

PRIMARY UNDERWRITING LIMITED

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

Company Registration No. 3409756

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General Information

Directors

The sole director at the date of this report was

Mr I M Bond

Secretary

The company secretary is Ms T E Keill

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

Norton Rose
3 More London Riverside
London SE1 2AQ

Registered Office

3 More London Riverside
London SE1 2AQ

Company Registration Number

3409756

Parent Company

The immediate parent company is Primary Group (UK) Limited, and the ultimate parent company is Primary Group Limited

Director's Report

The director presents his annual report together with the audited financial statements of the company for the 15 months ended 31 March 2007. During the year the Company changed its accounting reference date from 31 December to 31 March. The comparative figures reflect the twelve month period to 31 December 2005.

Business Review

Results and Performance

Turnover and other income was £nil (2005: £nil) and the loss attributable to shareholders of the company for the 15 months ended 31 March 2007 was £442,541 (2005: profit of £25,606) after a tax credit of £193,665 (2005: charge of £6,468). The Directors do not recommend payment of a dividend. There was no prior year dividend paid.

Business Environment

The company's principal activity was the provision of general underwriting services. The company is now in run off servicing claims through third party administrators.

Strategy

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. The Company intends to complete its runoff in a cost effective manner.

Key performance indicators

The Company maintains tight controls over expenditure and monitors costs and cash flows closely against budgets.

Directors and director's interests

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

- - - Mr I M Bond

Mr A N M McMahon (resigned 20 March 2007)

The directors had no 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.

Auditors

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

Statement of Disclosure of Information to Auditors

The sole director in office at the date of approval of this report confirms that

- a) so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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



Mr I M Bond

Director

10 January 2008

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities, is made for the purpose of clarifying the respective responsibilities of the directors and the auditors in the preparation of the financial statements

Company law requires the directors to prepare financial statements for each financial year, that give a true and fair view of the state of affairs of the Company at the end of the financial year 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, with the exception of changes arising on the adoption of new accounting standards in the year,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRIMARY UNDERWRITING LIMITED

We have audited the financial statements of Primary Underwriting Limited for the 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 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 2007 and of its loss 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 Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

20 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 £
Management and other operating charges		<u>(636,206)</u>	<u>31,437</u>
Operating (loss) / profit	2	(636,206)	31,437
Interest receivable		<u>-</u>	<u>637</u>
(Loss) / profit on ordinary activities before taxation		(636,206)	32,074
Tax on (loss) / profit on ordinary activities	3	<u>193,665</u>	<u>(6,468)</u>
(Loss) / profit on ordinary activities after taxation		(442,541)	25,606
Retained (loss) / profit for the financial period	8	(442,541)	25,606

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

The notes to the accounts on pages 7 to 11 form an integral part of these financial statements.


Balance Sheet
as at 31 March 2007

	Note	31 March 2007 £	31 December 2005 £
Current assets			
Debtors	4	-	1,002,684
Cash at bank and in hand	5	<u>6</u>	<u>296</u>
		6	1,002,980
Creditors: (amounts falling due within one year)	6	<u>-</u>	<u>(910,612)</u>
Net current assets		<u>6</u>	<u>92,368</u>
Total assets less current liabilities		6	92,368
Creditors : (amounts falling due after more than one year)	6	<u>(350,179)</u>	<u>-</u>
		<u>(350,173)</u>	<u>92,368</u>
Capital and reserves			
Called up share capital	7	2	2
Profit and loss account	8	<u>(350,175)</u>	<u>92,366</u>
Shareholder's funds	9	<u>(350,173)</u>	<u>92,368</u>

The notes to the accounts on pages 7 to 11 form an integral part of these financial statements

The board of directors approved these financial statements on 10 January 2008

Signed on behalf of the board of directors


Mr I M Bond
Director

10 January 2008

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

These financial statements have been prepared in accordance with the Companies Act 1985 and Generally Accepted Accounting Principles in the United Kingdom and are denominated in sterling. The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and of revenues earned and expenses incurred during the reporting period. The group's significant accounting policies, which have been applied consistently over the period, are described below.

Basis of accounting

The financial statements are prepared under the historical cost convention of accounting.

Turnover

Turnover comprises brokerage, commission and fees recognised when placement services are completed.

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 an average rate that approximates actual. Any exchange differences arising on transactions in foreign currencies during the period are dealt with through the profit and loss account.

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 receivable.

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 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.

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

1. Accounting policies (continued)

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.

2. Operating (loss) / profit

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
The operating (loss) / profit which originated in the United Kingdom for the period was arrived at after charging		
Auditors' remuneration	-	4,805
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3. Taxation

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
(a) Analysis of (credit) / charge in period		
Group relief	(193,665)	6,468
Current tax (credit) / charge for the period (note 3(b))	(193,665)	6,468
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**Notes to the financial statements
for the 15 months ended 31 March 2007**

3. Taxation (continued)

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
(b) Factors affecting tax charge / (credit) for the period		
The tax assessed for the period is lower from the standard rate of corporation tax in the UK (30%) The differences are explained below		
(Loss) / profit on ordinary activities before tax	(636,206)	32,074
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	(190,862)	9,622
<i>Effects of</i> Capital allowances for period in excess of depreciation	(2,803)	(3,154)
Current tax (credit) / charge for the period (note 3(a))	(193,665)	6,468

4. Debtors

	31 March 2007 £	31 December 2005 £
Insurance debtors	-	1,002,684

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

5. Cash at bank and in hand

Included in cash at bank and in hand is £nil (2005 £41) 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**

6. Creditors

	31 March 2007 £	31 December 2005 £
Amounts falling due within one year		
Insurance creditors	-	366,487
Amounts owed to group undertakings	-	532,295
Accruals and deferred income	-	11,830
	<u>-</u>	<u>910,612</u>
Amounts falling due after more than one year		
Amounts owed to group undertakings	<u>350,179</u>	<u>-</u>

7. Called up share capital

	31 March 2007 £	31 December 2005 £
Authorised:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, issued & fully paid:		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

8. Statement of movement on reserves

	31 March 2007 £	31 December 2005 £
At 1 January 2006	92,366	66,760
Profit for the financial period	<u>(442,541)</u>	<u>25,606</u>
At 31 March 2007	<u>(350,175)</u>	<u>92,366</u>

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

9. Reconciliation of shareholder's funds

	31 March 2007 £	31 December 2005 £
At 1 January 2006	92,368	66,762
Retained profit for the period	<u>(442,541)</u>	<u>25,606</u>
At 31 March 2007	<u>(350,173)</u>	<u>92,368</u>

10. 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

11. Ultimate holding company

The immediate parent company at 31 March 2007 is Primary Group (UK) Limited, a company incorporated in the United Kingdom

The ultimate holding company is Primary Group Limited, a company incorporated in Bermuda. In the opinion of the director, the ultimate controllers at 31 March 2007 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