

Registered number
04141453

Direct Solutions (GB) Limited

Directors' Report and Financial Statements
31 December 2011

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COMPANIES HOUSE

Company Information

Directors

PD Dobson
JE Morris
BJ Sweeney
TJ Whiting

Secretary

Steven Lloyd

Auditors

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Bankers

Lloyds TSB
City Office Branch
PO Box 72
Bailey Drive
Gillingham Business Park
Kent
ME8 0LS

Solicitors

Eversheds
70 Great Bridgewater Street
Manchester
M1 5ES

Registered office

Osprey House
Ore Close
Lyndale Business Park
Newcastle-under-Lyme
ST5 9QD

Registered number

04141453

Directors' Report

The directors present their report and audited financial statements for the year ended 31 December 2011

Principal activity and review of business

The principal activity of the Company is the provision of outsourced services to telecommunications companies

The profit and loss account for the year is set out on page 9

Business review

The company operates primarily in the telecommunications market and looks to add value to our business partners and customers by delivering exceptional levels of service

Our business offers hosting, management and despatch services to our business partner web sites as well as other web services and outbound sales capability

Our performance

The directors are pleased with the performance of the Company and the financial results for the year ended 31 December 2011 met with expectations

Our strategy

We will continue to drive the growth of the business by working with our existing partners to increase the amount of sales from existing activities as well as looking to enter into agreements with new business partners. The business constantly reviews our product and service offering to maximise the productivity and growth of our company

In all areas of our business our performance will be supported by operational excellence and driven by a flat organisational structure and real accountability at all levels

Our people

During the course of the financial year the business continued to strengthen its management with a number of internal and external appointments

Our people have driven the success of the business to date. We work hard to create a culture that gives clear accountability and responsibility and rewards performance. We are passionate in our dislike of bureaucracy and constantly work to remove hierarchy. Speed of decision making is critical to our success.

Our growth continues to create opportunities for existing and potential employees. During the last year our average employee numbers were 18.

We continuously listen to the views of our people through both informal feedback and more formal communications. We value our ability to listen to and act on this feedback.

Quality management

The business is founded on great people delivering well trained robust processes. This produces high customer satisfaction and thus repeat business. We continue to strive to develop leading edge quality management systems across all of our business activities to maximise the opportunity.

Directors' Report *(continued)*

Risk management

As the Company has grown, we have developed our policies and processes to accommodate business expansion. We actively seek to identify, mitigate and manage risk at all levels of our business. The Board has ultimate responsibility for risk management with support from a Risk Management and Internal Audit team.

The key areas of risk to our business are

- Attracting, retaining and developing quality people. We are committed to investing in recruitment, retention and development processes to produce quality staff that can maintain our position in the market place.
- Maintenance of strong relationships with key business partners. These relationships are monitored and controlled at the highest level of management in our business.
- Development of our information technology infrastructure. We continue to invest heavily in our IT to maintain its effectiveness, integrity and security.

Our Key Performance Indicators measure the four key drivers of our business: compliance to process, customer satisfaction, productivity and employee staff retention. Compliance and customer satisfaction are viewed as compulsory, whilst we work hard to maximise productivity and employee retention.

KPIs

Our business operates through close management of Key Performance Indicators, with clear accountability of these KPIs being held throughout the management structure. Our Key Performance Indicators measure our key drivers to success in our business.

• Financial

Our Key Financial Performance Indicators include turnover and EBITDA growth. 2011 saw turnover increase by 18% and EBITDA increased by 21%.

Health and safety

We are committed to meeting our health and safety requirements. With ever-changing regulation, and the growth of our business, we have continued to develop and maintain our health and safety monitoring and reporting systems.

Corporate and social responsibility

The Company has an excellent record as a responsible employer and continues to be committed to all levels of corporate responsibility. This includes widespread work supporting our nominated charities, employee activities and social and regulatory responsibility.

We donate resource to target issues specific to our industry, such as, the reduction of mobile phone crime and safe driving and take the risks associated with adult content seriously.

The disposal of mobile handsets is an increasing environmental issue for the industry and we are working with our partners to ensure efficient and responsible disposal and recycling for old phones.

Future outlook

We will continue to work with our network and partners to ensure we add maximum value to the business whilst exceeding the expectations of our customers.

Directors' Report *(continued)*

Policy and payment of creditors

The Company's policy is to agree terms of transactions, including payment terms, with suppliers and provided that suppliers perform in accordance with the agreed terms, it is the Company's normal practice that payment is made accordingly. At the year end there was 39 days purchases in trade creditors.

Directors

The directors of the Company at 31 December 2011 and at the date of this report, all of whom have been directors for the whole of the year, except where otherwise stated are listed below.

PD Dobson
JE Morns
BJ Sweeney
TJ Whiting

Directors' liabilities

Phosphorus Jersey Limited has indemnified one or more of the Company's directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and at the date of approving the directors' report.

Employment of disabled persons

The Company is an equal opportunity employer and accordingly has a policy of giving full and fair consideration to applications for employment from Registered Disabled People. In cases where disablement occurs whilst in service, Company policy is, wherever practicable, to continue employment and to arrange for any necessary re-training. Opportunities for training, career development and promotion apply equally across the group to disabled and non-disabled employees alike.

Employee involvement and participation

The Company's policy is to consult and discuss with employees, matters likely to affect employees' interests. Information on matters of concern to employees is given through team briefings, internal publications and notice boards which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report (*continued*)

Auditors

Pursuant to a shareholder's resolution, the Company is not obliged to reappoint its auditors annually and therefore KPMG LLP will continue in office

This report was approved by the board on 17 April 2012



S Lloyd
Company Secretary

Osprey House
Ore Close
Lyndale Business Park
Newcastle-under-Lyme
ST5 9QD

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Direct Solutions (GB) Limited

We have audited the financial statements of Direct Solutions (GB) Limited for the year ended 31 December 2011 set out on pages 9 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Direct Solutions (GB) Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



PN Meehan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

17th April 2012

**Profit and Loss Account
for the year ended 31 December 2011**

	Notes	2011 £	2010 £
Turnover		3,991,755	3,386,212
Cost of sales		(1,313,826)	(1,047,233)
Gross profit		<u>2,677,929</u>	<u>2,338,979</u>
Net operating expenses	2	(936,427)	(895,136)
Operating profit	3	<u>1,741,502</u>	<u>1,443,843</u>
Interest receivable and similar income	6	265,629	57,588
Profit on ordinary activities before taxation		<u>2,007,131</u>	<u>1,501,431</u>
Tax on profit on ordinary activities	7	(531,891)	(420,399)
Profit for the financial year	11	<u><u>1,475,240</u></u>	<u><u>1,081,032</u></u>

The notes on pages 11 to 15 are an integral part of these financial statements

All results for the years shown relate to continuing operations

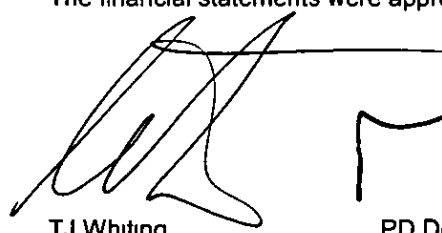
The Company has no recognised gains and losses in either the current or preceding years other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains or losses has been presented

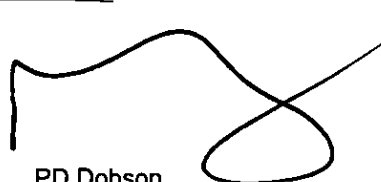
Balance Sheet
as at 31 December 2011

	Notes	2011 £	2010 £
Current assets			
Debtors	8	4,201,767	2,172,509
Due within one year		155,283	409,638
Due after more than one year		4,046,484	1,762,871
Cash at bank and in hand		941,860	1,302,606
		5,143,627	3,475,115
Creditors amounts falling due within one year	9	(851,856)	(658,584)
Net assets		<u>4,291,771</u>	<u>2,816,531</u>
Share capital and reserves			
Called up share capital	10	1	1
Profit and loss account	11	4,291,770	2,816,530
Equity shareholder's funds	12	<u>4,291,771</u>	<u>2,816,531</u>

The notes on pages 11 to 15 are an integral part of these financial statements

The financial statements were approved by the Board and signed on its behalf on 17 April 2012 by


 TJ Whiting
 Director


 PD Dobson
 Director

Registered number 04141453

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies

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

Basis of preparation

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

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's ultimate parent Phosphorus Jersey Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Phosphorus Jersey group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Phosphorus Jersey Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

The Company has taken advantage of the exemption conferred by s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group

The Company has throughout the year been part of larger groups whose ultimate parent companies are incorporated in Jersey and in England and Wales and publish their consolidated financial statements. Consequently, the Company is exempt under the terms of *FRS 1 Cash Flow Statements* from publishing a cash flow statement

As the Company is a wholly owned subsidiary of Phones4u Finance Plc, the Company has taken advantage of the exemption contained within *FRS 8 Related Party Disclosures* and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Phones4u Finance Plc, within which the Company is included, can be obtained from The Company Secretary, Phones4u Finance Plc, Osprey House, Ore Close, Lyndedale Business Park, Newcastle-under-Lyme, ST5 9QD

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting balances derived from revisions to accounting estimates are recognised in the period in which the estimate is revised and in all future periods affected

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the accounting policies for the following areas

- Turnover

Notes to the financial statements (continued)
for the year ended 31 December 2011

1 Accounting policies (continued)

Pension scheme

The Company contributes to a group-wide defined contribution pension scheme operated by Phones 4u Limited. The assets of the scheme are held separately from those of the Company in an independently administered fund. Pension costs are accounted for on the basis of contributions payable during the period.

Taxation

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

Deferred tax is recognised in full in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse.

Turnover

Turnover represents the amounts (excluding value added tax), derived from the provision of goods and services to customers. Sale of goods and services is recognised when contracted. Turnover is derived from the company's principal activities in the United Kingdom.

2 Net operating expenses

	2011 £	2010 £
Administrative expenses	936,427	895,136

3 Operating profit

	2011 £	2010 £
This is stated after charging		
Operating lease rentals - plant and machinery	26,988	36,671
Auditor's remuneration		
Audit of these financial statements	5,000	5,000

Amounts receivable by the Company's auditors in respect of services to the Company and its associates, other than the audits of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Phosphorus Jersey Limited. The information is also provided in the consolidated financial statements of the Company's intermediate parent company, Phones4u Finance Plc.

Notes to the financial statements (continued)
for the year ended 31 December 2011

4 Directors' remuneration

No director received or waived any emoluments for services to the Company during either year presented in these financial statements

TJ Whiting, PD Dobson, BJ Sweeney and JE Morns were directors of other group companies as at the year end and during their term as director of this company. Their awards for the services to the group are disclosed in the financial statements of the other group companies.

All serving directors benefited from qualifying third party indemnity provisions purchased by Phosphorus Jersey Limited.

5 Staff costs

	2011 £	2010 £
Wages and salaries	412,019	391,573
Social security costs	30,147	32,694
	<u>442,166</u>	<u>424,267</u>
	2011 Number	2010 Number
Average number of employees during the year		
Management and supervision	1	1
Other	17	20
	<u>18</u>	<u>21</u>

6 Interest receivable and similar income

	2011 £	2010 £
On group loans	253,703	42,660
Bank interest	11,926	14,928
	<u>265,629</u>	<u>57,588</u>

7 Taxation

(a) Analysis of profit and loss account charge

	2011 £	2010 £
Current tax		
UK corporation tax charge on profits for the year	531,891	420,399
Total current tax charge	<u>531,891</u>	<u>420,399</u>

(b) Reconciliation of the expected tax charge at the standard rate to the actual tax charge at the effective rate

The current tax charge for the year is the same as (2010 same as) the standard rate of corporation tax 26.5% (2010 28%)

Notes to the financial statements (continued)
for the year ended 31 December 2011

7 Taxation (continued)

(c) Factors that may affect future current and total tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012. This will reduce the Company's future current tax charge accordingly.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Company's future current tax charge accordingly.

8 Debtors

	2011 £	2010 £
Owed by group undertakings	4,138,692	1,778,728
Prepayments and accrued income	63,075	393,781
	<u>4,201,767</u>	<u>2,172,509</u>

Debtors include amounts owed by group undertakings of £4,046,000 (2010 1,763,000) which are due after more than one year.

9 Creditors amounts falling due within one year

	2011 £	2010 £
Trade creditors	193,830	10,198
Amounts owed to group undertakings	71,130	147,415
Corporation tax	283,510	224,281
Other taxes and social security	241,886	174,355
Accruals and deferred income	61,500	102,335
	<u>851,856</u>	<u>658,584</u>

10 Called up Share Capital

	2011 Number	2011 £	2010 Number	2010 £
Authorised				
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

11 Profit and loss reserve

	2011 £	2010 £
At beginning of year	2,816,530	1,735,498
Profit for the financial year	1,475,240	1,081,032
At end of year	<u>4,291,770</u>	<u>2,816,530</u>

Notes to the financial statements (*continued*)
for the year ended 31 December 2011

12 Reconciliation of movement in shareholder's funds

	2011 £	2010 £
Profit for the financial year	1,475,240	1,081,032
Net addition to shareholder's funds	1,475,240	1,081,032
Opening shareholder's funds	2,816,531	1,735,499
Closing shareholder's funds	<u>4,291,771</u>	<u>2,816,531</u>

13 Contingent Liabilities

The Company is party to unlimited multilateral guarantees in respect of the group overdraft facility. The aggregate amount of group borrowing subject to this cross guarantee is £437,360,000 (2010 £259,114,000)

14 Related party transactions

The Company is controlled by Phones 4u Limited, a company registered in England and Wales, through it holding 100% of the Company's issued share capital. The ultimate controlling party is Phosphorus Jersey Limited, a company registered in Jersey, through its ability to dominantly influence the financial and operational policies of the Company.

All of the Company's related party transactions were with other companies within the Phones4u Finance Plc group. Such transactions fall within the exemption claimed in note 1.

15 Ultimate parent undertaking

At the balance sheet date, the directors regard Phosphorus Jersey Limited, a company registered in Jersey, as the ultimate parent company.

The largest group in which the results of the Company are consolidated is that headed by Phosphorus Jersey Limited, incorporated in Jersey. The smallest group into which they are consolidated is headed up by Phones4u Finance Plc, a company registered in England and Wales. Copies of the ultimate parent's consolidated financial statements may be obtained from The Company Secretary, Phosphorus Jersey Limited, 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands.