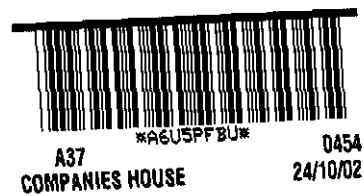


PRIMARY DIRECT LIMITED

**Report and Financial Statements
for the year ended 31 December 2001**



Company Registration No. 3487744

CONTENTS

	Page
General Information	
Directors' Report	1
Auditors' Report	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Financial Statements	6

General Information

Directors

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

Mr T A Berry	Mr S Leatherby
Ms H M Dwyer	
Mr M H King	

Secretary

The company secretary is Mr M V Newell.

Principal Bankers

National Westminster Bank plc
9 Cogots Bank Road
Urmston
Manchester M41 0NW

Auditors

Baker Tilly
2 Bloomsbury Street
London WC1B 3ST

Tax Advisors

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

Principal Lawyers

Taylor Joynson Garrett
Carmelite
50 Victoria Embankment
Blackfriars
London EC4Y 0DX

Registered Office

5 Lloyd's Avenue
London EC3N 3AE

Company Registration Number

3487744

Parent Company

The immediate parent is Primary Group (UK) Limited (formerly known as Primary Group Limited) and the ultimate parent company is Primary Group Limited (formerly known as Primary Group Bermuda 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 £1,868,570 (2000: £2,341,855) and the loss attributable to shareholders for the company for the year ended 31 December 2001 was £55,069 (2000: profit £44,506) after a tax credit of £38,665 (2000: expense £51,156). The directors do not recommend the payment of a dividend for the year ended 31 December 2001 (2000: £Nil).

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

The company's principal activities are the sale and administration of insurance products direct to the public.

Future developments

The directors aim to enhance existing product offerings and to develop new business opportunities with other like-minded professional organisations.

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 £ 50 (2000: £652).

Directors and directors' interests

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

Mr T A Berry	
Mr J B Bibby	Resigned 2 February 2001
Ms H M Dwyer	
Mr M H King	Appointed 2 February 2001
Mr S Leatherby	Appointed 2 February 2001
Mr M V Newell	Resigned 2 February 2001
Ms H M Sharp	Appointed 2 February 2001 Resigned 31 October 2001

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

The directors who currently hold or held office during the year and their beneficial interests (including their family beneficial interests) on 1 January 2001 and 31 December 2001 in the share capital of the company are:

	50p Ordinary A shares		50p Ordinary B shares		£1,000 C Redeemable preference shares	
	31 December 2001	1 January 2001	31 December 2001	1 January 2001	31 December 2001	1 January 2001
H M Dwyer	-	255	-	275	-	-
T A Berry	-	255	-	275	-	-

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

Baker Tilly 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

26 September 2002

**Independent Auditors' Report to the Shareholders of
Primary Direct Limited**

We have audited the financial statements on pages 4 to 14. 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 period then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly 
Chartered Accountants and Registered Auditors
2 Bloomsbury Street
London WC1B 3ST

26 September 2002

Profit and Loss Account
for the year ended 31 December 2001

	Note	2001 £	15 Mths to 31 Dec 2000 £
Turnover	3	1,868,570	2,341,855
Management and other operating charges		(1,953,707)	(2,262,204)
		<hr/>	<hr/>
Operating (loss) / profit	4	(85,137)	79,651
Interest receivable		-	16,671
Other income		-	12,828
Interest payable	5	(8,597)	(13,488)
		<hr/>	<hr/>
(Loss) / profit on ordinary activities before taxation		(93,734)	95,662
Tax on (loss) / profit on ordinary activities	7	38,665	(51,156)
		<hr/>	<hr/>
(Loss) / profit on ordinary activities after taxation	14	(55,069)	44,506
Dividends		-	-
		<hr/>	<hr/>
Retained (loss) / profit for the financial period	15	(55,069)	44,506
		<hr/>	<hr/>

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 6 to 14 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2001

	Note	2001 £	2000 £
Fixed assets			
Tangible assets	8	138,732	181,226
		<hr/>	<hr/>
		138,732	181,226
		<hr/>	<hr/>
Current assets			
Debtors	9	602,026	151,652
Cash at bank and in hand	10	274,937	85,845
		<hr/>	<hr/>
		876,963	237,497
Creditors: (amounts falling due within one year)	11	(975,233)	(233,360)
		<hr/>	<hr/>
Net current assets		(98,270)	4,137
		<hr/>	<hr/>
Total assets less current liabilities		40,462	185,363
Creditors: (amounts falling due after more than one year)	12	-	(49,832)
		<hr/>	<hr/>
		40,462	135,531
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	13	1,000	41,000
Profit and loss account	14	39,462	94,531
		<hr/>	<hr/>
	15	40,462	135,531
		<hr/>	<hr/>

The notes to the accounts on pages 6 to 14 form an integral part of these financial statements.

The board of directors approved these financial statements on.
Signed on behalf of the board of directors.



H M Dwyer
Director

26 September 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.

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 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.

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.

**Notes to the financial statements
for the year ended 31 December 2001****2. Accounting policies (continued)****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 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' (FRS 5). 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

The company is a 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 leased 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 the 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

2. Accounting policies (continued)

Investments

Investments held as fixed assets are stated at cost less provisions for any permanent diminution in value.

3. Turnover

Turnover for the year originated and was derived from activities within the United Kingdom.

4. Operating (loss) / profit

	2001 £	15 Mths to 31 Dec 2000 £
The operating profit / (loss) which originated in the United Kingdom for the year was arrived at after charging/(crediting):		
Auditors' remuneration	22,077	10,164
Depreciation of owned assets	34,750	69,159
Depreciation of hire purchase/finance lease assets	5,221	17,391
Loss/(profit) on disposal of fixed assets	5,545	184,384
Operating lease payments – land & buildings	120,946	120,525
	<u> </u>	<u> </u>

5. Interest payable

	2001 £	15 Mths to 31 Dec 2000 £
Hire purchase interest	8,597	8,795
Other interest	-	4,693
	<u>8,597</u>	<u>13,488</u>

6. 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	183,106	167,336
Performance related bonus	-	91,384
Contributions to money purchase pension schemes	4,250	3,345
Total emoluments	<u>187,356</u>	<u>262,065</u>

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

6. 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	87,615	76,250
Performance related bonus	-	45,692
Pension	3,542	1,500
Other emoluments	4,276	11,766
Total emoluments	<u>95,433</u>	<u>135,208</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	759,344	695,719
Social security costs	68,833	62,311
Other pension costs	17,188	4,613
	<u>845,365</u>	<u>762,643</u>

During the year all staff costs were paid by Primary Group Services, 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>46</u>	<u>43</u>
The number of directors for the benefit of whom the company made contributions to money purchase pension schemes during the year was:	<u>2</u>	<u>2</u>

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

7. Taxation

	2001	15 Mths to 31 Dec 2000
	£	£
Based on (loss)/ profit for the year at 30% (2000: 31%)	(41,290)	51,156
Prior year adjustment	2,625	-
	<u>(38,665)</u>	<u>51,156</u>

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

8. Tangible fixed assets

	Furniture, fittings & equipment £	Motor vehicles £	Total £
Cost			
At 1 January 2001	186,579	96,300	282,879
Additions during the year	37,528	-	37,528
	<u> </u>	<u> </u>	<u> </u>
Disposals during the year	(305)	(81,000)	(81,305)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001	223,802	15,300	239,102
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 January 2001	60,187	41,466	101,653
Charge for the year	34,750	8,488	43,238
Depreciation on disposals during the year	(66)	(44,455)	(44,521)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001	94,871	5,499	100,370
	<u> </u>	<u> </u>	<u> </u>
Net book value			
At 31 December 2001	128,931	9,801	138,732
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2000	126,392	54,834	181,226
	<u> </u>	<u> </u>	<u> </u>
Depreciation rate	20/25%	25%	

Included in the figures above are motor vehicles on hire purchase with a net book value as at 31 December 2001 of £Nil (2000: £43,359).

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

9. Debtors

	2001	2000
	£	£
Insurance debtors	27,042	54,311
Amounts due from group undertakings	378,043	-
Other debtors	95,721	41,370
Prepayments and accrued income	24,560	55,971
Corporation tax receivable	76,660	
	<u>602,026</u>	<u>151,652</u>

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

10. Cash at bank and in hand

Included in cash at bank and in hand is £253,541 (2000: £259,019) held in designated client and underwriter accounts. These balances are used to pay premiums to underwriters and commissions and other income due to group undertakings.

11. Creditors: amounts falling due within one year

	2001	2000
	£	£
Insurance creditors	439,013	66,181
Amounts owed to group undertakings	324,445	57,193
Hire purchase creditors	-	8,544
Other creditors	84,441	70,598
Other taxes and social security	17,911	17,883
Accruals and deferred income	109,423	12,961
	<u>975,233</u>	<u>233,360</u>

Included within insurance creditors are amounts of £ 417,789 due to group undertakings.

12. Creditors: amounts falling due after more than one year

	2001	2000
	£	£
Obligations under finance lease and hire purchase contracts	<u>-</u>	<u>49,832</u>
Between one and two years	-	8,544
Between two and five years	-	41,288
	<u>-</u>	<u>49,832</u>

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

13. Called up share capital

	2001	2000
	£	£
Authorised:		
30,000 'A' Ordinary shares of 50p each	15,000	15,000
30,000 'B' Ordinary shares of 50p each	15,000	15,000
120 'C' Redeemable preference shares of £1,000 each	-	120,000
	<u>30,000</u>	<u>150,000</u>
Allotted, issued & fully paid:		
1,000 'A' Ordinary shares of 50p each	500	500
1,000 'B' Ordinary shares of 50p each	500	500
40 'C' Redeemable preference shares of £1,000 each	-	40,000
	<u>1,000</u>	<u>41,000</u>

'A' ordinary shareholders have voting rights but no right to dividends and shall rank equally with the 'B' ordinary shareholders on a distribution on liquidation.

'B' ordinary shareholders do not have voting rights, but will have the sole rights to dividends and shall rank equally with 'A' ordinary shareholders on a distribution on liquidation.

'C' redeemable preference shareholders do not have voting rights but will rank in priority to any other class of shares on a distribution on liquidation. The 'C' shares shall be redeemed at par at any time at the option of the company but in any event not later than 1 February 2001.

14. Statement of movements on reserves

	2001	2000
	£	£
At the start of the period	94,531	50,025
(Loss) / profit for the financial year	(55,069)	44,506
	<u>39,462</u>	<u>94,531</u>
At 31 December	<u>39,462</u>	<u>94,531</u>

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

15. Reconciliation of movements in shareholders' funds

	2001 £	2000 £
At the start of the period	135,531	131,025
Retained profit/(loss) for the financial year	(55,069)	44,506
Redemption of shares during the year		
40 'C' Redeemable preference shares of £1,000 each	(40,000)	(40,000)
At 31 December	<u>40,462</u>	<u>135,531</u>
Equity interests	40,462	95,531
Non-equity interests	-	40,000
	<u>40,462</u>	<u>135,531</u>

16. Financial commitments

	Land & Buildings £	2001 Other £	Land & Buildings £	2000 Other £
Operating leases which expire:				
Within one year	-	-	-	-
Within two to five years	120,946	-	70,966	-
Total payable	<u>120,946</u>	<u>-</u>	<u>70,966</u>	<u>-</u>

17. 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 by Primary Group Services on behalf of the company was £17,188 (2000: £4,613).

18. Related party disclosures

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 company places insurance policies with Primary International Limited, which was a subsidiary of Primary Insurance Group Limited, until it went into voluntary liquidation on 11 December 2001. During the year the company paid net premiums of £892,783 (2000: £2,138,414) to Primary International Limited acting on behalf of certain insurers. At 31 December 2001, the amount owed to Primary International Limited is £Nil (2000: £24,397).

**Notes to the financial statements
for the year ended 31 December 2001****18. Related party disclosures (continued)**

The company received administrative and support services from Primary Administration Limited, a fellow subsidiary of the ultimate parent company, Primary Group Limited, until its liquidation on 11th December 2001. During the year the company paid £138,222 (2000: £Nil) for these services. At 31 December 2001, the amount due to Primary Administration Limited is £Nil (2000: £Nil).

On 11th December 2001 Goodhealth Worldwide Limited became a wholly owned subsidiary of Primary Group (Bermuda) Limited. Primary Group Bermuda Limited is under common control and therefore it and its subsidiaries are considered related parties. At 31 December the company owed an amount of £750 to Goodhealth Worldwide Limited, this balance arose on the transfer of assets from Primary Loss Adjusters Limited on liquidation.

The company has established a trust with the broad objectives of providing death and other benefits to employees and their dependents, both past and present. The trustees are T Berry and H Dwyer, who are directors and shareholders of the company. The assets of the trust are held separately from those of the company. Contributions to the trust are voluntary and are included in the profit and loss account. An amount of £Nil (2000: £91,384) was contributed to the trust during the financial year and an amount of £Nil (2000: £ Nil) was due to the trust at 31 December 2001.

Mr M Newell is a director of the parent company Primary Group Limited. During the year a car was sold to Mr M Newell resulting in proceeds of £12,000 and a profit on sale of £7,599.

Mr T Berry was beneficially interested in the share capital of Primary Direct Limited. During the year a car was sold to Mr T Berry resulting in proceeds of £19,000 and a profit on sale of £2,924.

19. 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.

20. 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.