

UNDERWRITING DIRECT LIMITED
FINANCIAL STATEMENTS
YEAR ENDED
31ST DECEMBER 2003



UNDERWRITING DIRECT LIMITED

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UNDERWRITING DIRECT LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

M Benton
J Spenser
D Patterson
L Lovett (Resigned 2 June 2003)
P Elliott (Appointed 2 June 2003)

Company secretary

R.W. Jewett

Registered office

Buckingham House East
The Broadway
Stanmore
Middlesex
HA7 4EB

Auditors

Bright Grahame Murray
Chartered Accountants
& Registered Auditors
124/130 Seymour Place
London
W1H 1BG

UNDERWRITING DIRECT LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2003

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 2003.

Principal Activities and Business Review

The company's principal activity continued to be the provision of underwriting services.

The directors are satisfied with the results for the year and the state of affairs of the company at the balance sheet date.

Results and Dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	Year to 31 December 2003 £	Period from 1 May 2002 to 31 December 2002 £
Proposed dividends on ordinary shares	<u>230,000</u>	<u>-</u>

Directors

The directors who served the company during the year are listed on page 1.

No director had a beneficial interest in the share capital of the ultimate parent undertaking, Hooper Holmes Inc at 31st December 2003 or 1 January 2003.

At 1 January 2003 and at 31 December 2003, the directors held options to subscribe for shares in Hooper Holmes Inc. as follows:-

	Exercise Prices & Expiry Dates	
	\$5.84 - 22 August 2004	\$5.02 - 20 March 2005
M. Benton	50,000	30,000
D. Patterson	15,000	10,000
J. Spenser	50,000	25,000

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

UNDERWRITING DIRECT LIMITED

THE DIRECTORS' REPORT *(continued)*

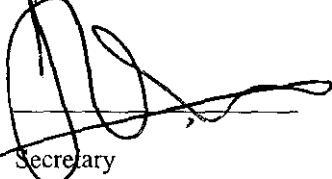
YEAR ENDED 31ST DECEMBER 2003

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. The directors 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

A resolution to re-appoint Bright Grahame Murray as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors



Secretary

Approved by the directors on

17/3/2004

UNDERWRITING DIRECT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31ST DECEMBER 2003

We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Directors and the 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 on pages 2 to 3.

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 directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

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.

UNDERWRITING DIRECT LIMITED

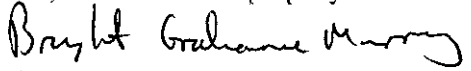
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 31ST DECEMBER 2003

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2003 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

124/130 Seymour Place
London
W1H 1BG


Bright Grahame Murray
Chartered Accountants
& Registered Auditors

23rd March 2004

UNDERWRITING DIRECT LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2003

	Note	Year to 31 Dec 03 £	Period from 1 May 02 to 31 Dec 02 £
Turnover	2	2,526,992	1,023,356
Cost of sales		1,380,459	531,358
Gross Profit		1,146,533	491,998
Administrative expenses		701,425	370,679
Operating Profit	3	445,108	121,319
Interest receivable		2,036	295
Interest payable	5	(2,526)	(32)
Profit on Ordinary Activities Before Taxation		444,618	121,582
Tax on profit on ordinary activities	6	127,687	36,549
Profit on Ordinary Activities after Taxation		316,931	85,033
Dividends	7	230,000	—
Retained Profit for the Financial Year		86,931	85,033
Retained Profit Brought Forward		102,501	17,468
Retained Profit Carried Forward		189,432	102,501

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 14 form part of these financial statements.

UNDERWRITING DIRECT LIMITED **BALANCE SHEET**

31ST DECEMBER 2003

	Note	2003 £	£	2002 £	£
Fixed Assets					
Tangible assets	8		62,948		88,305
Current Assets					
Debtors	9	735,783		578,749	
Cash at bank		365,545		31,384	
		<u>1,101,328</u>		<u>610,133</u>	
Creditors: Amounts falling due within one year	10	<u>774,769</u>		<u>386,098</u>	
Net Current Assets			<u>326,559</u>		<u>224,035</u>
Total Assets Less Current Liabilities			<u>389,507</u>		<u>312,340</u>
Provisions for Liabilities and Charges					
Deferred taxation	11		—		9,764
			<u>389,507</u>		<u>302,576</u>
Capital and Reserves					
Called-up equity share capital	15		100		100
Share premium account			199,975		199,975
Profit and loss account			<u>189,432</u>		<u>102,501</u>
Shareholders' Funds	16		<u>389,507</u>		<u>302,576</u>

These financial statements were approved by the directors on the 17/3/2004 and are signed on their behalf by:

Director

Director

The notes on pages 8 to 14 form part of these financial statements.

UNDERWRITING DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2003

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Cash Flow Statement

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	33.3% p.a straight line
Computer Software & Equipment	33.3% p.a. straight line

Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred Taxation

Deferred taxation is the tax attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements.

Full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	Year to 31 Dec 03 £	Period from 1 May 02 to 31 Dec 02 £
United Kingdom	<u>2,526,992</u>	<u>1,023,356</u>

UNDERWRITING DIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2003

3. Operating Profit

Operating profit is stated after charging:

	Year to 31 Dec 03	Period from 1 May 02 to 31 Dec 02
	£	£
Depreciation of owned fixed assets	68,612	37,749
Auditors' remuneration		
- as auditors	7,800	3,200
Operating lease costs:		
Land and buildings	<u>8,636</u>	<u>3,000</u>

4. Particulars of Employees

The average number of staff employed by the company during the financial year amounted to:

	Year to 31 Dec 03	Period from 1 May 02 to 31 Dec 02
	No	No
Number of administrative staff	<u>4</u>	<u>1</u>

The aggregate payroll costs of the above were:

	Year to 31 Dec 03	Period from 1 May 02 to 31 Dec 02
	£	£
Wages and salaries	154,498	23,967
Social security costs	<u>18,125</u>	<u>2,373</u>
	<u>172,623</u>	<u>26,340</u>

5. Interest Payable

	Year to 31 Dec 03	Period from 1 May 02 to 31 Dec 02
	£	£
Interest payable on bank borrowing	-	32
Other similar charges payable	<u>2,526</u>	-
	<u>2,526</u>	<u>32</u>

UNDERWRITING DIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2003

6. Tax on Profit on Ordinary Activities

(a) Analysis of charge in the year

	Year to 31 Dec 03 £	£	Period from 1 May 02 to 31 Dec 02 £	£
Current tax:				
In respect of the year:				
UK Corporation tax based on the results for the year at 30% (2002 - 30%)		143,942		33,388
Over/under provision in prior year		(29,560)		-
		114,382		33,388
Charge for group relief		26,676		-
Total current tax		141,058		33,388
Deferred tax:				
(Decrease)/Increase in deferred tax provision (note 11)				
Capital allowances	(13,371)		(7,951)	
Losses	-		11,112	
Total deferred tax (note 11)		(13,371)		3,161
Tax on profit on ordinary activities		127,687		36,549

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%).

	Year to 31 Dec 03 £	Period from 1 May 02 to 31 Dec 02 £
Profit on ordinary activities before taxation	444,618	121,582
Profit/(loss) on ordinary activities by rate of tax	133,385	36,475
Expenses not deductible for tax purposes	457	74
Capital allowances for period in excess of depreciation	13,371	7,952
Group relief from fellow subsidiary	(3,271)	(11,113)
Overprovision in prior year	(29,560)	-
Charge for group relief	26,676	-
Total current tax (note 6(a))	141,058	33,388

UNDERWRITING DIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2003

7. Dividends

The following dividends have been proposed in respect of the year:

	Year to 31 Dec 03 £	Period from 1 May 02 to 31 Dec 02 £
Proposed dividend on ordinary shares	<u>230,000</u>	<u>—</u>

8. Tangible Fixed Assets

	Fixtures & Fittings £	Computer software and equipment £	Total £
Cost			
At 1st January 2003	1,725	178,411	180,136
Additions	<u>4,359</u>	<u>38,896</u>	<u>43,255</u>
At 31st December 2003	<u>6,084</u>	<u>217,307</u>	<u>223,391</u>
Depreciation			
At 1st January 2003	383	91,448	91,831
Charge for the year	<u>946</u>	<u>67,666</u>	<u>68,612</u>
At 31st December 2003	<u>1,329</u>	<u>159,114</u>	<u>160,443</u>
Net Book Value			
At 31st December 2003	<u>4,755</u>	<u>58,193</u>	<u>62,948</u>
At 31st December 2002	<u>1,342</u>	<u>86,963</u>	<u>88,305</u>

9. Debtors

	2003 £	2002 £
Trade debtors	686,525	229,858
Amounts owed by group undertakings	—	328,122
Other debtors	2,400	2,400
Prepayments and accrued income	43,251	18,369
Deferred taxation (note 11)	<u>3,607</u>	<u>—</u>
	<u>735,783</u>	<u>578,749</u>

The debtors above include the following amounts falling due after more than one year:

	2003 £	2002 £
Amounts owed by group undertakings	<u>—</u>	<u>200,000</u>

UNDERWRITING DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2003

10. Creditors: Amounts falling due within one year

	2003	2002
	£	£
Trade creditors	106,652	90,074
Amounts owed to group undertakings	164,427	120,051
Corporation tax	143,942	33,811
PAYE and social security	12,035	2,315
VAT	74,773	34,663
Dividends payable	230,000	—
Accruals and deferred income	42,940	105,184
	<u>774,769</u>	<u>386,098</u>

11. Deferred Taxation

	Year to 31 Dec 03 £	Period from 1 May 02 to 31 Dec 02 £
The movement in the deferred taxation account during the year was:		
Balance brought forward	(9,764)	(6,603)
Profit and Loss Account movement arising during the year	13,371	(3,161)
Balance carried forward	<u>3,607</u>	<u>(9,764)</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	Year to 31 Dec 03 £	Period from 1 May 02 to 31 Dec 02 £
Excess of taxation allowances over depreciation on fixed assets	3,607	(9,764)
	<u>3,607</u>	<u>(9,764)</u>

12. Commitments under Operating Leases

At 31st December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2003	2002
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>7,280</u>	<u>—</u>

UNDERWRITING DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2003

13. Transactions With the Directors

During the period, the company purchased computer hardware and software costing £30,000. (2002: £11,100) in the normal course of trade from a business owned by J. Spenser, a director of the company. These amounts have been capitalised. In addition, this entity has provided network support services to the company costing £Nil. (2002: £15,410).

14. Related Party Transactions

During the year the company incurred a management fee of £333,750 (2002: £208,464) from a fellow subsidiary undertaking and marketing fees of £Nil. (2002: £33,333) from G.E. Frankona Reassurance Limited, who have a 25% shareholding in the company.

At 2003, £33,333. (2002: £72,499) was owed to G.E. Frankona Reassurance Limited.

15. Share Capital

Authorised share capital:

	2003	2002
	£	£
500,000 A Ordinary Shares shares of £1 each	500,000	500,000
500,000 B Ordinary Shares shares of £1 each	500,000	500,000
	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
A Ordinary Shares shares of £1 each	75	75	75	75
B Ordinary Shares shares of £1 each	25	25	25	25
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

The A and B ordinary shares are ranked equally except that members holding one class of share may not vote on the appointment of a director by the other class of shareholder. Directors are appointed by each class of shareholder in proportion to the issued share capital.

16. Reconciliation of Movements in Shareholders' Funds

	2003	2002
	£	£
Profit for the financial year	316,931	85,033
Dividends	(230,000)	—
	<u>86,931</u>	<u>85,033</u>
Opening shareholders' equity funds	302,576	217,543
Closing shareholders' equity funds	<u>389,507</u>	<u>302,576</u>

UNDERWRITING DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2003

17. Ultimate Parent Company

The company's immediate parent undertaking is Medicals Direct Group Limited, a company incorporated in England and Wales. Copies of its group accounts, which include the company, are available from the registered office of this company.

The ultimate parent undertaking is Hooper Holmes Inc. a company incorporated in the U.S.