

PRIMARY GROUP SERVICES LIMITED

**Report and Financial Statements
for the year ended 31 December 2004**

Company Registration No. 3194221



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General Information

Directors

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

A N M McMahon
T E Keill
J Rouse
S Bradbury

Secretary

The company secretary is Mrs T E Keill.

Principal Bankers

The Royal Bank of Scotland Plc
62/63 Threadneedle Street
London EC2R 8LA

Barclays Bank Plc
54 Lombard Street
London EC3V 9EX

Auditors

Mazars LLP
24 Bevis Marks
London EC3A 7NR

Tax Advisors

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

Principal Lawyers

Taylor Wessing
Carmelite
50 Victoria Embankment
Blackfriars
London EC4Y 0DX

Registered Office

10 King William Street
London EC4N 7TW

Company Registration Number

3194221

Parent Company

The immediate parent company is Primary Group (UK) 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 year ended 31 December 2004.

Results and dividend

Turnover was £3,169,911 (2003: £2,594,432) and the loss attributable to shareholders for the company for the year ended 31 December 2004 was £1,848,134 (2003: £201,651) after a tax credit of £273,354 (2003: £102,178).

Review of developments

Principal activities

The company's principal activities are the provision of management and administrative services to other companies in the group and this is expected to continue. Services are also offered to unrelated businesses where the directors believe such activities benefit the company.

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. Decisions are measured through the reporting and control process in what is known as our 'Trust and Verify' framework. 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. These transactions have not therefore been disclosed in the related party note.

Tangible fixed assets

Movements in the tangible fixed assets held by the company are shown in Note 8.

Charitable donations

During the year the company made charitable donations of £750 (2003: £1,500).

Directors' Report (continued)**Directors and directors' interests**

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

A N M McMahon

T E Keill

J Rouse

S Bradbury

M H King

J A Hodes

(Appointed 19 November 2004)

(Appointed 1 October 2005)

(Resigned 19 November 2004)

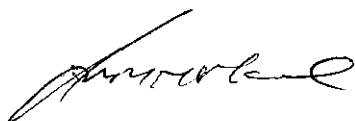
(Resigned 14 April 2005)

No director had a direct interest in the issued share capital of the company during the year. The directors' interests in the share capital of other group companies are shown in the directors' report of the parent company's financial statements.

Auditors

Mazars LLP succeeded Mazars as the independent auditors to the company on 1 September 2004. Resolutions to dispense with the requirement to reappointment auditors annually and to hold an Annual General Meeting were passed on 12 June 1998.

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



Mr A N M McMahon
Director

20 October 2005

Independent Auditors' Report to the Member of Primary Group Services Limited

We have audited the financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's member, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

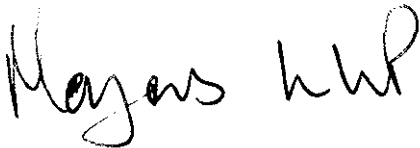
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 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 of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Mazars LLP', is written in a cursive style.

Mazars LLP
Chartered Accountants and Registered Auditors
24 Bevis Marks
London
EC3A 7NR

20 October 2005

**Profit and Loss Account
for the year ended 31 December 2004**

	Note	2004 £	2003 £
Turnover	3	3,169,911	2,594,432
Management and other operating charges		<u>(5,556,270)</u>	<u>(3,535,843)</u>
Operating loss	4	(2,386,359)	(941,411)
Interest receivable		286,530	664,341
Interest payable	6	<u>(21,659)</u>	<u>(26,759)</u>
Loss on ordinary activities before taxation		(2,121,488)	(303,829)
Tax on loss on ordinary activities	7	<u>273,354</u>	<u>102,178</u>
Loss on ordinary activities after taxation	12	<u>(1,848,134)</u>	<u>(201,651)</u>
Retained loss for the financial period	13	<u>(1,848,134)</u>	<u>(201,651)</u>

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

The notes to the accounts on pages 7 to 13 form an integral part of these financial statements.

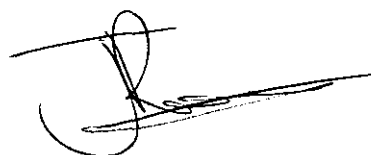
Balance Sheet
as at 31 December 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	8	<u>312,987</u>	<u>438,261</u>
Current assets			
Debtors: due within one year	9	19,388,634	9,891,124
Debtors: due after one year	9	300,000	4,088,333
Cash at bank and in hand		<u>13,866</u>	<u>584,211</u>
		19,702,500	14,563,668
Creditors: (amounts falling due within one year)	10	<u>(21,719,101)</u>	<u>(14,857,409)</u>
Net current liabilities		<u>(2,016,601)</u>	<u>(293,741)</u>
		<u>(1,703,614)</u>	<u>144,520</u>
Capital and reserves			
Called up share capital	11	1,000	1,000
Profit and loss account	12	<u>(1,704,614)</u>	<u>143,520</u>
	13	<u>(1,703,614)</u>	<u>144,520</u>

The notes to the accounts on pages 7 to 13 form an integral part of these financial statements.

The board of directors approved these financial statements on 20 October 2005.

Signed on behalf of the board of directors.



Mr J Rouse
Director

20 October 2005

Notes to the financial statements for the year ended 31 December 2004

1. 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 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; 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 proper accounting records that 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. 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.

2. Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of accounting

The financial statements are prepared under the historical cost convention of accounting and on a going concern basis due to the support of the parent company.

Turnover

Turnover comprises fees for administrative and support services.

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 8).

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 year end to reflect an average rate. Any exchange differences arising on transactions in foreign currencies during the year are dealt with through the profit and loss account.

Notes to the financial statements for the year ended 31 December 2004

2. Accounting policies (continued)

Deferred 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 FRS 19. Deferred tax assets are recognised to the extent that the directors consider these amounts receivable.

Cash flow statement

The company is a wholly owned subsidiary of Primary Group (UK) Limited, which prepares a consolidated cash flow statement. The company has therefore elected to make use of the exemption provided in Financial Reporting Standard No. 1 ("Cash Flow Statements") not to produce a cash flow statement.

Operating leases

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

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 profit and loss account as incurred in accordance with the employment contract of each director or employee.

3. Turnover

Turnover for the year originated from fees receivable from group undertakings.

4. Operating loss

	2004 £	2003 £
The operating loss which originated in the United Kingdom for the year was arrived at after charging:		
Accountancy fees – audit	113,821	38,909
Depreciation of owned assets	135,432	230,388
Loss on disposal of fixed assets	-	230,318
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**Notes to the financial statements
for the year ended 31 December 2004**

5. Information regarding directors and employees

The aggregate emoluments of the directors of the company for the year ended 31 December 2004, were as follows:

	2004 £	2003 £
Emoluments including performance related bonus	514,975	467,710
Contributions to money purchase pension schemes	33,488	34,877
Total emoluments	548,463	502,587

The emoluments of the highest paid director included in the amount above are:

Emoluments including performance related bonus	330,000	274,168
Pension	18,288	19,710
Total emoluments	348,288	293,878

	2004 £	2003 £
Staff costs		
Wages and salaries	1,886,811	1,366,205
Social security costs	199,745	150,201
Other pension costs	130,753	124,050
	2,217,309	1,640,456

	2004 No.	2003 No.
The average number of persons, including executive directors employed by the company during the year was:	21	20
The number of directors for the benefit of whom the company made contributions to money purchase pension schemes during the year was:	4	4

**Notes to the financial statements
for the year ended 31 December 2004**

6. Interest payable

	2004 £	2003 £
Bank interest	21,659	26,759

7. Taxation

	2004 £	As Restated 2003 £
(a) Analysis of credit in year		
Group relief	(273,354)	37,714
Adjustments in respect of prior periods	-	(139,892)
Tax receivable as at 31 December (note 7(b))	(273,354)	(102,178)
(b) Factors affecting tax credit for the year		
	2004 £	2003 £
The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%)		
The differences are explained below:		
Loss on ordinary activities before tax	(2,121,488)	(303,829)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(636,446)	(91,149)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	98,301	8,589
Intragroup loans written off not deductible	60,000	46,200
Depreciation in excess of capital allowances	-	74,074
Ineligible bad debt provision	211,855	-
Capital allowance for period in excess of depreciation	(7,064)	-
Adjustment to tax in respect of prior periods	-	(139,892)
Current tax credit for the year (note 7(a))	(273,354)	(102,178)

**Notes to the financial statements
for the year ended 31 December 2004**

8. Tangible fixed assets

	Furniture, fittings & equipment £
Cost	
At 1 January 2004	605,435
Additions during the year	<u>10,158</u>
At 31 December 2004	<u>615,593</u>
Depreciation	
At 1 January 2004	167,174
Charge for the year	<u>135,432</u>
At 31 December 2004	<u>302,606</u>
Net book value	
At 31 December 2004	<u>312,987</u>
At 31 December 2003	<u>438,261</u>
Depreciation rate	20 / 25%

9. Debtors

	2004 £	2003 £
Amounts due within one year		
Amounts due from group undertakings	18,705,329	9,124,160
Other debtors	170,694	147,966
Prepayments and accrued income	168,635	150,457
Corporation tax receivable	<u>343,976</u>	<u>468,541</u>
	<u>19,388,634</u>	<u>9,891,124</u>
Amounts due after more than one year		
Amounts due from group undertakings	<u>300,000</u>	<u>4,088,333</u>

**Notes to the financial statements
for the year ended 31 December 2004**

10. Creditors: amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts	1,960,844	-
Trade creditors	366,912	-
Amounts owed to group undertakings	16,151,903	13,873,373
Other taxation and social security	1,004,791	447,013
Other creditors	25,816	130,288
Accruals and deferred income	2,208,835	406,735
	<u>21,719,101</u>	<u>14,857,409</u>

11. Called up share capital

	2004 £	2003 £
Authorised:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, issued & fully paid:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

12. Statement of movements on reserves

	2004 £	2003 £
At 1 January	143,520	345,171
Loss for the financial year	(1,848,134)	(201,651)
	<u>(1,704,614)</u>	<u>143,520</u>
At 31 December	<u>(1,704,614)</u>	<u>143,520</u>

13. Reconciliation of movements in shareholder's funds

	2004 £	2003 £
At 1 January	144,520	346,171
Retained loss for the financial year	(1,848,134)	(201,651)
	<u>(1,703,614)</u>	<u>144,520</u>
At 31 December	<u>(1,703,614)</u>	<u>144,520</u>

**Notes to the financial statements
for the year ended 31 December 2004**

14. 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 group to the plans and the amount contributed during the year to 31 December 2004 was £130,753 (2003: £124,050).

15. Related party transactions

As permitted under FRS 8, transactions between group companies which are owned and controlled by more than 90% of the voting rights have not been disclosed.

The ultimate parent company Primary Group Limited has a 51% interest in Primary Risk Holdings Limited, of which Primary Reinsurance Company Limited and Primary Insurance Company Limited are wholly owned subsidiaries. The company provides administrative and support services to these companies and during the year received £9,395 (2003: £15,372) and £Nil (2003: £32,166) respectively from these companies. At 31 December 2004 the amount owed to Primary Reinsurance Company Limited was £Nil (2003: £2,354,498), and by Primary Insurance Company Limited £Nil (2003: £28,842).

Primary Insurance Group Limited is an 83% subsidiary of the parent company, Primary Group (UK) Limited. Primary Travel Insurance Services Limited, a wholly owned subsidiary of Primary Insurance Group Limited, received administrative and support services from the company, paying £203,349 (2003: £106,817). At 31 December the amount owed by Primary Travel Insurance Services Limited was £641,340 (2003: £202,524).

16. Ultimate holding company

The immediate holding company as at 31 December 2004 is Primary Group (UK) Limited, a company incorporated in the United Kingdom.

The ultimate holding company was Primary Group Limited, a company incorporated in Bermuda. In the opinion of the directors, the ultimate controllers at this date are the trustees of NUSA Trust and JIWO Trust, both trust companies being incorporated in the Cayman Islands.