

RI3K Limited

Report and Financial Statements

Year Ended

31 December 2003

390975



BDO
BDO Stoy Hayward
Chartered Accountants

RI3K Limited

Report and financial statements for the year ended 31 December 2003

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Directors

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Directors

A Letts
R Merttens
N Eckert
M Scales

Secretary and registered office

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 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

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 incurred further costs in developing its systems and started generating revenue from the fourth quarter of the year. Growing volumes of business have been conducted over its network and further enhancements scheduled for launch early in 2004 are expected to broaden its appeal to the market.

Charitable and political donations

During the year the company made no charitable or political contributions.

Important events since the balance sheet date

These are detailed in note 18 to the financial statements.

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:

	2003		2002	
	Options	Ordinary shares of 1p each	Options	Ordinary shares of 1p each
A Letts	-	1,825,000	-	1,825,000
R Merttens	-	172,500	172,500	-
N Eckert	-	-	-	-
M Scales	-	-	-	-

R Merttens exercised options over 172,500 ordinary shares of 1p each during the year. For further details see note 11.

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 that 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 2003

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.

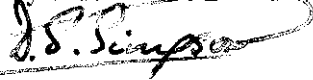
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next 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

9 March 2004

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 2003 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 17 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 a shareholder. 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 2003 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

9 March 2004

RI3K Limited**Profit and loss account for the year ended 31 December 2003**

	Note	Year ended 31 December 2003 £	18 months to 31 December 2002 £
Turnover	2	193,812	40,255
Cost of sales		-	(1,861)
Gross profit		193,812	38,394
Administrative expenses			
Systems development costs		(952,130)	(1,702,391)
Provision against amount owed by subsidiary undertaking	9,14	(1,418,641)	-
Other		(2,890,701)	(3,314,581)
Total administrative expenses		(5,261,472)	(5,016,972)
Operating loss		(5,067,660)	(4,978,578)
Interest receivable		8,692	31,305
Interest payable	3	(5,469)	(21,558)
Loss on ordinary activities before taxation	4	(5,064,437)	(4,968,831)
Taxation on loss from ordinary activities	6	-	353,864
Loss on ordinary activities after taxation and accumulated loss for the year	12	(5,064,437)	(4,614,967)

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 2003**

	Year ended 31 December 2003 £	18 months to 31 December 2002 £
Shareholders' deficit at 30 June 2002	(648,790)	(3,033,823)
Result for the year	(5,064,437)	(4,614,967)
New share capital subscribed	36,375	7,000,000
Shareholders' deficit at 31 December 2003	(5,676,852)	(648,790)

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

RI3K Limited

Balance sheet at 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	7		105,377		146,377
Investments	8		27,470		30,136
			<u>132,847</u>		<u>176,513</u>
Current assets					
Debtors - due within one year	9	397,682		97,999	
- due after more than one year	9	93,906		1,451,739	
Cash at bank and in hand		170,079		289,008	
		<u>661,667</u>		<u>1,838,746</u>	
Creditors: amounts falling due within one year	10	6,471,366		414,049	
		<u></u>		<u></u>	
Net current (liabilities)/assets			<u>(5,809,699)</u>		<u>1,424,697</u>
Total assets less current liabilities			<u>(5,676,852)</u>		<u>1,601,210</u>
Creditors: amounts falling due after one year	10		-		2,250,000
			<u></u>		<u></u>
Net liabilities			<u>(5,676,852)</u>		<u>(648,790)</u>
Capital and reserves					
Called up share capital	11		103,637		100,000
Share premium account	12		7,953,738		7,921,000
Profit and loss account	12		(13,734,227)		(8,669,790)
			<u></u>		<u></u>
Shareholders' deficit - equity			<u>(5,676,852)</u>		<u>(648,790)</u>

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 9 March 2004

A Letts
Director



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

1 Accounting policies

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.

Tangible fixed assets

All fixed assets are stated at cost less depreciation and any impairment recognised.

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.

2 Turnover

	Year ended 31 December 2003 %	18 months to 31 December 2002 %
Analysis by market:		
UK	78	79
Rest of the World	22	21
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

3 Interest payable

	Year ended 31 December 2003 £	18 months to 31 December 2002 £
Bank loans and overdrafts	-	94
Other loans	5,469	21,464
	<hr/>	<hr/>
	5,469	21,558
	<hr/>	<hr/>

RI3K Limited**Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)****4 Loss on ordinary activities before taxation**

	Year ended 31 December 2003 £	18 months to 31 December 2002 £
This is arrived at after charging:		
Depreciation	77,305	115,659
Auditors' remuneration	8,850	10,311
Directors' emoluments (note 5)	464,950	638,583
Systems development costs	952,130	1,702,391
Operating lease rentals – land and buildings	77,592	116,698
Exchange differences	148,802	77,336
Provision against amount owed by subsidiary undertaking	1,418,641	-

5 Directors' emoluments

	Year ended 31 December 2003 £	18 months to 31 December 2002 £
Fees and other emoluments	464,950	638,583
Highest paid director		
Emoluments	251,500	366,583

6 Taxation

	Year ended 31 December 2003 £	18 months to 31 December 2002 £
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	-	(353,864)
	<u> </u>	<u> </u>
b) Tax reconciliation		
Loss on ordinary activities before tax	(5,064,437)	(4,968,831)
	<u> </u>	<u> </u>
Loss on ordinary activities at the standard rate of corporation tax in the UK at 30% (2002 – 30%)	(1,519,331)	(1,490,649)
Effects of:		
Expenses not deductible	17,294	34,350
Prior period research and development tax credit received	-	(353,864)
Depreciation in excess of capital allowances	20,004	5,961
Current year losses carried forward	1,056,441	1,450,338
Provision against amount owed by subsidiary undertaking	425,592	-
	<u> </u>	<u> </u>
	-	(353,864)
	<u> </u>	<u> </u>

RI3K Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

7 Tangible assets

	Leasehold improvements £	Computer equipment £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At beginning of year	66,731	177,369	55,117	299,217
Additions	7,091	21,624	9,287	38,002
Disposals	-	(3,646)	(390)	(4,036)
At end of year	73,822	195,347	64,014	333,183
<i>Depreciation</i>				
At beginning of year	20,863	104,275	27,702	152,840
Provided for in the year	10,453	52,208	14,644	77,305
Eliminated on disposals		(2,120)	(219)	(2,339)
At end of year	31,316	154,363	42,127	227,806
<i>Net book value</i>				
At 31 December 2003	42,506	40,984	21,887	105,377
At 31 December 2002	45,868	73,094	27,415	146,377

No tangible fixed assets were held under finance leases.

8 Fixed asset investments

	Subsidiary £
<i>Cost</i>	
At beginning of year	30,136
Disposals	(95)
Revaluation adjustment	(2,571)
At end of year	27,470

RI3K LimitedNotes forming part of the financial statements for the year ended 31 December 2003 *(Continued)***8 Fixed asset investments (Continued)**

Name	Country of incorporation	Shares issued	Proportion held	Nature of business
RI3K Asia Pte Limited	Singapore	83,500 S\$1 shares	83.5%	E-commerce
Run Off Centre Limited	UK	5 £1 shares	5%	Information Technology

At 31 December 2003 RI3K Asia Pte Limited had the following results:

	2003 £	2003 S\$	2002 £	2002 S\$
Loss for year	(283,846)	(759,196)	(1,178,221)	(3,135,676)
Aggregate capital and reserves	(1,327,158)	(4,034,893)	(1,178,308)	(3,275,696)

9 Debtors

	2003 £	2002 £
Amounts receivable within one year:		
Trade debtors	321,998	-
Other debtors	75,684	97,999
	<u>397,682</u>	<u>97,999</u>
Amounts receivable after more than one year:		
Other debtors	93,906	93,906
Amounts owed by subsidiary undertaking (net of provision of £1,418,461 – (2002 - £Nil))	-	1,357,833
	<u>93,906</u>	<u>1,451,739</u>

RI3K Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

10 Creditors

	2003 £	2002 £
Amounts falling due within one year		
Loan from shareholder	5,700,000	-
Other loans	-	146,282
Trade creditors	78,275	75,252
Amounts owed to subsidiary undertaking	-	100
Creditors for taxation and social security	86,882	52,546
Other creditors	140,039	139,869
Deferred Income	466,170	-
	<u>6,471,366</u>	<u>414,049</u>
Amounts falling due after one year		
Loan from shareholder	-	2,250,000
	<u>-</u>	<u>2,250,000</u>

The loan from shareholder at 31 December 2003 represents the amount provided to fund the working capital requirements of the business.

Subsequent to the year end, new repayment terms were agreed. The loan is due to be repaid by instalments from 2005, with all outstanding sums due by October 2008. Interest will be charged at a rate of 1% above LIBOR from 1 January 2005.

	2003 Loan from shareholder £	2003 Other loans £	2002 Loan from shareholder £	2002 Other loans £
In one year or less	5,700,000	-	-	146,282
In more than one year but not more than two years	-	-	2,000,000	-
In more than two years but not more than five years	-	-	250,000	-
	<u>5,700,000</u>	<u>-</u>	<u>2,250,000</u>	<u>146,282</u>

11 Share capital

	Authorised		Allotted, called up and fully paid	
	2003 Number	2002 Number	2003 Number	2002 Number
Ordinary shares of 1p each	11,500,000	11,500,000	10,363,749	10,000,000
	£	£	£	£
Ordinary shares of 1p each (see below)	115,000	115,000	103,637	100,000

Increases and changes to authorised share capital

	2003 Number	2002 Number	2003 £	2002 £
Ordinary shares of 1p each:				
In issue at 31 December 2002	10,000,000	10,000,000	100,000	100,000
Issued during year	363,749	-	3,637	-
In issue at 31 December 2003	10,363,749	10,000,000	103,637	100,000

Share options

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

	2003 Number	2002 Number
Options outstanding at 31 December 2002	66,413	249,000
Options cancelled during year	-	(195,000)
Options granted during year	-	12,413
Options outstanding at 31 December 2003	66,413	66,413

At 31 December 2003 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 2002 - 10 November 2010
3 April 2002	12,413	10p	3 April 2002 - 10 November 2010

RI3K Limited**Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)****11 Share capital (Continued)**

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

	2003 Number	2002 Number
Options outstanding at 31 December 2002	376,687	376,687
Options cancelled during year	(12,938)	-
Options exercised during the year at 10p each	(363,749)	-
	<u>-</u>	<u>376,687</u>

12 Reserves

	Share premium £	Profit and loss £
At 31 December 2002	7,921,000	(8,669,790)
Net loss for the year	-	(5,064,437)
Additions during year	32,738	-
	<u>7,953,738</u>	<u>(13,734,227)</u>
At 31 December 2003	<u>7,953,738</u>	<u>(13,734,227)</u>

13 Commitments under operating leases

As at 31 December 2003, the company had annual commitments under non-cancellable operating leases as set out below:

	2003 Land and buildings £	2003 Other £	2002 Land and buildings £	2002 Other £
Operating leases which expire:				
In less than one year	-	29,952	-	-
In one to two years	3,000	-	-	59,903
In two to five years	-	-	3,000	-
After five years	79,920	-	79,920	-
	<u>82,920</u>	<u>29,952</u>	<u>82,920</u>	<u>59,903</u>

14 Related party transactions

As at the year end RI3K Limited had the following loan amounts outstanding at 31 December 2003 with companies in which it had an interest:

- a) An unsecured intercompany loan of £1,418,641 (2002 - £1,357,833) to RI3K Asia Pte Limited, a subsidiary of RI3K Limited. The loan is non interest bearing and there is no fixed date for repayment.
- b) An unsecured intercompany loan of £5,700,000 (2002 - £2,250,000) from BRIT Insurance Holdings Plc. For further details see note 10.

15 Group financial statements

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.

16 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.

17 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 a shareholder. The directors have received assurances that this support will be forthcoming (see note 10). 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.

18 Post balance sheet event

On 5 January 2004 options to purchase 1,069,838 ordinary shares of 1p each were granted to employees under the company's unapproved share option scheme. These options are exercisable by 5 January 2014 at 10p per share.

19 Ultimate parent company

At 31 December 2003, 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.