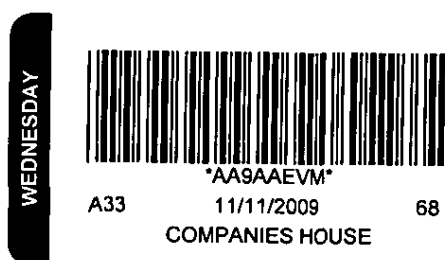


RURAL INSURANCE GROUP LIMITED

Report and Financial Statements
for the Year ended 31 March 2009



Company Registration No. 2207611

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General Information

Directors

The directors at the date of this report were as follows:

Mr L D Harvey
Mr T P Rolfe
Mr P J Hubbard
Mr H M Posner
Mr M I Warren
Mrs K A Smith

Secretary

The company secretary is Thomas Eggar Secretaries Limited.

Principal Bankers

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

Auditors

PricewaterhouseCoopers LLP
1 Hays Lane
Hays Galleria
London SE1 2RD

Tax Advisors

Rawlinson & Hunter
6 New Street Square
New Fetter Lane
London EC4A 3AQ

Principal Lawyers

Norton Rose
3 More London Riverside
London SE1 2AQ

Registered Office

Cast House
Old Mill Business Park
Gibraltar Island Road
Leeds, West Yorkshire
LS10 1RJ

Company Registration Number

2207611

Parent Company

The immediate parent is PBS Holdings 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 12 months ended 31 March 2009.

Principal activities

The company's principal activities are that of an underwriting agency.

Business Review

Results and performance

The results for the period, as set out on pages 5 and 6 show a turnover of £3,275,853 (2008: £3,195,915) and a profit on ordinary activities before tax of £58,299 (2008: £233,585). The shareholders funds of the company show a surplus of £1,029,246 (2008: surplus £1,001,202).

The directors do not recommend the payment of a dividend for year ended 31 March 2009 (year ended 31 March 2008: £nil).

The trading conditions remain extremely competitive but Rural is continuing to trade through these.

Principal risks and uncertainties

The company is not a risk carrier and only acts as an underwriting agency company for insurers that meet the security requirements of the company's own Security Committee and brokers.

The company is regulated by the Financial Services Authority. The business constantly reviews its operation in line with these guidelines to ensure that it provides the highest level of customer advice and service. Adherence to regulation forms an integral part of how the company operates and it continually updates its processes and procedures to ensure it is operating with the appropriate controls in place.

The key risks the business faces are: -

- Major changes in the regulatory environment that could affect underwriting agency companies including increased cost burdens e.g. tax treatment of insurance products
- Major changes in SME insurance distribution

Future outlook

The PBS Holdings Group recently announced it would be merging with its fellow subsidiary Longhawk Group and its associated companies as part of its strategy for the future of the business. This should provide a solid platform for future success, through enhanced distribution channels and synergies on integrating the core businesses.

Directors' Report (continued)

Directors and directors' interests

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

Mr L D Harvey	
Mr T P Rolfe	
Mr R S Saggu	(Resigned 1 June 2009)
Mr P J Hubbard	(Appointed 1 September 2009)
Mr H M Posner	(Appointed 1 June 2009)
Mr M I Warren	(Appointed 1 June 2009)
Mrs K A Smith	(Appointed 1 August 2009)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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 UK Accounting Standards have been followed, subject to any material departures 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 , in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Auditors

The company has elected to dispense with the requirement to hold an Annual General Meeting and reappoint auditors annually. Accordingly, PricewaterhouseCoopers, having indicated their willingness to do so, will continue as the company's auditors.



Mr T P Rolfe
Director

20 October 2009

Independent auditors' report to the members of Rural Insurance Group Limited

We have audited the financial statements of Rural Insurance Group Limited for the 12 months ended 31 March 2009 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 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 and all of the other information listed in the contents page. 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 audit 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.

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 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

21 October 2009

Profit and Loss Account
for the Year ended 31 March 2009

	Note	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Turnover	2	3,275,853	3,195,915
Other income	3	49,083	44,606
Management and other operating charges		<u>(3,382,669)</u>	<u>(3,150,622)</u>
Operating (loss) / profit	4	(57,733)	89,899
Interest receivable		116,032	143,686
		<u>58,299</u>	<u>233,585</u>
Profit on ordinary activities before taxation		58,299	233,585
Tax on profit on ordinary activities	6	<u>(30,255)</u>	<u>(65,948)</u>
Profit on ordinary activities after taxation	13	<u>28,044</u>	<u>167,637</u>
Retained profit for the financial period	14	<u>28,044</u>	<u>167,637</u>

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

There is no material difference between the profit on ordinary activities before taxation and the profit/loss for the financial year stated above and their historical cost equivalents.

The notes to the accounts on pages 7 to 14 form an integral part of these financial statements.

Balance Sheet
as at 31 March 2009

	Note	31 March 2009 £	31 March 2008 £
Fixed assets			
Tangible assets	7	<u>161,984</u> 161,984	<u>221,205</u> 221,205
Current assets			
Debtors	8	3,841,690	4,569,950
Cash at bank and in hand	9	<u>1,029,236</u> 4,870,926	<u>1,139,755</u> 5,709,705
Creditors: (amounts falling due within one year)	10	<u>(3,036,613)</u>	<u>(4,785,120)</u>
Net current assets		<u>1,834,313</u>	<u>924,585</u>
Total assets less current liabilities		1,996,297	1,145,790
Creditors: (amounts falling due in greater than one year)	11	(967,051)	(144,588)
Net assets		<u>1,029,246</u>	<u>1,001,202</u>
Capital and reserves			
Called up share capital	12	1,000	1,000
Profit and loss account	13	<u>1,028,246</u>	<u>1,000,202</u>
Shareholders' funds	14	<u>1,029,246</u>	<u>1,001,202</u>

The notes to the accounts on pages 7 to 14 form an integral part of these financial statements.

The board of directors approved these financial statements on 20 October 2009.

Signed on behalf of the board of directors.



Mr T P Rolfe
Director

20 October 2009

Notes to the financial statements for the Year ended 31 March 2009

1. Accounting policies

The financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

Turnover

Revenues from commissions and fees relating to fixed or minimum premiums on insurance and reinsurance contracts and programmes placed are recognised at the point at which placement services are substantially complete. Revenues from commissions and fees on adjustments to minimum premiums, binding authorities and treaties are recognised on a periodic basis when consideration due is confirmed by third parties. Where an element of revenue is subject to the achievement of profit measures on the underlying insurance business, it is only recognised at the point when it can be measured with sufficient reliability. Before that point any such revenue received is included within accruals and deferred income.

Where contractual obligations exist for the performance of post placement activities, and a cost of these activities is not expected to be covered by future income, a relevant proportion of revenue received on placement is deferred and recognised over the period during which these activities are performed.

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 the average rate of exchange during the period where this is a suitable approximation. Any exchange differences arising on transactions in foreign currencies during the period are dealt with through the profit and loss account.

Depreciation

Tangible fixed assets, including assets held under finance leases and hire purchase contracts, are written off on a straight line basis over their estimated useful lives (Note 7).

Operating Leases

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

Taxation

The charge for taxation is based on the profits for the year 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.

Notes to the financial statements for the Year ended 31 March 2009

1. Accounting policies (continued)

Insurance debtors and creditors

In the normal course of 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, bureaux 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 claims 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.

Cash flow statement and related party

The company is a subsidiary of Primary Group (UK) Limited and is included in the consolidated financial statements of Primary Group (UK) Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Primary Group (UK) Limited group or investors of Primary Group (UK) Limited.

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

All turnover and profit before tax is derived from the company's principal activities of an underwriting agency carried on in the UK.

Notes to the financial statements
for the Year ended 31 March 2009

3. Other operating income

	Year ended 31 March 2009	Year ended 31 March 2008
	£	£
Override on finance agreements	49,083	44,606
	<u>49,083</u>	<u>44,606</u>

4. Operating (loss) / profit

	Year ended 31 March 2009	Year ended 31 March 2008
	£	£
The operating (loss) / profit which originated in the United Kingdom was arrived at after charging:		
Auditors' remuneration	39,410	17,000
Fees payable to group undertakings	1,081,072	1,133,939
Loss on disposal of fixed assets	454	0
Depreciation of owned assets	107,064	138,019
Operating lease rentals - land & buildings	107,000	107,000
	<u>1,344,940</u>	<u>1,395,958</u>

5. Information regarding directors and employees

The aggregate emoluments of the directors of the company for the period ended 31 March 2009, were as follows:

	Year ended 31 March 2009	Year ended 31 March 2008
	£	£
Emoluments – including performance related bonus	114,114	102,514
Contributions to money purchase pension schemes	13,650	14,175
Total emoluments	<u>127,764</u>	<u>116,689</u>

	Year ended 31 March 2009	Year ended 31 March 2008
	£	£
Staff costs		
Wages and salaries	1,039,341	927,231
Social security costs	124,554	141,935
Other pension costs	105,523	92,280
	<u>1,269,418</u>	<u>1,161,986</u>

Notes to the financial statements
for the year ended 31 March 2009

5. Information regarding directors and employees (continued)

	Year ended 31 March 2009 No.	Year ended 31 March 2008 No.
The average number of persons, including executive directors employed by the company during the period was:	44	42

6. Taxation

(a) Analysis of charge in the period	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Group relief	30,848	85,329
Adjustments in respect of previous periods	(593)	(19,381)
Current tax charge for the period (note 6(b))	30,255	65,948
 (b) Factors affecting tax charge for the period	 Year ended 31 March 2009 £	 Year ended 31 March 2008 £
The tax assessed for the period differs from the standard rate of corporation tax in the UK 28% (2008: 30%)		
The differences are explained below:		
Profit on ordinary activities before tax	58,299	233,585
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 30%)	16,324	70,076
<i>Effects of:</i>		
Expenses not deductible for tax purposes	4,585	4,953
Depreciation in excess of capital allowances	9,939	10,300
	30,848	85,329
Adjustments in respect of previous periods	(593)	(19,381)
Current tax charge for the period (note 6(a))	30,255	65,948

Notes to the financial statements
for the year ended 31 March 2009

7. Tangible fixed assets

	Leasehold Improvements	Computer Equipment & Fixtures Fittings	Total
	£	£	£
Cost			
At 31 March 2008	126,329	598,752	725,081
Additions in the period	520	47,776	48,296
Disposals	-	(35,213)	(35,213)
At 31 March 2009	<u>126,849</u>	<u>611,315</u>	<u>738,164</u>
Depreciation			
At 31 March 2008	75,546	428,330	503,876
Charge for the period	25,344	81,720	107,064
Disposals	-	(34,760)	(34,760)
At 31 March 2009	<u>100,890</u>	<u>475,290</u>	<u>576,180</u>
Net book value			
At 31 March 2009	<u>25,959</u>	<u>136,025</u>	<u>161,984</u>
At 31 March 2008	50,783	170,421	221,205
Depreciation rate	20%	20/25%	

8. Debtors

	31 March 2009 £	31 March 2008 £
Insurance debtors	2,039,547	3,913,522
Amounts due from group undertakings	1,734,609	475,079
Prepayments and accrued income	<u>67,534</u>	<u>181,349</u>
	<u>3,841,690</u>	<u>4,569,950</u>

Insurance debtors represent premiums due from policyholders and claims due from underwriters, in each case collected on behalf of the principal and passed on to the policyholder or underwriter after deduction of any commissions or other sums due to third parties or the group.

Notes to the financial statements
for the year ended 31 March 2009

9. Cash at bank and in hand

Included in cash at bank and in hand is £1,029,236 (2008: £1,139,755) held in designated client and underwriter accounts under risk transfer agreements with the relevant insurers. These balances are used to settle claims to policy holders, pay premiums to underwriters and commissions and other income due to group undertakings.

10. Creditors: amounts falling due within one year

	31 March 2009 £	31 March 2008 £
Insurance creditors	2,436,458	4,493,543
Trade creditors	11,436	83,379
Accruals and deferred income	588,719	207,698
	<u>3,036,613</u>	<u>4,785,120</u>

Insurance creditors represent those amounts due to the policyholder or underwriter concerned (see note 8) together with any third party commissions or other sums due.

11. Creditors: amounts falling due greater than one year

	31 March 2009 £	31 March 2008 £
Accruals and deferred income	<u>967,051</u>	<u>144,588</u>
	<u>967,051</u>	<u>144,588</u>

12. Called up share capital

	31 March 2009 £	31 March 2008 £
Authorised:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted and issued:		
1,000 Ordinary share of £1 each	<u>1,000</u>	<u>1,000</u>

**Notes to the financial statements
for the year ended 31 March 2009**

13. Statement of movements on reserves

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
At the start of the period	1,000,202	832,565
Profit for the period	28,044	167,637
At the end of the period	1,028,246	1,000,202

14. Reconciliation of movements in shareholder's funds

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
At the start of the period	1,001,202	833,565
Retained profit for the period	28,044	167,637
At the end of the period	1,029,246	1,001,202

15. Provisions

In the ordinary course of the company's business it can be subject to claims for alleged errors, omissions and other matters. Such liabilities are provided for when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated.

Although the outcome of current claims and litigation cannot be known with any certainty, on the basis of current information, management consider that the ultimate determination of such claims will not have a material adverse effect on the financial position of the company.

16. 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 period to the 31 March 2009 was £105,523 (2008: £92,280).

16. Commitments under operating leases

	Year ended 31 March 2009 £	Year ended 31 March 2008 £
Operating leases which expire; After more than 5 years	107,000	107,000
	107,000	107,000

**Notes to the financial statements
for the year ended 31 March 2009****17. Related party disclosures**

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.

18. Ultimate holding company

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

The immediate parent company as at 31 March 2009 is PBS Holdings Limited, a company incorporated in the United Kingdom.

The largest group in which the results of the company are consolidated is that of which Primary Group Limited is the parent company. At the date on which the accounts were approved by the directors, the ultimate controlling party is R&H Trust Co. Ltd. as trustee for three trusts established in the Cayman Islands for the benefit of Mr P 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.