

WEDNESDAY



AEG17RXH

A19

08/08/2007

289

DX 14304 MANCHESTER
Ref 53220/120026

The assistance is for the purpose of ~~£100,000,000~~ [reducing or discharging a liability incurred for the purpose of that acquisition] † (note 1)

Please do not write in this margin

Please complete legibly, preferably in black type, or bold block lettering

The number and class of the shares acquired or to be acquired is SEE ANNEXURE 2

The assistance is to be given to (note 2) Direct Group Investment Limited (Company Number 5433486)
("Previous Purchaser")

The assistance will take the form of

The execution by the Relevant Subsidiary of

- (a) the Senior Facilities Agreement,
- (b) the Business Overdraft Facility Letter,
- (c) the Intercreditor Deed,
- (d) the Debenture,
- (e) the Intra-Group Loan Agreement,
- (f) the CAS Overdraft Facility Letter,
- (g) the CAS Guarantee, and
- (h) the CAS 2000,

(as the same may be amended, varied, supplemented or substituted from time to time) and the Relevant Subsidiary complying with and fulfilling its obligations thereunder

The person who [has acquired] ~~£100,000,000~~ † the shares is
The Previous Purchaser

† delete as appropriate

The principal terms on which the assistance will be given are

SEE ANNEXURE 3

The amount (if any) by which the net assets of the company which is giving the assistance will be reduced by giving it is Nil

The amount of cash to be transferred to the person assisted is £ SEE ANNEXURE 4

The value of any asset to be transferred to the person assisted is £ SEE ANNEXURE 4

**Please complete
legibly, preferably
in black type, or
bold block lettering**

~~X~~We have formed the opinion, as regards this company's initial situation immediately following the date on which the assistance is proposed to be given, that there will be no ground on which it could then be found to be unable to pay its debts (note 3)

* delete either (a) or (b) as appropriate

[illegible]

Declared at 101 BARBIROLLI SQUARE
MANCHESTER

27

before me _____

NOTES

- The Registrar of Companies**
Companies House
Crown Way
Cardiff
CF14 3UZ

The Registrar of Companies
Companies House
37 Castle Terrace
Edinburgh
EH1 2EB

Company Number: 4513083

DIRECT GROUP HOLDINGS LIMITED

ANNEXURES TO FORM 155(6)b

ANNEXURE 1

| | |
|---------|---|
| Name | Scott William Hough |
| Address | Flat 93 The Edge Clowes Street Manchester M3 5ND |

| | |
|---------|--|
| Name | Derek Coles |
| Address | Alderholt Mill Farm Sandleheath Road Alderholt Fordingbridge Hampshire SP6 2EG |

DIRECT GROUP HOLDINGS LIMITED

ANNEXURES TO FORM 155(6)b

ANNEXURE 2

104,289 ordinary A shares of £1 00 each, 6,000 ordinary B shares of £0 01 each, 5,000 ordinary C shares of £0 01 each, 5,698,000 preference shares of £1 00 each, 82,181 preferred ordinary shares of £1 00 each and 2,400 ordinary D shares of £0 01 each in the capital of the Company

DIRECT GROUP HOLDINGS LIMITED

ANNEXURES TO FORM 155(6)b

ANNEXURE 3

Unless otherwise defined in this form 155(6)b or annexure 5, each defined term in this annexure 3 shall have the meaning as set out in the document to which it relates

The principal terms on which the assistance is given are as follows

1. The Senior Facilities Agreement

Pursuant to the terms of the Senior Facilities Agreement, the Original Lenders will provide to the Purchaser, inter alia, a term loan facility for funding the Acquisition, it being noted that the Senior Facilities Agreement contained rights of set-off in favour of the Original Lenders and the Relevant Subsidiary will amongst other things

1.1 irrevocably and unconditionally jointly and severally (with each other Guarantor)

1.1.1 guarantee to each Finance Party punctual performance by each other Obligor of all that Obligor's obligations under the Finance Documents,

1.1.2 undertake with each Finance Party that whenever another Obligor does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor, and

1.1.3 indemnify each Finance Party immediately on demand against any cost, loss or liability suffered by that Finance Party if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which that Finance Party would otherwise have been entitled to recover

1.2 give various representations, warranties, undertakings and indemnities to the Finance Parties and agree to pay certain costs fees and expenses to the Finance Parties

2. The Ancillary Facility Documents

Pursuant to the terms of the Business Overdraft Facility Letter and the CAS Overdraft Facility Letter, Barclays shall provide, inter alia, working capital facilities to, inter alia, the Purchaser and the Company

3. The CAS Guarantee

Pursuant to the terms of the CAS Guarantee the Relevant Subsidiary

(a) irrevocably and unconditionally jointly and severally (with each other Participant) guarantee to the Bank the payment to the Bank by each other Participant all that Participant's Indebtedness to the Bank, and

- (b) give various representations, warranties, undertakings and indemnities to the Bank and agree to pay certain costs fees and expenses to the Bank

4. CAS 2000

Under the terms of the CAS 2000, the Relevant Subsidiary will, amongst other things

- (a) irrevocably authorise the Bank to pay and apply all or part of any money standing to the credit of any Account of the Relevant Subsidiary in or towards discharge of all or any part of any Indebtedness owed by any Participant to the Bank, and
- (b) give various representations, warranties, undertakings and indemnities to the Bank and agree to pay certain costs fees and expenses to the Bank

5. The Intercreditor Deed

By executing the Intercreditor Deed the Relevant Subsidiary will, amongst other things

- 5 1 acknowledge the arrangements made between the Finance Parties and the Investors which regulate the ability of the Relevant Subsidiary to make payments to those parties and the priorities between the parties,
- 5 2 agree that intercompany debts are postponed and subordinated to the liabilities owed by the Obligors to the Finance Parties, and
- 5 3 give various representations, warranties, undertakings, covenants and indemnities and agree to pay certain costs, fees and expenses to the Finance Parties

6. The Debenture

Pursuant to the terms of the Debenture, the Relevant Subsidiary will amongst other things

- 6 1 covenant with the Security Trustee to pay or discharge all or any monies and liabilities which shall from time to time be due, owing or incurred to the Security Beneficiaries by the Relevant Subsidiary under the Finance Documents, on the due date and in the manner provided in the relevant Finance Document,
- 6 2 create in favour of the Security Trustee fixed and floating charges and/or assigns to the Security Trustee all its assets and undertaking both present and future by way of security for all the Relevant Subsidiary's liabilities to the Security Beneficiaries (more fully described as the Secured Liabilities as such term is defined in the Debenture) which could be used to discharge liabilities incurred by the Purchaser for the purpose of the Acquisition, and
- 6 3 execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Trustee may reasonably specify (and in such form as the Security Trustee may reasonably require in favour of the Security Trustee or its nominee(s))
 - 6 3 1 to create and perfect the Security created or intended to be created under or evidenced by the Security Documents or for the exercise of any rights, powers and remedies of the Security Trustee or the Finance Parties provided by or pursuant to the Finance Documents or by law,
 - 6 3 2 to confer on the Security Trustee or confer on the Finance Parties Security over any property and assets of the Relevant Subsidiary located in any jurisdiction equivalent or similar to the Security intended to be conferred by or pursuant to the Security Documents

7. The Intra-Group Loan Agreement

Pursuant to the terms of the Intra-Group Loan Agreement, the Relevant Subsidiary could be required to provide funds to enable, inter alia, the Previous Purchaser and any other Obligor to meet its obligations under or in connection with the Finance Documents and agrees to use reasonable endeavours to meet any shortfall in the working capital requirements of, inter alia, the Previous Purchaser

In entering into the various documents referred to above the Relevant Subsidiary is entering into obligations and assuming liabilities and giving security in connection with reducing or discharging a liability incurred in connection with the previous acquisition of shares in the Company

Company Number: 4513083

DIRECT GROUP HOLDINGS LIMITED

ANNEXURES TO FORM 155(6)b

ANNEXURE 4

The amount of cash to be transferred to the person assisted is up to a maximum amount of £52,000 pursuant to the terms of the Intra Group Loan Agreement

All capitalised terms have the meaning given in Annexure 5 to this Form 155(6)b

DIRECT GROUP HOLDINGS LIMITED

ANNEXURES TO FORM 155(6)b

ANNEXURE 5

Unless otherwise defined in this form 155(6)b, each defined term in this annexure 5 shall have the same meaning as set out in the documents to which it relates

In this Form 155(6)b, and all its annexures, the following terms shall have the following meanings

"Barclays" means Barclays Bank PLC,

"Business Overdraft Facility Letter" means the letter to be addressed to the Parent from Barclays pursuant to which Barclays agrees to provide to the Overdraft Companies an overdraft facility of up to £500,000 and ancillary facilities of up to £4,350,000,

"CAS Overdraft Facility Letter" means the letter to be addressed to the Parent and signed by the Overdraft Companies from Barclays which sets out the terms of the £500,000 overdraft facility which Barclays agrees to provide to the Overdraft Companies pursuant to the terms of the Business Overdraft Facility Letter

"CAS Cross Guarantee" means the cross guarantee to be entered into by the Overdraft Companies in favour of Barclays pursuant to which each of the Overdraft Companies guarantees the obligations of the other Overdraft Companies pursuant to the CAS 2000, Business Overdraft Facility Letter and CAS Overdraft Facility Letter

"CAS 2000" means the CAS 2000 master agreement to be entered into between the Overdraft Companies and Barclays which sets out certain terms relating to the provision of the overdraft facilities more specifically detailed in the Business Overdraft Facility Letter and CAS Overdraft Facility Letter by the Bank to the Overdraft Companies

"Company" has the meaning ascribed thereto on page 1 of this Form 155(6)a,

Debenture means a debenture to be given by the Parent, the Previous Purchaser and certain of the Previous Purchaser's subsidiaries (including the Relevant Subsidiary) in favour of the Security Trustee pursuant to which the Company grants fixed and floating charges over its assets and undertaking in order to secure the Secured Obligations (as defined in the Debenture),

"Group" means at any time the Parent and its Subsidiaries, including, without limitation, the Company and the Relevant Subsidiary and **"Group Company"** means any of them,

"Intercreditor Deed" means the intercreditor deed to be made between the Parent, the other Obligor (including the Relevant Subsidiary), the Security Trustee, the Agent, the Arranger the Original Lenders, the Original Ancillary Lender, the Original Hedge Counterparty, the Investor Loan Note Holders, the parties to the Company Intra-Group Loan Agreement, the Investors and the shareholders of the Purchaser,

"Intra-Group Loan Agreement" means the intra group loan agreement to be made between Direct Group Investment Limited, the Company, the Relevant Subsidiary and Direct Group Property Services Limited as lenders (1) the Parent, Direct Group Investment Limited, the Company, the Relevant Subsidiary and Direct Group Property Services Limited as borrowers (2) for the provision of loan facilities to be made available by the lenders to the borrowers,

"Overdraft Companies" means the Parent, the Previous Purchaser, the Company, Direct Group Limited and Direct Group Property Services Limited,

"Previous Acquisition" means the acquisition of the whole of the issued share capital of the Company by the Previous Purchaser,

"Previous Purchaser" has the meaning ascribed thereto on page 2 of this Form 155(6)a,

"Parent" means Direct Newco Limited (registered in England and Wales with company number 6290469),

"Senior Facilities Agreement" means the facilities agreement to be entered into between the Parent, the Company and others (including the Relevant Subsidiary) as Original Guarantors, Barclays Leveraged Finance as Arranger, certain financial institutions as Original Lenders and Barclays Bank PLC as Original Ancillary Lender, Original Hedge Counterparty, Agent and Security Trustee under which the Lenders agree to make available to the Parent term loans,

"Subsidiary" means

- (i) a subsidiary as defined in Section 736 of the Companies Act 1985, and
- (ii) a subsidiary undertaking as defined in Section 258 and Schedule 10A of the Companies Act 1985



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1 The Embankment
Neville Street
Leeds LS1 4DW
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Private & confidential

The Directors
Direct Group Holdings Limited
Direct House
4 Sidings Court
White Rose Way
Doncaster
DN4 5NU

Our ref ko/lc

2 August 2007

Dear Sirs

Auditors' report to the directors of Direct Group Holdings Limited ("the Company") pursuant to Section 156(4) of the Companies Act 1985

We have examined the attached statutory declaration of the directors dated 2 August 2007 in connection with the proposal that Direct Group Limited, of which the Company is a direct holding company, should give financial assistance in connection with the reducing or discharging liabilities incurred in connection with the acquisition of the entire issued share capital of the Company

This report is made solely to the Company's directors as a body in accordance with section 156(4) of the Companies Act 1985. Our work has been undertaken so that we as the Company's auditors might state to the Company's directors those matters we are required to state to them in a report under section 156(4) of that Act 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 directors as a body for our work under section 156(4) of that Act or for this report

We have enquired into the state of the Company's affairs in order to review the bases for the statutory declaration

We are not aware of anything to indicate that the opinion expressed by the directors in their declaration as to any of the matters mentioned in Section 156(2) of the Companies Act 1985 is unreasonable in all the circumstances

Yours faithfully

KPMG Audit Plc

KPMG Audit Plc
Registered Auditor



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Yours faithfully

KPMG Audit Plc

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Registered Auditor