Direct Group Holdings Limited

Directors' report and financial statements

Registered number 4513083

For the year ended 31 January 2012

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2012

Principal activities

Direct Group Holdings Limited is an intermediate holding company

Business review

The company generated an operating profit of £nil (2011 £nil) and a loss for the financial year of £796,000 (2011 £796,000)

Directors

The directors who held office during the year were as follows

DJ Coles

SW Hough

CA Mason

Political and charitable contributions

The company made no political donations (2011 £nil) or charitable contributions (2011 £nil) during the year

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the board

DJ Coles
Director

Direct House
4 Sidings Court
White Rose Way
Doncaster
DN4 5NU

5 July 2012

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 judgments 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 its 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

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

Independent auditor's report to the members of Direct Group Holdings Limited

We have audited the financial statements of Direct Group Holdings Limited for the year ended 31 January 2012 set out on pages 4 to 12 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 2, 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 website 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 January 2012 and of its loss 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

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

NJ Hillyard (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

1 The Embankment
Neville Street
Leeds
LS1 4DW

5 July 2012

Profit and loss account
for the year ended 31 January 2012

	Notes	**2012 £000**	2011 £000
Turnover and gross profit	*1*	-	-
Administrative expenses		-	-
Operating profit		-	-
Other interest receivable and similar income		-	-
Interest payable and similar charges	*5*	**(796)**	(796)
Loss on ordinary activities before taxation	*2*	**(796)**	(796)
Tax on loss on ordinary activities	*6*	-	-
Loss for the financial year	*10*	**(796)**	(796)

The profit and loss account has been prepared on the basis that all operations are continuing operations

The notes on pages 7 to 12 form an integral part of these financial statements

There are no differences between the loss for the financial year reported above and the total recognised gains and losses relating to the financial year

..ce sheet
at 31 January 2012

	Notes	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Investments	7		23,800		23,800
Current assets					
Debtors		-		-	
Creditors. amounts falling due within one year	8	(19,657)		(18,861)	
Net current liabilities			(19,657)		(18,861)
Net assets			4,143		4,939
Capital and reserves					
Called up share capital	9		6,185		6,185
Share premium account	10		13		13
Profit and loss account	10		(2,055)		(1,259)
Total shareholders' funds			4,143		4,939

The notes on pages 7 to 12 form an integral part of these financial statements

These financial statements were approved by the board of directors on 5 July 2012 and were signed on its behalf by

CA Mason

CA Mason
Director

Registered number 4513083

Reconciliation of movements in shareholders' funds
for the year ended 31 January 2012

	2012 £000	2011 £000
Loss for the financial year	**(796)**	(796)
Ordinary share capital issued	-	300
Net reduction in shareholders' funds	**(796)**	(496)
Opening shareholders' funds	**4,939**	5,435
Closing shareholders' funds	**4,143**	4,939

ıg part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

The company is exempt by virtue of 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

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As all of the company's voting rights are controlled within the group headed by Direct Newco Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Direct Newco Limited, within which this company is included, can be obtained from the address in note 12

Going concern

The directors have closely monitored financial performance throughout the year Regular forecasts and analysis carried out to facilitate current business opportunities have enabled the directors to confirm (using the principles contained within the Financial Reporting Council Paper entitled "Going Concern and Liquidity Risk") that the company has sufficient facilities for the financial statements to be prepared on a going concern basis

Fixed asset investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment

Impairment policy

Provisions are calculated based on the fair values of the business based on discounted cash flows The investments are deemed to be impaired if there is an excess of the carrying value over the recoverable amount Impairment is recognised in the profit and loss account in the year in which it occurs Impairment reviews are carried out when there is an indication that impairment has occurred

Taxation

The charge for taxation is based on the profit/(loss) 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 without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Deferred tax assets and liabilities are calculated at the tax rate expected to be effective at the time the timing differences are expected to reverse

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

Notes *(continued)*

1 Accounting policies *(continued)*

***Classification of financial instruments issued by the company** (continued)*

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

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 shareholders' funds (see dividend policy) are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Interest receivable and payable

Interest receivable and payable is recognised in the profit and loss account on an accruals basis If the collection of interest is considered doubtful, it is suspended and excluded from interest income in the profit and loss account

Dividends

Dividends payable or receivable are accounted for in the period in which the company is liable to pay or receive them

Dividends payable are treated as a charge on reserves and accounted for through the reconciliation of movements in shareholders' funds Dividends received are treated as a credit to the profit and loss account within the heading 'other interest receivable and similar income'

2 Notes to the profit and loss account

Auditors' remuneration of £3,000 (2011 £3,000) in the current year was borne by another group company on behalf of the company Fees paid for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated accounts of the company's ultimate parent undertaking, Direct Newco Limited, are required to disclose non-audit fees on a consolidated basis

3 Remuneration of directors

The company paid for no directors' remuneration (2011 £nil) None of the directors had any pension benefits provided by the company (2011 £nil) All of the current directors are also directors of Direct Newco Limited, the company's ultimate parent undertaking, and do not specifically receive any remuneration in respect of their services to the company Accordingly disclosure regarding their total emoluments can be found in the financial statements of that company

Notes *(continued)*

4 Staff numbers and costs

There are no direct employees of the company Staff costs are borne by another group company on the company's behalf Full disclosure regarding employees can be found in the financial statements of Direct Newco Limited

5 Interest payable and similar charges

	2012 £000	2011 £000
On all other loans	**796**	796

6 Taxation

	2012 £000	2011 £000
UK corporation tax @ 26 3% (2011 28 0%)		
Current tax on income for the year	-	-
	-	-

The current tax charge for the year is higher (2011 higher) than the standard rate of corporation tax in the UK (26 3%, 2011 28 0%) The differences are explained below

	2012 £000	2011 £000
Loss on ordinary activities before tax	**(796)**	(796)
Current tax at 26 3% (2011 28 0%)	**(209)**	(223)
Effects of		
Surrender of group tax losses	**209**	223
Total current tax charge (see above)	-	-

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce from 26% to 22% by 1 April 2014 A reduction in the UK corporation tax rate from 26% to 25% was initially enacted on 5 July 2011 and was expected to be effective from 1 April 2012 However, after the Budget on 21 March 2012 it was announced that the rate will decrease from 26% to 24% on 1 April 2012 instead, though this rate was not enacted at the company's year end

Notes *(continued)*

7 Fixed asset investments

Investments in group undertakings	**Investments in group undertakings £000**
Cost and net book value	
At beginning and end of year	23,800

The company holds 100% of the ordinary share capital of the following group undertakings, all of which were incorporated in England and Wales

	Status and principal activity	*Holding*
Direct Group Limited	Trading – Insurance Service Provider	100% Direct
Direct Group Property Services Limited	Trading – Household Insurance Service Provider	100% Indirect
Direct Creditor Administration Limited	Dormant	100% Indirect
Direct Warranty Administration Limited	Dormant	100% Indirect
Direct Finance & Insurance Services Limited	Dormant	100% Indirect

8 Creditors

	2012 £000	2011 £000
Amounts falling due within one year		
Amounts owed to group undertakings	**19,657**	18,861

Loan note interest

On 28 October 2002, the company entered into a £8,802,000 Unsecured Series A Loan Note Instrument 2010 This intra-group loan has been continued since maturity during the year on the same terms, with no planned term of expiry The interest on the loan notes was a fixed rate of 8% of which 4% was paid and 4% was capitalised on to the loan note balance, prior to the loan notes being acquired by Direct Group Investment Limited on 5 July 2005 After this date interest on the loan note balance at a fixed rate of 8% continued to accrue with none being paid, resulting in a loan note obligation of £15,188,388 (2011 £14,392,490) to Direct Group Investment Limited as at 31 January 2012

9 Called up share capital

	2012 £	2011 £
Allotted, called up and fully paid		
Preferred ordinary shares of £1 each	**82,181**	82,181
A ordinary shares of £1 each	**104,289**	104,289
B ordinary shares of £0 01 each	**60**	60
C ordinary shares of £0 01 each	**50**	50
D ordinary shares of £0 01 each	**24**	24
Ordinary shares of £1 each	**5,998,000**	5,998,000
	6,184,604	6,184,604

Notes *(continued)*

9 Called up share capital *(continued)*

Preferred ordinary shares of £1 each

On a return of capital on winding up, or otherwise, the preferred ordinary shares participate pari passu with the ordinary, A, B, C and D ordinary shares

The preferred ordinary shares carry one vote per share

A ordinary shares of £1 each

On a return of capital on winding up, or otherwise, the A ordinary shares participate pari passu with the ordinary, preferred, B, C and D ordinary shares

The A ordinary shares carry one vote per share

B and C ordinary shares of £0.01 each

On a return of capital on winding up, or otherwise, the B and C ordinary shares participate pari passu with the ordinary, preferred, A and D ordinary shares

The B and C ordinary shares carry no voting rights

D ordinary shares of £0.01 each

On sale to exchange the D ordinary shares rank pari passu with the ordinary, preferred, A, B and C ordinary shares

The D ordinary shares carry no voting rights

Ordinary shares of £1 each

On a return of capital on winding up, or otherwise, the ordinary shares participate pari passu with the preferred, A, B, C and D ordinary shares

The ordinary shares carry no voting rights

10 Share premium and reserves

	Profit and loss account £000	Share premium account £000
At beginning of year	(1,259)	13
Retained loss for the year	(796)	-
At end of year	**(2,055)**	**13**

Notes *(continued)*

11 Commitments

The company did not have any capital or financial commitments as at 31 January 2012 and 31 January 2011

12 Ultimate parent company

The company is a subsidiary undertaking of Direct Group Investment Limited, incorporated in England and Wales

The largest group in which the results of the company are consolidated is that headed by Direct Newco Limited, incorporated in England and Wales The consolidated accounts of this group are available to the public and may be obtained from Direct House, 4 Sidings Court, Doncaster, DN4 5NU