

VEGA INSURANCE SERVICES LIMITED

Directors' Report and Financial Statements
for the year ended 31 December 2005



Company Registration No. 4878623

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General Information

Directors

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

Mrs S P Bradbury
Mr D C Battle
Ms K M Bennetts
Mr D J R Edmands

Secretary

The company secretary is Ms T E Keill.

Principal Bankers

Royal Bank of Scotland Plc
Great Tower Street Office
5-10 Great Tower Street
London EC3P 3HX

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

4878623

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 2005.

Results and dividend

Income was £237,283 (16 months ended 31 December 2004: £nil) and the loss attributable to shareholders for the company for the year ended 2005 was £556,539 (16 months period ended 31 December 2004: £559,157) after a tax credit of £241,703 (16 months ended 31 December 2004: £234,831). The directors do not recommend the payment of a dividend for the year ended 31 December 2005 (16 months period ended 31 December 2004: £nil).

Review of developments

Principal activities

The Company's principal activities are that of a holding company and investment in predominantly commercial insurance brokers within the UK.

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.

Future developments

The directors aim to enhance existing relationships, expand through organic growth and continue to extend its commercial insurance activities through further acquisitions.

Tangible fixed assets

Movements in the tangible fixed assets held by the company are shown in Note 6.

Directors and directors' interests

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

Mrs S P Bradbury	(Appointed on 26 April 2005)
Mr D C Battle	(Appointed on 23 February 2006)
Ms K M Bennetts	(Appointed on 23 February 2006)
Mr D J R Edmands	(Appointed on 21 December 2006)
Mr P S Beaumont	(Appointed on 23 February 2006, Resigned on 15 December 2006)
Mr J Hodes	(Resigned on 26 April 2005)
Mr R C Screen	(Resigned on 23 February 2006)
Mr J E Rouse	(Resigned on 18 October 2006)

Directors' Report (continued)

Directors and directors' interests (continued)

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

Auditors

Resolutions to dispense with the requirement to reappoint auditors annually and to hold an Annual General Meeting were passed on 14 October 2005.

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

A handwritten signature in black ink, appearing to read 'D C Battle', written in a cursive style.

Mr D C Battle
Director

28 February 2007

Independent auditors' report to the member of Vega Insurance Services Limited

We have audited the financial statements of Vega Insurance Services Limited for the year ended 31 December 2005, 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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.

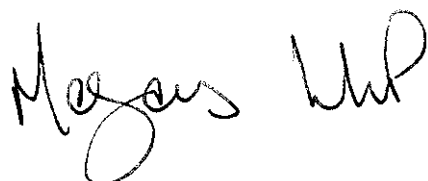
Basis of audit opinion

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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 above the printed name of the firm.

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

28 February 2007

Profit and Loss Account
for the year ended 31 December 2005

	Note	12 months ended 31 December 2005 £	16 months ended 31 December 2004 £
Income		237,283	-
Management and other operating charges		<u>(1,039,525)</u>	<u>(793,988)</u>
Operating loss	3	(802,242)	(793,988)
Interest receivable		<u>4,000</u>	<u>-</u>
Loss on ordinary activities before taxation		(798,242)	(793,988)
Tax on loss on ordinary activities	5	<u>241,703</u>	<u>234,831</u>
Loss on ordinary activities after taxation		<u>(556,539)</u>	<u>(559,157)</u>
Retained loss for the financial period	12	<u>(556,539)</u>	<u>(559,157)</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 14 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	6	21,380	21,281
Investments	7	<u>11,900,958</u>	<u>7,233,971</u>
		11,922,338	7,255,252
Current assets			
Debtors	8	1,616,329	1
Cash at bank and in hand		<u>6,618</u>	<u>39,217</u>
		1,622,947	39,218
Creditors: (amounts falling due within one year)	9	<u>(12,697,981)</u>	<u>(6,187,377)</u>
Net current liabilities		<u>(11,075,034)</u>	<u>(6,148,159)</u>
Total assets less current liabilities		847,304	1,107,093
Creditors: (amounts falling due after more than one year)	10	<u>(963,000)</u>	<u>(666,250)</u>
		<u>(115,696)</u>	<u>440,843</u>
Capital and reserves			
Called up share capital	11	1,000,000	1,000,000
Profit and loss account	12	<u>(1,115,696)</u>	<u>(559,157)</u>
	13	<u>(115,696)</u>	<u>440,843</u>

The notes to the accounts on pages 7 to 14 form an integral part of these financial statements.

The board of directors approved these financial statements on 28 February 2007.

Signed on behalf of the board of directors.



Mr D J R Edmands
Director

28 February 2007

Notes to the financial statements for the year ended 31 December 2005

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; 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. The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about it as a group.

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 6).

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 Financial Reporting Standard No. 19 'Deferred Tax'. Deferred tax assets are recognised to the extent that the directors consider these amounts receivable.

Notes to the financial statements
for the year ended 31 December 2005

2. Accounting policies (continued)

Investments

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

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

3. Operating loss

	12 months ended 31 December 2005 £	16 months ended 31 December 2004 £
The operating loss which originated in the United Kingdom for the period was arrived at after charging / (crediting):		
Accountancy fees - auditors' remuneration	43,276	10,311
Depreciation of owned assets	6,654	1,752
Profit on disposal of investments	(2,677)	-
Operating lease rentals – rent	11,213	3,627

Notes to the financial statements
for the year ended 31 December 2005

4. Information regarding directors and employees

The aggregate emoluments of the directors of the company for the year ended 31 December 2005, were as follows:

	12 months ended 31 December 2005 £	16 months ended 31 December 2004 £
Emoluments – including performance related bonus	125,000	145,000
Contributions to money purchase pension schemes	11,500	11,500
<i>Total emoluments</i>	<u>136,500</u>	<u>156,500</u>
	12 months ended 31 December 2005 £	16 months ended 31 December 2004 £
Staff costs		
Wages and salaries	363,565	201,966
Social security costs	43,042	24,696
Other pension costs	32,817	16,930
	<u>439,424</u>	<u>243,592</u>
	12 months ended 31 December 2005 No.	16 months ended 31 December 2004 No.
The average number of persons including executive directors employed by the company during the period was:	<u>6</u>	<u>2</u>
The number of directors for the benefit of whom the company made contributions to money purchase pension schemes during the period was:	<u>1</u>	<u>1</u>

Notes to the financial statements
for the year ended 31 December 2005

5. Taxation

(a) Analysis of credit in period	12 months ended 31 December 2005 £	16 months ended 31 December 2004 £
<i>Group relief</i>	(238,081)	(234,831)
Adjustment in respect of prior periods	<u>(3,622)</u>	<u>-</u>
Current tax credit for the period (note 5(b))	<u>(241,703)</u>	<u>(234,831)</u>
(b) Factors affecting tax credit for the period	12 months ended 31 December 2005 £	16 months ended 31 December 2004 £
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	<u>(798,242)</u>	<u>(793,988)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (16 months ended 31 December 2004: 30%)	(239,473)	(238,196)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,243	3,507
Capital allowances in excess of depreciation	-	(142)
Depreciation in excess of capital allowances	149	-
Adjustment in respect of prior periods	<u>(3,622)</u>	<u>-</u>
Current tax credit for the period (note 5(a))	<u>(241,703)</u>	<u>(234,831)</u>

Notes to the financial statements
for the year ended 31 December 2005

6. Tangible fixed assets

	Fixtures, Fittings & Equipment £
Cost	
At 1 January 2005	23,033
Additions during the year	<u>6,753</u>
At 31 December 2005	<u>29,786</u>
Depreciation	
At 1 January 2005	1,752
Charge for the year	<u>6,654</u>
At 31 December 2005	<u>8,406</u>
Net book value	
At 31 December 2005	<u>21,380</u>
At 31 December 2004	<u>21,281</u>
Depreciation rate	20/25%

7. Fixed asset investments

Cost	Unlisted £
At 1 January 2005	7,233,971
Acquisitions during the year	4,984,056
Adjustments during the year	<u>(317,069)</u>
At 31 December 2005	<u>11,900,958</u>

Additional information on principal subsidiary undertakings is as follows:

Company name	Class of shares held	Percentage of shares held	Country of incorporation	Nature of business
Abacans Limited	Ordinary	100%	United Kingdom	Insurance Broking
The Thompson Rudd Group Limited	Ordinary	100%	United Kingdom	Insurance Broking
Parkwood Sinclair Insurance Brokers Limited	Ordinary	100%	United Kingdom	Insurance Broking
Jobson James and Associates Limited	Ordinary	100%	United Kingdom	Insurance Broking

Notes to the financial statements
for the year ended 31 December 2005

7. Fixed asset investments (continued)

On 18 January 2005 the company acquired 100% of the issued share capital of Jobson James and Associates Limited.

8. Debtors

	2005 £	2004 £
Amounts due from group undertakings	1,594,707	-
Unpaid share capital	1	1
Other debtors	10,000	-
Prepayments and accrued income	11,621	-
	<u>1,616,329</u>	<u>1</u>

9. Creditors: amounts falling due within one year

	2005 £	2004 £
Amounts owed to group undertakings	11,232,397	4,609,420
Other creditors	-	94,363
Deferred consideration	1,437,202	1,463,637
Accruals and deferred income	28,382	19,957
	<u>12,697,981</u>	<u>6,187,377</u>

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

	2005 £	2004 £
Deferred consideration	<u>963,000</u>	<u>666,250</u>

11. Called up share capital

	2005 £	2004 £
Authorised:		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted & issued:		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Notes to the financial statements
for the year ended 31 December 2005

12. Statement of movements on reserves

Profit and loss account	2005 £	2004 £
At the start of the period	(559,157)	-
Retained loss for the financial period	<u>(556,539)</u>	<u>(559,157)</u>
At 31 December	<u>(1,115,696)</u>	<u>(559,157)</u>

13. Reconciliation of movements in shareholder's funds

	2005 £	2004 £
At the start of the period	440,843	-
Retained loss for the financial period	(556,539)	(559,157)
Increase in share capital	<u>-</u>	<u>1,000,000</u>
At 31 December	<u>(115,696)</u>	<u>440,843</u>

14. Commitments under operating leases

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings 2005 £	Land & Buildings 2004 £
Operating leases which expire: Within 2 to 5 Years	<u>15,739</u>	<u>15,958</u>

15. 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 during the year was £32,817 (16 months ended 31 December 2004: £16,930).

16. 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.

Notes to the financial statements
for the year ended 31 December 2005

17. Post balance sheet events

The company is a guarantor to the Senior Facilities Agreement entered into by Primary Group (UK) Limited with The Royal Bank of Scotland Plc ("the bank") as of 17 January 2006. The guarantee was released on 30 January 2007 and has been replaced by a guarantee of the new facility. The principal obligation guaranteed is Primary Group (UK) Limited's obligation to repay the credit facility. Each guarantor has entered into a debenture with the bank granting security over all present and future assets.

18. Ultimate holding company

The immediate parent company as at 31 December 2005 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 directors, at the date on which the accounts were approved, the ultimate controllers are the trustees of the R&H Trust Co. Ltd as trustee of the NUSA Trust and the R&H Trust Co. Ltd as trustee of the JIWO Trust, both trusts established in the Cayman Islands for the benefit of P W H James and his family.