

Report and Financial Statements
for the year ended 31 December 2001



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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
Mr A N M McMahon	Mr J B Bibby

Secretary

The company secretary is Mr M V Newell

Principal Bankers

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

Mazars
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 year ended 31 December 2001.

Results and dividend

Turnover was £6,262,228 (2000: £5,830,708) and the loss attributable to shareholders for the company for the year ended 31 December 2001 was £80,492 (2000: Profit £332,596) after deduction of tax expense of £793,698 (2000: £6,204). The directors recommend the payment of a dividend for the year ended 31 December 2001 of £Nil (2000: £300,000).

The comparatives for 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 and future developments

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 or group.

Tangible fixed assets

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

Charitable donations

During the year the company made charitable donations of £2,835 (2000: £800).

Directors and directors' interests

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

Mr M H King	
Mr M V Newell	
Mr A N M McMahon	Appointed 6 April 2001
Mr J B Bibby	Appointed 18 July 2001
Ms H M Sharp	Resigned 31 October 2001

Directors' Report (continued)

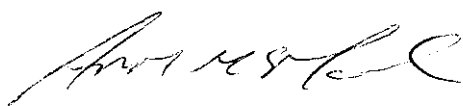
No director had a direct interest in the share capital of the company during the year.

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

On 1 September 2002 our auditors, Mazars Neville Russell, changed their name to Mazars. A resolution to re-appoint Mazars as auditors will be proposed at the forthcoming annual general meeting.

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



A N M McMahon
Director

1 October 2002

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

We have audited the financial statements on pages 4 to 13. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. 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.

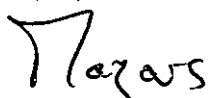
Basis of opinion

We conducted our audit in accordance with 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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

1 October 2002

Profit and Loss Account
for the year ended 31 December 2001

	Note	2001 £	15 Mths to 31 Dec 2000 £
Turnover	3	6,262,228	5,830,708
Management and other operating charges		(5,575,765)	(5,499,637)
		<hr/>	<hr/>
Operating profit	4	686,463	331,071
Interest receivable		26,743	15,097
Interest payable		-	(7,368)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		713,206	338,800
Tax on profit on ordinary activities	6	(793,698)	(6,204)
		<hr/>	<hr/>
(Loss)/Profit on ordinary activities after taxation		(80,492)	332,596
Dividends		-	(300,000)
		<hr/>	<hr/>
Retained (loss)/profit for the financial period	11	<u>(80,492)</u>	<u>32,596</u>

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

The notes to the accounts on pages 6 to 13 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2001

	Note	2001 £	2000 £
Fixed assets			
Tangible assets	7	518,498	117,909
Current assets			
Debtors	8	4,140,941	1,570,098
Cash at bank and in hand		-	44,347
Creditors: (amounts falling due within one year)	9	4,140,941 (4,610,060)	1,614,445 (1,602,483)
Net current assets		(469,119)	11,962
		49,379	129,871
Capital and reserves			
Called up share capital	10	1,000	1,000
Profit and loss account	11	48,379	128,871
	12	49,379	129,871

The notes to the accounts on pages 6 to 13 form an integral part of these financial statements.

The board of directors approved these financial statements on 1 October 2002.

Signed on behalf of the board of directors.



M H King
Director

1 October 2002

Notes to the financial statements for the year ended 31 December 2001

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;
- 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 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 2001****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.

Notes to the financial statements for the year ended 31 December 2001

3. Turnover

	2001 £	15 Mths to 31 Dec 2000 £
Turnover for the year originated and was derived from activities as follows:		
Administrative and support services	240,000	360,000
Business development services	(94,030)	375,000
Net retained insurance commissions	(517,282)	517,282
Recharges of expenses	6,633,540	4,578,426
	<u>6,262,228</u>	<u>5,830,708</u>

4. Operating profit

	2001 £	15 Mths to 31 Dec 2000 £
The operating profit which originated in the United Kingdom for the year was arrived at after charging:		
Accountancy fees - audit	69,583	8,750
Accountancy fees – non-audit services	17,099	-
Depreciation of owned assets	42,232	48,168
Fees payable/(receivable) to / (from) group undertakings	(58,268)	17,250
Loss on disposal of fixed assets	18,850	5,231
	<u>69,583</u>	<u>8,750</u>

The audit fees for 2001 represent the cost incurred by Primary Group Services Limited for the entire UK Group, which have been recharged through management fees.

5. Information regarding directors and employees

The aggregate emoluments of the directors of the company for the year ended 31 December 2001, were as follows:

	2001 £	15 Mths to 31 Dec 2000 £
Emoluments	729,608	465,872
Performance related bonus	39,500	35,530
Contributions to money purchase pension schemes	41,067	73,249
Total emoluments	<u>810,175</u>	<u>574,651</u>

**Notes to the financial statements
for the year ended 31 December 2001**

5. Information regarding directors and employees (continued)

	2001	15 Mths to 31 Dec 2000
	£	£
The emoluments of the highest paid director included in the amount above are:		
Basic salary	91,250	112,500
Performance related bonus	265,500	46,347
Pension	9,125	22,500
Other emoluments	329	1,338
Total emoluments	<u>366,204</u>	<u>182,685</u>

The directors received no remuneration from the company. However, an allocation of their remuneration received from the group management company in respect of their services has been included in the above disclosures. This is the usual commercial practice of the group and the company acknowledges its contractual commitment in the recharge of expenses incurred in this way for the benefit of the company.

	2001	15 Mths to 31 Dec 2000
	£	£
Staff costs		
Wages and salaries	1,236,837	1,889,070
Social security costs	143,492	203,955
Other pension costs	78,304	189,110
	<u>1,458,633</u>	<u>2,282,135</u>

During the year, all staff costs were paid by Primary Group Services Limited. The above information is an allocation of staff costs from the Group which are included within the management recharge.

	2001	15 Mths to 31 Dec 2000
	No.	No.
The average number of persons, including executive directors employed by the company during the year was:	<u>79</u>	<u>36</u>
The number of directors for the benefit of whom the company made contributions to money purchase pension schemes during the year was:	<u>5</u>	<u>7</u>

Notes to the financial statements for the year ended 31 December 2001

6. Taxation

	2001 £	15 Mths to 31 Dec 2000 £
Based on profit for the year at 30% (2000: 30%)	537,723	128,885
Add: under-provision in previous year	-	3,002
Taxation relating to other Group Companies in liquidation	255,975	-
Tax relief from group undertakings	-	(125,683)
Tax payable as at 31 December 2001	<u>793,698</u>	<u>6,204</u>

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

7. Tangible fixed assets

	Furniture, fittings & equipment £	Motor Vehicles £	Total £
Cost			
At 1 January 2001	199,104	-	199,104
Additions during the year	161,006	-	161,006
	<u> </u>	<u> </u>	<u> </u>
Disposals during the year	(38,204)	-	(38,204)
Transfer from group undertakings	658,127	13,446	671,573
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001	980,033	13,446	993,479
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 January 2001	81,195	-	81,195
Charge for the year	42,232	-	42,232
Depreciation on disposals in the year	(19,354)	-	(19,354)
Transfer from group undertakings	359,351	11,558	370,909
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001	463,424	11,558	474,982
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 31 December 2001	516,610	1,888	518,498
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2000	117,909	-	117,909
	<u> </u>	<u> </u>	<u> </u>
Depreciation rate	20/25%	20/25%	20/25%

**Notes to the financial statements
for the year ended 31 December 2001**

8. Debtors

	2001	2000
	£	£
Amounts due from group undertakings	2,991,560	1,334,094
Amounts due from related undertakings	607,154	154,603
Other debtors	324,340	47,343
Prepayments and accrued income	217,887	34,058
	<u>4,140,941</u>	<u>1,570,098</u>

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

9. Creditors: amounts falling due within one year

	2001	2000
	£	£
Bank Overdraft	296,262	-
Amounts owed to group undertakings	2,760,778	105,869
Amounts owed to related party undertakings	361,978	79,322
Corporation tax	290,883	3,202
Other taxation and social security	150,616	47,649
Other Creditors	70,423	-
Accruals and deferred income	679,120	1,066,441
Dividends payable	-	300,000
	<u>4,610,060</u>	<u>1,602,483</u>

10. Called up share capital

	2001	2000
	£	£
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

	2001	2000
	£	£
At the start of the period	128,871	96,275
(Loss)/Profit for the financial period	(80,492)	332,596
Dividends	-	(300,000)
	<u>48,379</u>	<u>128,871</u>
At 31 December		

**Notes to the financial statements
for the year ended 31 December 2001**

12. Reconciliation of movements in shareholders' funds

	2001 £	2000 £
At the start of the period	129,871	97,275
Retained (loss)/profit for the financial period	(80,492)	32,596
At 31 December	<u>49,379</u>	<u>129,871</u>

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 year to 31 December 2001 was £233,501 (2000: £189,110).

14. Contingent Liabilities

The company's corporation tax for the year ended 30 September 1999 is currently under review by the Inland Revenue and the corporation tax for that year has yet to be agreed.

There may be a potential liability for additional taxation but the amount cannot be quantified at present. In the opinion of the directors any additional liability arising is unlikely to be material.

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.

Messrs Bond, James, King and Porter are beneficially interested in the share capital of Primary Group Limited (formerly known as 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 £345,316 (2000: £300,000) for these services.

During the year the company paid £94,030 (2000: £1,275,000) in fees to Monument Reinsurance Brokers (Bermuda) Limited. At 31 December 2001, the amount owed by Monument Reinsurance Brokers (Bermuda) Limited is £349,999 (2000: £79,322).

Primary Group Limited, has wholly owned subsidiaries Grupo Primary Limited and Grupo Primary Underwriting LLC. These companies receive administrative and support services from the company and paid the company £(43,329) (2000: £36,980) and £(2,700) (2000: £117,623) respectively for these services.

**Notes to the financial statements
for the year ended 31 December 2001**

15. Related party transactions (continued)

At 31 December 2001, the amount due from Grupo Primary Underwriting LLC is £51,592 (2000: £36,980) and the amount due from Grupo Primary Limited is £76,712 (2000: £117,623).

Messrs Bond, James, King and Porter are beneficially interested in the share capital of Primary Group Limited whose wholly owned subsidiary Primary Reinsurance Company Limited receives administrative and support services from the company and paid the company £201,596 (2000: £Nil) for these services. During the year the company made a loan to Primary Reinsurance Co Limited of £563,573. At 31 December 2001 the amount owed to Primary Reinsurance Co Limited is £362,128.

16. Post Balance Sheet Events

On 5 March 2002, the ownership of Primary Group Limited was transferred to Primary Group Bermuda Limited. On the 31 July 2002 Primary Group Limited changed its name to Primary Group (UK) Limited, and Primary Group Bermuda Limited changed its name to Primary Group Limited.

17. Ultimate holding company

The immediate and ultimate holding company as at 31 December 2001 is Primary Group UK Limited (formerly known as Primary Group Limited), a company incorporated in the United Kingdom. In the opinion of the directors, the ultimate controller at 31 December 2001 is JIWO Trust, a trust company incorporated in the Cayman Islands.

At the date on which the accounts were approved by the Directors, the ultimate holding company was Primary Group Limited (formerly known as Primary Group Bermuda 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.