the year ended 31 December 2017

11. Share capital (continued)**Winding up**

On a return of assets or liquidation, the assets, if any, remaining after the debts and liabilities of the Company and the costs of winding up have been paid or allowed for shall be applied:

- first to holders of Preferred Ordinary Shares the sum of £1 for each share;
- next to holders of Ordinary Shares the amounts paid up on such shares;
- next to holders of Ordinary Shares one million times the amounts paid up on such shares; and
- next to holders of Deferred Shares the amounts paid up on such shares.

The balance of such surplus assets shall belong to holders of Ordinary Shares.

See note 9 for further details on the rights attached to Preferred Ordinary Shares.

12. Related parties

As at 31 December 2017 the ultimate holding company was DLIG. The immediate parent company is Green Flag Holdings Limited. Both companies are incorporated in the United Kingdom and registered in England and Wales.

The following transactions were carried out with related parties, who are all members of the Group.

i. Investment return (note 3)

	2017 £	2016 £
Interest income from parent	366	-
Interest income from fellow subsidiaries	542	1,257
Total investment return	908	1,257

ii. Loans to related parties (note 8)

	2017 £	2016 £
Parent	253,114	-
Fellow subsidiaries	3,337	256,085
Total	256,451	256,085

Movements in loans to fellow subsidiaries were as follows:

	Amounts owed by parent		Amounts owed by fellow subsidiaries	
	2017 £	2016 £	2017 £	2016 £
At 1 January	-	-	256,085	254,828
Loans advanced during the year	253,290	-	-	-
Interest charged (note 3)	366	-	542	1,257
Settled in the year	(542)	-	(253,290)	-
At 31 December	253,114	-	3,337	256,085

Notes to the financial statements, (continued)

For the year ended 31 December 2017

12. Related parties (continued)

iii. Loans from related parties (note 10)

	2017 £	2016 £
Fellow subsidiaries	-	291

Movements in loans from fellow subsidiaries were as follows:

	2017 £	2016 £
At 1 January	291	-
Settled in the year	(291)	-
Tax paid by fellow subsidiary	-	291
At 31 December	-	291