

LORICA INSURANCE BROKERS HOLDINGS LIMITED

Report and Financial Statements

for the year ended 31 March 2013

Company Registration No. 04878623



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Directors and Professional Advisers

Directors

The directors at the date of this report were as follows

Mr M D Bray
Mr B J Clements
Mr C D Marelli
Mrs P J Sherman

Company Secretary

The company secretary is Mr B J Clements

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Principal Lawyers

Clark Holt Commercial Solicitors
Hardwick House
Prospect Place
Swindon SN1 3LJ

Registered Office

Hardwick House
Prospect Place
Swindon SN1 3LJ

Company Registration Number

04878623

Directors' Report

The directors present their annual report together with the audited financial statements of the company for the year ended 31 March 2013

Company Registration Number

The company's registration number is 04878623

Principal activities

The principal activity of the company is that of a holding company and investment in predominantly commercial insurance brokers within the UK. The main trading entity within the group is Lorica Insurance Brokers Limited, of which Lorica Insurance Brokers Holdings Limited is the immediate parent.

Business ReviewResults and dividend

The loss attributable to shareholders for the company for the year ended 31 March 2013 was £0.6m (2012: Loss of £0.4m) after a tax credit of £0.1m (2012: £0.2m).

The directors do not recommend the payment of a dividend for the year ended 31 March 2013 (2012: £nil).

Principal Risks and Uncertainties

The principal risks that the company faces in terms of business impact are -

- Reduction in investment value
- Increase in interest payable

The company regularly monitors performance of the underlying investments to confirm investment values remain appropriate. Interest charges are determined by interest rates in accordance with loan facility agreements.

The directors have considered the loss and the balance sheet position and, having received written confirmation from Primary Group (UK) Limited that it will not demand repayment of any inter group loans until the Company is in a position to repay, are comfortable that the Company will have sufficient resources to continue as a going concern for the foreseeable future.

Key Performance Indicators

The key performance indicators utilised by the directors in respect of the company's performance are

- Outstanding loan balance
- Interest payable rates
- Annual impairment assessment

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Mr M D Bray
Mr B J Clements (appointed 03 October 2012)
Mr C D Marelli
Mrs P J Sherman

Directors' Report (continued)**Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to auditors

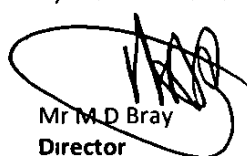
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's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

Independent Auditors

The company has elected to dispense with holding an Annual General Meeting and reappoint auditors annually. Accordingly, Pricewaterhouse Coopers LLP, having indicated their willingness to do so, will continue as the company's auditors.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the Board



Mr M D Bray
Director

19 December 2013

Independent auditors' report to the members of Lorica Insurance Brokers Holdings Limited

We have audited the financial statements of Lorica Insurance Brokers Holdings Limited for the year ended 31 March 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

Independent auditors' report to the members of Lorica Insurance Brokers Holdings Limited (continued)

- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report



Lee Clarke (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

19 December 2013

**Profit and Loss Account
for the year ended 31 March 2013**

		31 March 2013	31 March 2012
	Note	£	£
Other operating income		-	22,825
Administrative expenses		-	(9,625)
Operating Profit	2	-	13,200
Income from shares in group undertakings			
Interest receivable and similar income	3		11,755
Interest payable and similar charges	4	(703,273)	(621,227)
Loss on ordinary activities before taxation		(703,273)	(596,272)
Tax on ordinary activities	5	70,846	214,916
Loss for the year	11	(632,427)	(381,356)

All activities derive from continuing operations

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial years stated above and their historical costs equivalents

There are no recognised gains or losses, other than those reflected in the loss for the financial periods. Accordingly, no statement of total recognised gains and losses is given

The notes to the accounts on pages 8 to 13 form an integral part of these financial statements

Balance Sheet
as at 31 March 2013

	Note	31 March 2013 £	31 March 2012 £
Fixed assets			
Investments	7	16,302,742	14,702,742
		<u>16,302,742</u>	<u>14,702,742</u>
Current assets			
Debtors	8	903,970	249,316
Creditors - amounts falling due within one year	9	(19,074,141)	(16,187,060)
Net current liabilities		<u>(18,170,171)</u>	<u>(15,937,744)</u>
Total net liabilities		<u>(1,867,429)</u>	<u>(1,235,002)</u>
Capital and reserves			
Called up share capital	10	1,000,000	1,000,000
Profit and loss account	11	(2,867,429)	(2,235,002)
Total Shareholders' deficit	12	<u>(1,867,429)</u>	<u>(1,235,002)</u>

The notes to the accounts on pages 8 to 13 form an integral part of these financial statements

The financial statements on pages 6 to 13 were approved by the Board of directors on and signed on its behalf by Mrs P J Sherman

P J Sherman

Mrs P J Sherman
Director

19 December 2013

Notes to the financial statements for the year ended 31 March 2013**1. Accounting policies****Basis of accounting**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been adopted are described below.

Going concern

The balance sheet shows net current liabilities of £18,170,171 (2012: £15,937,744) including net amounts due to group undertakings of £18,289,788 (2012: £16,187,060). The directors have received written confirmation from Primary Group (UK) Limited that it will not demand repayment of any inter group loans until the company is in a position to repay. Accordingly the directors have determined that it is appropriate to prepare the financial statements on a going concern basis.

Consolidation

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400/401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about it as a group.

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.

Fixed Asset Investments

The directors consider the value of the investments to be supported by their underlying assets. Investments held as fixed assets are stated at cost less provisions for any impairment.

Cash flow statement and related party transactions

The company is a wholly owned subsidiary of Lorica Insurance Brokers Group Limited and is included in the consolidated financial statements of Lorica Insurance Brokers Group 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 statements'. The company is also exempt under the terms of Financial Reporting Standard No. 8 'Related party disclosures' from disclosing related party transactions with entities that are part of the Primary Group Limited group or investors of Primary Group Limited.

Notes to the financial statements for the year ended 31 March 2013

2. Operating /Profit

The auditors' remuneration for the year has been borne by Lorica Insurance Brokers Limited

3. Interest receivable and similar income

	31 March 2013 £	31 March 2012 £
Interest receivable on intercompany loans (See Note 8)	-	11,755

4. Interest payable and similar charges

	31 March 2013 £	31 March 2012 £
Interest payable on intercompany loans (see Note 9)	703,273	621,227

5 Taxation**(a) Analysis of Tax credit in the year**

	31 March 2013 £	31 March 2012 £
Current year based on loss for the year	(158,150)	(158,487)
Adjustment in respect of prior periods	87,304	(56,429)
Current tax credit for the year (note 5(b))	(70,846)	(214,916)

Notes to the financial statements for the year ended 31 March 2013

Taxation (continued)

(b) Factors affecting tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24% (2012 26%)

	31 March 2013 £	31 March 2012 £
The differences are explained below		
Loss on ordinary activities before tax	(703,273)	(596,272)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 26%)	(168,786)	(155,031)
Effects of		
Permanent differences	10,636	(3,205)
Capital allowances in excess of depreciation	-	(251)
Adjustment in respect of prior periods	87,304	(56,429)
Current tax charge for the year (note 5(a))	(70,846)	(214,916)

(c) Deferred tax

In view of the loss made by the company, the directors are of the opinion that no deferred tax asset should be recognised on the balance sheet at 31 March 2013. The full value of the deferred tax asset if recognised in full would have been £154,458 (2012 £82,767) at the expected tax rate of 23% (2012 24%).

6. Directors and employees

The aggregate emoluments of directors borne by the Group during the period ended 31 March 2013 were as follows

	31 March 2013 £	31 March 2012 £
Emoluments	717,267	512,626
Contributions to money purchase pension schemes	30,831	23,200
Total emoluments	748,098	535,826

Notes to the financial statements for the year ended 31 March 2013

Directors and employees (continued)

The emoluments of the highest paid director of the Group for the period ended 31 March 2013 were as follows

	31 March 2013 £	31 March 2012 £
Emoluments	336,170	268,530
Contributions to money purchase pension schemes	<u>14,750</u>	<u>12,750</u>
Total emoluments	<u>350,920</u>	<u>281,280</u>

	31 March 2013	31 March 2012
Number of employees	Nil	Nil

7 Fixed asset investments

Cost	Shares in subsidiary undertakings £
At 1 April 2012	14,702,742
Additions in the year	<u>1,600,000</u>
At 31 March 2013	<u>16,302,742</u>

Additions represent the subscriptions for 1,600,000 ordinary shares in Lorica Insurance Brokers Limited

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 Insurance Brokers Limited	Ordinary	100%	United Kingdom	Insurance Broking
The Thompson Rudd Group Limited	Ordinary	100%	United Kingdom	Not trading
Parkwood Sinclair Insurance Brokers Limited	Ordinary	100%	United Kingdom	Not trading
Jobson James and Associates Limited	Ordinary	100%	United Kingdom	Not trading

Notes to the financial statements for the year ended 31 March 2013

8. Debtors

	31 March 2013 £	31 March 2012 £
Amounts due from group undertakings	784,353	51,491
Other debtors	<u>119,617</u>	<u>197,825</u>
	<u>903,970</u>	<u>249,316</u>

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

Amounts due from group undertakings comprise a series of temporary loans or cash sweep agreements which earn interest at the Bank of England Base Rate plus 4.5% and are repayable on demand

9. Creditors: amounts falling due within one year

	31 March 2013 £	31 March 2012 £
Amounts owed to group undertakings	19,074,141	16,187,060
	<u>19,074,141</u>	<u>16,187,060</u>

Amounts owed to group undertakings comprise the balances on Facilities A, B, C, D and E of the loan arrangement with Primary Group (UK) Limited. The loan balances include interest which accrues at the London Inter Bank Offer Rate plus 2.5% on Facility A, plus 4% on Facility B, plus 6% on Facility C, plus 5% on Facility D and plus 20% on Facility E.

Facility A is an ongoing financing facility with a maturity profile of more than one year. Facilities B, C, D and E are due by 31 March 2019. The loan facilities are secured by a debenture in favour of Primary Group (UK) Limited.

10. Called up share capital

	31 March 2013 £	31 March 2012 £
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 March 2013

11. Profit and loss account

	Profit and loss account £
At 1 April 2012	(2,235,002)
Loss for the year	<u>(632,427)</u>
At 31 March 2013	<u>(2,867,429)</u>

12. Reconciliation of movements in shareholders' deficit

	31 March 2013 £	31 March 2012 £
Opening shareholders' deficit	(1,235,002)	(853,646)
Loss for the year	<u>(632,427)</u>	<u>(381,356)</u>
Closing shareholders' deficit	<u>(1,867,429)</u>	<u>(1,235,002)</u>

13. Ultimate holding company

The immediate parent company as at 31 March 2013 is Lorica Insurance Brokers Group 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

At the date on which the accounts were approved by the directors, the ultimate controlling party is R&H Trust Co Ltd as trustee for two trusts established in the Cayman Islands for the benefit of Mr P W H James and his family

The largest group in which the results of the company are consolidated is that of which Primary Group Limited is the parent company

The smallest such group is that of which Lorica Insurance Brokers Group Limited is the parent company. The consolidated accounts of Lorica Insurance Brokers Group Limited can be obtained from Hardwick House, Prospect Place, Swindon, SN1 3LJ