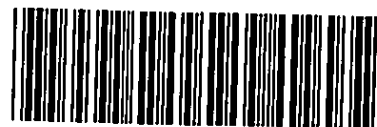


**Direct Group Investment Limited**

**Directors' report and financial  
statements**

**Registered number 5433486  
For the year ended 31 January 2011**

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## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	3
Independent auditors' report to the members of Direct Group Investment Limited	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movements in shareholders' funds	7
Notes to the financial statements	8-14

## **Directors' report**

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

### **Principal activities**

Direct Group Investment Limited is an intermediate holding company

### **Business review**

The company generated an operating profit of £nil (2010 £nil) and a loss for the financial year of £1,935,000 (2010 £1,976,000)

### **Disposal of subsidiary**

As part of a group reorganisation on 31 January 2011 the company sold its entire shareholding in Direct Group Property Services Limited to Direct Group Holdings Limited, in exchange for 300,000 £1 shares in Direct Group Holdings Limited

### **Going concern**

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £1,902,000, which the Directors believe to be appropriate due to the support provided by the company's ultimate parent company, Direct Newco Limited. The company is dependent for its working capital on funds provided to it by Direct Newco Limited, and this entity has indicated it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available

### **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 (2010 £nil) or charitable contributions (2010 £nil) during the year

## **Directors' report** *(continued)*

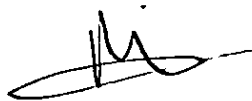
### **Disclosure of information to auditors**

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

14 July 2011

## **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 its profit or loss 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 auditors' report to the members of Direct Group Investment Limited**

We have audited the financial statements of Direct Group Investment Limited for the year ended 31 January 2011 set out on pages 5 to 14. 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 auditors' 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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](http://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 2011 and of the company's 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 matters 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



**Karen T Orr (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
*Chartered Accountants*

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

14 July 2011

**Profit and loss account**  
*for the year ended 31 January 2011*

	<i>Notes</i>	<b>2011 £000</b>	<b>2010 £000</b>
Turnover and gross profit	<i>1</i>	-	-
Administrative expenses		-	-
<b>Operating profit</b>		<u>-</u>	<u>-</u>
Other interest receivable and similar income	<i>5</i>	796	796
Interest payable and similar charges	<i>6</i>	(2,731)	(2,772)
<b>Loss on ordinary activities before taxation</b>	<i>2</i>	<u>(1,935)</u>	<u>(1,976)</u>
Tax on loss on ordinary activities	<i>7</i>	-	-
<b>Loss for the financial year</b>		<u><u>(1,935)</u></u>	<u><u>(1,976)</u></u>

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

The notes on pages 8 to 14 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

**Balance sheet**  
*at 31 January 2011*

	Notes	2011 £000	2011 £000	2010 £000	2010 £000
<b>Fixed assets</b>					
Investments	8		39,232		39,232
<b>Current assets</b>					
Debtors	9	6,964		6,168	
Cash at bank and in hand		.		-	
		<u>6,964</u>		<u>6,168</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(48,098)</u>		<u>(45,367)</u>	
<b>Net current liabilities</b>			(41,134)		(39,199)
<b>Net (liabilities)/assets</b>			<u>(1,902)</u>		<u>33</u>
<b>Capital and reserves</b>					
Called up share capital	12		1,230		1,230
Profit and loss account	13		(3,132)		(1,197)
<b>Total shareholders' (deficit)/funds</b>			<u>(1,902)</u>		<u>33</u>

The notes on pages 8 to 14 form an integral part of these financial statements

These financial statements were approved by the board of directors on 14 July 2011 and were signed on its behalf by



**CA Mason**  
Director



**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 January 2011*

	2011 £000	2010 £000
Loss for the financial year and net reduction in shareholders' funds	(1,935)	(1,976)
Opening shareholders' funds	33	2,009
Closing shareholders' (deficit)/funds	<u>(1,902)</u>	<u>33</u>

## Notes

*(forming 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 has net liabilities as at 31 January 2011. As a result of a letter of support from the company's parent, Direct Newco Limited, these financial statements have been prepared on a going concern basis

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 15

#### ***Going concern***

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £1,902,000, which the directors believe to be appropriate for the following reasons

The company is dependent for its working capital on funds provided to it by Direct Newco Limited, the company's ultimate parent. Direct Newco Limited has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

#### ***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

## Notes (continued)

### 1 Accounting policies (continued)

#### *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
- 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 receivable 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 in the current year of £3,000 (2010 £3,000) 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

**Notes** *(continued)*

**3 Remuneration of directors**

	2011 £000	2010 £000
Directors' emoluments	-	-

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £nil (2010 £nil) and company pension contributions of £nil (2010 £nil) were made on his behalf

**4 Staff numbers and costs**

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	2011 Nº	2010 Nº
Directors	-	-

Staff costs are borne by another group company on the company's behalf

**5 Other interest receivable and similar income**

	2011 £000	2010 £000
Other interest	796	796

**6 Interest payable and similar charges**

	2011 £000	2010 £000
On bank loans and overdrafts	-	41
On all other loans	2,731	2,731
	<u>2,731</u>	<u>2,772</u>

## Notes (continued)

### 7 Taxation

	2011 £000	2010 £000
<i>UK corporation tax @ 28% (2010 28%)</i>		
Current tax on income for the year	-	-
	<u>-</u>	<u>-</u>

The current tax charge for the year is lower (2010 lower) than the standard rate of corporation tax in the UK (28%, 2010 28%) The differences are explained below

	2011 £000	2010 £000
Loss on ordinary activities before tax	<u>(1,935)</u>	<u>(1,976)</u>
Current tax at 28% (2010 28%)	(542)	(553)
<i>Effects of</i>		
Utilisation of group tax losses	542	405
Losses carried forward	-	148
<b>Total current tax charge (see above)</b>	<u>-</u>	<u>-</u>

### 8 Fixed asset investments

Shares in group undertakings	2011 £000	2010 £000
<i>Cost and net book value</i>		
At beginning of year	39,232	39,232
Additions	300	-
Disposals	(300)	-
<b>At end of year</b>	<u>39,232</u>	<u>39,232</u>

## Notes (continued)

### 8 Fixed asset investments (continued)

As part of a group reorganisation on 31 January 2011 the company sold its entire shareholding in Direct Group Property Services Limited to Direct Group Holdings Limited in exchange for £300,000 of new share capital in Direct Group Holdings Limited. As part of the same reorganisation exercise, Direct Group Property Services Limited was subsequently sold by Direct Group Holdings Limited to Direct Group Limited, also on 31 January 2011, in a share for share exchange.

By virtue of the provisions within s611 of the Companies Act 2006, no share premium was recognised on the sale of Direct Group Property Services Limited within these financial statements. Similarly, no profit or loss was recognised on the sale of Direct Group Property Services Limited within these financial statements.

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

	<i>Status and principal activity</i>	<i>Holding</i>
Direct Group Holdings Limited	Intermediate holding company	100% Direct
Direct Group Limited	Trading – Insurance Service Provider	100% Indirect
Direct Group Property Services Limited	Trading – Household Insurance Service Provider	100% Indirect
Millennium Insurance Brokers Limited	Trading – Insurance Broker	100% Direct
Direct Creditor Administration Limited	Dormant	100% Indirect
Direct Warranty Administration Limited	Dormant	100% Indirect
Direct Finance & Insurance Services Limited	Dormant	100% Indirect

### 9 Debtors

	2011 £000	2010 £000
Amounts due from group undertakings	<u>6,964</u>	<u>6,168</u>

### 10 Creditors

	2011 £000	2010 £000
Amounts falling due within one year		
Amounts owed to group undertakings	<u>48,098</u>	<u>45,367</u>

#### Other loan interest

On 3 August 2007 the company received a £37,749,000 loan from Direct Newco Limited. The interest on the loan was a fixed rate of 7%, with none being paid, resulting in a loan obligation of £46,997,546 (2010 £44,355,094) to Direct Newco Limited as at 31 January 2011.

On 2 June 2008 Direct Newco Limited paid cash consideration of £1,266,668 for the purchase of Millennium Insurance Brokers Limited before the company was hived down to Direct Group Investment Limited on the same date. The interest on this loan was a fixed rate of 7%, with none being paid, resulting in an obligation of £236,445 (2010 £147,778) to Direct Newco Limited as at 31 January 2011.

#### Interest rate hedging

At 31 January 2009, the company held an interest rate structured collar at a cap of 5.25% and a floor of 4.07%. This instrument was discharged on 1 October 2009.

## Notes (continued)

### 11 Deferred tax

	2011 £000	2010 £000
At beginning of year	-	-
Charge to the profit and loss for the year	-	-
At end of year	<u>-</u>	<u>-</u>

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

	2011 Recognised £000	2011 Not recognised £000	2010 Recognised £000	2010 Not recognised £000
Losses	<u>-</u>	<u>(142)</u>	<u>-</u>	<u>(148)</u>
Deferred tax asset	<u>-</u>	<u>(142)</u>	<u>-</u>	<u>(148)</u>

Due to unrelieved tax losses arising in the company, a deferred tax asset of £142,000 has been created. This asset has not been recognised at 31 January 2011 as it is envisaged that the company will not generate sufficient taxable profits in the foreseeable future to facilitate recovery of the tax losses.

### 12 Called up share capital

	2011 £	2010 £
<b>Authorised</b>		
395,000 Preferred ordinary shares of £1 each	395,000	395,000
415,000 A ordinary shares of £1 each	415,000	415,000
190,000 B ordinary shares of £1 each	190,000	190,000
229,948 Deferred shares of £1 each	229,948	229,948
	<u>1,229,948</u>	<u>1,229,948</u>
<b>Allotted, called up and fully paid</b>		
395,000 Preferred ordinary shares of £1 each	395,000	395,000
415,000 A ordinary shares of £1 each	415,000	415,000
190,000 B ordinary shares of £1 each	190,000	190,000
229,948 Deferred shares of £1 each	229,948	229,948
	<u>1,229,948</u>	<u>1,229,948</u>

#### Preferred, A and B ordinary shares of £1 each

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

The preferred, A and B ordinary shares carry one vote per share.

#### Deferred shares of £1 each

On a return of capital on winding up, or otherwise, these shares realise their nominal value once £500 million has already been distributed to the Preferred, A and B ordinary shares.

The deferred shares carry no voting rights.

## Notes (continued)

### 13 Reserves

	2011 £000	2010 £000
<b>Profit and loss account</b>		
At beginning of year	(1,197)	779
Retained loss for the year	(1,935)	(1,976)
<b>At end of year</b>	<b><u>(3,132)</u></b>	<b><u>(1,197)</u></b>

### 14 Commitments

The company did not have any capital or financial commitments as at 31 January 2011 and 31 January 2010

### 15 Ultimate parent company

The company is a subsidiary undertaking of Direct Newco 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. The consolidated accounts of this group are available to the public and may be obtained from Direct House, 4 Sidings Court, Doncaster, DN4 5NU