

WALTON & PARKINSON LIMITED

**Report and Financial Statements
for the 15 months ended 31 March 2007**

Company Registration No. 1574905



CONTENTS

	Page
General Information	
Directors' Report	1 - 4
Independent Auditor's Report	5 - 6
Profit and Loss Account	7
Balance Sheet	8
Notes to the Financial Statements	9 - 17

General Information

Directors

The directors at the date of this report were as follows

Mr D C Battle
Ms K M Bennetts
Mr D J R Edmands
Mr C M Claridge-Ware

Secretary

The company secretary is Peake Company Secretaries Limited

Principal Bankers

Barclays Bank PLC
One Churchill Place
Canary Wharf
London E14 5HP

Auditors

PricewaterhouseCoopers LLP
Hay's Galleria
1 Hay's Lane
London
SE1 2RD

Tax Advisors

Rawlinson & Hunter
Eagle House
110 Jermyn Street
London SW1Y 6RH

Principal Lawyers

Clark Holt
Hardwick House
Prospect Place
Swindon SN1 3LJ

Registered Office

Hardwick House
Prospect Place
Swindon SN1 3LJ

General Information (continued)

Company Registration Number

1574905

FSA Registration Number

310492

Parent Company

The immediate parent company is Lorica General Insurance Limited and the ultimate parent company is Primary Group Limited

Directors' Report

The directors present their annual report together with the audited financial statements of the company for the 15 months ended 31 March 2007. The Company changed its accounting reference date to 31 March and the comparative statements included in this report are for the twelve month period to 31 December 2005.

Principal activities

The principle activity of the company is that of retail insurance broking.

On 31st March 2007 the entire share capital of the Company was acquired by Lorica General Insurance Limited from Primary Group (UK) Limited. The ultimate parent company is Primary Group Limited.

All members of the Primary Group operate in a devolved structure designed to motivate the management teams of each business to act with ownership, accountability and entrepreneurial spirit. As a consequence, businesses within the Primary Group may trade together where it is in their commercial interest and this decision is for each management team to make. This means that the Primary Group's businesses will, through the normal course of business, trade together on an independent arm's length basis.

Business ReviewResults and performance

Turnover was £1,662,476 (12 months ended 31 December 2005: £1,267,473) and the profit attributable to shareholders for the company for the 15 months ended 31 March 2007 was £147,609 (12 months ended 31 December 2005: £89,556) after a tax charge of £60,719 (12 months ended 31 December 2005: £56,950). The directors do not recommend the payment of a dividend for the 15 months ended 31 March 2007 (12 months ended 31 December 2005: £nil).

Business Environment

There are two cyclical factors which can impact upon the Company's trading performance. The first is the general cycle within the UK insurance marketplace. For the period in question this has been in a 'soft' phase of the cycle and this looks set to continue for the foreseeable future. This has the impact of deflating insurance premiums thereby reducing commission income. The second is the performance of the arts and theatre marketplace and in particular the success or otherwise of the productions that the Company insures. This is difficult to forecast as the lifespan of a production can range from weeks to years dependant upon ticket sales.

Overall, the impact of the soft market has been partially alleviated by leveraging the benefit of being part of the Primary Group in our dealings with the insurance market.

Directors' Report (continued)**Business Review (continued)**Strategy

The Company's strategy is as follows -

- Retain existing client base by delivering best advice and excellent service
- Develop theatre and arts clients in Northern England and Scotland through our new presence in these markets
- Increase penetration into other similar markets such as leisure, film and television

Principle Risks and Uncertainties

The Company is not a risk carrier and only acts in placing risks with underwriters that meet the security requirements dictated by the Security Committee of the Primary Group

The Company is regulated by the Financial Services Authority and its policy is to view regulation as integral to ensuring that it delivers highest quality advice and excellence in customer service. Regulation is therefore an embedded part of the business processes which places the Company in a good position to deal with ongoing changes to the regulatory framework. Nonetheless, it is an area in which the Company remains extremely vigilant due to the ever present risk of an individual circumventing established business controls.

The principle risks that the Company faces in terms of business impact are -

- Risk of regulatory failure
- Loss of key staff and/or major clients
- Increasing entry of other competitors into theatrical marketplace
- Significant regulatory change leading to either increased cost burden or reduced income opportunity

Future Outlook

The ongoing soft market conditions are expected to continue to put pressure on earnings, although there is some potential for this to be further alleviated, particularly since the acquisition of the Company by Lorica General Insurance Limited from Primary Group (UK) Limited on 31 March 2007, as this is expected to further increase the potential for leveraging of key insurer relationships.

Directors' Report (continued)**Business Review (continued)**Key Performance Indicators

The Company's main key performance indicators are income and the costs associated with generating such income

As the results cover a 15 month period a comparison is provided for the 2006 and 2005 calendar years as follows -

	15 month period ended 31 March 2007 £'000	12 month period ended 31 December 2006 £'000	12 month period ended 31 December 2005 £'000	Increase/ (Decrease) %
Turnover	1,662	1,243	1,267	(2%)
Management and other operating charges	1,525	1,241	1,168	6%

Charitable donations

During the period the company made charitable donations of £nil, (12 months ended 31 December 2005 £1,070)

Directors and directors' interests

The directors who currently hold or held office during the period were as follows

Mr R K Walton	(Resigned 23 May 2007)
Mr C I Parkinson	(Resigned 21 June 2007)
Mr A G Rudge	(Resigned 21 June 2007)
Mr I M Russell	(Resigned 23 May 2007)
Mr D C Battle	(Appointed 16 March 2006)
Ms K M Bennetts	(Appointed 16 March 2006)
Mr P S Beaumont	(Appointed 16 March 2006 & Resigned 15 December 2006)
Mr R C Screen	(Resigned 28 February 2006)
Mr R J McKeown	(Resigned 28 February 2006)
Mr S Giles	(Resigned 28 February 2006)
Mr E H N Davies	(Resigned 31 May 2006)
Mr D J R Edmands	(Appointed 21 June 2007)
Mr C M Claridge-Ware	(Appointed 21 June 2007)

No director had an interest in the share capital of the company during the period

Directors' Report (continued)**Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently in the preparation of the financial statements. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the 15 months ended 31 March 2007 in accordance with applicable law and United Kingdom Generally Accepted Accounting Practices.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

Statement as to disclosure of information to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP were appointed independent auditors to the company during the period in accordance with Section 388(1) of the Companies Act 1985. They have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the board of directors and signed on behalf of the board



Mr D C Battle
Director

30/1/2008

Independent auditor's report to the members of Walton & Parkinson Limited

We have audited the financial statements of Walton & Parkinson Limited for the 15 month period ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, 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 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.

Independent auditor's report to the members of Walton & Parkinson Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Hay's Galleria
1 Hay's Lane
London
SE1 2RD

31 January 2008

**Profit and Loss Account
for the 15 months ended 31 March 2007**

	Note	15 Months ended 31 March 2007 £	12 Months ended 31 December 2005 £
Turnover	2	1,662,476	1,267,473
Management and other operating charges		<u>(1,524,647)</u>	<u>(1,168,219)</u>
Operating profit	3	137,829	99,254
Interest receivable	5	<u>70,499</u>	<u>47,252</u>
Profit on ordinary activities before taxation		208,328	146,506
Tax on profit on ordinary activities	6	<u>(60,719)</u>	<u>(56,950)</u>
Profit on ordinary activities after taxation	13	<u>147,609</u>	<u>89,556</u>

All activities derive from continuing operations. There are no recognised gains or losses, other than those reflected in the profit for the financial period. Accordingly, no statement of total recognised gains and losses is given.

The notes to the accounts on pages 9 to 17 form an integral part of these financial statements.

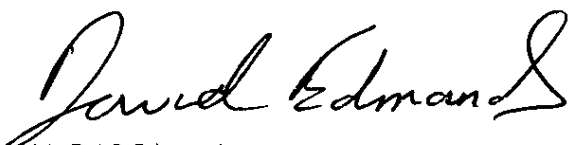
Balance Sheet
as at 31 March 2007

	Note	31 March 2007	31 December 2005 £
Fixed assets			
Tangible assets	7	14,049	9,953
Current assets			
Debtors	8	2,267,209	1,776,494
Cash at bank and in hand	9	904,309	826,787
		<u>3,171,518</u>	<u>2,603,281</u>
Creditors: (amounts falling due within one year)	10	<u>(2,433,281)</u>	<u>(2,008,557)</u>
Net current assets		<u>738,237</u>	<u>594,724</u>
Total assets less current liabilities		<u>752,286</u>	<u>604,677</u>
Capital and reserves			
Called up share capital	12	1,000	1,000
Profit and loss account	13	<u>751,286</u>	<u>603,677</u>
Shareholder's funds	14	<u>752,286</u>	<u>604,677</u>

The notes to the accounts on pages 9 to 17 form an integral part of these financial statements

The board of directors approved and authorised the issue of these financial statements on 30 January 2008

Signed on behalf of the board of directors



Mr D J R Edmands
Director

30/1/08

**Notes to the financial statements
for the 15 months ended 31 March 2007****1. Accounting policies****Basis of accounting**

The financial statements are prepared under the historical cost convention of accounting and in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Turnover

Revenues from brokerage, commissions and fees from insurance intermediary businesses are recognised at the later of the inception date of the coverage or when the placement has been completed and confirmed.

Depreciation

Tangible fixed assets having been capitalised at cost, are written off on a straight line basis over their estimated useful lives (Note 7).

Deferred taxation

The charge for taxation is based on the profits for the period charged at the current rates of tax. 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 out by the balance sheet date except as otherwise required by Financial Reporting Standard No. 19 'Deferred Tax'. Deferred tax assets are recognised to the extent that the directors consider these amounts recoverable.

Insurance debtors and creditors

In the normal course of insurance broking and underwriting, settlement is required to be made with certain markets, market settlement bureaux or insurance intermediaries on the basis of the net settlement due to or from that market, bureau or intermediary in question, rather than the amounts due to or from the individual parties which it represents. Insurance debtors and creditors reflect the gross value of premiums and together with related cash balances, have been included within the assets and liabilities of the company in accordance with current market practice.

Insurance debtors and creditors are reported in accordance with the requirements of Financial Reporting Standard No. 5 'Reporting the Substance of Transactions'. The standard precludes assets and liabilities being offset unless net settlement is legally enforceable and as a result the insurance broking debtors and creditors have been shown as the gross amounts due in respect of each contract, instead of the net amount due to or from clients and underwriters.

**Notes to the financial statements
for the 15 months ended 31 March 2007****1. Accounting policies (continued)****Cash flow statement and related party**

The Company is a wholly owned subsidiary of Lorica General Insurance Limited and is included in the consolidated financial statements of Primary Group (UK) Limited. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No. 1 (revised 1996) 'Cash flow statement'. The Company is also exempt under the terms of Financial Reporting Standard No. 8 'Related Party Disclosure' from disclosing related party transactions with entities that are part of the Primary Group Limited group or investors of Primary Group Limited.

Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

Foreign currencies

Monetary assets and liabilities in foreign currencies are expressed in sterling at exchange rates ruling at the balance sheet date. Income and expenses in foreign currencies are translated into sterling at either rates of exchange ruling at the date on which the transactions occur or at a fixed rate and translated at the period end to reflect an average rate. Any exchange differences arising on transactions in foreign currencies during the period are dealt with through the profit and loss account.

Pensions

The group operates non-contributory defined contribution grouped personal pension plans covering the majority of permanent employees where subsidiaries have elected to participate. The assets of the plans are held separately from those of the group in independently administered funds for individual members of staff. The plans are funded by contributions that are charged to the profit and loss account as incurred in accordance with the employment contract of each director or employee.

2. Turnover

The Company's activities consist solely of broking and administration services in connection with the provision of general insurance products in the UK.

**Notes to the financial statements
for the 15 months ended 31 March 2007**

3. Operating profit

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
The operating profit which originated in the United Kingdom for the period was arrived at after charging/(crediting)		
Auditors' remuneration – PricewaterhouseCoopers LLP	13,204	-
Auditors' remuneration - Mazars	-	15,124
Depreciation of owned assets	7,776	8,396
(Profit)/Loss on foreign exchange	(81)	-
Operating lease rentals – land and buildings	66,068	66,068

Notes to the financial statements for the 15 months ended 31 March 2007

4. Directors and employees

The aggregate emoluments of the directors of the company for the 15 months ended 31 March 2007, were as follows

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Emoluments – including performance related bonus	383,392	252,550
Contributions to money purchase pension schemes	27,652	16,438
Total emoluments	411,044	268,988

The highest paid director received remuneration of £107,602 (12 months ended 31 December 2005 £85,250) The value of the Company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £20,247 (12 months ended 31 December 2005 £12,148)

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Staff costs		
Wages and salaries	760,114	599,368
Social security costs	86,704	63,278
Other pension costs	61,862	38,405
	908,680	701,051

	15 months ended 31 March 2007 No.	12 months ended 31 December 2005 No.
The average number of persons including executive directors employed by the company during the period was	12	14
The number of directors for the benefit of whom the company made contributions to money purchase pension schemes during the period was	2	2

**Notes to the financial statements
for the 15 months ended 31 March 2007**

5. Interest receivable

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Bank interest	70,499	47,252
	<u>70,499</u>	<u>47,252</u>

6. Taxation

(a) Analysis of charge in period

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Based on profit for the period at 30% (2005 30%) – group relief	60,719	49,989
Adjustment to tax in respect of prior periods	-	6,961
Current tax charge for the period (note 6(b))	<u>60,719</u>	<u>56,950</u>

(b) Factors affecting tax charge for the period

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%) The differences are explained below		
Profit on ordinary activities before tax	<u>208,328</u>	<u>146,506</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	62,498	43,952
<i>Effects of</i>		
Expenses not deductible for tax purposes	4,920	4,416
Depreciation in excess of capital allowances	255	1,621
Other timing differences	<u>(6,954)</u>	<u>-</u>
	60,719	49,989
Adjustment to tax in respect of prior periods	-	6,961
Current tax charge for the period (note 6(a))	<u>60,719</u>	<u>56,950</u>

**Notes to the financial statements
for the 15 months ended 31 March 2007**

7. Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 January 2006	86,321
Additions during the period	<u>11,872</u>
At 31 March 2007	<u>98,193</u>
Depreciation	
At 1 January 2006	76,368
Charge for the period	<u>7,776</u>
At 31 March 2007	<u>84,144</u>
Net book value	
At 31 March 2007	<u>14,049</u>
At 31 December 2005	<u>9,953</u>
Depreciation rate	12 5/25%

8. Debtors

	31 March 2007 £	31 December 2005 £
Insurance debtors	1,548,953	776,350
Amounts due from group undertakings	671,482	884,661
Other debtors	790	43,789
Prepayments and accrued income	<u>45,984</u>	<u>71,694</u>
	<u>2,267,209</u>	<u>1,776,494</u>

All amounts are due within twelve months of the balance sheet date

9. Cash at bank and in hand

Included in cash at bank and in hand is £856,952 (2005 £790,008) held in designated client and underwriter accounts. These balances are used to settle claims to policyholders, pay premiums to underwriters and commissions and other income due to group undertakings

**Notes to the financial statements
for the 15 months ended 31 March 2007**

10. Creditors amounts falling due within one year

	31 March 2007 £	31 December 2005 £
Insurance creditors	2,128,279	1,438,039
Amounts owed to group undertakings	257,617	477,820
Other creditors	17,365	41,694
Accruals and deferred income	30,020	51,004
	<u>2,433,281</u>	<u>2,008,557</u>

Walton & Parkinson Limited is a guarantor to the Senior Facilities Agreement entered into by Primary Group (UK) Limited with Credit Suisse ("the bank") as of 30 January 2007. The principal obligation guaranteed is Primary Group (UK) Limited's obligation to repay the credit facility by 31 July 2008. Each guarantor has entered into a debenture with the bank granting security over all present and future assets.

11. Commitments under operating leases

At 31 March 2007 the company had annual commitments under non-cancellable operating leases as set out below:

	31 March 2007 £	31 December 2005 £
Land and buildings		
Operating leases which expire in over 5 years	66,068	66,068

12. Called up share capital

	31 March 2007 £	31 December 2005 £
Authorised:		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, issued & fully paid:		
1,000 Ordinary shares of £1 each	1,000	1,000

**Notes to the financial statements
for the 15 months ended 31 March 2007**

13. Statement of movements on reserves

	Profit and loss account £
At 1 January 2006	603,677
Retained profit for the financial period	<u>147,609</u>
At 31 March 2007	<u>751,286</u>

14. Reconciliation of movements in shareholder's funds

	31 March 2007 £	31 December 2005 £
Opening shareholder's funds	604,677	515,121
Profit for the financial period	<u>147,609</u>	<u>89,556</u>
Closing shareholder's funds	<u>752,286</u>	<u>604,677</u>

15. Pension commitments

The group operates non-contributory defined contribution grouped personal pension plans. The assets of the plans are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the company to the plans and the amount contributed during the 15 months ended 31 March 2007 was £61,862 (12 months ended 31 December 2005 £38,405).

16. Related party transactions

As permitted under Financial Reporting Standard No 8 'Related Party Disclosures', transactions between group companies which are owned and controlled by more than 90% of the voting rights have not been disclosed.

**Notes to the financial statements
for the 15 months ended 31 March 2007**

17. Ultimate holding company

The immediate parent company as at 31 March 2007 is Lorica General Insurance Limited, a company incorporated in the United Kingdom

Primary Group Limited, incorporated in Bermuda, is regarded by the directors of the Company as the Company's ultimate parent company

The largest group in which the results of the Company are consolidated is that of which Primary Group Limited is the parent company. In the opinion of the directors, at the date on which the accounts were approved, the ultimate controllers are the trustees of NUSA Trust and JIWO Trust, both trusts established in the Cayman Islands for the benefit of P W H James and his family

The smallest such group is that of which Primary Group (UK) Limited is the parent company. Primary Group (UK) Limited is registered in England and Wales