

PRIMARY TRAVEL INSURANCE SERVICES LIMITED

Report and Financial Statements
for the year ended 31 December 2003



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General Information

Directors

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

Mr J B Bibby	Mr A N M McMahon
Mr S Strong	Mr J Hodes

Secretary

The company secretary is Mr A N M McMahon

Principal Bankers

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

Auditors

Mazars
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 ODX

Registered Office

5th Floor
80 Leadenhall Street
London EC3A 3HA

Company Registration Number

4229518

Parent Company

The immediate parent company is Primary Insurance Group 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 2003. On the 26 February 2003, the company changed its name to Primary Travel Insurance Services Limited.

Results and dividend

Turnover was £1,251,398 (2002: £800,292) and the loss attributable to shareholders of the company for the year ended 31 December 2003 was £232,031 (2002: £282,056) after recovering a tax credit of £95,434 (2002 : £Nil). The directors do not recommend the payment of a dividend for the year ended 31 December 2003 (2002 : £Nil).

Review of developments

The company's principal activities are the provision of wholesale travel insurance services.

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.

Tangible fixed assets

Movements in the tangible fixed assets held by the company are shown in Note 7.

Future developments

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

Charitable donations

During the year the company made charitable donations of £Nil (2002 : £Nil).

Directors and directors' interests

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

Mr J Hodes	
Mr A N M McMahon	
Mr S Strong	
Mr J B Bibby	
Ms H M Dwyer	(Resigned 30 April 2003)
Mr T A Berry	(Resigned 30 April 2003)

No director had an interest in the share capital of the company during the year. The directors' interests in the share capital of other group companies are shown in the directors' report of the immediate parent company's financial statements.

Directors' Report (continued)

Auditors

Mazars 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.

A handwritten signature in dark ink, appearing to be 'J Hodes', written in a cursive style.

J Hodes
Director

11 June 2004

Independent Auditors' Report to the Members of Primary Travel Insurance Services Limited

We have audited the financial statements for the year ended 31 December 2003 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 members, as a body, 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 members those matters we are required to state to them 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 members as a body, 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.

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 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 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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

11 June 2004

Profit and Loss Account
for the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	3	1,251,398	800,292
Management and other operating charges		<u>(1,585,862)</u>	<u>(1,092,589)</u>
Operating loss	4	(334,464)	(292,297)
Interest receivable		<u>6,999</u>	<u>10,241</u>
Loss on ordinary activities before taxation		(327,465)	(282,056)
Tax on loss on ordinary activities	6	<u>95,434</u>	<u>-</u>
Loss on ordinary activities after taxation	12	<u>(232,031)</u>	<u>(282,056)</u>
Retained loss for the financial period	13	<u>(232,031)</u>	<u>(282,056)</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 13 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2003

	Note	2003 £	2002 £
Fixed Assets			
Tangible assets	7	44,699	-
Current assets			
Debtors	8	1,121,880	539,893
Cash	9	671,380	740,729
		<u>1,793,260</u>	<u>1,280,622</u>
Creditors: (amounts falling due within one year)	10	(2,352,045)	(1,562,677)
Net current liabilities		(558,785)	(282,055)
		<u> </u>	<u> </u>
Total assets less current liabilities		<u>(514,086)</u>	<u>(282,055)</u>
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	12	<u>(514,087)</u>	<u>(282,056)</u>
	13	<u>(514,086)</u>	<u>(282,055)</u>

The notes to the accounts on pages 7 to 13 form an integral part of these financial statements.

The board of directors approved these financial statements on 11 June 2004.

Signed on behalf of the board of directors.



J B Bibby
Director

11 June 2004

Notes to the financial statements for the year ended 31 December 2003

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;
- 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.

Turnover

Turnover comprises net commissions that are recognised when the policy is notified.

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 period 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

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 FRS 19. 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 2003

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 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' (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's holding company is a 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.

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 7).

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. Turnover

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

Notes to the financial statements
for the year ended 31 December 2003

4. Operating loss

	2003 £	2002 £
The operating loss which originated in the United Kingdom for the year was arrived at after charging:		
Auditors remuneration	9,000	5,319
Depreciation of tangible fixed assets	18,706	-
Administrative and support fees payable to group undertakings	122,549	1,020,576

5. Information regarding directors and employees

The aggregate emoluments of the directors of the company for the year ended 31 December 2003, were as follows:

	2003 £	2002 £
Emoluments – including performance related bonus	79,075	135,132
Contributions to money purchase pension schemes	7,825	13,292
Total emoluments	86,900	148,424

	2003 £	2002 £
Staff costs		
Wages and salaries	307,111	358,618
Social security costs	35,000	38,306
Other pension costs	25,079	30,723
	367,190	427,647

Notes to the financial statements
for the year ended 31 December 2003

5. Information regarding directors and employees (continued)

	2003 No.	2002 No.
The average number of persons, including executive directors employed by the company during the year was:	<u>10</u>	<u>12</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>

6. Taxation

	2003 £	2002 £
(a) Analysis of charge in year		
Based on loss for the year at 30% (2002: 30%)		
Group relief credit claimed for the year	<u>(95,434)</u>	<u>-</u>
Tax payable as at 31 December (note 6(b))	<u>(95,434)</u>	<u>-</u>

	2003 £	2002 £
(b) Factors affecting tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%)		
The differences are explained below:		
Loss on ordinary activities before tax	<u>(327,465)</u>	<u>(282,056)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(98,239)	(84,617)
Effects of:		
Expenses not deductible for tax purposes	1,949	-
Depreciation for period in excess of capital allowances	857	-
Group relief surrendered without payment	<u>-</u>	<u>84,617</u>
	(95,434)	
Adjustment to tax in respect of prior periods	-	-
Current tax (credit) / charge for the year (note 6(a))	<u>(95,434)</u>	<u>-</u>

Notes to the financial statements
for the year ended 31 December 2003

7. Tangible fixed assets

	Furniture, fittings & equipment £	Total £
Cost		
At 1 January 2003	-	-
Transfers from group company	74,876	74,876
Disposals in the period	(53)	(53)
	<hr/>	<hr/>
At 31 December 2003	74,823	74,823
Depreciation		
At 1 January 2003	-	-
Depreciation on transfer from group company	11,433	11,433
Charge for the year	18,706	18,706
Depreciation on disposals in the period	(15)	(15)
	<hr/>	<hr/>
At 31 December 2003	30,124	30,124
Net book value		
At 31 December 2003	44,699	44,699
	<hr/>	<hr/>
At 31 December 2002	-	-
	<hr/>	<hr/>
Depreciation rate	33%	

8. Debtors

	2003 £	2002 £
Insurance debtors	1,096,578	539,892
Amounts owed by group undertakings	25,000	
Other debtors	300	
Unpaid share capital	1	1
	<hr/>	<hr/>
	1,121,879	539,893
	<hr/>	<hr/>

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

9. Cash at bank and in hand

Included in cash at bank and in hand is £669,489 (2002: £740,729) 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 year ended 31 December 2003

10. Creditors: amounts falling due within one year

	2003 £	2002 £
Insurance creditors	1,763,445	1,076,586
Amounts owed to group undertakings	588,600	449,596
Other creditors	-	34,249
Accruals	-	2,246
	<u>2,352,045</u>	<u>1,562,677</u>

11. Called up share capital

	2003 £	2002 £
Authorised:		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted and issued:		
1 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

12. Statement of movements on reserves

	2003 £	2002 £
At the start of the period	(282,056)	
Loss for the financial period	(232,031)	(282,056)
Dividends	-	-
At 31 December	<u>(514,087)</u>	<u>(282,056)</u>

13. Reconciliation of movements in shareholders' funds

	2003 £	2002 £
At the start of the period	(282,055)	1
Retained loss for the financial period	(232,031)	(282,056)
At 31 December	<u>(514,086)</u>	<u>(282,055)</u>

Notes to the financial statements
for the year ended 31 December 2003

14. 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 to 31 December 2003 was £25,079 (2002: £30,723).

15. Related party transactions

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.

Primary Group Services Ltd, a wholly owned subsidiary of Primary Group (UK) Limited provides administrative and support services to the company. During the year the company paid £122,549 (2002: £343,474) for those services. At 31 December 2003 the amount owing to Primary Group Services Limited was £202,524 (2002: £227,474).

Monument UK Limited is a fellow subsidiary of the ultimate holding company, Primary Group Limited. At 31 December 2003 the amount due to Monument UK Limited was £287,674 (2002 £nil).

16. Ultimate holding company

The immediate parent company as at 31 December 2003 is Primary Insurance Group Limited, a company incorporated in the United Kingdom.

The ultimate holding company as at 31 December 2003 is Primary Group Limited, a company incorporated in Bermuda. In the opinion of the directors, the ultimate controllers at 31 December 2003 are the trustees of NUSA Trust and JIWO Trust, both trust companies being incorporated in the Cayman Islands.