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COMPANIES**

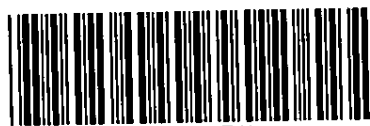
**RI3K Limited**

Report and Financial Statements

Year Ended

31 December 2007

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**BDO Stoy Hayward**  
Chartered Accountants

# **RI3K Limited**

## **Annual report and financial statements for the year ended 31 December 2007**

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### **Directors**

A Letts  
R Merttens  
N Eckert  
K Lisson  
O Hemsley  
N Campsie  
T Binks

### **Secretary and registered office**

D Simpson, 10 Ely Place, London, EC1N 6RY

### **Company number**

3909745

### **Auditors**

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU

# **RI3K Limited**

## **Report of the directors for the year ended 31 December 2007**

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The directors present their report together with the audited financial statements for the year ended 31 December 2007

### **Results and dividends**

The profit and loss account is set out on page 6 and shows the loss for the year

The directors do not recommend the payment of a dividend

### **Principal activity**

The company's principal activity is the design, development, maintenance and marketing of an electronic trading service for the global insurance and reinsurance industries

### **Business review**

In 2007 the Company continued to focus on the development and marketing of the RI3K Trading Service. The year also saw a restructuring to ensure a greater sustainability of operations, as had been requested by customers in face of rapidly growing demand for the service.

Turnover grew by 111% over 2006 as an increasing volume of transactions were placed through the RI3K Marketplace. These figures do not include the revenue generated from the January 2008 renewal season. Operating costs increased by 22% principally due to a 68% growth in headcount from 37 at the start of the year to 62 at 31 December 2007 and certain one-off costs related to the change in ownership and re-financing referred to below. The loss before tax was almost identical to that in 2006.

On 3 May 2007 BRIT waived the balance and accrued interest due to it on its loans to the Company prior to reducing its shareholding from 85% to 22% as new investors acquired a controlling interest in the Company. The new investors injected £5m of working capital by way of preference shares and gained representation on the Board of Directors.

As part of this investment transaction, share option-holders amongst the senior and long-serving staff were invited to exercise a proportion of their options (all of whom did so) and further options were granted to senior employees under a new Enterprise Management Incentive scheme.

It was decided in April 2007 that after 5 years of loss-making operation the Company's subsidiary in Singapore, RI3K Asia Pte Ltd, was unlikely to become financially viable. It therefore ceased trading and was placed in voluntary liquidation. Although this resulted in a loss on liquidation in the year of £87,127 this action is anticipated to yield annual cost savings of some £250,000.

Following its statement of intent in 2006 to move from paper-based to electronic trading Aon UK Ltd entered into a three year agreement with the Company to use its service for distribution of risk and transaction. Activities in 2007 were focused upon ensuring that the technology and the community were prepared for the heavy trading season around Dec/Jan 2007/8 reinsurance renewals. The January 2008 renewal season not only provided the Company with an excellent start to the next year but also acted as a validation for the service.

Further endorsement of the Company's products was evidenced by Lloyd's of London also entering into a three-year global agreement in early 2007 to use the Company's Trading Service for placement of risk, and, as a part of this agreement to use its newly-formed Lloyd's Reinsurance China subsidiary as its first implementation.

During the year the Company continued to enhance the functionality of its trading service and supporting products (the Data Management Centre and Contract Management Centre) whilst also broadening its appeal by initiating development of a data messaging service, and by offering bespoke solutions to customers seeking the benefit of its electronic trading experience.

# **RI3K Limited**

## **Report of the directors for the year ended 31 December 2007 (Continued)**

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### *Business review (Continued)*

These continuing enhancements, carried out by a growing number of development personnel, have proved the Company capable of handling significant volumes of transactions, both actual and anticipated. Nevertheless the growth of the Company remains dependent upon the speed of take-up by the market, a factor which it cannot control.

The Company has considered its credit risks and concluded that in light of its concentrated and high quality customer base no material credit risks exist.

Due to the cost of accelerating development a further operating loss is anticipated in 2008, however, supported by its new investment and additional funding committed in 2008, the Company is confident of an improvement in its financial performance through 2008 and over the long term.

### **Charitable and political donations**

During the year the company made charitable contributions of £100 (2006 - £908).

### **Directors**

The directors of the company during the year were

A Letts  
R Merttens  
N Eckert  
M Scales (resigned 3 May 2007)

K Lisson, O Hemsley, N Campsie and T Binks were appointed to the board on 3 May 2007.

N Eckert and M Scales were directors of the company's ultimate parent company.

### **Directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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, 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 which 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **RI3K Limited**

## **Report of the directors for the year ended 31 December 2007**

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### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**By order of the Board**



D Simpson

### **Secretary**

Date      30 OCT 2008

# **RI3K Limited**

## **Report of the independent auditors**

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### **To the shareholders of RI3K Limited**

We have audited the financial statements of RI3K Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *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 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.

# RI3K Limited

## Report of the independent auditors (*Continued*)

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### *Opinion*

#### In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

*BDO — LLP*

#### **BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors  
London*

30 October 2008

# RI3K Limited

## Profit and loss account for the year ended 31 December 2007

	Note	2007 £	2006 £
<b>Turnover</b>	3	<b>1,916,196</b>	909,313
Cost of sales		<b>30,241</b>	1,531
<b>Gross profit</b>		<b>1,885,955</b>	907,782
<b>Administrative expenses</b>			
Systems development costs		(473,383)	(644,562)
Provision against amount owed by subsidiary undertaking		-	(26,662)
Other operating costs		(5,241,866)	(4,022,615)
<b>Total administrative expenses</b>		<b>(5,715,249)</b>	(4,693,839)
<b>Operating loss</b>	5	<b>(3,829,294)</b>	(3,786,057)
Loss on liquidation of subsidiary undertaking		(87,127)	-
Interest receivable		128,051	8,805
Interest payable	6	(1,031,878)	(1,014,909)
<b>Loss on ordinary activities before taxation</b>		<b>(4,820,248)</b>	(4,792,161)
Taxation	8	558,231	1,868,739
<b>Loss on ordinary activities after taxation</b>		<b>(4,262,017)</b>	(2,923,422)

All amounts relate to continuing activities in the current year

The notes on pages 10 to 22 form part of these financial statements



## R13K Limited

### Reconciliation of movements in shareholders' funds for the year ended 31 December 2007

	2007 £	2006 £
Shareholders' deficit at beginning of year	(13,629,868)	(10,721,580)
Loss for the year	(4,262,017)	(2,923,422)
Waiver of loan due to ultimate parent company	14,602,245	-
Effect of FRS 20 – share capital reserve	10,163	15,134
New share capital subscribed		
- Ordinary shares	48,008	-
- Preference shares (equity element)	724,587	-
Direct cost of raising equity element of preference share capital set against share premium reserve	(54,779)	-
<b>Shareholders' deficit</b>	<b>(2,561,661)</b>	<b>(13,629,868)</b>

The notes on pages 10 to 22 form part of these financial statements

# RI3K Limited

## Balance sheet at 31 December 2007

	Note	2007 £	2007 £	2006 £	2006 £
<b>Fixed assets</b>					
Tangible assets	9		194,393		165,239
Investments	10		5		30,309
			<u>194,398</u>		<u>195,548</u>
<b>Current assets</b>					
Debtors - due within one year	11	289,948		119,805	
- due after more than one year	11	93,906		93,906	
Cash at bank and in hand		2,120,333		239,630	
		<u>2,504,187</u>		<u>453,341</u>	
<b>Creditors: amounts falling due within one year</b>	12	1,123,911		14,278,757	
		<u>1,123,911</u>		<u>14,278,757</u>	
<b>Net current assets/(liabilities)</b>			1,380,276		(13,825,416)
<b>Total assets less current liabilities</b>			<u>1,574,674</u>		<u>(13,629,868)</u>
<b>Creditors: amounts falling due after more than one year</b>	13		4,136,335		-
			<u>4,136,335</u>		<u>-</u>
<b>Net liabilities</b>			<u>(2,561,661)</u>		<u>(13,629,868)</u>
<b>Capital and reserves</b>					
Called up share capital - Ordinary	14		168,241		163,637
- Preference	14		724,587		-
Share premium account	15		8,716,126		8,793,738
Share option reserve	15		39,979		29,816
Profit and loss account	15		(12,210,594)		(22,617,059)
			<u>(2,561,661)</u>		<u>(13,629,868)</u>
<b>Shareholders' deficit</b>			<u>(2,561,661)</u>		<u>(13,629,868)</u>

The financial statements were approved by the Board of Directors and authorised for issue on

30 OCT 2008



A Letts  
Director

The notes on pages 10 to 22 form part of these financial statements

# RI3K Limited

## Cash flow statement for the year ended 31 December 2007

	Note	2007 £	2007 £	2006 £	2006 £
<b>Net cash outflow from operating activities</b>	18		(3,775,202)		(3,477,043)
<b>Returns on investments and servicing of finance</b>					
Interest received		128,051		8,805	
<b>Net cash inflow from returns on investments and servicing of finance</b>			128,051		8,805
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(142,154)		(25,970)	
Disposal of intangible fixed assets		-		5	
Disposal of tangible fixed assets		-		1,488	
			(142,154)		(24,477)
<b>Cash outflow before use of liquid resources and financing</b>			(3,789,305)		(3,492,715)
<b>Financing</b>					
Issue of shares		5,048,008		-	
Less costs of issue		(378,000)		-	
Increase in loan from ultimate parent undertaking		1,000,000		3,600,000	
			5,670,008		3,600,000
<b>Increase in cash</b>	20		1,880,703		107,285

The notes on pages 10 to 22 form part of these financial statements

# **RI3K Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2007**

### **1 Accounting policies**

#### *Accounting convention*

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

#### *Going concern*

During the year the company traded at a loss. The directors have considered the group's ongoing cash requirements and, in light of the waiver of the loan due to the previous ultimate holding company, the introduction of £5m of working capital during the year, and a commitment after the year-end by shareholders of a further £5m of capital, consider that it is appropriate to prepare the financial statements on the going concern basis. Should the company be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amount, to provide for any further liabilities which may arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

#### *Turnover*

Turnover represents sales to outside customers at invoiced amounts less value added tax. The revenue from membership and licence fees invoiced in advance is initially deferred and then recognised in the period to which it relates. Revenue from transaction fees crystallises upon the earlier of the inception date of the contract to which it relates, or the date of acceptance, and is recognised when invoiced retrospectively.

#### *Fixed asset investments*

Investments in subsidiary undertakings are stated at cost less provisions for impairment.

#### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	-	15% per annum
Computer equipment	-	33% per annum
Fixtures, fittings and equipment	-	25% per annum

#### *Research and development tax credit*

Any receipts from HM Revenue and Customs in respect of research and development tax credit are accounted for on a cash basis.

#### *Deferred taxation*

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed by the balance sheet date except for deferred tax assets which are not recognised to the extent that the transfer of economic benefit in future is uncertain. Deferred tax liabilities and assets are not discounted.

#### *Foreign currencies*

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

# RI3K Limited

## Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

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### 1 Accounting policies (*Continued*)

#### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the year of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as 'operating leases'. Their annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

#### *Research and development*

Development costs are charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable,
- the project is technically feasible and commercially viable, current and future costs are expected to be exceeded by future sales, and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year the company starts to benefit from the expenditure.

#### *Dividends*

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

#### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations rather than the financial instrument's legal form.

# RI3K Limited

## Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

### 3 Turnover

	2007 %	2006 %
Analysis by market		
UK	81	56
Rest of the World	19	44
	<u>100</u>	<u>100</u>

### 4 Employees

	2007 £	2006 £
Staff costs (including directors) consist of		
Wages and salaries	3,597,114	2,425,625
Social security costs	420,245	288,258
	<u>4,017,359</u>	<u>2,713,883</u>

The average number of employees (including directors) during the year was as follows

	Number	Number
Employees	<u>50</u>	<u>35</u>

### 5 Operating loss

	2007 £	2006 £
This is arrived at after charging		
Depreciation	113,000	102,060
Auditors' remuneration - audit services	26,325	15,500
- non-audit services	24,888	13,720
Directors' emoluments (note 7)	631,969	532,128
Systems development costs	473,383	644,562
Operating lease rentals - land and buildings	146,157	142,212
Exchange differences	37,312	96,810
Provision against amount owed by subsidiary undertaking	-	26,662
	<u></u>	<u></u>

# RI3K Limited

## Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

### 6 Interest payable

	2007 £	2006 £
Loans from former parent company	448,283	1,014,909
Interest due on preference shares	583,595	-
	<u>1,031,878</u>	<u>1,014,909</u>

### 7 Directors' emoluments

	2007 £	2006 £
Fees and other emoluments	<u>631,969</u>	<u>532,128</u>
Highest paid director		
Emoluments	<u>347,619</u>	<u>297,333</u>

A total of 186,875 share options were exercised during the year by the highest paid director, the only director to exercise any options during the year

# RI3K Limited

## Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

### 8 Taxation

	2007 £	2006 £
a) UK corporation tax credit		
Current tax - credit	280,467	1,083,299
Credit adjustment in respect of previous periods	277,764	785,440
	<u>558,231</u>	<u>1,868,739</u>
b) Tax reconciliation		
Loss on ordinary activities before tax	(4,820,248)	(4,792,161)
	<u>(4,820,248)</u>	<u>(4,792,161)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK at 30% (2006 – 30%)	(1,446,074)	(1,437,648)
Effects of		
Allowances and expenses not deductible	352,589	342,151
Depreciation in excess of capital allowances	15,900	10,323
Losses surrendered under group relief	280,467	1,083,299
Short term timing differences	-	1,875
Group relief receivable for previous years	(277,764)	(1,868,739)
Group relief receivable for 2007	(280,467)	-
Current year losses carried forward	797,118	-
	<u>(558,231)</u>	<u>(1,868,739)</u>

As at 31 December 2007 the company had total deferred tax assets not recognised of £2,544,145 (2006 - £1,747,027) which relates to tax losses carried forward at the year end

Holders of up to 80% of the ordinary shares are eligible to claim corporation tax consortium relief. Should they elect to exercise this right the tax losses carried forward would be reduced by the proportion claimed.



# RI3K Limited

Notes forming part of the financial statements  
for the year ended 31 December 2007 (*Continued*)

## 9 Tangible assets

	Leasehold improvements £	Computer equipment £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At beginning of year	125,406	353,300	128,715	607,421
Additions	2,636	132,803	6,715	142,154
Disposals	-	(6,545)	-	(6,545)
At end of year	<b>128,042</b>	<b>479,558</b>	<b>135,430</b>	<b>743,030</b>
<i>Depreciation</i>				
At beginning of year	83,235	258,174	100,773	442,182
Provided for in the year	14,794	79,485	18,721	113,000
Disposals	-	(6,545)	-	(6,545)
At end of year	<b>98,029</b>	<b>331,114</b>	<b>119,494</b>	<b>548,637</b>
<i>Net book value</i>				
At 31 December 2007	<b>30,013</b>	<b>148,444</b>	<b>15,936</b>	<b>194,393</b>
At 31 December 2006	42,171	95,126	27,942	165,239

## 10 Fixed asset investments

	Subsidiary £	Other Investments £	Total £
<i>Cost</i>			
At beginning of year	30,304	5	30,309
Disposals	(30,304)	-	(30,304)
At end of year	-	5	5

Name	Country of incorporation	Shares issued	Proportion held	Nature of business
Run Off Centre Limited	UK	5 £1 shares	5%	Information Technology

RI3K Asia Pte Limited, a subsidiary based in Singapore, ceased trading on 30 April 2007 and commenced proceedings for a voluntary liquidation

# RI3K Limited

## Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

### 11 Debtors

	2007 £	2006 £
Amounts receivable within one year		
Trade debtors	59,989	1,313
Other debtors	229,959	118,492
	<u>289,948</u>	<u>119,805</u>

Included in other debtors above are loans to staff totalling £35,157 (2006 - £15,157) to assist in the purchase of options in the company's shares under the terms of the employee share option scheme

	2007 £	2006 £
Amounts receivable after more than one year		
Other debtors	<u>93,906</u>	<u>93,906</u>

### 12 Creditors: amounts falling due within one year

	2007 £	2006 £
Loan from ultimate parent company	-	13,712,194
Trade creditors	127,870	43,329
Other taxation and social security	168,243	119,364
Other creditors	97,463	140,498
Accruals and deferred income	330,883	263,372
Interest due on Preference shares	399,452	-
	<u>1,123,911</u>	<u>14,278,757</u>

### 13 Creditors: amounts falling due after more than one year

	2007 £	2006 £
Preference shares convertible into Ordinary shares	<u>4,136,335</u>	<u>-</u>

This sum is deemed to be the non-equity element of the £5,000,000 of Cumulative Redeemable Preference shares issued on 3 May 2007 net of issue costs of £323,221 attributable to the element of preference shares recognised as a liability. Issue costs attributable to the liability element are deducted from share premium over the period of redemption by way of a transfer of reserves. During the first three years dividends due on Preference shares are to be satisfied by the issue of additional Preference shares, and thereafter by payment in cash. At any time, subject to conditions, the Preference shares may be converted into Ordinary shares at the request of the Preference shareholder.

# RI3K Limited

## Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

### 14 Share capital

	Authorised		Allotted, called up and fully paid	
	2007 Number	2006 Number	2007 Number	2006 Number
Ordinary shares of 1p each	-	50,000,000	-	16,363,749
'A' Ordinary shares of 1p each	<b>42,912,946</b>	-	<b>14,204,325</b>	-
'B' Ordinary shares of 1p each	<b>7,087,054</b>	-	<b>2,619,814</b>	-
	<b>50,000,000</b>	50,000,000	<b>16,824,139</b>	16,363,749
12% Cumulative Redeemable Preference shares of £1 00 each	<b>7,025,000</b>	-	<b>724,587</b>	-
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Ordinary shares of 1p each	-	500,000	-	163,637
'A' Ordinary shares of 1p each	<b>429,129</b>	-	<b>142,043</b>	-
'B' Ordinary shares of 1p each	<b>70,871</b>	-	<b>26,198</b>	-
	<b>500,000</b>	500,000	<b>168,241</b>	163,637
12% Cumulative Redeemable Preference shares of £1 00 each	<b>7,025,000</b>	-	<b>724,587</b>	-

During the year the authorised and issued Ordinary shares were split into 'A' Ordinary and 'B' Ordinary shares. Of the 16,363,749 Ordinary shares of 1p each in issue at 31 December 2006, 14,204,325 were converted into 'A' Ordinary shares of 1p each, and 2,159,424 were converted into 'B' Ordinary shares of 1p each.

Options to purchase 460,390 'B' Ordinary shares were exercised for a total consideration of £48,008.

During the year 5,000,000 Preference shares of £1 00 each were issued at par, of which £724,587 has been recognised as equity and £4,275,413 as a liability (before issue costs) within Creditors falling due after more than one year.

During the year a Warrant Certificate was issued entitling the Warrantholder, in the event of a sale or flotation of the company, to subscribe for up to 2,628,571 'A' Ordinary shares of 1p each at a price of £1 52 per share.

# RI3K Limited

## Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

### 14 Share capital (Continued)

#### Share options

In respect of the company's unapproved share option scheme

	2007 Number	2006 Number
Options outstanding at 31 December 2006	1,991,226	2,036,251
Options lapsed during year	(117,375)	(104,688)
Options exercised during the year	(460,390)	-
Options granted during year	-	59,663
	<hr/>	<hr/>
Options outstanding at 31 December 2007	1,413,461	1,991,226
	<hr/>	<hr/>

At 31 December 2007 options outstanding under the company's unapproved share option scheme were

Date of Grant	Number of shares of 1p each	Price per share	Year of option
10 November 2000	18,000	1p	10 November 2003 - 10 November 2010
3 April 2002	2,700	10p	3 April 2003 - 10 November 2010
5 January 2004	410,725	10p	5 January 2004 - 5 January 2014
24 October 2005	924,873	15p	24 October 2005 - 24 October 2015
16 May 2006	49,663	15p	16 May 2006 - 24 October 2015
14 September 2006	7,500	15p	14 September 2006 - 24 October 2015

During the year the company introduced an Enterprise Management Incentive (EMI) share option scheme, in respect of which options over 2,133,829 shares were granted

At 31 December 2007 options outstanding under the company's EMI scheme were

Date of Grant	Number of shares of 1p each	Price per share	Year of option
31 July 2007	2,133,829	109p	31 July 2007 - 31 July 2017

# RI3K Limited

## Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

### 15 Reserves

	Share option £	Share premium £	Profit and loss £
At 1 January 2007	29,816	8,793,738	(22,617,059)
Loss for the year	-	-	(4,262,017)
Share options exercised	-	43,404	-
Share option charge	10,163	-	-
Direct cost of issuing preference shares recognised as equity	-	(54,779)	-
Direct cost of issuing preference shares recognised as a liability deducted from share premium in the year	-	(66,237)	66,237
Waiver of loan due to ultimate parent company	-	-	14,602,245
At 31 December 2007	<b>39,979</b>	<b>8,716,126</b>	<b>(12,210,594)</b>

### 16 Share based payment

The company operates an unapproved share option scheme for the benefit of employees. Options are exercisable on the occurrence of a specified event such as a change of control or sale. Options lapse in the event of an employee leaving or upon the date of expiry (not more than 10 years) set at the time of grant.

	2007 Weighted average exercise price (pence)	2007 Number
Outstanding at the beginning of the year	12.71	1,991,226
Granted during the year	109.00	2,133,829
Forfeited/lapsed during the year	(13.83)	(117,375)
Exercised during year	(10.43)	(460,390)
Outstanding at the end of the year	<b>70.89</b>	<b>3,547,290</b>

	2007
<b>Equity-settled</b>	
Option pricing model used	Black-Scholes
Weighted average share value at grant date (pence)	13.00
Exercise price (pence)	70.89
Weighted average contractual life (days)	1,096
<b>Equity-settled</b>	
Expected volatility	22%
Expected dividend growth rate	0%
Risk-free interest rate	5%

# RI3K Limited

## Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

### 16 Share based payment (continued)

The volatility assumption, measured at the standard deviation of expected share price returns, is based on the average sector volatility for Software and Computer Services, Non-life Insurance and Small Market Capitalisation

The share-based remuneration expense comprises

	2007 £	2006 £
Equity-settled schemes	10,163	15,134

The company did not enter into any share-based payment transactions with parties other than employees during the current or previous period

### 17 Commitments under operating leases

As at 31 December 2007, the company had annual commitments under non-cancellable operating leases as set out below

	2007 Computer Software £	2006 Computer Software £	2007 Land and buildings £	2006 Land and buildings £
Operating leases which expire				
In one to two years	39,874	59,812	-	-
In three to five years	-	-	3,000	3,000
After five years	-	-	140,055	140,055
	<u>39,874</u>	<u>59,812</u>	<u>143,055</u>	<u>143,055</u>

### 18 Reconciliation of operating profit to net cash inflow from operating activities

	2007 Total £	2006 Total £
Operating loss	(3,829,294)	(3,786,057)
Depreciation	113,000	102,060
(Increase)/decrease in debtors	(170,144)	322,161
Increase/(decrease) in creditors	157,896	(131,910)
Decrease in amounts due from group undertakings	(56,823)	-
Decrease in amounts due to group undertakings	-	(5)
Foreign exchange movement	-	1,574
Share option charge	10,163	15,134
	<u>(3,775,202)</u>	<u>(3,477,043)</u>
Net cash outflow from operating activities		

# RI3K Limited

## Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

### 19 Reconciliation of net cash inflow to movement in net debt

	2007 £	2006 £
Increase in cash in the year	1,880,703	107,285
Increase in loan from parent undertaking	(1,000,000)	(3,600,000)
Change in net debt resulting from cash flows	880,703	(3,492,715)
Non cash movement in respect of debt due to previous parent company and waiver Issue of preference shares recognised as a liability	14,712,194 (4,136,335)	853,830 -
Movement in net debt	11,456,562	(2,638,885)
Opening net debt	(13,472,564)	(10,833,679)
Closing net debt	(2,016,002)	(13,472,564)

### 20 Analysis of net debt

	At 1 January 2007 £	Cash flow £	Other non-cash changes £	At 31 December 2007 £
Cash in hand and at bank	239,630	1,880,703	-	2,120,333
	239,630	1,880,703	-	2,120,333
Debt due within one year	(13,712,194)	(1,000,000)	14,712,194	-
Debt falling due after more than one year	-	-	(4,136,335)	(4,136,335)
Total	(13,472,564)	880,703	10,575,859	(2,016,002)

The non-cash movements relate to accrued interest arising on debt due to previous parent company and the waiver of the debt due to the previous parent company. It also relates to the issue of preference shares recognised as a liability.

# **RI3K Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)**

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### **21 Related party transactions**

As at the year end RI3K Limited had the following loan amounts outstanding at 31 December 2007 with companies in which it had an interest

- a) An unsecured intercompany loan of £ nil (2006 - £13,712,194) from BRIT Insurance Holdings Plc For further details see note 12
- b) An unsecured intercompany loan of £ nil (2006 - £1,822,652) to RI3K Asia Pte Limited, a subsidiary of RI3K Limited The loan was written off upon the voluntary liquidation of the subsidiary

The following transactions also took place during the year

- a) Sales of services to BRIT Insurance Holdings Plc of £616,495 (2006 - £257,116)
- b) Charge of interest on loan from BRIT Insurance Holdings Plc of £448,283 (2006 - £1,014,909)
- c) Intercompany recharge for services provided by RI3K Asia Pte Limited was £ nil (2006 - £62,432)

During the year the unsecured intercompany loan and accrued interest due to BRIT Insurance Holdings plc as at 3 May 2007 totalling £14,602,245 was waived and the loan due from RI3K Asia Pte Limited as at 30 April 2007 totalling £48,167 was written off

### **22 Ultimate parent company**

With effect from 3 May 2007 BRIT Insurance Holdings plc ceased to be the company's ultimate parent company

### **23 Post Balance Sheet event**

On 21 July 2008 the six major shareholders entered into an agreement to provide additional working capital by subscribing for a further 5 million Preference Shares of £1 each £2m was invested immediately and the balance of £3m is to be made available for drawdown by the Directors as and when required