

PRIMARY GROUP SERVICES LIMITED
(formerly Monument Insurance Management Limited)

Report and Financial Statements
for the period ended 31 December 2000



Company Registration No. 3194221

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General Information

Directors

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

Mr M H King	Mr M V Newell
Ms H M Sharp	

Secretary

The company secretary is Mrs C L Weaver.

Principal Bankers

The Royal Bank of Scotland plc	Barclays Bank plc
62/63 Threadneedle Street	54 Lombard Street
London EC2R 8LA	London EC3V 9EX

Auditors

Mazars Neville Russell
24 Bevis Marks
London EC3A 7NR

Tax Advisors

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

Principal Lawyers

Taylor Joynson Garrett
50 Victoria Embankment
Blackfriars
London EC4Y 0DX

Registered Office

5 Lloyd's Avenue
London EC3N 3AE

Company Registration Number

3194221

Parent Company

The immediate and 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 period ended 31 December 2000.

Results and dividend

Turnover and other income was £5,830,708 (1999: £4,527,455) and the profit attributable to shareholders for the company for the period ended 31 December 2000 was £332,596 (1999: £25,779) after deduction of tax expense of £6,204 (1999: £2,560). The directors recommend the payment of a dividend for the period ended 31 December 2000 of £300,000 (1999: £Nil).

The financial statements included in this report are for a fifteen month period as the company extended its accounting reference date to 31 December 2000.

Review of developments

Principal activities

The company's principal activities are the provision of management and administrative services to other companies in the group, including the Lloyd's broker Monument Insurance Brokers Limited together with insurance intermediary and administrative services to non-group members. The company changed its name on 7 December 2000 to Primary Group Services Limited (formerly Monument Insurance Management Limited).

Future developments

The directors aim to enhance existing relationships and to develop new business opportunities with other like-minded professional organisations around the world.

Tangible fixed assets

Movements in the tangible fixed assets held by the company are shown in Note 7.

Charitable donations

During the period the company made charitable donations of £800 (1999: £1,300).

Directors and directors' interests

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

Mr I M Bond	Resigned 13 December 2000
Mr C Farley-West	Resigned 30 September 2000
Mr M H King	
Mr P W H James	Resigned 13 December 2000
Mr P V McKay	Appointed 1 March 2000
	Resigned 13 December 2000
Mr M V Newell	Resigned 21 October 1999
	Appointed 13 December 2000
Mr A Nightingale	Appointed 1 March 2000
	Resigned 13 December 2000
Mr M R Porter	Resigned 13 December 2000
Ms H M Sharp	Appointed 13 December 2000

Directors' Report (continued)

No director had a direct interest in the share capital of the company during the period.

The directors' interests in the share capital of other group companies are shown in the directors' report of the parent company's financial statements. On 13 December 2000, a number of directors resigned or were appointed to the board as part of a group wide reorganisation of senior appointments to better address potential conflicts of interest and ensure appropriate structures to manage the group's affairs.

Auditors

Mazars Neville Russell have signified their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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



M H King
Director

18 June 2001

**Independent Auditors' Report to the Shareholders of
Primary Group Services Limited**

We have audited the financial statements of Primary Group Services Limited for the period ended 31 December 2000 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the 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. 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 misstatements 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 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars Neville Russell

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

22 June 2001

Profit and Loss Account
for the period ended 31 December 2000

	Note	15 Mths to 31 Dec 2000 £	1999 £
Turnover	3	5,830,708	4,527,455
Management and other operating charges		(5,499,637)	(4,501,769)
		<hr/>	<hr/>
Operating profit	4	331,071	25,686
Interest receivable		15,097	2,653
Interest payable		(7,368)	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		338,800	28,339
Tax on profit on ordinary activities	6	(6,204)	(2,560)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		332,596	25,779
Dividends		(300,000)	-
		<hr/>	<hr/>
Retained profit for the financial period	11	<u>32,596</u>	<u>25,779</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 6 to 12 form an integral part of these financial statements.

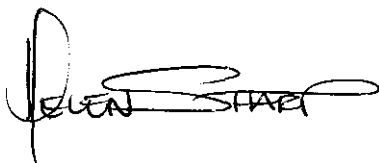
Balance Sheet
as at 31 December 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	7	117,909	55,195
Current assets			
Debtors	8	1,570,098	2,059,934
Cash at bank and in hand		44,347	59,377
Creditors: (amounts falling due within one year)	9	1,614,445 (1,602,483)	2,119,311 (2,077,231)
Net current assets		11,962	42,080
		129,871	97,275
Capital and reserves			
Called up share capital	10	1,000	1,000
Profit and loss account	11	128,871	96,275
	12	129,871	97,275

The notes to the accounts on pages 6 to 12 form an integral part of these financial statements.

The board of directors approved these financial statements on 18 June 2001.

Signed on behalf of the board of directors.



H M Sharp
Director

Notes to the financial statements for the period ended 31 December 2000

1. 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 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 accounting standards have been followed;
- 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.

Turnover

Turnover comprises net commissions that are recognised when the debit note is raised together with recharges of expenses to group undertakings and 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 reducing percentage basis over their estimated useful lives (Note 7).

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 year are dealt with through the profit and loss account.

Notes to the financial statements for the period ended 31 December 2000

2. Accounting policies (continued)

Deferred taxation

Deferred taxation is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability will crystallise in the foreseeable future, at rates of tax expected to apply when the timing differences reverse.

Cash flow statement

The company is a wholly owned subsidiary of Primary Group 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.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts and their related obligations are included at the fair value of those assets at the inception of the leases or hire purchase contracts.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting year is a constant percentage of the remaining balance of the capital sum outstanding.

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

	15 Mths to 31 Dec	
	2000	1999
	£	£
Turnover for the period originated and was derived from activities as follows:		
Administrative and support services	360,000	358,000
Business development services	375,000	300,000
Net retained insurance commissions	517,282	256,443
Recharges of expenses	4,578,426	3,613,012
	<u>5,830,708</u>	<u>4,527,455</u>

**Notes to the financial statements
for the period ended 31 December 2000**

4. Operating profit

The operating profit which originated in the United Kingdom for the period was arrived at after charging:

	15 Mths to 31 Dec 2000	1999
	£	£
Accountancy fees - auditors' remuneration	8,750	4,000
Amortisation of goodwill	-	256,442
Depreciation of owned assets	48,168	18,534
Fees payable to group undertakings	17,250	26,282
Loss on disposal of fixed assets	5,231	-
	<u> </u>	<u> </u>

5. Information regarding directors and employees

The aggregate emoluments of the directors of the company for the period ended 31 December 2000, were as follows:

	15 Mths to 31 Dec 2000	1999
	£	£
Emoluments	465,872	307,171
Performance related bonus	35,530	995,189
Contributions to money purchase pension schemes	73,249	52,805
Total emoluments	<u>574,651</u>	<u>1,355,165</u>

	15 Mths to 31 Dec 2000	1999
	£	£
The emoluments of the highest paid director included in the amount above are:		
Basic salary	112,500	97,917
Performance related bonus	46,347	135,886
Pension	22,500	8,500
Other emoluments	1,338	550
Total emoluments	<u>182,685</u>	<u>242,853</u>

**Notes to the financial statements
for the period ended 31 December 2000**

5. Information regarding directors and employees (continued)

	15 Mths to 31 Dec 2000 £	1999 £
Staff costs		
Wages and salaries	1,889,070	2,254,786
Social security costs	203,955	262,414
Other pension costs	189,110	112,154
	<u>2,282,135</u>	<u>2,629,354</u>

	15 Mths to 31 Dec 2000 No.	1999 No.
The average number of persons, including executive directors employed by the company during the period was:	<u>36</u>	<u>28</u>
The number of directors for the benefit of whom the company made contributions to money purchase pension schemes during the period was:	<u>7</u>	<u>4</u>

6. Taxation

	15 Mths to 31 Dec 2000 £	1999 £
Based on profit for the year at 30% (1999: 20.5%)	128,885	59,617
Add: under-provision in previous year	3,002	-
Tax relief from group undertakings	(125,683)	(57,057)
Tax payable as at 31 December 2000	<u>6,204</u>	<u>2,560</u>

There are no material deferred tax liabilities unprovided for in the financial statements.

**Notes to the financial statements
for the period ended 31 December 2000**

7. Tangible fixed assets

	Furniture, fittings & equipment £
Cost	
At 1 October 1999	92,670
Additions during the period	110,960
	<hr/> 203,630
Disposals during the period	(12,058)
Transfer from group undertakings	7,532
	<hr/>
At 31 December 2000	199,104
Depreciation	
At 1 October 1999	37,475
Charge for the period	48,168
Depreciation on disposals in the period	(6,827)
Transfer from group undertakings	2,379
	<hr/>
At 31 December 2000	81,195
Net book value	
At 31 December 2000	117,909
	<hr/> <hr/>
At 30 September 1999	55,195
	<hr/> <hr/>
Depreciation rate	20/25%

8. Debtors

	2000 £	1999 £
Amounts due from group undertakings	1,334,094	2,040,572
Amounts due from related undertakings	154,603	-
Other debtors	47,343	11,923
Prepayments and accrued income	34,058	7,439
	<hr/> 1,570,098	<hr/> 2,059,934
	<hr/> <hr/>	<hr/> <hr/>

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

**Notes to the financial statements
for the period ended 31 December 2000**

9. Creditors: amounts falling due within one year

	2000	1999
	£	£
Amounts owed to group undertakings	105,869	18,554
Amounts owed to related party undertakings	79,322	904,620
Corporation tax	3,202	2,560
Other taxation and social security	47,649	132,300
Accruals and deferred income	1,066,441	1,019,197
Dividends payable	300,000	-
	<u>1,602,483</u>	<u>2,077,231</u>

10. Called up share capital

	2000	1999
	£	£
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>

11. Statement of movements on reserves

	2000	1999
	£	£
At 1 October	96,275	70,496
Profit for the financial period	332,596	25,779
Dividends	(300,000)	-
At 31 December	<u>128,871</u>	<u>96,275</u>

12. Reconciliation of movements in shareholders' funds

	2000	1999
	£	£
At 1 October	97,275	71,496
Retained profit for the financial period	32,596	25,779
At 31 December	<u>129,871</u>	<u>97,275</u>

**Notes to the financial statements
for the period ended 31 December 2000****13. 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 period to 31 December 2000 was £189,110 (1999: £112,154).

14. 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.

During the period the company paid fees of £58,500 (1999: £52,000) to C Farley-West for business introduced and other insurance services.

Messrs Bond, James, King and Porter are beneficially interested in the share capital of Primary Group (Bermuda) Limited whose wholly owned subsidiary Monument Reinsurance Brokers (Bermuda) Limited receives administrative and support services from the company and paid the company £300,000 (1999: £310,000) for these services.

During the period the company paid £1,275,000 (1999: £960,000) in fees to Monument Reinsurance Brokers (Bermuda) Limited. At 31 December 2000, the amount due to Monument Reinsurance Brokers (Bermuda) Limited is £79,322 (1999: £904,620).

Messrs Bond, James, King and Porter are beneficially interested in the share capital of Primary Group (Bermuda) Limited, whose wholly owned subsidiary Grupo Primary Holdings Limited, has a 70% investment in Hemispheric Holdings LLC and its subsidiary Hemispheric Underwriting Managers Inc and a wholly owned subsidiary Grupo Primary Limited. These companies receive administrative and support services from the company and paid the company £36,980 (1999: £Nil) and £117,623 (1999: £Nil) respectively for these services.

At 31 December 2000, the amount due from Hemispheric Underwriting Managers Inc is £36,980 (1999: £Nil) and the amount due from Grupo Primary Limited is £117,623 (1999: £Nil).

15. Ultimate holding company

The ultimate holding company is Primary Group Limited, a company incorporated in the United Kingdom. In the opinion of the directors, the ultimate controller at 31 December 2000 is JIWO Trust, a trust company incorporated in the Cayman Islands.