

Registered no: 04202239

INS-SURE HOLDINGS LIMITED

Annual report

for the year ended 31 December 2005



INS-SURE HOLDINGS LIMITED

Annual report for the year ended 31 December 2005

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Directors and advisers

Directors

Sir L H P Magnus
D W Andrews
S M Beard
S P Cane
D M Fisher
B E Masojada
M E Taylor
R C Townsend

Secretary

L Healy

Registered office

34 Leadenhall Street
London
EC3A 1AX

Independent auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Solicitors

Fox Williams
10 Dominion Street
London
EC2M 2EE

Bankers

Royal Bank of Scotland
Corporate Banking Group
9th Floor
280 Bishopsgate
London
EC2M 4RB

**Directors' report
for the year ended 31 December 2005**

The directors present their report and the audited financial statements of the group and the company for the year ended 31 December 2005.

Principal activity

The principal activity of the group is the provision of administration services to the London Insurance Market. These comprise the provision of premiums and claims, accounting and settlement, policy production and ancillary insurance services, as well as the provision of business process outsourcing activities.

Review of business and future developments

The group results are set out in the profit and loss account on page 7.

Both the level of business and the year end financial position of the group were in line with expectations. The directors expect an increase in the level of activity over the next year.

Results and dividends

The group's profit for the year was £4,529,000 (2004: £3,418,000).

During 2005, dividends of £4,314,000 were paid in respect of the dividend declared for the year ended 31 December 2004 (2004: 5,857,000).

Directors and their interests

The directors who held office during the year and up to the date of signing the financial statements were:

Name	Date of appointment	Date of resignation
Sir L. Magnus		
D W Andrews		
S Beard	29 September 2005	
C Buesnel		4 July 2005
S P Cane		
D Fisher		
P George		29 September 2005
B Masojada		
M E Taylor		
R Townsend	4 July 2005	

Directors' report for the year ended 31 December 2005 (continued)

During the year, Mr Andrews was also a director of Xchanging BV, the ultimate parent company, and his interest in the shares and share options for Xchanging BV are shown in the financial statements of that company.

None of the other directors had interests in the shares of the ultimate parent undertaking. The other directors' interests in the share options in the ultimate parent company are shown below.

Share options under an approved scheme over common shares of Euro 0.01 each:

Director	Number of options at 1 January 2005 or date of appointment	During the year		At 31 December 2005	Exercise Price	Date from which exercisable	Expiry date
		Granted	Exercised				
S Beard	10,000	-	-	10,000	207.0p	25/06/05	25/06/12
	6,800	-	-	6,800	383.0p	29/04/06	29/04/13
D Fisher	5,000	-	-	5,000	207.0p	25/06/05	25/06/12
	10,679	-	-	10,679	383.0p	28/04/07	28/04/14
M Taylor	22,000	-	-	22,000	383.0p	29/04/06	29/04/13

Share options under an unapproved scheme over common shares of Euro 0.01 each:

Director	Number of options at 1 January 2005 or date of appointment	During the year		At 31 December 2005	Exercise Price	Date from which exercisable	Expiry date
		Granted	Exercised				
S Beard	3,200	-	-	3,200	383.0p	29/04/06	29/04/13
	15,000	-	-	15,000	136.0p	24/11/06	24/11/13
	15,000	-	-	15,000	383.0p	24/11/06	24/11/13
	50,000	-	-	50,000	383.0p	13/12/07	13/12/13
D Fisher	5,000	-	-	5,000	207.0p	05/03/05	05/03/12
	14,321	-	-	14,321	383.0p	28/04/07	28/04/14
L Magnus	10,000	-	-	10,000	207.0p	25/06/05	25/06/12
M Taylor	50,000	-	-	50,000	345.4p	01/05/04	01/05/11
	28,000	-	-	28,000	383.0p	29/04/06	29/04/13
R Townsend	-	150,000	-	150,000	383.0p	03/08/08	03/08/15

None of the directors had any interest in the shares of the group or the company during the year or as at 31 December 2005.

Employment policies

The group is committed to employment policies which follow best practice based on equal opportunities for all employees, irrespective of sex, race, colour, disability, marital status, age or religion. The group is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests.

**Directors' report
for the year ended 31 December 2005 (continued)****Disabled persons**

It is the policy of the group to offer appropriate training and career development to disabled persons as far as possible that are identical to other employees, in line with best practice. In the event of a member of staff becoming disabled every effort is made by the group to continue employment and arrange appropriate retraining and offer opportunities for promotion.

Directors' responsibilities statement

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 group as at the end of the financial year and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

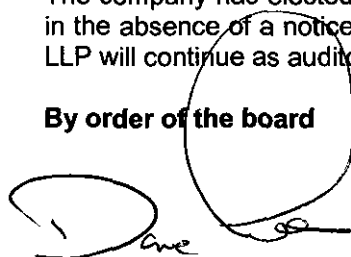
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding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

The directors are responsible for the maintenance and integrity of the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The company has elected to dispense with the requirement to appoint auditors annually, therefore, in the absence of a notice proposing that the appointment be terminated, PricewaterhouseCoopers LLP will continue as auditors to the company.

By order of the board



D Fisher
Director
3rd April 2006

Independent auditors' report to the members of INS-SURE HOLDINGS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Ins-sure Holdings Limited for the year ended 31 December 2005 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group and company balance sheets, the group 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 annual report and 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

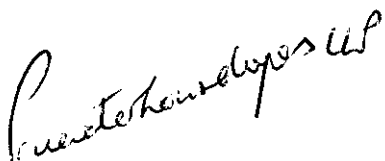
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 group's and 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.

Independent auditors' report to the members of INS-SURE HOLDINGS LIMITED (continued)

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 group's and the parent company's affairs as at 31 December 2005 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
3rd April 2006

Consolidated profit and loss account for the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 as restated £'000
Turnover – continuing operations	3	53,180	54,448
Operating costs – continuing operations	4	<u>(46,606)</u>	<u>(49,199)</u>
Operating profit – continuing operations		6,574	5,249
Interest receivable and similar income	7	269	290
Interest payable and similar charges	8	(2)	(30)
Other finance (costs)/income	9	<u>(16)</u>	<u>34</u>
Profit on ordinary activities before taxation		6,825	5,543
Tax charge on profit on ordinary activities	10	<u>(2,296)</u>	<u>(2,125)</u>
Profit on ordinary activities after taxation		4,529	3,418
Dividends	11	(4,314)	(10,857)
Retained profit/(loss) for the financial year		<u>215</u>	<u>(7,439)</u>

Consolidated statement of total recognised gains and losses for the year ended 31 December 2005

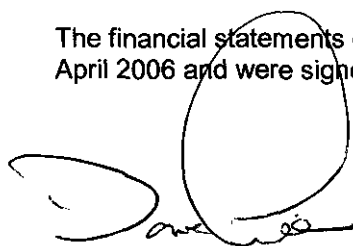
	Notes	Year ended 31 December 2005 £'000	Year ended 31 December 2004 as restated £'000
Profit for the year		4,529	3,418
Actuarial loss recognised in the pension scheme	23	(2,482)	(1,584)
Past service income re removal of discretionary pension increase	23	3,979	-
Current tax relating to actuarial loss		-	20
Movement on deferred tax relating to pension liability	23	(449)	455
Total recognised gains for the year		5,577	2,309
Prior period adjustment – FRS 17	2	(4,702)	
Total gains recognised since last annual report		875	

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

Balance sheets as at 31 December 2005

	Notes	Group		Company	
		2005	2004 as restated	2005	2004 as restated
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	12	5,032	6,890	-	-
Tangible assets	13	6,785	2,893	-	-
Investments	14	-	-	4,501	4,501
		<u>11,817</u>	<u>9,783</u>	<u>4,501</u>	<u>4,501</u>
Current assets					
Debtors: amounts falling due within one year	15	11,262	12,381	8,984	10,630
Cash at bank and in hand		5,735	7,485	2	2
		<u>16,997</u>	<u>19,866</u>	<u>8,986</u>	<u>10,632</u>
Creditors: amounts falling due within one year	16	(12,907)	(14,001)	(6,170)	(8,139)
Net current assets		<u>4,090</u>	<u>5,865</u>	<u>2,816</u>	<u>2,493</u>
Total assets less current liabilities		<u>15,907</u>	<u>15,648</u>	<u>7,317</u>	<u>6,994</u>
Pension liability	23	(3,698)	(4,702)	-	-
Net assets		<u>12,209</u>	<u>10,946</u>	<u>7,317</u>	<u>6,994</u>
Capital and reserves					
Called up share capital	18	4	4	4	4
Share premium account	19	2,061	2,061	2,061	2,061
Merger reserve	19	7,938	7,938	-	-
Other reserves	19	5,252	5,503	5,252	5,503
Profit and loss reserve	19	(3,046)	(4,560)	-	(574)
Equity shareholders' funds	20	<u>12,209</u>	<u>10,946</u>	<u>7,317</u>	<u>6,994</u>

The financial statements on pages 7 to 31 were approved by the board of directors on 3rd April 2006 and were signed on its behalf by:



D Fisher
Director

**Consolidated cash flow statement
for the year ended 31 December 2005**

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities		8,823	11,581
Returns on investments and servicing of finance			
Interest received		268	290
Interest paid		(2)	(30)
Taxation		(2,086)	(2,697)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,951)	(2,534)
Capitalisation of staff costs		(1,011)	(170)
Sale of intangible fixed assets		550	31
Equity dividends paid to shareholders		(4,314)	(10,857)
Decrease in cash in the year	21 & 22	<u>(1,723)</u>	<u>(4,386)</u>

Reconciliation of operating profit to net cash inflow from operating activities

	2005	2004
	£'000	as restated £'000
Continuing operating activities		
Operating profit	6,574	5,249
Depreciation on tangible fixed assets	1,070	749
Amortisation of goodwill and intangibles	1,122	1,486
Difference between pension charge and cash contributions	47	(34)
Loss on disposal of intangible fixed assets	132	-
Impairment of intangibles	-	1,506
Write-off of intangibles	55	-
Decrease in debtors	447	1,338
(Decrease)/increase in creditors	(624)	1,414
Decrease in provisions	-	(127)
Net cash inflow from continuing operating activities	8,823	11,581

**Notes to the financial statements
for the year ended 31 December 2005****1 Principal accounting policies**

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which, unless otherwise stated, have been applied consistently with the prior year, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Going concern

The directors believe that preparing the accounts on the going concern basis is appropriate based on projections for the foreseeable future.

Basis of consolidation

The group financial statements represent the consolidation of the results of the company and all its subsidiaries made up to 31 December 2005.

Turnover

The group provides administration services to the insurance market, from which there are two principal sources of revenue. These, together with the bases of revenue recognition are set out below:

Turnover in respect of the provision of administration services, which is stated exclusive of value added tax, comprises amounts receivable for subscription fees, a transaction charge for the provision of administration services and other ad hoc services. Subscription fees are recognised in the profit and loss account on a straight line basis according to the period to which they relate. Transactional revenue for these services is recognised in the period in which the transaction takes place.

Turnover in respect of Business Process Services contracts is divided into an implementation phase and a service provision phase. Turnover in respect of the implementation phase is accounted for on a long-term contract basis. Turnover and attributable profit is accordingly recognised on a percentage completion basis. Turnover in respect of the provision of post-implementation administration services to Business Process Services customers is recognised in the period to which the service relates.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Computer equipment	33%
Software development costs	20%
Leasehold improvements	10% / term of lease
Motor vehicles	25%
Fixtures & fittings	25%

**Notes to the financial statements
for the year ended 31 December 2005 (continued)****Intangible fixed assets**

Software development costs, including internal staff costs where applicable, are capitalised as intangible fixed assets where specific projects meet criteria of SSAP 13. Intangible assets are amortised on a straight-line basis over 5 years and impairment reviews carried out when indicated.

Goodwill

Goodwill arising from the purchase of subsidiary undertakings represents the excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill is capitalised as an intangible asset and amortised on a straight-line basis from the time of acquisition over its expected useful economic life. The expected useful economic life is determined by reference to the underlying outsourcing contract to which the acquisition relates, typically 10 years. It is reviewed for impairment at the end of the first full year following acquisition and thereafter as appropriate.

Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment. Impairment reviews are conducted at the end of the first full year following acquisition and thereafter where indicators of impairment are present.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling on the balance sheet date and any differences arising are taken to the profit and loss account.

Operating leases

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. However, deferred tax assets are regarded as recoverable and therefore recognised, only when, on the basis of all available evidence, the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

The Ins-sure Holdings group operates a defined benefit pension scheme. A professional independent actuary values the fund triennially and the valuations were updated at the year-end. Scheme assets are measured at their fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis using the projected unit method. Current and past service costs are charged to the profit and loss account. Expected returns on assets and interest costs on liabilities are recognised as other finance income in the profit and loss account. Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)****Pensions (continued)**

Certain employees of the group participate in a defined benefit scheme operated by the Corporation of Lloyd's. The contribution rate is set in relation to the current period only and is not affected by any surplus or deficit in the scheme relating to the past service of its own employees or other members of the scheme. Accordingly the group accounts for pension contributions as if this were a defined contribution scheme and pension costs are charged to the profit and loss account on an accruals basis in the year in which they arise. Differences between the funding rate set by the scheme's trustees and the pension cost to the group are borne by the Corporation of Lloyd's.

The Ins-sure Holdings group also participates in a defined contribution scheme operated by Xchanging Limited, a related company. Contributions are charged to the profit and loss account as incurred.

Related party transactions

The group has taken advantage of the exemption available in Financial Reporting Standard 8 not to disclose transactions with related parties that are more than 90% owned by the Ins-sure Holdings group. All other related party transactions are disclosed in note 25.

2 Basis of presentation of financial information

The results reflect the full adoption of Financial Reporting Standard 17 "Retirement Benefits". The effect on continuing operations of implementing this new accounting policy was to reduce trading profit for the year by £63,000 (2004: £68,000 increase) and to reduce the value of reserves at 1 January 2005 by £4,702,000 (2004: £3,641,000).

The results reflect the introduction of Financial Reporting Standard 21 "Events after the balance sheet date". *Dividends are only recognised once they have been declared and are no longer at the company's discretion.* The effect on continuing operations of implementing this new accounting policy was to reduce retained profit for the year by £4,314,000 (2004: £1,543,000 reduction) and to increase the value of reserves at 1 January 2005 by £4,314,000 (2004: £5,857,000).

3 Turnover

All services were provided in the United Kingdom and in the opinion of the directors relates entirely to one class of business being the provision of administration services.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**
4 Operating costs

Group operating costs comprise:	2005	2004
	£'000	£'000
Staff costs:		
Wages and salaries	15,504	15,624
Social security costs	1,428	1,585
Other pension costs	1,947	1,531
Staff costs capitalised	(1,011)	(170)
	17,868	18,570
Other operating costs	28,738	30,629
	46,606	49,199
 Operating costs include the following:		
Depreciation – owned assets	1,070	749
Amortisation of intangible fixed assets	178	543
Amortisation of goodwill	944	943
Impairment of intangible fixed assets – software development	-	1,506
Loss on disposal of fixed assets	132	-
Auditors' remuneration – audit services	89	70
Auditors' remuneration – non-audit services	207	95
Foreign exchange loss/(gain)	3	(4)
Rental costs relating to operating leases		
– land and buildings	1,730	1,813
– plant and machinery	8	52

The auditors' remuneration for the company was £10,000 (2004: £10,000).

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**
5 Directors' emoluments

Group	2005	2004
	£'000	£'000
Directors' emoluments		
Aggregate emoluments	798	958
Sums paid to third parties for directors' services	385	250
	<u>1,183</u>	<u>1,208</u>
	2005	2004
Number of directors with retirement benefits accruing under:		
Defined benefit schemes	<u>1</u>	<u>2</u>

Included in directors' emoluments above are fees totalling £385,000 (2004: £250,000) that were charged by another Xchanging group company during the year as the directors are employees of that Xchanging group company.

Highest paid director

	2005	2004
	£'000	£'000
Emoluments of the highest paid director	<u>392</u>	<u>323</u>

6 Employees

The average monthly number of persons (including executive directors) employed by the group during the year was:

	2005	2004
By activity	Number	Number
Service delivery	346	366
Administration	163	162
	<u>509</u>	<u>528</u>

The company has no employees.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

7 Interest receivable and similar income

Group	2005	2004
	£'000	£'000
Bank interest	226	290
Other interest	43	-
	269	290

8 Interest payable and similar charges

Group	2005	2004
	£'000	£'000
Interest payable on bank overdrafts	2	30
	2	30

9 Other finance (costs)/income

Group	2005	2004
	£'000	as restated
		£'000
Other finance (costs)/income (note 23)	(16)	34
	(16)	34

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**
10 Tax charge on profit on ordinary activities

Group	2005	2004
	£'000	as restated
		£'000
Current tax:		
UK corporation tax on profits of the year	2,187	2,005
Amount payable to a group company in respect of tax saved by consortium relief	-	409
Adjustments in respect of prior years	(115)	190
Total current tax	2,072	2,604
Deferred tax:		
Depreciation in excess of capital allowances	270	(428)
Other timing differences	(46)	(51)
Total deferred tax	224	(479)
Total tax charge for the current year	2,296	2,125

The tax assessed for the period is higher (2004: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below.

Profit on ordinary activities before tax	6,825	5,543
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	2,048	1,663
Expenses not deductible for tax purposes	363	274
Depreciation for the year in excess of capital allowances	(270)	428
Other short term timing differences	46	51
Marginal rate relief	-	(2)
Adjustments to tax charge in respect of previous years	(115)	190
	2,072	2,604

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**
11 Equity dividend paid

Group and company	2005 £'000	2004 as restated £'000
Final		
A shares: 85.44p per share (2004: 101.53p)	1,709	2,031
B shares: 79.74p per share (2004: 191.33p)	797	1,913
C shares: 180.7p per share (2004: 191.33p)	1,808	1,913
	<u>4,314</u>	<u>5,857</u>
Interim		
A shares: £nil per share (2004: 125p)	-	2,500
B shares: £nil per share (2004: 125p)	-	1,250
C shares: £nil per share (2004: 125p)	-	1,250
	<u>-</u>	<u>5,000</u>

The 2004 comparatives have been restated to take account of Financial Reporting Standard 21 "Events after the balance sheet date" (note 2).

12 Intangible fixed assets

Group	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 January 2005	9,399	3,211	12,610
Write-off of development costs	-	(55)	(55)
Disposals	-	(3,156)	(3,156)
At 31 December 2005	<u>9,399</u>	<u>-</u>	<u>9,399</u>
Depreciation			
At 1 January 2005	3,423	2,297	5,720
Charge for the year	944	178	1,122
Disposals	-	(2,475)	(2,475)
At 31 December 2005	<u>4,367</u>	<u>-</u>	<u>4,367</u>
Net book value			
At 31 December 2005	<u>5,032</u>	<u>-</u>	<u>5,032</u>
At 31 December 2004	<u>5,976</u>	<u>914</u>	<u>6,890</u>

Notes to the financial statements for the year ended 31 December 2005 (continued)

13 Tangible fixed assets

Group	Computer equipment £'000	Leasehold improvements £'000	Fixtures & fittings £'000	Motor vehicles £'000	Assets in the course of development £'000	Total £'000
Cost						
At 1 January 2005	6,011	994	690	57	1,284	9,036
Additions	3,106	-	-	-	1,856	4,962
At 31 December 2005	9,117	994	690	57	3,140	13,998
Depreciation						
At 1 January 2005	4,537	937	623	46	-	6,143
Charge for the year	1,024	10	29	7	-	1,070
At 31 December 2005	5,561	947	652	53	-	7,213
Net book value						
At 31 December 2005	3,556	47	38	4	3,140	6,785
At 31 December 2004	1,474	57	67	11	1,284	2,893

14 Investments

The following are wholly owned subsidiaries of Ins-sure Holdings Limited.

Name	Country of incorporation	Principal activity	Effective interest and proportion of equity held
Ins-sure Services Limited	England and Wales	Business Process Outsourcing	100%
London Processing Centre Limited	England and Wales	Support Services	100%
LPSO Limited	England and Wales	Support Services	100%

Investments comprise equity shares with a cost of £4,501,000 (2004: £4,501,000).

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**
15 Debtors

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	as restated £'000
Amounts falling due within one year:				
Trade debtors	4,394	1,723	-	-
Amounts owed by group undertakings	1,240	2,463	8,925	10,600
Consortium relief receivable	-	-	59	30
Other taxes receivable	-	583	-	-
Other debtors	1,359	601	-	-
Prepayments and accrued income	3,885	6,384	-	-
Deferred taxation (note 17)	384	627	-	-
	<u>11,262</u>	<u>12,381</u>	<u>8,984</u>	<u>10,630</u>

Amounts owed by group undertakings are interest free and are repayable on demand.

16 Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	-	27	-	-
Trade creditors	1,550	2,219	-	-
Amounts owed to group undertakings	4,858	3,905	6,170	8,131
Consortium relief payable	402	408	-	-
Corporation tax	1,134	1,140	-	-
Taxation and social security	860	671	-	-
Other creditors	14	137	-	-
Accruals and deferred income	4,089	5,494	-	8
	<u>12,907</u>	<u>14,001</u>	<u>6,170</u>	<u>8,139</u>

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**

17 Deferred tax

Group	2005 £'000	2004 as restated £'000
Deferred tax asset comprises:		
Accelerated capital allowances	282	552
Other timing differences	102	75
Deferred tax asset	384	627
Deferred tax asset on pension liability	1,585	2,015
Total deferred tax asset recognised	<u>1,969</u>	<u>2,642</u>
At 1 January as previously reported	627	148
Prior year adjustment – FRS 17	<u>2,015</u>	<u>1,560</u>
At 1 January as restated	2,642	1,708
Amount (charged)/credited to profit and loss (note 10)	(224)	479
Amount (charged)/credited to statement of total recognised gains and losses	(449)	455
Deferred tax asset at year end including deferred tax on pension liability	<u>1,969</u>	<u>2,642</u>

Notes to the financial statements for the year ended 31 December 2005 (continued)

18 Called up share capital

Group and company	2005 £'000	2004 £'000
Authorised		
2,000,000 ordinary A shares of 0.1p each	2	2
1,000,000 ordinary B shares of 0.1p each	1	1
1,000,000 ordinary C shares of 0.1p each	1	1
	<u>4</u>	<u>4</u>
Allotted, called up and fully paid		
2,000,000 ordinary A shares of 0.1p each	2	2
1,000,000 ordinary B shares of 0.1p each	1	1
1,000,000 ordinary C shares of 0.1p each	1	1
	<u>4</u>	<u>4</u>

Each class of shares above carry the same rights privileges and rank pari passu in all respects. Dividends to each shareholder are calculated by grossing up profit before tax for goodwill amortisation, licence fees and rebate payable, all previously charged to the profit and loss account. The resulting adjusted profit is then divided according to the percentage shareholding.

The dividend allocated to the A shareholdings than has the licence fee payable deducted and dividend allocated to the B shareholders has the rebate payable deducted. Corporation tax is then deducted from the final distributions to the respective shareholders at a rate of 30%, with any tax in excess of or less than 30% allocated in direct proportion to each shareholding.

Notes to the financial statements for the year ended 31 December 2005 (continued)

19 Reserves

Group	Share premium account £'000	Merger reserve £'000	Other reserves £'000	Profit and loss reserve £'000
At 1 January 2005 as previously stated	2,061	7,938	5,503	(4,172)
Prior year adjustment – FRS 17 (note 2)	-	-	-	(4,702)
Prior year adjustment – FRS 21 (note 2)	-	-	-	4,314
At 1 January 2005 as restated	2,061	7,938	5,503	(4,560)
Retained profit for the financial year	-	-	-	215
Transfer between reserves	-	-	(251)	251
Actuarial loss on pension scheme	-	-	-	(2,482)
Past service income on pension scheme	-	-	-	3,979
Movement on deferred tax relating to pension liability	-	-	-	(449)
At 31 December 2005	2,061	7,938	5,252	(3,046)

Company	Share premium account £'000	Other reserves £'000	Profit and loss reserve £'000
At 1 January 2005 as previously stated	2,061	5,503	-
Prior year adjustment – FRS 21 (note 2)	-	-	(574)
At 1 January 2005 as restated	2,061	5,503	(574)
Retained profit for the financial year	-	-	323
Transfers between reserves	-	(251)	251
At 31 December 2005	2,061	5,252	-

The company's profit and loss account has not been included in these financial statements as permitted by section 230 of the Companies Act 1985. The company's profit for the year was £323,000 (2004: £5,045,000 loss).

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**
20 Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Opening equity shareholders' funds as previously stated	11,334	17,278	7,568	12,063
Prior year adjustment – FRS 17 (note 2)	(4,702)	(3,641)	-	-
Prior year adjustment – FRS 21 (note 2)	4,314	5,857	(574)	(24)
Opening equity shareholders' funds as restated	10,946	19,494	6,994	12,039
Profit for the financial year	4,529	3,418	4,637	5,812
Dividend	(4,314)	(10,857)	(4,314)	(10,857)
Other recognised gains and losses relating to the year	1,048	(1,109)	-	-
Closing equity shareholders' funds	12,209	10,946	7,317	6,994

21 Reconciliation of net cash flow to movement in net funds

Group	2005	2004
	£'000	£'000
Decrease in cash in the year	(1,723)	(4,386)
Net funds at beginning of year	7,458	11,844
Net funds at end of year	5,735	7,458

22 Analysis of changes in net funds

Group	31 December 2004	Cash flow	31 December 2005
	£'000	£'000	£'000
Cash	7,485	(4,386)	5,735
Overdraft	(27)	27	-
	7,458	(1,723)	5,735

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**
23 Pensions
a) Ins-sure Holdings Group defined benefit scheme

The group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 1 July 2004 and was updated at 31 December 2005 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	At 31 December 2005	At 31 December 2004	At 31 December 2003
Rate of increase in salaries	3.75%	3.75%	3.50%
Rate of increase in deferred pensions	2.75%	2.75%	2.50%
Rate of increase in pensions in payment	2.75%	2.75%	2.50%
Discount rate	4.80%	5.40%	5.50%
Inflation assumption	2.75%	2.75%	2.50%

The assets in the defined benefit section of the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 December			Value at 31 December		
	2005	2004	2003	2005	2004	2003
	%	%	%	£'000	£'000	£'000
Equities	7.00%	7.00%	7.50%	20,456	17,284	16,017
Bonds	5.30%	5.30%	5.50%	10,316	9,009	8,546
Property	4.50%	4.50%	4.50%	49	1,100	115
Total market value of assets				30,821	27,393	24,678
Present value of scheme liabilities				(36,104)	(34,110)	(29,879)
Deficit in the scheme				(5,283)	(6,717)	(5,201)
Related deferred tax asset				1,585	2,015	1,560
Net pension liability				(3,698)	(4,702)	(3,641)

Analysis of the amount charged to operating profit

	2005 £'000	2004 £'000
Service cost	611	577
Total operating charge	611	577

Notes to the financial statements for the year ended 31 December 2005 (continued)

23 Pensions (continued)

Analysis of the amount credited to other finance income

	2005 £'000	2004 £'000
Expected return on pension scheme assets	1,731	1,676
Interest on pension scheme liabilities	(1,747)	(1,642)
Other finance (costs)/income	(16)	34

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2005 £'000	2004 £'000
Actual return less expected return on assets	1,875	1,040
Experience gains and losses on liabilities	(313)	(371)
Change in assumptions	(4,044)	(2,253)
Actuarial loss	(2,482)	(1,584)
Past service income re removal of discretionary pension increase	3,979	-
Total actuarial gain/(loss) recognised in the STRGL	1,497	(1,584)

Movement in deficit during the year

	2005 £'000	2004 £'000
Deficit in scheme at beginning of year	(6,717)	(5,201)
Movement in year:		
Current service cost	(611)	(577)
Contributions	564	611
Other finance (costs)/income	(16)	34
Past service income	3,979	-
Actuarial loss	(2,482)	(1,584)
Deficit in scheme at end of year	(5,283)	(6,717)

The actuarial valuation at 31 December 2005 showed a decrease in the deficit from £6,717,000 to £5,283,000. Contributions have been paid at the rate of 21.3% of pensionable salaries (2004: 21.3%).

Notes to the financial statements for the year ended 31 December 2005 (continued)

23 Pensions (continued)

History of experience gains and losses	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	1,875	1,040	1,884	(3,879)
Percentage of scheme assets	6%	4%	8%	(18%)
Experience gains and losses on scheme liabilities:				
Amount (£'000)	(313)	(371)	(285)	(5,351)
Percentage of scheme assets	(1%)	(1%)	(1%)	(20%)
Total amount recognised in statement of total recognised gains and losses:				
Amount (£'000)	(2,482)	(1,584)	190	(3,356)
Percentage of scheme assets	(7%)	(5%)	1%	(13%)

b) The Corporation of Lloyds' defined benefit scheme

Certain employees of the group participate in the defined benefit scheme operated by the Corporation of Lloyd's. The contribution rate is set in relation to the current period and current service cost only. No past service deficit costs are suffered by the group as these are borne by the Corporation of Lloyd's. The group is not affected by any surplus or deficit in the scheme relating to past service of its own employees or other members of the scheme. It is also not possible to identify the group's share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Accordingly, the group accounts for contributions to the scheme as if it were a defined contribution scheme under Financial Reporting Standard 17.

An actuarial valuation by external professional actuaries is carried out triennially to determine the payments to be made to the scheme. Scheme assets are measured using closing market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The latest actuarial valuation was made as at 30 June 2004, and was updated as at 31 December 2005. The total net deficit in the scheme was £54m at 31 December 2005 (2004: £53m). No past service deficit costs are suffered by the group as these are borne by the Corporation of Lloyd's.

The pension that was charged against the results for the year was £1,074,000 (2004: £829,000). This represents an average of 18.95% of pensionable salaries (2004: 18.2%).

Pension contributions outstanding at the year end amount to £290,000 (2004: £nil).

(c) Xchanging Group defined contribution scheme

The group also participates in a defined contribution scheme run for the employees of Xchanging Limited and related companies. There were no outstanding contributions at the balance sheet date. Pension costs for the group that were charged against the result for the year were 305,000 (2004 - £238,000).

**Notes to the financial statements
for the year ended 31 December 2005 (continued)****24 Parent undertaking and ultimate controlling party**

The company is jointly owned by Xpanse Limited (50%) and two other partners, the Corporation of Lloyd's (25%) and the International Underwriting Association of London (25%). All companies are incorporated in the United Kingdom. Xpanse Limited is a wholly owned subsidiary of Xchanging BV, a company incorporated in the Netherlands, and in whose consolidated accounts the results of Ins-sure Holdings Limited are included.

Xchanging BV is the ultimate parent undertaking and controlling party through virtue of its operational and financial control of the company. Xchanging BV is also the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated accounts of Xchanging BV are publicly available and may be obtained from Xchanging BV, 34 Leadenhall Street, London, EC3A 1AX.

25 Related party transactions

The companies set out overleaf are considered to be related parties of the group. The first, the Corporation of Lloyd's, and the second, the International Underwriting Association of London are both related parties by virtue of a 25% interest in the group.

The remaining companies are related parties because they all share the same ultimate controlling party, Xchanging BV.

The individual companies together with a description of the nature of the services provided by/(to) the group and the amount receivable/(payable) in respect of each at 31 December 2005, are set out in the table overleaf:

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**
25 Related party transactions (continued)

Related party	Services provided by/(to) the group	Revenue/(charge)		Receivable/(payable)	
		2005 £'000	2004 £'000	2005 £'000	2004 £'000
Corporation of Lloyd's	- (Operating systems, development, premises and other services in support of operating activities)	(1,977)	(2,692)	(305)	(331)
	- Processing services	743	978	19	85
International Underwriting Association of London	- Property charges	673	431	{ -	{ -
	- (Property charges)	(108)	-		
Xchanging Limited	- (Royalty, secondees, software, finance, accommodation and other recharges)	(8,985)	(5,591)	(3,074)	(3,243)
	- Secondees, accommodation and other recharges	907	1,422	58	1,488
Xchanging Claims Services Group	- IT systems, account management, data and information, and other services in support of operating activities	1,518	1,296	752	361
	- (Expert fee services, secondees and expense recharges)	(382)	(367)	(100)	-
Xchanging Procurement Services Limited	- Secondees, desk space and other recharges	36	54	36	-
	- (Procurement services)	(3)	-	-	-
Togethr HR Limited	- Desk Space	-	46	-	39
	- (Human Resource Charges)	(257)	(84)	(14)	(8)
Xchanging Resourcing Services	- (Secondees and recruitment)	(531)	-	(146)	-
Xchanging Insurance Professional Services	- Accommodation and other recharges	176	-	65	-
	- (Secondee recharges)	(7)	-	(7)	-
Xchanging Global Insurance Solutions Limited	- (IT applications, secondees and other recharges)	(2,642)	(148)	(1,517)	(127)
	- Royalty, hosting and other recharges	957	48	328	48

**Notes to the financial statements
for the year ended 31 December 2005 (continued)**
26 Operating lease commitments

At 31 December 2005 the group had annual commitments under non-cancellable operating leases as follows:

Group	Property		Vehicles, plant and equipment	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Expiring:				
Within one year	119	35	-	-
Within two to five years	-	357	7	14
After five years	1,374	1,385	-	-