

VEGA INSURANCE SERVICES LIMITED

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

Company Registration No. 4878623

THURSDAY



LD8
31/01/2008
COMPANIES HOUSE

381

CONTENTS

	Page
General Information	
Directors' Report	1 - 2
Independent Auditor's Report	3 - 4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7 -15

General Information

Directors

The directors at the date of this report were as follows

Mr D C Battle
Ms K M Bennetts
Mr D J R Edmands

Secretary

The company secretary is Peake Company Secretaries Limited

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

Clark Holt
Hardwick House
Prospect Place
Swindon SN1 3LJ

Registered Office

Hardwick House
Prospect Place
Swindon SN1 3LJ

General Information (continued)

Company Registration Number

4878623

Parent Company

The immediate parent company is Lorica Consulting 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 15 months ended 31 March 2007. The Company changed its accounting reference date to 31 March and the comparative statements included in this report are for the twelve month period to 31 December 2005.

Principal activities

The principal activity of the Company is 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 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.

Results and dividend

Turnover was £2,029 (12 months ended 31 December 2005: £237,283) and the loss attributable to shareholders for the company for the 15 months ended 31 March 2007 was £574,166 (12 months ended 31 December 2005: £556,539) after a tax credit of £161,721 (12 months ended 31 December 2005: £241,703). The directors do not recommend the payment of a dividend for the 15 months ended 31 March 2007 (12 months ended 31 December 2005: £nil).

Review of developments

On 29 March 2007 the entire share capital of the Company was acquired by Lorica Consulting Limited from Primary Group (UK) Limited.

Directors and directors' interests

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

Mrs S P Bradbury	(Resigned on 18 September 2007)
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 R C Screen	(Resigned on 23 February 2006)
Mr J E Rouse	(Resigned on 18 October 2006)

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

Directors' Report (continued)**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 period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently in the preparation of the financial statements. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the 15 months ended 31 March 2007 in accordance with applicable law and United Kingdom Generally Accepted Accounting Practices.

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.

Statement as to disclosure of information to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pricewaterhouse Coopers LLP were appointed independent auditors to the company during the period in accordance with Section 388(1) of the Companies Act 1985. They have indicated a willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

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



Mr D C Battle
Director

30/1/2008

Independent auditor's report to the members of Vega Insurance Services Limited

We have audited the financial statements of Vega Insurance Services Limited for the 15 month 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 Annual Report and 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. 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 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.

**Independent auditor's report to the members of Vega Insurance Services Limited
(continued)**

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 Director's Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Hay's Galleria
1 Hay's Lane
London
SE1 2RD

31 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 £
Turnover	2	2,029	237,283
Management and other operating charges		<u>(737,126)</u>	<u>(1,039,525)</u>
Operating loss	3	(735,097)	(802,242)
Interest receivable		260	4,000
Interest payable	6	<u>(1,050)</u>	<u>-</u>
Loss on ordinary activities before taxation		(735,887)	(798,242)
Tax on loss on ordinary activities	5	<u>161,721</u>	<u>241,703</u>
Loss for the financial period	13	<u>(574,166)</u>	<u>(556,539)</u>

All activities derive from continuing operations. There are no recognised gains or losses, other than those reflected in the 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 15 form an integral part of these financial statements.

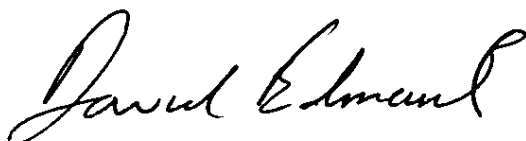
Balance Sheet
as at 31 March 2007

	Note	31 March 2007 £	31 December 2005 £
Fixed assets			
Tangible assets	7	3,372	21,380
Investments	8	11,900,958	11,900,958
		<u>11,904,330</u>	<u>11,922,338</u>
Current assets			
Debtors	9	83,021	1,616,329
Cash at bank and in hand		648	6,618
		<u>83,669</u>	<u>1,622,947</u>
Creditors: (amounts falling due within one year)	10	<u>(6,859,039)</u>	<u>(12,697,981)</u>
Net current liabilities		<u>(6,775,370)</u>	<u>(11,075,034)</u>
Total assets less current liabilities		5,128,960	847,304
Creditors: (amounts falling due after more than one year)	11	<u>(5,818,822)</u>	<u>(963,000)</u>
Net liabilities		<u>(689,862)</u>	<u>(115,696)</u>
Capital and reserves			
Called up share capital	12	1,000,000	1,000,000
Profit and loss account	13	<u>(1,689,862)</u>	<u>(1,115,696)</u>
Shareholder's funds	14	<u>(689,862)</u>	<u>(115,696)</u>

The notes to the accounts on pages 7 to 15 form an integral part of these financial statements

The board of directors approved and authorised the issue of these financial statements on 30 January 2008

Signed on behalf of the board of directors



Mr D J R Edmands
Director

30/1/08

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

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention of accounting and on a going concern basis due to the support of the parent company. The particular accounting policies adopted are described below.

Going concern

The balance sheet shows net current liabilities of £6,775,370 (2005: £11,075,034) including net amounts due to group undertakings of £6,534,377 (2005: £9,637,690). The directors have received written confirmation from Primary Group (UK) Limited that it will make available sufficient funds to enable the Company to continue to meet its obligations and will not demand repayment of any inter group loans until the Company is in a position to repay.

Consolidation

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 having been capitalised at cost, 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 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 recoverable.

Investments

Investments held as fixed assets are stated at cost less provisions for any impairment.

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

1 Accounting policies (continued)

Cash flow statement and related party

The Company is a wholly owned subsidiary of Lorica Consulting Limited and is included in the consolidated financial statements of Primary Group (UK) Limited. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No. 1 (revised 1996) 'Cash Flow Statement'.

The Company is also exempt under the terms of Financial Reporting Standard No. 8 'Related Party Disclosure' from disclosing related party transactions with entities that are part of the Primary Group Limited group or investors of Primary Group Limited.

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.

2. Turnover

The Company's activities consist solely of investment in predominantly commercial insurance brokers within the UK.

3. Operating loss

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
The operating loss which originated in the United Kingdom for the period was arrived at after charging / (crediting)		
Auditors' remuneration – PricewaterhouseCoopers LLP	23,865	-
Auditors' remuneration – Mazars	-	43,276
Depreciation of owned assets	10,206	6,654
Loss/(Profit) on disposal of fixed assets	12,704	(2,677)
Operating lease rentals – land and buildings	-	11,213

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

4. Directors and employees

The aggregate emoluments of the directors of the company for the 15 months ended 31 March 2007, were as follows

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Emoluments – including performance related bonus	21,210	125,000
Compensation for loss of office	145,870	-
Contributions to money purchase pension schemes	13,417	11,500
Total emoluments	180,497	136,500
	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Staff costs		
Wages and salaries	353,530	363,565
Social security costs	37,281	43,042
Other pension costs	28,416	32,817
	419,227	439,424
	15 months ended 31 March 2007 No.	12 months ended 31 December 2005 No.
The average number of persons including executive directors employed by the company during the period was	1	6
The number of directors for the benefit of whom the company made contributions to money purchase pension schemes during the period was	1	1

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

5. Taxation

(a) Analysis of credit in period

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Based on profit for the period at 30% (2005 30%)		
Group relief	(196,569)	(238,081)
Adjustment in respect of prior periods	34,848	(3,622)
	<u>(161,721)</u>	<u>(241,703)</u>
Current tax credit for the period (note 4(b))	(161,721)	(241,703)

(b) Factors affecting tax credit for the period

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
The tax assessed for the period differs from the standard rate of corporation tax in the UK 30% The differences are explained below		
Loss on ordinary activities before tax	(735,887)	(798,242)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	(220,766)	(239,473)
<i>Effects of</i>		
Expenses not deductible for tax purposes	19,579	1,243
Depreciation in excess of capital allowances	4,618	149
Adjustment in respect of prior periods	34,848	(3,622)
	<u>(161,721)</u>	<u>(241,703)</u>
Current tax credit for the period (note 4(a))	(161,721)	(241,703)

6. Interest payable

	15 months ended 31 March 2007 £	12 months ended 31 December 2005 £
Bank interest	5	-
Other interest	1,045	-
	<u>1,050</u>	<u>-</u>

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

7. Tangible fixed assets

	Long term leasehold improvements	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 January 2006	1,593	28,193	29,786
Additions during the period	-	4,904	4,904
Disposals during the period	(1,593)	(28,193)	(29,786)
At 31 March 2007	-	4,904	4,904
Depreciation			
At 1 January 2006	701	7,705	8,406
Charge for the period	87	10,119	10,206
Disposals	(788)	(16,292)	(17,080)
At 31 March 2007	-	1,532	1,532
Net book value			
At 31 March 2007	-	3,372	3,372
At 31 December 2005	892	20,488	21,380
Depreciation rate	20/25%		

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

8. Fixed asset investments

Cost	Shares in subsidiary undertaking £
At 1 January 2006 and at 31 March 2007	<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
Lorica General Insurance Limited (formerly 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

9 Debtors

	31 March 2007 £	31 December 2005 £
Amounts due from group undertakings	79,042	1,594,707
Unpaid share capital	1	1
Other debtors	-	10,000
Prepayments and accrued income	<u>3,978</u>	<u>11,621</u>
	<u>83,021</u>	<u>1,616,329</u>

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

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

10 Creditors: amounts falling due within one year

	31 March 2007 £	31 December 2005 £
Bank overdrafts	15,376	-
Trade creditors	4,575	-
Amounts owed to group undertakings	6,613,419	11,232,397
Other creditors	8,844	-
Deferred consideration	165,555	1,437,202
Accruals and deferred income	51,270	28,382
	<u>6,859,039</u>	<u>12,697,981</u>

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

	31 March 2007 £	31 December 2005 £
Other long term creditors	5,818,822	-
Deferred consideration	-	963,000
	<u>5,818,822</u>	<u>963,000</u>

On 31st March 2007 the Company entered into a loan agreement with Primary Group (UK) Limited whereby £5,818,822 was re-classified as a loan. The loan has a repayment date of no later than 31 December 2013 and accrues interest at the Bank of England Base Rate plus 2%.

12. Called up share capital

	31 March 2007 £	31 December 2005 £
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 15 months ended 31 March 2007**

13. Statement of movement on reserves

	Profit and loss account £
At 1 January 2006	(1,115,696)
Retained loss for the financial period	<u>(574,166)</u>
At 31 March 2007	<u>(1,689,862)</u>

14. Reconciliation of movements in shareholder's funds

	31 March 2007 £	31 December 2005 £
Opening shareholder's funds	(115,696)	440,843
Retained loss for the financial period	<u>(574,166)</u>	<u>(556,539)</u>
Closing shareholder's funds	<u>(689,862)</u>	<u>(115,696)</u>

15. Commitments under operating leases

At 31 March 2007 the company had annual commitments under non-cancellable operating leases as set out below

	31 March 2007 £	31 December 2005 £
Land & Buildings		
Operating leases which expire Within 2 to 5 Years	<u>-</u>	<u>15,739</u>

The lease on the Company's premises in Bristol was assigned to Primary General Insurance Limited with effect from 1 April 2007

16. 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 period was £28,416 during the 15 month period ended 31 March 2007 (12 months ended 31 December 2005 £32,817)

**Notes to the financial statements
for the 15 months ended 31 March 2007****17. Ultimate holding company**

The immediate parent company as at 31 March 2007 is Lorica Consulting Limited, a company incorporated in the United Kingdom

Primary Group Limited, incorporated in Bermuda, is regarded by the directors of the Company as the Company's ultimate parent company

The largest group in which the results of the Company are consolidated is that of which Primary Group Limited is the parent company. In the opinion of the directors, at the date on which the accounts were approved, the ultimate controllers 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

The smallest such group is that of which Primary Group (UK) Limited is the parent company. Primary Group (UK) Limited is registered in England and Wales

18. Contingent liabilities

Vega Insurance Services Limited is a guarantor to the Senior Facilities Agreement entered into by Primary Group (UK) Limited with Credit Suisse ("the bank") as of 30 January 2007. The principal obligation guaranteed is Primary Group (UK) Limited's obligation to repay the credit facility by 31 July 2008. Each guarantor has entered into a debenture with the bank granting security over all present and future assets