RIAS PLC

Directors' report and financial statements

Period ended 31 December 2005

Registered no. 1324965

RIAS Plc

Directors' Report and Financial Statements

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RIAS Plc

Directors' Report and Financial Statements

Directors

Andrew Marchington	*Resigned*	*13.10.05*
Janet Connor	*Appointed*	*02.02.06*
Barry D Smith		
Andrew Boyes	*Resigned*	*17.02.06*
Michael H Cranston	*Resigned*	*30.04.05*
Julian M R Harvey		
Emma Inston	*Resigned*	*17.06.05*
Hein Kuiper	*Appointed*	*05.08.05*
Oliver Shaw		
Robert Bright	*Appointed*	*14.02.06*

Secretary

Rosemary A Smith

Head Office and Registered Address

RIAS Plc
RIAS House
Deansleigh Road
Bournemouth
BH7 7DU

Registered Number 1324965 England

Independent Auditor

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Bankers

National Westminster Bank Plc
Southampton High Street Branch
PO Box 315
Southampton
SO14 2BF

RIAS Plc

Report of the Directors

The Directors submit their report, together with the audited financial statements for the year ended 31 December 2005. These are the company's first financial statements prepared under IFRS. As a result of this change comparative numbers in this report have been restated.

Activities
During the year the Company continued to provide insurance marketing and broking services.

Business review
Full details of the Company's results are contained in the accounts on pages 4 to 20. The Directors intend to continue the development of insurance marketing and broking services.

Results and dividends
The result of the year's operation is a profit after taxation of £7,285,000 (2004: profit £3,335,000). A dividend of £4,500,000 was paid in 2005 (2004: £3,000,000).

Directors
The Members of the Board are shown on Page 2. Michael H Cranston resigned on 30 April 2005. Emma Inston resigned on 17 June 2005. Andrew Marchington resigned on 13 October 2005. Hein Kuiper was appointed on 5 August 2005. Janet Connor was appointed Managing Director on 2 February 2006. Robert Bright was appointed on 14 February 2006. Andrew Boyes resigned on 17 February 2006. All other directors served throughout the year.

Directors' shareholdings
None of the directors or their families had any disclosable interest in either the shares of the Company, or any other group company, or of the ultimate holding company at 31 December 2005.

Auditors
Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

Creditor payment policy
The Company agrees terms and conditions under which business transactions with suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

Employees
The average number of persons employed in the United Kingdom by the Company and its subsidiaries during the year was 1,040. The full time equivalent number of employees adjusted for part time staff was 962. Their annual aggregate remuneration was £21.6m. An analysis is shown on Page 19.

Employee involvement
Staff are kept informed of matters affecting the Company by means of regular departmental meetings and bulletins from general management.

Disabled persons
The Company's procedures comply with the requirements of the Disability Discrimination Act 1995. If an employee becomes disabled during employment with the Company every effort would be made to retrain that employee to perform a job appropriate to their aptitudes and skills. The Company's policy to encourage career development for its employees includes the disabled for whom further training would be arranged if necessary to allow for special needs.

This Report was approved by the Board of Directors on 13th July 2006 and signed on its behalf by:

R A Smith
Secretary

RIAS Plc

Income statement

For the year ended 31 December 2005

In thousands of pounds	Notes	2005	2004
Revenue	4	58,913	49,172
Cost of sales	5	(31,255)	(26,658)
Gross profit		27,658	22,514
Administrative expenses	5	(17,060)	(14,502)
Operating profit		10,598	8,012
Finance income	6	1,041	949
Loss on office equipment disposals	7	-	(2,554)
Finance costs	8	(1,108)	(1,587)
Profit before income taxes		10,531	4,820
Income taxes	9	(3,246)	(1,485)
Profit for the year		7,285	3,335

There are no gains and losses other than those recognised in the income statement.

RIAS Plc

Balance sheet

As at 31 December 2005

In thousands of pounds	Notes	2005	2004
Assets			
Property, plant and equipment	10	4,607	2,576
Deferred tax assets	11	396	6,172
Current tax assets	16	1,488	-
Other receivables	12	36,685	32,879
Cash and cash equivalents	13	17,304	15,887
Total assets		60,480	57,514
Liabilities			
Financial liabilities:			
- Loans and borrowings	14	8,636	25,568
Other payables	15	42,751	37,686
Current tax liabilities	16	-	952
Total liabilities		51,387	64,206
Net assets		9,093	(6,692)
Shareholders' equity			
Share capital		13,050	50
Retained earnings		(3,957)	(6,742)
Total shareholders' equity	17	9,093	(6,692)

These financial statements were approved by the board of directors on 13th July 2006 and were signed on its behalf by:

Janet Connor

Janet Connor
Managing Director

J R M Harvey

Julian R M Harvey
Director

RIAS Plc

Statement of cash flows

For the year ended 31 December 2005

In thousands of pounds	2005	2004
Cash flows from operating activities		
Profit before tax	10,531	4,820
Adjustments for:		
Depreciation of leasehold buildings, plant and equipment	863	1,530
(Gain) loss on sale of property, plant and equipment	-	2,554
	11,394	8,904
(Increase)/ decrease in Other receivables	(3,807)	(8,459)
Increase/ (decrease) in Financial liabilities	(16,932)	1,878
Increase/ (decrease) in Other payables and deferred income	5,065	9,016
	(4,280)	11,339
Income taxes (recovered) paid	91	(2,206)
Net cash from operating activities	(4,189)	9,133
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,894)	(3,826)
Net cash from investing activities	(2,894)	(3,826)
Cash flows from financing activities		
Proceeds from the issue of non-cumulative redeemable preference shares	13,000	-
Dividends paid	(4,500)	(3,000)
Net cash from financing activities	8,500	(3,000)
Net (decrease) increase in cash and cash equivalents	1,417	2,307
Cash and cash equivalents at 1 January	15,887	13,580
Cash and cash equivalents at 31 December	17,304	15,887

RIAS Plc

Significant accounting policies

RIAS Plc is a company domiciled in England and Wales.

The financial statements were authorised for issue by the directors on 13th July 2006.

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU). These are the Company's first financial statements under IFRS and IFRS 1 has been applied.

An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Company is provided in note 1.

The Company presents its balance sheet in order of liquidity in accordance with IAS 1. For each asset and liability line item in the balance sheet that combines amounts expected to be recovered or settled within twelve months, or more than twelve months after the balance sheet date, a classification at the balance sheet date is included within the notes. The disclosure in the notes for these classifications are distinguished as follows:

- Amounts expected to be recovered in less than one year are referred to as current.
- Amounts expected to be recovered in more than one year are referred to as non-current.

(b) Basis of preparation

The financial statements are presented in Thousands of Pounds Sterling. They are prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are discussed in note 2.

The accounting policies set out below have been applied consistently to all years presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to IFRS.

(c) Recognition and measurement of revenue

Commission and other income is recognised on policies which incept before the end of the accounting period. Commission income on non-instalment policies is recognised when the premium is paid. Commission and instalment service charge income from instalment policies is recognised on the inception of the policy.

Interest income comprises income from bank deposits.

Significant accounting policies

(d) Revenue

Revenue represents income receivable from the provision of insurance marketing and broking services in the accounting period.

(e) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(ii) Net finance costs

Net finance costs comprise interest payable on borrowings.

(f) Employee benefits

Defined contribution plan

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(g) Income tax

Income tax on the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not discounted.

(h) Segment reporting

In accordance with IAS 14, Segment Reporting, the Company is not required to present segmental information.

RIAS Plc

Significant accounting policies

(i) Property, plant and equipment

(i) Owned assets
Items of property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation (see below) and impairment losses (see accounting policy l). Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.
(ii) Depreciation
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Motor vehicles	2 years
Furniture & fixtures	2 years
Equipment (Computer)	4 years
Licences	not exceeding 4 years
Leasehold improvements	15 years

(j) Other receivables

Other receivables are stated at their cost less any impairment losses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

(l) Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the carrying value is reduced to the estimated recoverable amount by means of a charge to the income statement.

For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Provisions
A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Dividends
Dividends payable on ordinary shares are recognised when they are paid.

RIAS Plc

Notes to the financial statements

1 Explanation of transition to IFRS

As stated above, these are the Company's first financial statements prepared in accordance with IFRS.

The accounting policies set out above have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004.

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to IFRS has affected the Company's reported financial position and financial performance is set out in the following tables and the notes that accompany the tables.

In thousands of pounds	Shareholders' funds At 1 January 2004	Shareholders' funds At 31 December 2004	Profit attributable to shareholders Year ended 31 December 2004
As originally reported under UK GAAP	1,826	1,919	4,593
Adjustments for:			
Intangible assets	(17,005)	(18,801)	(1,796)
Dividend payable	3,000	4,500	-
Deferred tax on adjustments	5,102	5,640	538
As restated under IFRS	(7,077)	(6,742)	3,335

Intangible assets

In accordance with IAS 38 an intangible deferred marketing asset which was generated internally and cannot be included as such has been removed from the accounts.

Deferred tax

The removal of the deferred marketing asset will be an allowable deduction from profits in the 2005 accounts. For 2004 comparatives this tax asset has been included in the balance sheet within deferred tax and for 2005 within current tax.

Dividend payable

Dividends under IFRS are accounted for on a paid basis rather than an accrued basis as under UK GAAP. Retained earnings have been increased to eliminate the proposed dividends in the 2004 UK GAAP accounts.

Notes to the financial statements

2 Accounting estimates and judgements

The most critical judgements and estimates made by the Company are those relating to depreciable assets. The Company provides for depreciation of property, plant and equipment on a straight line basis over their estimated useful lives. The policy is reviewed regularly to ensure that the policy is appropriate for each class of asset. For further details on property, plant and equipment see Note 10.

3 Risk management

Objectives and policies for mitigating business risk

The Company's primary business is the provision of insurance marketing and broking services. As such it is exposed to a number of risks arising from its dealings with customers and suppliers as well as from its own internal operations. The Company has various procedures in place to manage these exposures. These include an overall Risk Management Framework, a statement on the Company's Risk Appetite, and a set of clearly defined risk policies. The Company also maintains a comprehensive risk register which identifies the individual risks faced in each area of the business and the controls in place to mitigate these. The Company has a Risk Committee which meets regularly to review both the risk policies and the risk register, to ensure they are up-to-date, reflecting the risks currently facing the business, and that corresponding control issues and risk mitigation actions are being addressed in a timely manner. The findings of the Risk Committee are reported to the Company's Board.

Looking at the main areas of risk faced by the Company, they fall into two main categories – Operational Risks and Financial Risks.

Operational Risks

The Company has carried out a detailed review of its operational processes and activities and, based on this, it has identified the areas of key risk to the business. These include the areas of Marketing, Operations, IT, Finance and HR. Separate risk policies have been formulated for each of these areas and, where appropriate, standard procedures have been carefully documented. As well as risk identification, the approach also incorporates risk measurement, risk monitoring, risk reporting and risk management. In evaluating the risks faced by the business significant focus is placed on the controls in place and how well they are operating. Regular reviews of both the risks faced, and the controls, are carried out by the Company's Risk Committee.

Financial Risks

The two main areas of Financial Risk faced by the Company are Credit Risk and Liquidity Risk. The Company has identified the key controls necessary to mitigate the level of risk in each of these areas and these are carefully monitored on a regular basis. As with Operational Risk, the Company's Risk Committee is responsible for monitoring any changes in the specific risks faced by the Company in each of these areas and the effectiveness of the controls in place to mitigate the risks.

4 Revenue

All revenue and profit before income taxes is derived from the provision of insurance marketing and broking services which is undertaken within the United Kingdom.

Notes to the financial statements

5 Operating expenses

In thousands of pounds	2005	2004
Advertising	12,248	10,677
Depreciation and amortisation:		
- Leasehold buildings	97	73
- Office equipment	759	1,446
- Motor vehicles	7	11
Hire of plant and machinery	67	61
Hire of other assets	1,481	992
Personnel expenses:		
- Wages and salaries	19,460	16,007
- Compulsory social security contributions	1,716	1,404
- Contributions to defined contribution plans	450	374
Recruitment costs	2,212	1,615
Goods and services	4,973	4,250
Software costs	2,095	1,986
Other costs	2,750	2,264
Total operating expenses	48,315	41,160
Operating expenses are analysed as:		
Cost of sales	31,255	26,658
Administrative expenses	17,060	14,502
	48,315	41,160

Goods and services includes auditors remuneration of £16,002 (2004: £12,600) for audit fees and £1,749 (2004: £20,955) for other services.

6 Finance income

In thousands of pounds	2005	2004
Bank and other interest receivable	1,041	949

7 Loss on office equipment disposals

Office equipment that would not support the new customer management system or had no benefit to the continuing operations of the business were written off during 2004.

Notes to the financial statements

8 Finance costs

In thousands of pounds	2005	2004
Payable to group undertakings	(1,108)	(1,587)

9 Income taxes

Recognised in the income statement

In thousands of pounds	2005	2004
Current tax expense		
Current year – operations	(3,132)	(2,059)
Adjustments for prior years	22	126
	(3,110)	(1,933)
Deferred marketing costs written off on implementation of IFRS	5,640	-
	2,530	(1,933)
Deferred tax expense		
Origination and reversal of temporary differences	(136)	71
Adjustments for prior years	-	(162)
Deferred marketing expenses written off	(5,640)	539
	(5,776)	448
Total income tax expense	(3,246)	(1,485)

Reconciliation of effective tax rate

In thousands of pounds	2005	2004
Profit before tax	10,531	4,820
Income tax using the domestic corporation tax rate	(3,159)	(1,446)
Non deductible expenses and provisions	(4)	17
Movement in deferred marketing espenses	-	(539)
Capital allowances for the year in excess of depreciation	126	(91)
Other	(95)	-
	(3,132)	(2,059)
Adjustment in respect of prior years	22	126
	(3,110)	(1,933)

Notes to the financial statements

10 Property, plant and equipment

In thousands of pounds	Leasehold buildings	Office equipment	Motor vehicles	Total
Cost				
Balance at 1 January 2004	203	4,708	22	4,933
Acquisitions	1,255	2,571	-	3,826
Disposals	-	(5,155)	-	(5,155)
Balance at 31 December 2004	1,458	2,124	22	3,604
Acquisitions	-	2,877	17	2,894
Disposals	-	(779)	(22)	(801)
Balance at 31 December 2005	1,458	4,222	17	5,697
Depreciation and impairment losses				
Balance at 1 January 2004	-	2,089	10	2,099
Depreciation charge for the year	73	1,446	11	1,530
Disposals	-	(2,601)	-	(2,601)
Balance at 31 December 2004	73	934	21	1,028
Depreciation charge for the year	97	759	7	863
Disposals	-	(779)	(22)	(801)
Balance at 31 December 2005	170	914	6	1,090
Carrying amounts				
At 31 December 2004	1,385	1,190	1	2,576
At 31 December 2005	1,288	3,308	11	4,607

11 Deferred tax asset

In thousands of pounds	2005	2004
a) Movement in year		
At 1 January	6,172	5,724
Charge for the year (See Note 9)	(5,776)	448
At 31 December	396	6,172
b) Represented by		
Variance between capital allowance and depreciation	396	532
Deferred marketing expenses written off	-	5,640
	396	6,172

Notes to the financial statements

12 Other receivables

In thousands of pounds	2005	2004
Amounts falling due within one year		
Due from policyholders	34,070	31,897
Amounts due from group undertakings	-	25
Other receivables and prepayments	1,520	957
Accrued interest income	97	-
Other accrued income	998	-
Total other receivables	36,685	32,879

13 Cash and cash equivalents

In thousands of pounds	2005	2004
Bank and cash balances	17,304	15,887
Cash and cash equivalents in the statement of cash flows	17,304	15,887

The effective interest rate at 31 December 2005 on short term bank deposits was 4.6% (2004: 4.5%), with an average maturity of one day.

Included in cash and cash equivalents held by the Company are monies, held in a separate bank account, totalling £15,134,000 (2004: £14,501,000) that are not available for use by the Company. This amount and the matching liability are included in the balance sheet.

14 Loans and borrowings

This note provides information about the contractual terms of the Company's loans and borrowings.

In thousands of pounds	2005	2004
Non-current liabilities		
Due to group undertakings	8,636	25,568

During 2005 the Company's parent, Fortis (UK) Ltd, subscribed for thirteen million non-cumulative redeemable preference shares. Payment for these shares was made by reducing the loan from Fortis (UK) Ltd.

RIAS Plc

Notes to the financial statements

15 Other payables

Amounts falling due within one year:

In thousands of pounds	2005	2004
Due to group undertakings	355	15,569
Direct insurance contract payables	36,700	19,437
Other payables and accrued expenses	5,073	2,615
VAT and other taxes payable	623	65
Total other payables	42,751	37,686

16 Current tax assets and liabilities

The current tax asset of £1,488,000 (2004: £nil) represents the amount of income taxes recoverable from the UK tax authorities.

The current tax liability of £nil (2004: £952,000) represents the amount of income taxes payable in respect of the current year less adjustment in respect of prior years.

RIAS Plc

Notes to the financial statements

17 Capital and reserves

Reconciliation of movement in capital and reserves
Attributable to equity holders

In thousands of pounds	Share capital	Retained earnings	Total
Balance at 1 January 2005	50	(6,742)	(6,692)
Issued for cash	13,000	-	13,000
Profit for the year	-	7,285	7,285
Fair value gains/(losses)	-	-	-
Dividends to shareholders	-	(4,500)	(4,500)
Balance at 31 December 2005	13,050	(3,957)	9,093

In thousands of pounds	Share capital	Retained earnings	Total
Balance at 1 January 2004	50	(7,077)	(7,027)
Profit for the year	-	3,335	3,335
Fair value gains/(losses)	-	-	-
Dividends to shareholders	-	(3,000)	(3,000)
Balance at 31 December 2004	50	(6,742)	(6,692)

Dividends were paid to equity shareholders of the company in 2004 and 2005 based on accounting policies within the UK GAAP accounts which the Company had prepared. In these accounts the company's retained earnings were £1,826,000 at the end of 2003 and £1,919,000 at the end of 2004 after paying dividends. The restatement of the Company's accounts to IFRS as described in note 1 has reduced the retained earnings by £8,903,000 at 31st December 2003 and £8,661,000 at 31st December 2004 moving the retained earnings into deficit as detailed above.

Share capital

	Ordinary shares		Non-cumulative Redeemable Preference shares	
In thousands of pounds	2005	2004	2005	2004
On issue at 1 January	50	50	-	-
On issue at 31 December – fully paid	50	50	13,000	-

At 31 December 2005, the authorised share capital is 50,000 ordinary shares (2004: 50,000) and 13,000,000 non-cumulative redeemable preference shares (2004: nil). The ordinary shares and the non-cumulative redeemble preference shares have a par value of £1.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Holders of non-cumulative redeemable preference shares receive a discretionary dividend on the par value of their shareholding but do not have the right to vote. All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares adjusted for any dividends in arrears.

Notes to the financial statements

18 Operating leases
Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of pounds	2005		2004	
	Land & Buildings	Other	Land & Buildings	Other
Less than one year	-	2	-	1
Between one and five years	717	155	182	39
More than five years	7,566	-	1,261	-
Total	8,283	157	1,443	40

The Company leases office premises under two operating leases. The leases run for periods of 9 years and 15 years respectively, with an option to renew the leases after their expiry. Lease payments are increased every five years to reflect market rentals. None of the leases include contingent rentals.

During the year ended 31 December 2005, £1,512,800 was recognised as an expense in the income statement in respect of operating leases (2004: £1,022,000).

19 Capital commitments

Capital commitments of the Company at the end of the year for which no provision has been made are as follows:

In thousands of pounds	2005	2004
Customer Management System		
Authorised and contracted for	500	1,590
Authorised but not contracted for	838	1,448
	1,338	3,038

Notes to the financial statements

20 Pension scheme

In thousands of pounds	2005	2004
Contributions to defined contribution plans	450	374

The Company operates a defined contribution scheme called RIAS Group Personal Pension Scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost in respect of members of this scheme represents the contribution payable by the Company to the scheme.

21 Staff numbers and costs

The total number of persons employed by the Company (including executive directors) at the year-end, analysed by category, was as follows:

	2005	2004
Corporate, administration and support	202	129
Marketing and sales	889	861
	1,091	990

The full time equivalent number of employees was as follows:

	2005	2004
Corporate, administration and support	172	129
Marketing and sales	855	768
	1,027	897

The aggregate payroll costs in respect of these persons were as follows:

In thousands of pounds	2005	2004
Wages and salaries	19,388	15,959
Social security costs	1,716	1,404
Other pension costs	450	373
	21,554	17,736

Notes to the financial statements

22 Related party transactions

The Company has a related party relationship with its key management personnel who are all Directors of the Company.

Transactions with Directors
In addition to their salaries, the Company also provides non-cash benefits to Directors and contributes to a post-employment defined contribution plan on their behalf.

The Directors' compensations are as follows:

In thousands of pounds	2005	2004
Emoluments paid by the company	544	562
Emoluments include contributions made to pension schemes amounting to	39	44
In respect of the highest paid Director	178	247

Under the defined contribution scheme, the highest paid Director's accrued pension at the year-end was £5,000 (2004: £3,000).

In the ordinary course of business the Company carries out transactions with related parties as defined in IAS 24.
Material transactions are set out below.

In thousands of pounds	2005 Income Statement	2005 Balance Sheet	2004 Income Statement	2004 Balance Sheet	2003 Balance Sheet
Immediate parent and ultimate holding company transactions and assets held in the balance sheet	1,124	(8,636)	1,607	(25,568)	(23,690)
Fellow subsidiary company transactions and assets held in the balance sheet	20,203	(16,449)	20,247	(15,538)	(13,763)
Pension scheme transaction and liability	28	-	29	-	10
	21,355	(25,085)	21,883	(41,106)	(37,443)

23 Parent company

The Company's results are consolidated into the accounts of Fortis Insurance International N.V. a Company incorporated in the Netherlands.

The Company's ultimate holding company is Fortis Utrecht NV which is incorporated in the Netherlands and is jointly owned by Fortis N.V., incorporated in the Netherlands and Fortis SA/NV, incorporated in Belgium.

Copies of the above accounts can be obtained from the Company Secretary, RIAS Plc, RIAS House, Deansleigh Road, Bournemouth, BH7 7DU.

24 Events after the balance sheet date

There were no material adjusting or non-adjusting events after the balance sheet date.

RIAS Plc

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

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 they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these 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 they have been prepared in accordance with IFRS as adopted by the EU; 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 enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

RIAS Plc

Independent Auditor's Report to the Members of RIAS Plc

We have audited the financial statements of RIAS Plc for the year ended 31 December 2005 which comprise the income statement, the balance sheet, the cash flow statement+A84 and the related notes. These financial statements have been prepared under 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 auditor's 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 auditor

As described in the Statement of Directors' Responsibilities set out on page 21 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU

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 whether the financial statements have been 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements 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 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.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

26th July 2006