

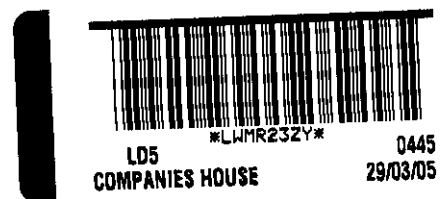
3909745

RI3K Limited

Report and Financial Statements

Year Ended

31 December 2004



BDO

BDO Stoy Hayward
Chartered Accountants

RI3K Limited

Report and financial statements for the year ended 31 December 2004

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Directors

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Directors

A Letts
R Merttens
N Eckert
M Scales

Secretary and registered office

Brit Group Services Limited
D Simpson

10 Ely Place, London, EC1N 6RY.

Company number

3909745

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

RI3K Limited

Report of the directors for the year ended 31 December 2004

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the year.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The company's principal activity is the design, development, maintenance and marketing of electronic infrastructures for the global reinsurance industry. During the trading year the company continued to enhance its systems and generated significant revenues for the first time. The volume of business conducted over its network has grown substantially through the year and this trend is expected to continue during 2005.

Charitable and political donations

During the year the company made charitable contributions of £750 (2003 - £Nil).

Directors

The directors of the company during the year and their interests in the ordinary share capital and options to purchase shares in the company were:

	2004		2003	
	Options	Ordinary shares of 1p each	Options	Ordinary shares of 1p each
A Letts	-	1,825,000	-	1,825,000
R Merttens	402,500	172,500	-	172,500
N Eckert	-	-	-	-
M Scales	-	-	-	-

R Merttens was granted options during the year to purchase 402,500 ordinary shares of 1p each under the company's unapproved share option scheme. For further details see note 11 to the financial statements.

N Eckert and M Scales are Directors of the company's ultimate parent company and their interests in the shares of that company are declared in the parent company's Report and Accounts. A Letts and R Merttens have no interests in the shares of the ultimate parent company.

RI3K Limited

Report of the directors for the year ended 31 December 2004

Directors' responsibilities

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;
- 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.

Auditors

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.

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

By order of the Board



D Simpson

Secretary

24 February 2005

RI3K Limited

Report of the independent auditors

To the shareholders of RI3K Limited

We have audited the financial statements of RI3K Limited for the year ended 31 December 2004 on pages 5 to 17 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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

We read the report of the directors 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

RI3K Limited

Report of the independent auditors (*Continued*)

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the ability of the company to continue trading as a going concern which is dependent upon the continued support of the ultimate parent company. In view of the significance of this uncertainty we consider it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

BDO Stoy Hayward LLP

24 February 2005

RI3K Limited**Profit and loss account for the year ended 31 December 2004**

	Note	2004 £	2003 £
Turnover	2	2,304,247	193,812
Cost of sales		428,470	-
Gross profit		1,875,777	193,812
Administrative expenses			
Systems development costs		(884,933)	(952,130)
Provision against amount owed by subsidiary undertaking	9	(62,094)	(1,418,641)
Other		(3,152,236)	(2,890,701)
Total administrative expenses		(4,099,263)	(5,261,472)
Operating loss		(2,223,486)	(5,067,660)
Interest receivable		13,733	8,692
Interest payable	3	-	(5,469)
Loss on ordinary activities before taxation	4	(2,209,753)	(5,064,437)
Taxation on loss from ordinary activities	6	434,684	-
Loss on ordinary activities after taxation	12	(1,775,069)	(5,064,437)

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 8 to 17 form part of these financial statements.

RI3K Limited**Reconciliation of movements in shareholders' funds for the year ended 31 December 2004**

	2004	2003
	£	£
Shareholders' deficit at 31 December 2003	(5,676,852)	(648,790)
Loss for the year	(1,775,069)	(5,064,437)
New share capital subscribed	-	36,375
	<hr/>	<hr/>
Shareholders' deficit at 31 December 2004	(7,451,921)	(5,676,852)
	<hr/>	<hr/>

The notes on pages 8 to 17 form part of these financial statements.

RI3K Limited
Balance sheet at 31 December 2004

	Note	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Tangible assets	7		196,725		105,377
Investments	8		37,736		27,470
			<hr/>		<hr/>
			234,461		132,847
Current assets					
Debtors - due within one year	9	868,040		397,682	
- due after more than one year	9	93,906		93,906	
Cash at bank and in hand		182,381		170,079	
		<hr/>		<hr/>	
		1,144,327		661,667	
Creditors: amounts falling due within one year	10	8,830,709		6,471,366	
		<hr/>		<hr/>	
Net current liabilities			(7,686,382)		(5,809,699)
			<hr/>		<hr/>
Total assets less current liabilities			(7,451,921)		(5,676,852)
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	11		103,637		103,637
Share premium account	12		7,953,738		7,953,738
Profit and loss account	12		(15,509,296)		(13,734,227)
			<hr/>		<hr/>
Shareholders' deficit - equity			(7,451,921)		(5,676,852)
			<hr/>		<hr/>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 24 February 2005


A Letts
Director

The notes on pages 8 to 17 form part of these financial statements.

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:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

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

Development costs

Development costs are charged to the profit and loss account in the year of expenditure.

Research and Development tax credit

Any receipts from the Inland Revenue 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.

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.

Consolidated accounts

The company has taken advantage of the exemption allowed under Section 248 of the Companies Act 1985 and has not produced group financial statements on the grounds that the group qualifies as a small group.

Cash flow statement

The company has used the exemption under Financial Reporting Standard 1 'Cash Flow Statements', not to prepare a cash flow statement as the directors believe the company is 'small' under the Companies Act 1985.

Going concern

During the year the company traded at a loss. The directors have considered the group's ongoing cash requirements and continuing financial support from the ultimate parent company (see note 10). The directors have received assurances that this support will be forthcoming. They therefore 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.

2 Turnover

	2004 %	2003 %
Analysis by market:		
UK	24	78
Rest of the World	76	22
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

RI3K Limited**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)****3 Interest payable**

	2004	2003
	£	£
Other loans	-	5,469

4 Loss on ordinary activities before taxation

	2004	2003
	£	£
This is arrived at after charging:		
Depreciation	68,044	77,305
Auditors' remuneration	8,000	8,850
Directors' emoluments (note 5)	456,417	464,950
Systems development costs	884,933	952,130
Operating lease rentals – land and buildings	115,759	77,592
Exchange differences	44,985	148,802
Provision against amount owed by subsidiary undertaking	62,094	1,418,641

5 Directors' emoluments

	2004	2003
	£	£
Fees and other emoluments	456,417	464,950
Highest paid director		
Emoluments	251,000	251,500

RI3K Limited**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)****6 Taxation**

	2004 £	2003 £
a) There is no charge to corporation tax during the year on loss on ordinary activities due to losses incurred		
Research and development tax refund relating to prior period	434,684	-
b) Tax reconciliation		
Loss on ordinary activities before tax	(2,209,753)	(5,064,437)
Loss on ordinary activities at the standard rate of corporation tax in the UK at 30% (2003 – 30%)	(662,926)	(1,519,331)
Effects of:		
Expenses not deductible	7,506	17,294
Prior period research and development tax credit received	434,684	-
Depreciation in excess of capital allowances	1,417	20,004
Current year losses carried forward	635,375	1,056,441
Provision against amount owed by subsidiary undertaking	18,628	425,592
	434,684	-

RI3K Limited

Notes forming part of the financial statements for the year ended 31 December 2004 (*Continued*)

7 Tangible assets

	Leasehold improvements £	Computer equipment £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At beginning of year	73,822	195,347	64,014	333,183
Additions	51,584	46,302	61,506	159,392
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	125,406	241,649	125,520	492,575
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	31,316	154,363	42,127	227,806
Provided for in the year	14,298	32,115	21,631	68,044
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	45,614	186,478	63,758	295,850
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2004	79,792	55,171	61,762	196,725
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	42,506	40,984	21,887	105,377
	<hr/>	<hr/>	<hr/>	<hr/>

No tangible fixed assets were held under finance leases.

8 Fixed asset investments

	Subsidiary £
<i>Cost</i>	
At beginning of year	27,470
Additions	10,266
	<hr/>
At end of year	37,736
	<hr/>

RI3K Limited**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)****8 Fixed asset investments (Continued)**

Name	Country of incorporation	Shares issued	Proportion held	Nature of business
RI3K Asia Pte Limited	Singapore	91,000 S\$1 shares	91%	E-commerce
RI3K Inc	Canada	10,000 C\$1 shares	100%	Information Technology
LifeRIC Inc	Canada	10,000 C\$1 shares	100%	Dormant
Run Off Centre Limited	UK	5 £1 shares	5%	Information Technology

At 31 December 2004 RI3K Asia Pte Limited had the following results:

	2004 £	2004 S\$	2003 £	2003 S\$
Loss for year	(167,973)	(501,671)	(283,846)	(759,196)
Aggregate capital and reserves	(1,447,532)	(4,536,564)	(1,327,158)	(4,034,893)

At 31 December 2004 RI3K Inc had the following results:

	2004 £	2004 C\$	2003 £	2003 C\$
Loss for year	(187,973)	(442,775)	-	-
Aggregate capital and reserves	(188,138)	(432,775)	-	-

RI3K Limited**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)****9 Debtors**

	2004	2003
	£	£
Amounts receivable within one year:		
Trade debtors	481,826	321,998
Other debtors	143,237	75,684
Amounts owed by subsidiary undertaking	242,977	-
	868,040	397,682
Amounts receivable after more than one year:		
Other debtors	93,906	93,906
Amounts owed by subsidiary undertaking (net of provision of £1,480,555 (2003 - £1,418,461))	-	-
	93,906	93,906

10 Creditors

	2004	2003
	£	£
Amounts falling due within one year		
Loan from ultimate parent company	8,100,000	5,700,000
Trade creditors	103,090	78,275
Amounts owed to subsidiary undertaking	4,347	-
Creditors for taxation and social security	83,728	86,882
Other creditors	153,975	140,039
Accruals and deferred income	385,569	466,170
	8,830,709	6,471,366

10 Creditors (Continued)

The loan from shareholder at 31 December 2004 represents the amount provided to fund the working capital requirements of the business.

In February 2005, the company signed a revised loan agreement with the shareholder, which requires the loan to be repaid in variable instalments from 2 January 2007 with all outstanding amounts due by October 2009.

Interest will be charged at a rate of 3% above LIBOR from 1 January 2005.

	2004 Loan from shareholder £	2003 Loan from shareholder
In one year or less	8,100,000	5,700,000

11 Share capital

	Authorised 2004 Number	2003 Number	Allotted, called up and fully paid 2004 Number	2003 Number
Ordinary shares of 1p each	11,500,000	11,500,000	10,363,749	10,363,749
	£	£	£	£
Ordinary shares of 1p each (see below)	115,000	115,000	103,637	103,637

Increases and changes to authorised share capital

	2004 Number	2003 Number	2004 £	2003 £
Ordinary shares of 1p each:				
In issue at 31 December 2003	10,363,749	10,000,000	103,637	100,000
Issued during year	-	363,749	-	3,637
In issue at 31 December 2004	10,363,749	10,363,749	103,637	103,637

RI3K Limited**Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)****11 Share capital (Continued)****Share options**

In respect of the company's unapproved share option scheme:

	2004 Number	2003 Number
Options outstanding at 31 December 2003	66,413	66,413
Options granted during year	1,069,838	-
	<hr/>	<hr/>
Options outstanding at 31 December 2004	1,136,251	66,413
	<hr/>	<hr/>

At 31 December 2004 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	54,000	1p	10 November 2003 - 10 November 2010
3 April 2003	12,413	10p	3 April 2003 - 10 November 2010
5 January 2004	1,069,838	10p	5 January 2004 – 5 January 2014

In respect of the company's Enterprise Management Incentive share option scheme:

	2004 Number	2003 Number
Options outstanding at beginning of year	-	376,687
Options cancelled during year	-	(12,938)
Options exercised during the year at 10p each	-	(363,749)
	<hr/>	<hr/>
Options outstanding at end of year	-	-
	<hr/>	<hr/>

12 Reserves

	Share premium £	Profit and loss £
At 31 December 2003	7,953,738	(13,734,227)
Net loss for the year	-	(1,775,069)
	<hr/>	<hr/>
At 31 December 2004	7,953,738	(15,509,296)
	<hr/>	<hr/>

RI3K Limited

Notes forming part of the financial statements for the year ended 31 December 2004 (Continued)

13 Commitments under operating leases

As at 31 December 2004, the company had annual commitments under non-cancellable operating leases as set out below:

	2004 Land and buildings £	2004 Other £	2003 Land and buildings £	2003 Other £
Operating leases which expire:				
In less than one year	3,000	-	-	29,952
In one to two years	-	-	3,000	-
After five years	140,055	-	79,920	-
	<u>143,055</u>	<u>-</u>	<u>82,920</u>	<u>29,952</u>

14 Related party transactions

As at the year end RI3K Limited had the following loan amounts outstanding at 31 December 2004 with companies in which it had an interest:

- a) An unsecured intercompany loan of £8,100,000 (2003 - £5,700,000) from BRIT Insurance Holdings Plc. For further details see note 10.
- b) An unsecured intercompany loan of £1,480,735 (2003 - £1,418,641) to RI3K Asia Pte Limited, a subsidiary of RI3K Limited. The loan is non interest bearing and there is no fixed date for repayment.
- c) An unsecured intercompany loan of £242,977 (2003 - £Nil) to RI3K Inc., a subsidiary of RI3K Limited. The loan is non interest bearing and there is no fixed date for repayment.

15 Ultimate parent company

At 31 December 2004, the company's ultimate parent company was BRIT Insurance Holdings plc.

Copies of the consolidated financial statements of BRIT Insurance Holdings plc are available from Companies House.