

# **PRIMARY DIRECT LIMITED**

Company No. 3487744

## **Directors' Report and Financial Statements**

For the Year Ended 30 September 1999



**Downham Train Epstein**  
Chartered Accountants

**PRIMARY DIRECT LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1999**

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**PRIMARY DIRECT LIMITED****DIRECTORS' REPORT**

Directors: T Berry  
J Bibby  
H Dwyer  
M Newell

Secretary: M Newell

Registered office:  
Springfield House  
Springfield Road  
Horsham  
West Sussex RH12 2RG

The directors present their report for the year ended 30 September 1999.

**FINANCIAL STATEMENTS AND DIVIDENDS**

The directors submit the audited financial statements of the company for the year ended 30 September 1999. The profit for the year amounted to £131,883 (1998 - £63,142). An interim dividend of £100,000 (1998 - £Nil) was paid in the year and a final dividend of £45,000 is proposed (1998 - £Nil).

**PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS**

During the year the company specialised in the sale and administration of insurance products direct to the public.

During the year the company acquired the business, fixed assets, know-how and goodwill of the following subsidiary undertakings:

Colossus Direct Limited  
Premier Direct Travel Insurance Services Limited  
Travel Insurance Direct Services Limited

**Year 2000**

The directors are fully aware of the potential problems associated with the Year 2000 and are working with clients and suppliers to ensure recognised Year 2000 best practice is adhered to. It is not considered that the amounts involved will be substantial.

## PRIMARY DIRECT LIMITED

## DIRECTORS' REPORT (continued)

## DIRECTORS

The directors of the company during the year ended 30 September 1999 were those listed below:-

Name	Date of Appointment	Date of Resignation
T Berry	02.01.98	-
J B Bibby	02.01.98	-
H Dwyer	02.01.98	-
M Newell	30.09.99	-
N A M Wright	02.01.98	30.09.99

## DIRECTORS' INTERESTS

<u>Ordinary Shares</u>	At 30 September 1999		At 30 September 1998	
	'A' Ord	'B' Ord	'A' Ord	'B' Ord
H Dwyer	255	275	255	275
T Berry	255	275	255	275

The other directors' interests in the share capital of other group companies are disclosed in the financial statements of the immediate parent undertaking, Primary Insurance Group Limited.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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 year. In preparing those 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 accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements;
- 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 accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements 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.

**PRIMARY DIRECT LIMITED****DIRECTORS' REPORT (continued)****AUDITORS**

Downham Train Epstein, Chartered Accountants and Registered Auditors, have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the annual general meeting.

By order of the board

A handwritten signature in dark ink, appearing to read 'M Newell', with a long horizontal flourish extending to the right.

M Newell  
Secretary

10<sup>th</sup> January 2000

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
PRIMARY DIRECT LIMITED**

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and 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 financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

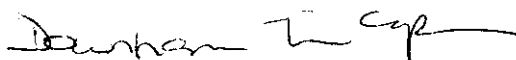
**BASIS OF OPINION**

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and 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 financial statements 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 financial statements.

**OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 1999 and its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



*Downham Train Epstein*

DTE House  
Hollins Mount  
Bury  
Lancs  
BL9 8AT

Downham Train Epstein  
Chartered Accountants  
and Registered Auditors

28 JANUARY 2000

**PRIMARY DIRECT LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1999**

		Period 01.10.98 To 30.09.99 £	Period 02.01.98 To 30.09.98 £
	Note		
<b>TURNOVER</b>	2	1,588,177	708,475
Staff costs	3	(464,448)	(155,688)
Other operating charges		(890,405)	(483,966)
		<hr/>	<hr/>
<b>NET OPERATING PROFIT</b>	4	233,324	68,821
Income from shares in Group Undertakings		1,935	-
Interest receivable and similar income		23,209	9,319
Interest payable and similar charges	5	(8,062)	(2,521)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		250,406	75,619
Tax on profit on ordinary activities	6	(118,523)	(12,477)
		<hr/>	<hr/>
		131,883	63,142
Dividends Paid		(100,000)	-
Dividends Payable		(45,000)	-
		<hr/>	<hr/>
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(13,117)	63,142
Retained profit brought forward		63,142	-
		<hr/>	<hr/>
<b>RETAINED PROFIT CARRIED FORWARD</b>		£50,025	£63,142
		<hr/>	<hr/>

*There are no recognised gains or losses other than those dealt with above.*

*The results given above have been prepared on a historical cost basis.*

*All of the company's activities were acquired during the period.*

*The notes on pages 6 to 14 form an integral part of these financial statements.*

**PRIMARY DIRECT LIMITED**  
**BALANCE SHEET - 30 SEPTEMBER 1999**

	Note	1999 £	1998 £
<b>FIXED ASSETS</b>			
Investments	8	8	8
Tangible assets	9	131,387	89,610
		<hr/>	<hr/>
		131,395	89,618
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Debtors	10	92,183	45,475
Cash at bank and in hand	11	547,257	708,844
		<hr/>	<hr/>
		639,440	754,319
		<hr/>	<hr/>
<b>CREDITORS – amounts falling due within one year</b>	12	(579,299)	(690,418)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		60,141	63,901
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		191,536	153,519
		<hr/>	<hr/>
<b>CREDITORS – amounts falling due after more than one year</b>	12	(60,511)	(19,377)
		<hr/>	<hr/>
		£131,025	£134,142
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	1,000	1,000
Preference Shares	14	80,000	70,000
Profit and loss account		50,025	63,142
		<hr/>	<hr/>
<b>SHAREHOLDERS' FUNDS</b>	15	£131,025	£134,142
		<hr/>	<hr/>

Approved by the Board on

14/10/2000

H Dwyer

T Berry

Directors

**The notes on pages 6 to 14 form an integral part of these financial statements.**

# PRIMARY DIRECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1999

### 1 ACCOUNTING POLICIES

#### (a) Accounting Convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. No cashflow statement has been prepared because the company has taken advantage of the exemption conferred in FRS1.

#### (b) Basis of Consolidation

Consolidated financial statements have not been prepared as the company is a subsidiary undertaking of Primary Insurance Group limited, a company which is incorporated in Great Britain and which prepared consolidated financial statements. This is permitted by Section 228 of the Companies Act 1985.

#### (c) Commission and Brokerage

Commission is accounted for on the date the debit note is issued.

#### (d) Fixed Assets

The cost of fixed assets is written off over their respective useful lives on the following basis:

Furniture and equipment	10% straight line
Motor vehicles	25% on written down value
Computer equipment	25% straight line

#### (e) Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all timing differences to the extent that it is probable that a liability will crystallise.

#### (f) Pension Benefits

Pension liabilities, all of which relate to defined contribution schemes, are charged to the profit and loss account in the year in which they accrue.

#### (g) Leasing and hire purchase

Assets held under leasing and hire purchase arrangements that transfer substantially all the risks and rewards of ownership to the company are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account on a straight line basis.

Rentals in respect of all other leases are charged to profit and loss account as incurred.

## PRIMARY DIRECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 30 SEPTEMBER 1999

(h) **Employee benefit trust**

The company has established a Trust with the broad objectives of providing death and other benefits to employees and their dependents, both past and present. The Trustees operate independently of the company and the assets of the Trust are held separately from those of the company. Contributions to the Trust are voluntary and are included in the Profit and Loss Account as and when paid.

2 **TURNOVER**

Turnover comprises net commission receivable during the year. All turnover arises from the continuing activities of the company and is derived from activities in the United Kingdom.

3 **STAFF COSTS**

	Period 01.10.98 To 30.09.99 £	Period 02.01.98 To 30.09.98 £
Wages, salaries and other costs	431,079	147,300
Social security costs	30,209	8,388
Other pension costs	3,160	-
	<hr/>	<hr/>
	£464,448	£155,688
	<hr/>	<hr/>

The average number of employees in each month in the period was 44

4 **NET OPERATING PROFIT** is stated after charging/(crediting):

	Period 01.10.98 To 30.09.99 £	Period 02.01.98 To 30.09.98 £
Depreciation of tangible fixed assets:		
Owned assets	22,236	8,720
Assets on hire purchase	20,771	3,645
Auditors' remuneration	8,571	6,854
Operating lease rentals	-	2,258
(Profit)/Loss on disposal of fixed asset	(1,463)	1,786
	<hr/>	<hr/>

5 **INTEREST PAYABLE AND SIMILAR CHARGES**

	Period 01.10.98 To 30.09.99 £	Period 02.01.98 To 30.09.98 £
Hire purchase	6,301	973
Loan interest	1,761	1,548
	<hr/>	<hr/>
	£8,062	£2,521
	<hr/>	<hr/>

## PRIMARY DIRECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 30 SEPTEMBER 1999

6	<b>TAXATION</b>	Period 01.10.98 To 30.09.99 £	Period 02.01.98 To 30.09.98 £
	UK Corporation Tax at 31%/30%	£118,523	£12,477
7	<b>DIRECTORS EMOLUMENTS</b>	Period 01.10.98 To 30.09.99 £	Period 02.01.98 To 30.09.98 £
	Management Remuneration	104,037	97,879
	Pension Contributions	3,160	1,191
		£107,197	£99,070
	Number of Directors in:-		
	Money purchase pension scheme	2	2
8	<b>FIXED ASSET INVESTMENTS</b>	1999 £	1998 £
	As at 1 October 1998	8	8
	Carrying value of investments at 30 September 1999	£8	£8
	<u>Subsidiary Undertakings</u>	<u>Class of Ordinary shares</u>	<u>Proportion of Ordinary shares held</u>
	Bee Insured Services Limited	Ordinary	100%
	Colossus Direct Limited	Ordinary	100%
	Travel Insurance Direct Services Limited	Ordinary	100%
	Premier Direct Travel Insurance Services Limited	Ordinary	100%
			Nature of business
			Sale and administration of insurance products direct to the public

All subsidiary undertakings were incorporated in, and operate principally within, Great Britain.

## PRIMARY DIRECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 30 SEPTEMBER 1999

## 8 FIXED ASSET INVESTMENTS (continued)

The aggregate amount of capital and reserves and the results of these undertakings were as follows:

	Capital and Reserves £	Profit/(Loss) for Period £
Bee Insured Services Limited	2	-
Colossus Direct Limited	2	-
Premier Direct Travel Insurance Services Limited	2	-
Travel Insurance Direct Services Limited	2	-

## 9 TANGIBLE FIXED ASSETS

	Computer Equipment £	Motor Vehicles £	Furniture & Equipment £	Total £
<b>(a) Cost</b>				
At 1 October 1998	63,869	24,995	13,111	101,975
Additions	17,641	81,000	6,972	105,613
Disposals	-	(24,995)	-	(24,995)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 SEPTEMBER 1999	81,510	81,000	20,083	182,593
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 October 1998	8,080	3,645	640	12,365
Charges for the period	20,228	20,771	2,008	43,007
Disposals	-	(4,166)	-	(4,166)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 SEPTEMBER 1999	28,308	20,250	2,648	51,206
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 30 September 1999	£53,202	£60,750	£17,435	£131,387
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1998	£55,789	£21,350	£12,471	£89,610
	<hr/>	<hr/>	<hr/>	<hr/>
<b>(b) Net book value of assets on hire purchase</b>				
	Computer Equipment £	Motor Vehicles £	Furniture & Equipment £	Total £
At 30 September 1999	-	60,750	-	60,750
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 1998	-	21,350	-	21,350
	<hr/>	<hr/>	<hr/>	<hr/>

## PRIMARY DIRECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 30 SEPTEMBER 1998

## 10 DEBTORS

	1999 £	1998 £
Amounts falling due within one year:		
Trade debtors	22,741	-
Amounts owed by group undertakings	75	-
Other debtors	26,026	29,550
Prepayment and accrued income	43,341	15,925
	<hr/>	<hr/>
	£92,183	£45,475
	<hr/>	<hr/>

## 11 CASH AT BANK AND IN HAND

Included in cash at bank and in hand is £547,257 held in trust accounts on behalf of underwriters, the corresponding liabilities being included in trade creditors.

## 12 CREDITORS

	1999 £	1998 £
(a) Amounts falling due within one year		
Bank Overdrafts	11,070	-
Trade Creditors	249,718	29,920
Amounts owed to immediate parent undertaking	3,390	26,529
Amounts owed to group undertakings	11	585,055
Hire purchase creditors (secured)	8,544	3,498
Other taxes and social security	10,952	8,331
Accruals	99,257	9,368
Corporation Tax	111,455	12,477
Other creditors	39,902	15,240
Dividends Payable	45,000	-
	<hr/>	<hr/>
	£579,299	£690,418
	<hr/>	<hr/>
(b) Amounts falling due after one year		
Hire purchase creditors (secured)	£60,511	£19,377
	<hr/>	<hr/>

## PRIMARY DIRECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 30 SEPTEMBER 1999

## 13 PROVISION FOR LIABILITIES AND CHARGES

	Provided 1999 £	Unprovided 1999 £	Provided 1998 £	Unprovided 1998 £
Accelerated capital allowances	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

A deferred tax asset has not been recorded in the balance sheet as it is not expected to be recovered without replacement by an equivalent deferred tax asset.

## 14 CALLED UP SHARE CAPITAL

	Authorised		Issued and fully paid	
	1999	1998	1999	1998
30,000 "A" Ordinary shares of 50p each	15,000	15,000	500	500
30,000 "B" Ordinary shares of 50p each	15,000	15,000	500	500
120 "C" Redeemable Preference shares of £1,000 each	120,000	120,000	80,000	70,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	£150,000	£150,000	£81,000	£71,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Brief summary of rights of each class of above shares:-

- a) The "A" shares will have voting rights but no right to dividends and shall rank equally with the "B" shares on a distribution on liquidation.
- b) The "B" shares will not have voting rights, but will have the sole rights to dividends and shall rank equally with "A" shares on a distribution on liquidation.
- c) The "C" shares will not have voting rights but will rank in priority to any other class of shares on a distribution on liquidation. The "C" shares shall be redeemed at par at any time at the option of the company but in any event not later than:
  - (i) as to 40 shares on 1 February 2000.
  - (ii) as to 40 shares on 1 February 2001.

## PRIMARY DIRECT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – 30 SEPTEMBER 1999

## 15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the period	131,883	63,142
Shares issued in the period:		
2,000 Ordinary shares of 50 pence each	-	1,000
50 Preference shares of £1,000 each	50,000	70,000
40 Preference shares of £1000 each redeemed in the year	(40,000)	
Dividends paid	(100,000)	-
Dividends proposed	(45,000)	-
	<hr/>	<hr/>
Net (Decrease)/Increase in Shareholders' funds	(3,117)	134,142
Opening Shareholders' funds	134,142	-
	<hr/>	<hr/>
Closing Shareholders' funds	£131,025	£134,142
	<hr/>	<hr/>
Equity Interests	51,025	64,142
Non Equity Interests	80,000	70,000
	<hr/>	<hr/>
	£131,025	£134,142
	<hr/>	<hr/>

## 16 COMMITMENTS AND CONTINGENT LIABILITIES

Annual commitments under operating leases in respect of:

	1999 £	1998 £
Buildings:		
Expiring:		
2 – 5 years	70,966	42,700
	<hr/>	<hr/>
	£70,966	£42,700
	<hr/>	<hr/>
Other:		
Expiring:		
Within 1 year	2,581	3,871
	<hr/>	<hr/>
	£2,581	£3,871
	<hr/>	<hr/>

**PRIMARY DIRECT LIMITED****NOTES TO THE FINANCIAL STATEMENTS – 30 SEPTEMBER 1999****17 IMMEDIATE AND ULTIMATE PARENT UNDERTAKING**

The directors regard Primary Insurance Group Limited as the company's immediate parent undertaking and Primary Group Limited (formerly Monument Insurance Group Limited) as the company's ultimate parent undertaking at the balance sheet date. Both companies are incorporated in Great Britain.

**18 RELATED PARTY DISCLOSURES**

The company has established a Trust with the broad objectives of providing death and other benefits to employees and their dependents, both past and present. The Trustees are T Berry and H Dwyer, who are directors and shareholders of the company. The assets of the Trust are held separately from those of the company. Contributions to the Trust are voluntary and are included in the Profit and Loss Account. An amount of £65,349 was contributed to the Trust during the financial period and an amount of £91,409 was due to the Trust at 30 September 1999.

During the year the company purchased insurance policies for its clients from Primary International Limited, a subsidiary undertaking of Primary Insurance Group Limited, amounting to £1,929,103. At the 30 September 1999 an amount of £202,476 was due to Primary International Limited.

In addition Primary Insurance Group Limited provided a loan to the company of £25,000 which was repaid during the year. Expenses incurred by the company and due to Primary Insurance Group for the period amounted to £3,390 and this amount was outstanding at 30 September 1999.

**19 CONTROL**

No one party has a controlling interest over the company.