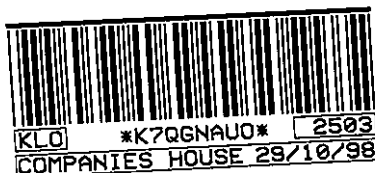


**DIAL DIRECT INSURANCE  
MARKETING LIMITED**

***ANNUAL REPORT 1997***

Registration No. 2935401



## DIAL DIRECT INSURANCE MARKETING LIMITED

### DIRECTORS' REPORT

The Directors submit their report and accounts for the year to December 31, 1997.

#### Results and Dividends

The loss on ordinary activities after taxation amounted to £1,057,000 (1996: Loss £1,971,000).

The Directors do not recommend the payment of a dividend on the ordinary shares issued. A provision of £702,000 for preference share dividends has been made. This provision will be carried forward until such time as the company has distributable reserves out of which payment can be made.

#### Review of the business and future developments

The business of the company is marketing insurance products for The National Insurance and Guarantee Corporation plc and other selected insurers. The Directors do not envisage any change in the Company's activities in the near future and are happy with the progress made by the Company in 1998.

#### Share Capital

During the year the issued share capital of the Company was increased to £7,150,100 by the issue of 1,650,000 preference shares for cash, 100 pence paid. The shares were issued to provide working capital for the Company.

#### Directors and their interests

The Directors who served during the year were as follows:

M G Bennett  
J Carrier  
J M Gaynor  
R A Leslie  
P M Bunker

J M Gaynor resigned as a Director on January 24, 1997. The interests of Directors in the shares of the Company are disclosed in note 3.

#### Payment of suppliers

It is the practice of the company to pay all suppliers within the terms of credit agreed with each supplier.

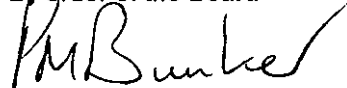
#### Post balance sheet events

There have been no significant post balance sheet events.

#### Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be put to the members at the Annual General Meeting.

By Order of the Board



P M Bunker  
Secretary

October 27<sup>th</sup> 1998

## **DIAL DIRECT INSURANCE MARKETING LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the Directors to prepare accounts for each financial year which 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 those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- \* prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **DIAL DIRECT INSURANCE MARKETING LIMITED**

### **REPORT OF THE AUDITORS to the members of Dial Direct Insurance Marketing Limited**

We have audited the accounts on pages 4 to 10, which have been prepared in accordance with the accounting policies set out on page 7.

#### **Respective responsibilities of Directors and Auditors**

As described on page 2 the company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.


#### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

#### **Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at December 31, 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
London

October 28 1998

## DIAL DIRECT INSURANCE MARKETING LIMITED

### PROFIT AND LOSS ACCOUNT Year ended December 31, 1997

	<u>Notes</u>	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Turnover		4,689	1,646
Administrative expenses		6,280	4,650
		<hr/> (1,591)	<hr/> (3,004)
Other operating income		16	-
Bank interest receivable		85	35
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2	(1,490)	(2,969)
Taxation credit	4	(433)	(998)
		<hr/>	<hr/>
Loss on ordinary activities after taxation		(1,057)	(1,971)
Dividends	5	702	429
		<hr/>	<hr/>
Retained loss for the financial year		(1,759)	(2,400)
Retained loss brought forward		(3,716)	(1,316)
		<hr/>	<hr/>
Retained loss carried forward		<u>(5,475)</u>	<u>(3,716)</u>

All items dealt with in the profit and loss account relate to continuing activities. There were no acquisitions in the year.

There are no recognised gains or losses other than the loss for the financial year.

## DIAL DIRECT INSURANCE MARKETING LIMITED

### **BALANCE SHEET** at December 31, 1997

	<u>Notes</u>	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
Tangible fixed assets	6	635	606
Current assets			
Amount due from parent undertaking		835	1,757
Other debtors		1,467	265
		<hr/> 2,302	<hr/> 2,022
Cash at bank and in hand		1,545	1,469
		<hr/> 3,847	<hr/> 3,491
Creditors: amounts falling due within one year			
Amounts due to parent undertaking		348	1,715
Other creditors		2,459	579
		<hr/> 1,040	<hr/> 1,197
Net current assets			
Provision for liabilities and charges			
Deferred taxation		-	19
		<hr/> 1,675	<hr/> 1,784
Net assets			
Capital and reserves (including non equity interests):			
Called up share capital	7	7,150	5,500
Profit and loss account		(5,475)	(3,716)
		<hr/> 1,675	<hr/> 1,784
Shareholders' funds	8		
		<hr/> 1,675	<hr/> 1,784

These accounts were approved by the Board of Directors on *27th October 1998*

On behalf of the Board

  
J. CARRIER

  
P. M. BUNKER

Directors

October *27th* 1998

## **DIAL DIRECT INSURANCE MARKETING LIMITED**

### **CASH FLOW STATEMENT**

Year ended December 31, 1997

	<b>1997</b> <b>£'000</b>	<b>1996</b> <b>£'000</b>
<b><u>OPERATING ACTIVITIES</u></b>		
Cash received from customers	4,425	1,494
Cash paid to suppliers and employees	(5,770)	(3,385)
	<hr/>	<hr/>
Net cash absorbed by operating activities	(1,345)	(1,891)
<b><u>INVESTING ACTIVITIES</u></b>		
Bank interest received	85	34
Purchase of tangible fixed assets	(318)	(203)
Proceeds from the sale of fixed assets	4	-
	<hr/>	<hr/>
Net cash absorbed by investing activities	(229)	(169)
Net cash absorbed before financing	(1,574)	(2,061)
<b><u>FINANCING ACTIVITIES</u></b>		
Share capital issued	1,650	2,850
	<hr/>	<hr/>
Net cash provided by financing activities	1,650	2,850
	<hr/>	<hr/>
Net increase in cash and cash equivalents	76	790
	<hr/>	<hr/>
<b><u>CASH AND CASH EQUIVALENTS</u></b>		
At beginning of the period	1,469	679
At the end of the period	1,545	1,469
	<hr/>	<hr/>
Increase during the period	76	790
	<hr/>	<hr/>
<b>Reconciliation of retained loss for the year to net cash absorbed by operating activities</b>		
Retained loss for the year	(1,759)	(2,400)
Depreciation	285	234
Loss on disposal of fixed asset	-	-
Other debtors	(281)	(1,151)
Other creditors	495	1,461
Bank Interest	(85)	(35)
	<hr/>	<hr/>
Net cash absorbed by operating activities	(1,345)	(1,891)
	<hr/>	<hr/>

# DIAL DIRECT INSURANCE MARKETING LIMITED

## NOTES TO THE ACCOUNTS Year ended December 31, 1997

### 1. Accounting Policies

#### Accounting convention

The accounts are prepared under the historical cost convention, in accordance with section 226 of and Schedule 4 to the Companies Act 1985 and applicable accounting standards.

#### Turnover

Turnover represents fees and commissions earned for the arrangement of insurance. Fees and commissions are recognised in full as policies are sold. A provision is made for rebates of commission earned on policies, the term of which is not fully elapsed at the balance sheet date.

#### Depreciation

Depreciation is provided on all tangible fixed assets so as to write them off in full over a four year period.

#### Deferred Taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

### 2. Loss on ordinary activities before taxation

There is no charge in the accounts for auditor's remuneration as this cost is borne by the company's parent undertaking.

### 3. Directors' remuneration and interests and staff costs

	<u>1997</u> £'000	<u>1996</u> £'000
<u>Directors' emoluments</u>		
Aggregate emoluments (excluding pension contributions)	386	157
Aggregate pension contributions	40	9
	<u>426</u>	<u>166</u>
Highest paid director's emoluments (excluding pension contributions)	304	84
Highest paid director's pension contributions	31	-
	<u>335</u>	<u>84</u>

#### Directors' interests in shares

At December 31, 1996 and December 31, 1997 Mr M G Bennett had an interest in 100% of the 'B' ordinary shares. No other director had any interest in any of the shares of the company at any time during the period.

#### Staff costs (including directors)

	<u>1997</u> £'000	<u>1996</u> £'000
Wages and salaries	1,853	1,294
Social security costs	148	108
Other pension costs	57	19
	<u>2,058</u>	<u>1,421</u>
Number of employees:		
Administration & Sales	150	93

## DIAL DIRECT INSURANCE MARKETING LIMITED

### NOTES TO THE ACCOUNTS (continued) Year ended December 31, 1997

#### 4. Taxation

	<u>1997</u> £'000	<u>1996</u> £'000
Current Year		
Deferred Taxation	19	(19)
Group relief @ 31.5% (1996: 33%)	414	1,017
	<hr/> 433	<hr/> 998

The retained loss for the year is available for offset as Group Relief against the taxable profits of fellow UK members of the Skandia Group of Companies. It has been assumed that the entire retained loss will be utilised in this way and compensation amounting to the tax benefit obtained will be paid to Dial Direct Insurance Marketing Limited for the surrender of these losses.

#### 5. Dividends

	<u>1997</u> £'000	<u>1996</u> £'000
Provision for dividends accrued on preference shares	702	429
	<hr/>	<hr/>

The provision for preference share dividends will be carried forward until such time as the company has distributable reserves out of which payment can be made. The total provision for preference share dividends carried forward at the end of the year is £1,181,802 which relates to the years ending 31 December 1995, 1996 & 1997.

#### 6. Tangible Fixed Assets

	Office Equipment £'000
<u>Cost</u>	
At January 1, 1997	930
Additions in the year	318
Disposals in the year	(8)
	<hr/> 1,240
At December 31, 1997	<hr/>
<u>Depreciation</u>	
At January 1, 1997	323
Charge for the year	285
On disposals in the year	(3)
	<hr/> 605
At December 31, 1997	<hr/>
<u>Net Book Value</u>	
December 31, 1997	635
December 31, 1996	606

## **DIAL DIRECT INSURANCE MARKETING LIMITED**

### **NOTES TO THE ACCOUNTS (continued)** Year ended December 31, 1997

#### **7. Called Up Share Capital**

	<u>1997</u> £'000	<u>1996</u> £'000
<u>Authorised:</u>		
1,000,000 participating shares of £1 each	1,000	1,000
6,150,000 (1996: 4,500,000) 12.5% preference shares of £1 each	6,150	4,500
75 'A' ordinary shares of £1 each	-	-
25 'B' ordinary shares of £1 each	-	-
	<u>7,150</u>	<u>5,500</u>
<u>Allotted</u>		
<u>a) fully paid</u>		
1,000,000 participating shares of £1 each	1,000	1,000
6,150,000 (1996: 4,500,000) 12.5% preference shares of £1 each	6,150	4,500
75 'A' ordinary shares of £1 each	-	-
25 'B' ordinary shares of £1 each	-	-
	<u>7,150</u>	<u>5,500</u>

During the year the issued share capital was increased, as described in the Directors' Report on page 1.

Dividend rights attach only to the 'A' and 'B' ordinary shares, which rank pari passu with each other in all respects. In the normal course of business, voting rights attach only to the 'A' and 'B' ordinary shares. In the event of a liquidation of the company the 'A' and 'B' ordinary shareholders participate in the assets of the company subject to a cap determined in accordance with a formula. Any residual assets are attributable to the participating shares.

#### **8. Reconciliation of Shareholders' Funds**

	<u>1997</u> £'000	<u>1996</u> £'000
Shareholders' funds at January 1	1,784	1,334
Retained loss for the financial year	(1,759)	(2,400)
Share capital issued & called	1,650	2,850
	<u>1,675</u>	<u>1,784</u>
Shareholders' funds at December 31	<u>1,675</u>	<u>1,784</u>
<u>Attributable to:</u>		
Equity interests - 'A' and 'B' ordinary shares	-	-
Non equity interests - participating shares and preference shares	<u>1,675</u>	<u>1,784</u>
	<u>1,675</u>	<u>1,784</u>

#### **9. Capital Commitments**

There were no capital commitments outstanding at December 31, 1997.

#### **10. Contingent Liabilities**

There were no contingent liabilities at December 31, 1997.

## **DIAL DIRECT INSURANCE MARKETING LIMITED**

### **NOTES TO THE ACCOUNTS (continued)** **Year ended December 31, 1997**

#### **11. Related Party Transactions**

During the year £ 298,769 was earned as commission from G F Bennett & Co Limited, a company in which Mr M G Bennett, a Director of Dial Direct Insurance Marketing Limited, has an interest.

In addition, £1,749,448 was earned as commission from The National Insurance and Guarantee Corporation plc which has a 75% interest in the equity share capital of Dial Direct Insurance Marketing Limited.

All commissions were calculated under normal commercial terms and as part of transactions conducted at arm's length.

#### **12. Parent Undertakings**

The ultimate parent undertaking of the company at December 31, 1997 was Skandia Insurance Company Limited (publ), a company incorporated in Sweden. This is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up, and of which this company is a member. The accounts of Skandia Insurance Company Limited (publ) are drawn up in accordance with Swedish accounting principles. Copies of these accounts are available on application to the company secretary of NIG Skandia Investments Limited at Crown House, 145 City Road, London, EC1V 1LP.

The parent undertaking of the smallest group of undertakings for which group accounts are drawn up and of which this company is a member is The National Insurance and Guarantee Corporation plc., a company incorporated in England and Wales.

#### **13. Deferred Tax**

The movements in deferred taxation during the current and previous years are as follows:

	<b><u>1997</u></b> <b><u>£'000</u></b>	<b><u>1996</u></b> <b><u>£'000</u></b>
At January 1	19	-
Movement in provision for the year	(19)	19
	<hr/>	<hr/>
At December 31	-	19

The deferred tax provision relates to capital allowances in advance of depreciation

#### **14. Reserves**

	<b><u>1997</u></b> <b><u>£'000</u></b>	<b><u>1996</u></b> <b><u>£'000</u></b>
Profit and Loss Account at January 1	(3,716)	(1,316)
Retained loss for the financial year	(1,759)	(2,400)
	<hr/>	<hr/>
Profit and Loss Account at December 31	(5,475)	(3,716)

#### **15. Pensions**

The company operates a funded, defined contributions pension scheme for its Directors and employees, the assets of which are held separately from those of the company. There were no unpaid contributions at 31 December 1997.

#### **16. Other Creditors**

The figure for Other Creditors as disclosed in the Balance Sheet includes an amount of £970,480 payable to the company's panel of insurance underwriters.