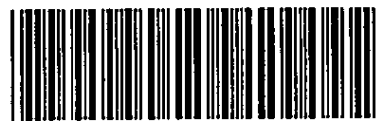


RIAS Plc
Registered Number 1324965

Directors' Report and Financial Statements

31 December 2006

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Directors' Report and Financial Statements

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RIAS Plc

Directors' Report and Financial Statements

Directors

Janet Connor	<i>Appointed</i>	<i>02 02 06</i>
Barry D Smith		
Andrew Boyes	<i>Resigned</i>	<i>17 02 06</i>
Julian R M Harvey		
Hein Kuiper		
Oliver Shaw		
Robert Bright	<i>Appointed</i>	<i>14 02 06</i>
Nicholas Lemans	<i>Appointed</i>	<i>13 07 06</i>

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

Report of the Directors

The Directors submit their report, together with the audited financial statements, for the year ended 31 December 2006

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 financial statements on pages 7 to 23. The Directors intend to continue the development of insurance marketing and broking services

RIAS Plc was ranked as the 5th largest personal lines intermediary in the UK General Insurance market in 2005. The Company's major market segment is the over 50's age group

The overall objective for the Company is to continue its growth in customers, income and profitability in order for it to achieve its vision of becoming the leading provider of tailored insurance products to the over 50's. This will be underpinned by maintaining a straightforward approach to proving financial products to its customers and supplying them in a way such that they are confident to recommend the Company to their family and friends

To meet this overall objective the Company's principal strategies in its 5-year plan period are to

- i Tailor solutions and services for the over 50s market, expanding RIAS's presence into segments where they are currently under represented
- ii Continue to target new customer acquisition for Household and Private Car business, whilst leveraging RIAS's customer base to cross-sell secondary products
- iii Build distribution through brand, marketing channels and advocacy whilst developing further digital channel capabilities
- iv Deliver advocated sales and service experience
- v Deliver one systems platform for all product lines
- vi Build an organisation where people feel valued for their contribution, that people want to join and love to stay

The Board considers that the key indicators that will communicate the financial performance and strength of the Company to its members are

- Revenue
- Operating profit
- Expense ratio
- Return on capital

The Board also uses a number of other key indicators to assess the performance of individual parts of the business, including details on the number of policies written and various performance ratios

RIAS Plc

Report of the Directors continued

Financial performance

Revenue in thousands of pounds

	2004	2005	2006
Income from insurance marketing and broking services	49,172	58,913	68,454
Percentage change from previous year	36.0%	19.8%	16.2%

The amount of revenue drives the overall size and profitability of the Company. Whilst important as a measure of performance, much care is taken to ensure that expenses incurred in the acquisition and administration of customers' policies are at a level at which it is forecast that the Company will achieve a satisfactory margin.

Operating profit (Profit before income taxes) in thousand of pounds

	2004	2005	2006
Operating profit	4,820	10,531	14,637
Percentage change from previous year		118.5%	39.0%

Operating profit is considered a key performance measure. The Company aims to deliver sustainable growth in profits by well-directed marketing, expense control and provision of superior service levels to its customers.

As 2004 was the first year of the Company reporting in accordance with IFRS there were no 2003 comparatives and, hence, no percentage increase from that year has been calculated.

Expense ratio in percentages

	2004	2005	2006
Expense ratio	83.7%	82.0%	80.1%

The expense ratio is considered a measure of the Company's overall efficiency. It is calculated as total expenses (cost of sales and administrative expenses) expressed as a percentage of earned premiums. As with operating profit, the operating ratio will not necessarily immediately reflect management actions and may also be influenced by external factors.

Return on capital in percentages

	2005	2006
Return on capital after tax	94.9%	96.0%

Return on Capital is a measure of the efficiency with which the Company uses its shareholders' equity, which has been provided by its members. The Company's dividend policy has an impact on this measure.

RIAS Plc

Report of the Directors continued

Position at 31 December 2006

Shareholders' equity

The Company did not pay a dividend in 2006 but instead redeemed £7m of the £13m of the Preference Shares issued in 2005. Overall, Shareholders' equity increased by £3.32m.

Assets

Total assets increased by £2.63m during the year. Other receivables and cash and cash equivalents accounted for the majority of the increase. There was also additional investment in the year in property, plant and equipment.

Liabilities

Total liabilities reduced by £0.69m in 2006 (2005: £12.82m) as the business repaid loans and borrowings.

Cash flow

Cash available to the Company increased by £1.55m (2005: £1.42m) due to profitable growth in the Company's operations.

Risk and uncertainties

The Company's principal risks and uncertainties and the way in which these risks are managed are detailed in note 2 to the financial statements. There have not been any significant changes to the risks to which the Company is exposed, or in the procedures used to manage these risks in the year.

Results and dividends

The result of the year's operation is a profit after taxation of £10,321,000 (2005: profit £7,285,000). No dividend was paid in 2006 (2005: £4,500,000).

Directors

The Members of the Board as at the date of these accounts are shown on Page 2. 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. Nicholas Lemans was appointed on 13 July 2006.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 2006.

RIAS Plc

Report of the Directors continued

Auditors

A resolution to reappoint KPMG Audit Plc as auditors will be proposed at the forthcoming Annual General Meeting

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 during the year was 1,092. The full time equivalent number of employees adjusted for part time staff was 1,044. Their annual aggregate remuneration was £24.7m. An analysis is shown on Page 22.

Employee involvement

Staff are kept informed of matters affecting the Company by means of regular departmental meetings and briefings 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 19 April 2007 and signed on its behalf by



R A Smith
Secretary

RIAS Plc

Income statement

For the year ended 31 December 2006

<i>In thousands of pounds</i>	Notes	2006	2005
Revenue	3	68,454	58,913
Cost of sales	4	(35,487)	(31,255)
		<hr/>	<hr/>
Gross profit		32,967	27,658
Administrative expenses	4	(19,337)	(17,060)
		<hr/>	<hr/>
Operating profit		13,630	10,598
Finance income	5	1,305	1,041
Finance costs	6	(297)	(1,108)
		<hr/>	<hr/>
Profit before income taxes		14,638	10,531
Income taxes	7	(4,317)	(3,246)
		<hr/>	<hr/>
Profit for the year		<u>10,321</u>	<u>7,285</u>

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

RIAS Plc

Balance sheet

As at the 31 December 2006

In thousands of pounds

	Notes	2006	2005
Assets			
Property, plant and equipment	8	5,274	4,607
Deferred tax assets	9	526	396
Current tax assets	14	-	1,488
Other receivables	10	38,456	36,685
Cash and cash equivalents	11	18,851	17,304
Total assets		<u>63,107</u>	<u>60,480</u>
Liabilities			
Financial liabilities			
- Loans and borrowings	12	6,130	8,636
Other payables	13	42,322	42,751
Current tax liabilities	14	2,241	-
Total liabilities		<u>50,693</u>	<u>51,387</u>
Net assets		<u>12,414</u>	<u>9,093</u>
Shareholders' equity			
Share capital		6,050	13,050
Retained earnings		6,364	(3,957)
Total shareholders' equity	15	<u>12,414</u>	<u>9,093</u>

These financial statements were approved by the board of directors on 19 April 2007 and were signed on its behalf by:

Janet Connor
Managing Director

Nicholas Lemans
Director

RIAS Plc

Statement of cash flows

For the year ended 31 December 2006

In thousands of pounds

	2006	2005
Cash flows from operating activities		
Profit before tax	14,638	10,531
<i>Adjustments for</i>		
Depreciation of leasehold buildings, plant and equipment	2,533	863
Loss on sale of property, plant and equipment	9	-
	17,180	11,394
Increase in Other receivables	(1,771)	(3,807)
Decrease in Financial liabilities	(2,506)	(16,932)
(Decrease) / increase in Other payables	(429)	5,065
	12,474	(4,280)
Income taxes (paid) / recovered	(718)	91
Net cash generated from/(used in) operating activities	11,756	(4,189)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,209)	(2,894)
Net cash used in investing activities	(3,209)	(2,894)
Cash flows from financing activities		
Proceeds from the issue of non-cumulative redeemable preference shares	-	13,000
Redemption of non-cumulative redeemable preference shares	(7,000)	-
Dividends paid	-	(4,500)
Net cash (used in)/ generated from financing activities	(7,000)	8,500
Net increase in cash and cash equivalents	1,547	1,417
Cash and cash equivalents at 1 January	17,304	15,887
Cash and cash equivalents at 31 December	18,851	17,304

RIAS Plc

Significant accounting policies

RIAS Plc is a public company, limited by shares, domiciled and incorporated in England and Wales

The financial statements were authorised for issue by the directors on 19 April 2007

(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)

The Company has not applied IFRS 7, Financial Instruments Disclosures, which is effective for accounting periods from 1st January 2007. The standard refers to new disclosures about financial instruments and those currently required by IAS 32, Financial Instruments Disclosure and Presentation, and replaces the disclosures required by IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions. The initial application of IFRS 7 is not anticipated to affect reported profit or the valuation of assets.

The Company has not applied IFRS 8, Operating Segments, which is effective for accounting periods from 1st January 2009. The standard refers to new disclosures about segment reporting and replaces the disclosures required by IAS 14, Segment Reporting, (see accounting policy g).

The Company presents its balance sheet in order of liquidity in accordance with IAS 1, Presentation of Financial Statements. 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 or settled in less than one year are referred to as current
- Amounts expected to be recovered or settled 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.

(c) Recognition and measurement of revenue

Commission and other income is recognised on policies which incept before the end of the accounting period. Instalment service charge income from instalment policies is recognised evenly throughout the period 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) Finance lease payments

Leases, under the terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as finance leases. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and are expensed in the Income Statement in the period to which they relate. No finance costs are capitalised.

(f) Income tax and deferred 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.

(g) Segment reporting

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

Significant accounting policies

(h) 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 and Telephony)	4 years
Leasehold improvements	15 years

(i) Trade and other receivables

Trade and other receivables are stated at their cost less any impairment losses

(j) Financial assets

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables The Company classifies cash and short term deposits, trade, insurance and other receivables, including amounts due from related companies, as loans and receivables Management has determined that their carrying amounts reasonably approximate their fair values as they are mostly short term in nature or are repriced frequently

Loans and receivables are recognised initially at fair value, plus any attributable transaction costs Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses Loans and receivables are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits

Significant accounting policies

(l) Financial liabilities

Financial liabilities include payables to related parties and interest-bearing loans and borrowings and other payables. Financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the year of the borrowings on an effective interest basis.

Management has determined that the carrying amounts of bank overdrafts and other payables reasonably approximate their fair values because these liabilities are mostly short term in nature or are repriced frequently. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

(m) 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.

(n) 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.

(o) Dividends

Dividends payable on ordinary shares and preference shares are recognised when they are paid.

Notes to the financial statements

1 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 8.

2 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.

3 Revenue and Profit

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.

RIAS Plc

Notes to the financial statements

4 Operating expenses

In thousands of pounds

	2006	2005
Advertising	15,320	12,248
Depreciation and amortisation		
- Leasehold buildings	98	97
- Office equipment	2,433	759
- Motor vehicles	2	7
Hire of plant and machinery	64	67
Hire of other assets	1,484	1,481
Personnel expenses		
- Wages, salaries and redundancy	22,122	19,460
- Compulsory social security contributions	1,889	1,716
- Contributions to pension plans	787	450
Recruitment costs	1,408	2,212
Goods and services	5,211	4,973
Software costs	792	2,095
Other costs	3,214	2,750
Total operating expenses	54,824	48,315
Operating expenses are analysed as:		
Cost of sales	35,487	31,255
Administrative expenses	19,337	17,060
	54,824	48,315

Goods and services includes auditors remuneration of £13,620 (2005 £16,002) for audit fees and £nil (2005 £1,749) for other services

5 Finance income

In thousands of pounds

	2006	2005
Bank and other interest receivable	1,305	1,041

RIAS Plc

Notes to the financial statements

6 Finance costs

<i>In thousands of pounds</i>	2006	2005
Interest payable to third parties	(47)	-
Payable to group undertakings	<u>(250)</u>	<u>(1,108)</u>
	<u>(297)</u>	<u>(1,108)</u>

7 Income taxes

Recognised in the income statement

<i>In thousands of pounds</i>	2006	2005
Current tax expense		
Current year – operations	(4,535)	(3,132)
Adjustments for prior years	<u>88</u>	<u>22</u>
	<u>(4,447)</u>	<u>(3,110)</u>
Deferred marketing costs written off on implementation of IFRS	<u>-</u>	<u>5,640</u>
	<u>(4,447)</u>	<u>2,530</u>
Deferred tax expense		
Origination and reversal of temporary differences	123	(136)
Adjustments for prior years	7	-
Deferred marketing expenses written off	<u>-</u>	<u>(5,640)</u>
	<u>130</u>	<u>(5,776)</u>
Total income tax expense	<u>(4,317)</u>	<u>(3,246)</u>

Reconciliation of effective tax rate

The tax assessed on the year is higher (2005 lower) than the standard rate of corporation tax in the United Kingdom of 30%

The differences are explained below

<i>In thousands of pounds</i>	2006	2005
Profit before tax	<u>14,638</u>	<u>10,531</u>
Income tax using the domestic corporation tax rate (30%)	(4,391)	(3,159)
Non deductible expenses and provisions	(10)	(4)
Depreciation for the year in deficit / (excess) of capital allowances	(134)	126
Other	<u>-</u>	<u>(95)</u>
	<u>(4,535)</u>	<u>(3,132)</u>
Adjustment in respect of prior years	<u>88</u>	<u>22</u>
	<u>(4,447)</u>	<u>(3,110)</u>

Notes to the financial statements

8 Property, plant and equipment

In thousands of pounds

	Leasehold buildings	Office equipment	Motor vehicles	Total
Cost				
Balance at 1 January 2006	1,458	4,222	17	5,697
Acquisitions	-	3,209	-	3,209
Disposals	(1)	(1,256)	(17)	(1,274)
Balance at 31 December 2006	<u>1,457</u>	<u>6,175</u>	<u>-</u>	<u>7,632</u>
Depreciation and impairment losses				
Balance at 1 January 2006	170	914	6	1,090
Depreciation charge for the year	98	2,433	2	2,533
Disposals	(1)	(1,256)	(8)	(1,265)
Balance at 31 December 2006	<u>267</u>	<u>2,091</u>	<u>-</u>	<u>2,358</u>
Carrying amounts				
At 31 December 2005	<u>1,288</u>	<u>3,308</u>	<u>11</u>	<u>4,607</u>
At 31 December 2006	<u>1,190</u>	<u>4,084</u>	<u>-</u>	<u>5,274</u>

9 Deferred tax asset

In thousands of pounds

	2006	2005
a) Movement in year		
At 1 January	396	6,172
Income/(Charge) for the year (See Note 7)	130	(5,776)
At 31 December	<u>526</u>	<u>396</u>
b) Represented by		
Variance between capital allowance and depreciation	<u>526</u>	<u>396</u>

Notes to the financial statements

10 Other receivables

<i>In thousands of pounds</i>	2006	2005
Amounts falling due within one year		
Due from clients	36,072	34,070
Amounts due from group undertakings	1	-
Other receivables and prepayments	1,186	1,520
Accrued interest income	108	97
Other accrued income	1,089	998
Total other receivables	38,456	36,685

Amounts due from group undertakings are unsecured, interest-free and repayable on demand in cash

11 Cash and cash equivalents

<i>In thousands of pounds</i>	2006	2005
Bank and cash balances	18,851	17,304
Cash and cash equivalents in the statement of cash flows	18,851	17,304

The effective interest rate at 31 December 2006 on short term bank deposits was 4.95% (2005 4.6%), 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 £17,209,000 (2005 £15,134,000) that are not available for use by the Company. This amount and the matching liability are included in the balance sheet

12 Loans and borrowings

<i>In thousands of pounds</i>	2006	2005
Non-current liabilities		
Due to group undertakings	6,130	8,636

The balance represents an unsecured loan from the holding company, repayable on demand in cash. The effective rate of interest as at 31 December 2006 was 7% (2005 6.5%)

RIAS Plc

Notes to the financial statements

13 Other payables

Amounts falling due within one year

In thousands of pounds

	2006	2005
Due to group undertakings	-	355
Due to Insurers	36,618	36,700
Other payables and accrued expenses	5,028	5,073
VAT and other taxes payable	676	623
Total other payables	42,322	42,751

14 Current tax assets and liabilities

The current tax liability of £2,241,000 (2005 £nil) represents the amount of income taxes payable in respect of the current year less adjustment in respect of prior years

The current tax asset of £nil (2005 £1,488,000) represents the amount of income taxes recoverable from the UK tax authorities

Notes to the financial statements

15 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 2006	13,050	(3,957)	9,093
Redemption of Preference shares	(7,000)	-	(7,000)
Profit for the year	-	10,321	10,321
Balance at 31 December 2006	<u>6,050</u>	<u>6,364</u>	<u>12,414</u>

In thousands of pounds

	Share capital	Retained earnings	Total
Balance at 1 January 2005	50	(6,742)	(6,692)
Issue of Preference shares	13,000	-	13,000
Profit for the year	-	7,285	7,285
Dividends to shareholders	-	(4,500)	(4,500)
Balance at 31 December 2005	<u>13,050</u>	<u>(3,957)</u>	<u>9,093</u>

Share capital

	Ordinary shares		Non-cumulative Redeemable Preference shares	
<i>In thousands of pounds</i>	2006	2005	2006	2005
In issue at 1 January	<u>50</u>	<u>50</u>	<u>13,000</u>	<u>-</u>
In issue at 31 December – fully paid	<u>50</u>	<u>50</u>	<u>6,000</u>	<u>13,000</u>

At 31 December 2006, the authorised share capital is 50,000 ordinary shares (2005 50,000) and 13,000,000 non-cumulative redeemable preference shares (2005 13,000,000). The ordinary shares and the non-cumulative redeemable 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

16 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows

In thousands of pounds

	2006		2005	
	Land & Buildings	Other	Land & Buildings	Other
Less than one year	-	16	-	2
Between one and five years	517	72	717	155
More than five years	7,566	-	7,566	-
Total	<u>8,083</u>	<u>88</u>	<u>8,283</u>	<u>157</u>

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 2006, £1,548,000 was recognised as an expense in the income statement in respect of operating leases (2005: £1,548,000).

17 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

	2006	2005
Customer Management System		
Authorised and contracted for	1,324	500
Authorised but not contracted for	2	838
	<u>1,326</u>	<u>1,338</u>

Notes to the financial statements

18 Pension scheme

In thousands of pounds

	2006	2005
Contributions to defined benefit plan	132	28
Contributions to defined contribution plans	655	422
	<u>787</u>	<u>450</u>

The Company makes contributions to a defined benefit plan that provides pension benefits for employees upon retirement. The plan does not invest in shares issued by the company.

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.

19 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:

	2006	2005
Corporate, administration and support	224	202
Marketing and sales	869	889
	<u>1,093</u>	<u>1,091</u>

The full time equivalent number of employees was as follows:

	2006	2005
Corporate, administration and support	192	172
Marketing and sales	852	855
	<u>1,044</u>	<u>1,027</u>

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

In thousands of pounds

	2006	2005
Wages and salaries	22,093	19,388
Social security costs	1,889	1,716
Other pension costs	787	450
	<u>24,769</u>	<u>21,554</u>

Notes to the financial statements

20 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 or a defined contribution scheme on their behalf

The Directors' compensations are as follows

<i>In thousands of pounds</i>	2006	2005
Emoluments paid by the company	<u>781</u>	<u>544</u>
Emoluments include contributions made to pension schemes amounting to	<u>55</u>	<u>39</u>
In respect of the highest paid Director	<u>289</u>	<u>178</u>

Under the defined contribution scheme, the highest paid Director's accrued pension at the year-end was £8,000 (2005 £5,000)

In the ordinary course of business the Company carries out transactions with related parties as defined in IAS 24, Related Party Disclosures

Material transactions are set out below

<i>In thousands of pounds</i>	2006 Income Statement	2006 Balance Sheet	2005 Income Statement	2005 Balance Sheet
Immediate parent and ultimate holding company transactions and assets held in the balance sheet	(276)	(6,130)	1,124	(8,636)
Fellow subsidiary company transactions and assets held in the balance sheet	25,019	(16,926)	20,203	(16,449)
Pension scheme transaction and liability	<u>(132)</u>	<u>-</u>	<u>28</u>	<u>-</u>
	<u>24,611</u>	<u>(23,056)</u>	<u>21,355</u>	<u>(25,085)</u>

21 Parent company

The Company's immediate parent is Fortis (UK) Limited, a company registered in England

The Company's results are consolidated into the accounts of Fortis Insurance International NV 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 NV, 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

22 Events after the balance sheet date

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

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.

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 2006 which comprise the income statement the balance sheet, the cash flow statement 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 24 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 2006 and of its profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985
- The information given in the Directors' report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

21 June 2007