

Company Registration Number 03967292

UNDERWRITING DIRECT LIMITED
FINANCIAL STATEMENTS
YEAR ENDED
31ST DECEMBER 2004



UNDERWRITING DIRECT LIMITED

CONTENTS

	Pages
Officers and professional advisers	1
The directors' report	2 to 3
Independent auditors' report	4 to 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 to 14
The following pages do not form part of the financial statements:	
Detailed profit and loss account	16
Notes to the detailed profit and loss account	17

UNDERWRITING DIRECT LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

M. Benton
J. Spenser
D. Patterson
P. Elliott

Company secretary

R.W. Jewett

Registered office

Buckingham House East
The Broadway
Stanmore
Middlesex
HA7 4EB

Auditors

KPMG LLP
Chartered Accountants
Aquis Court
31 Fishpool Street
St Albans
AL3 4RF

UNDERWRITING DIRECT LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 2004.

Principal Activities and Review of the Business

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 not recommended a dividend (2003: £230,000).

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 2004 or 1 January 2004.

At 1 January 2004 and 31 December 2004, M. Benton had the option to subscribe for 50,000 shares at an exercise price of \$5.84 and 30,000 shares at an exercise price of \$5.02. These options were granted on 22 August 2002 and 20 March 2003 respectively.

At 1 January 2004 and 31 December 2004, J. Spenser had the option to subscribe for 50,000 shares at an exercise price of \$5.84 and 25,000 shares at an exercise price of \$5.02. These options were granted on 22 August 2002 and 20 March 2003 respectively.

At 1 January 2004 and 31 December 2004, D. Patterson had the option to subscribe for 15,000 shares at an exercise price of \$5.84 and 10,000 shares at an exercise price of \$5.02. These options were granted on 22 August 2002 and 20 March 2003 respectively.

The vesting period on options held is 100% after two years following the date of grant. Options expire ten years after the date of grant.

UNDERWRITING DIRECT LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST 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 for that period.

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 prudent and reasonable;

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.

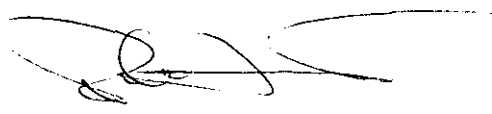
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

Bright Grahame Murray resigned as auditors on 9 November 2004. KPMG LLP were appointed as auditors on 29 November 2004 to fill the casual vacancy arising.

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the directors



Secretary

Approved by the directors on 6.10.05

UNDERWRITING DIRECT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNDERWRITING DIRECT LIMITED

YEAR ENDED 31ST DECEMBER 2004

We have audited the financial statements on pages 6 to 14.

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 directors and auditors

The directors' are responsible for preparing the directors' report and, as described on on page 3 , the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with 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 MEMBERS OF UNDERWRITING DIRECT LIMITED *(continued)*

YEAR ENDED 31ST DECEMBER 2004

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Aquis Court
31 Fishpool Street
St Albans
AL3 4RF

KPMG- LLP

KPMG LLP
Chartered Accountants
& Registered Auditor

18 October 2005

UNDERWRITING DIRECT LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2004

	Note	2004 £	2003 £
Turnover	2	3,822,161	2,526,992
Cost of sales		(2,217,055)	(1,380,459)
Gross Profit		1,605,106	1,146,533
Administrative expenses		(1,375,385)	(701,425)
Operating Profit	3	229,721	445,108
Interest receivable	5	3,680	2,036
Interest payable	6	-	(2,526)
Profit on Ordinary Activities Before Taxation		233,401	444,618
Tax on profit on ordinary activities	7	(74,979)	(127,687)
Profit on Ordinary Activities after Taxation		158,422	316,931
Dividends	8	-	(230,000)
Retained Profit for the Financial Year		158,422	86,931
Retained Profit Brought Forward		189,432	102,501
Retained Profit Carried Forward		347,854	189,432

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 2004

	Note	2004 £	£	2003 £	£
Fixed Assets					
Tangible assets	9		42,970		62,948
Current Assets					
Debtors	10	1,677,021		735,783	
Cash at bank		101,956		365,545	
		1,778,977		1,101,328	
Creditors: Amounts falling due within one year	12	(1,274,018)		(774,769)	
Net Current Assets			504,959		326,559
Net Assets			547,929		389,507
Capital and Reserves					
Called-up equity share capital	16		100		100
Share premium account			199,975		199,975
Profit and loss account			347,854		189,432
Equity Shareholders' Funds	17		547,929		389,507

These financial statements were approved by the directors on the 6th Jan 05 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 2004

1. Accounting Policies

Basis of Accounting

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements .

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Cash Flow Statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Turnover

Turnover represents amounts (excluding value added tax) derived from the provision of services to customers during the year. Turnover is recognised on completion of the service.

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures & Fittings	3 years (33.3% p.a.)
Computer Software & Equipment	3 years (33.3% p.a.)

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.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounts purposes.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

UNDERWRITING DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

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:

	2004	2003
	£	£
United Kingdom	<u>3,822,161</u>	<u>2,526,992</u>

3. Operating Profit

Operating profit is stated after charging:

	2004	2003
	£	£
Depreciation of owned fixed assets	40,690	68,612
Auditors' remuneration		
- as auditors	10,450	7,800
Operating lease costs:		
Land and buildings	<u>22,607</u>	<u>8,636</u>

4. Particulars of Employees

The average number of staff (including directors) employed by the company during the financial year amounted to:

	2004	2003
	No	No
Underwriting staff	12	2
Administrative and managerial	<u>9</u>	<u>6</u>
	<u>21</u>	<u>8</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	583,789	158,930
Social security costs	<u>65,081</u>	<u>18,125</u>
	<u>648,870</u>	<u>177,055</u>

No emoluments were earned by the directors during the year under review (2003: £nil). The remuneration of M. Benton and J. Spenser was borne by Medicals Direct Screenings Ltd, a fellow subsidiary undertaking. The remuneration of D. Patterson was borne by Medicals Direct Clinics Ltd, a fellow subsidiary undertaking. The remuneration of P. Elliott was borne by GE Frankona, a minority shareholder of the company.

5. Interest Receivable

	2004	2003
	£	£
Bank interest receivable	<u>3,680</u>	<u>2,036</u>

UNDERWRITING DIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2004

6. Interest Payable and Similar Charges

	2004 £	2003 £
Other similar charges payable	<u>—</u>	<u>2,526</u>

7. Taxation on Ordinary Activities

(a) Analysis of charge in the year

	2004 £	2003 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2003 - 30%)	77,436	143,942
Under/(over) provision in prior year	<u>3,273</u>	<u>(29,560)</u>
	80,709	114,382
Charge for group relief	<u>—</u>	<u>26,676</u>
Total current tax	80,709	141,058
Deferred tax:		
Origination and reversal of timing differences (note 11)		
Capital allowances	<u>(5,730)</u>	<u>(13,371)</u>
Tax on profit on ordinary activities	<u>74,979</u>	<u>127,687</u>

(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% (2003 - 30%).

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>233,401</u>	<u>444,618</u>
Profit on ordinary activities by rate of tax	70,020	133,385
Expenses not deductible for tax purposes	1,686	457
Depreciation for period in excess of capital allowances	5,730	13,371
Group relief from fellow subsidiary	—	(3,271)
(Over)/underprovision in prior year	3,273	(29,560)
Charge for group relief	<u>—</u>	<u>26,676</u>
Total current tax (note 7(a))	<u>80,709</u>	<u>141,058</u>

8. Dividends

No dividend has been recommended for the year ended 31st December 2004 (2003: £230,000).

UNDERWRITING DIRECT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2004

9. Tangible Fixed Assets

	Fixtures & Fittings £	Computer software and equipment £	Total £
Cost			
At 1st January 2004	6,084	217,307	223,391
Additions	19,927	785	20,712
At 31st December 2004	<u>26,011</u>	<u>218,092</u>	<u>244,103</u>
Depreciation			
At 1st January 2004	1,329	159,114	160,443
Charge for the year	4,000	36,690	40,690
At 31st December 2004	<u>5,329</u>	<u>195,804</u>	<u>201,133</u>
Net Book Value			
At 31st December 2004	<u>20,682</u>	<u>22,288</u>	<u>42,970</u>
At 31st December 2003	<u>4,755</u>	<u>58,193</u>	<u>62,948</u>

10. Debtors

	2004 £	2003 £
Trade debtors	1,236,595	686,525
Amounts owed by group undertakings	399,473	—
Other debtors	2,400	2,400
Prepayments and accrued income	29,216	43,251
Deferred taxation (note 11)	9,337	3,607
	<u>1,677,021</u>	<u>735,783</u>

11. Deferred Taxation

	2004 £	2003 £
The movement in the deferred taxation account during the year was:		
Balance brought forward	3,607	(9,764)
Profit and Loss Account movement arising during the year	5,730	13,371
Balance carried forward	<u>9,337</u>	<u>3,607</u>

UNDERWRITING DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

11. Deferred Taxation *(continued)*

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

	2004	2003
	£	£
Excess of depreciation over capital allowances on fixed assets	<u>9,337</u>	<u>3,607</u>

12. Creditors: Amounts falling due within one year

	2004	2003
	£	£
Bank overdrafts	1,232	—
Trade creditors	208,163	106,652
Amounts owed to group undertakings	862,715	164,427
Corporation tax	38,539	143,942
PAYE and social security	19,659	12,035
VAT	100,419	74,773
Dividends payable	—	230,000
Accruals and deferred income	<u>43,291</u>	<u>42,940</u>
	<u>1,274,018</u>	<u>774,769</u>

13. Commitments under Operating Leases

At 31st December 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2004	2003
	£	£
Operating leases which expire:		
Within 2 to 5 years	15,780	7,280
After more than 5 years	<u>5,000</u>	—
	<u>20,780</u>	<u>7,280</u>

14. Transactions With the Directors

During the period, the company purchased computer hardware and software costing £Nil. (2003: £30,000) in the normal course of trade from a business owned by J. Spenser, a director of the company. These amounts have been capitalised.

UNDERWRITING DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

15. Related Party Transactions

During the year the company incurred a management fee of £703,000 (2003: £333,750) from Medicals Direct Service Company Ltd, a fellow subsidiary undertaking. At the balance sheet date, £782,715 was due to Medicals Direct Service Company Ltd (2003: £160,529).

At 31st December 2004, £Nil (2003: £33,333) was owed to G.E. Frankona Reassurance Limited, who have a 25% shareholding in the company.

At 31st December 2004, £399,473 (2003: £4,098) was due from Medicals Direct Screenings Ltd, a fellow subsidiary undertaking. Transactions undertaken with this company during the year represented transfers of funds.

At 31st December 2004, £80,000 was due to Definitech Ltd, a fellow subsidiary undertaking. Transfers undertaken with this company during the year represented transfers of funds.

16. Share Capital

Authorised share capital:

	2004	2003
	£	£
500,000 Equity A Ordinary Shares shares of £1 each	500,000	500,000
500,000 Equity 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:

	2004		2003	
	No	£	No	£
Equity A Ordinary Shares shares of £1 each	75	75	75	75
Equity 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.

17. Reconciliation of Movements in Shareholders' Funds

	2004	2003
	£	£
Profit for the financial year	158,422	316,931
Dividends	—	(230,000)
	<u>158,422</u>	<u>86,931</u>
Opening shareholders' equity funds	389,507	302,576
Closing shareholders' equity funds	<u>547,929</u>	<u>389,507</u>

UNDERWRITING DIRECT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2004

18. Ultimate Parent Company

The company's immediate parent undertaking is Medicals Direct Group Limited, a company incorporated in England and Wales.

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

The largest group in which the results of the company are consolidated is that headed by Hooper Holmes Inc. The consolidated accounts of this group are available to the public and may be obtained from 170 Mt Airy Road, Basking Ridge, NJ 07920.

The smallest group in which the results of the company are consolidated is that headed by Medicals Direct Group Ltd. The consolidated accounts of this group are available to the public and may be obtained from Buckingham House East, The Broadway, Stanmore, Middlesex, HA7 4EB.

UNDERWRITING DIRECT LIMITED

MANAGEMENT INFORMATION

YEAR ENDED 31ST DECEMBER 2004

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditors' report on pages 4 to 5.**

UNDERWRITING DIRECT LIMITED
DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 2004

	2004 £	2003 £
Turnover	3,822,161	2,526,992
Purchases	<u>(2,217,055)</u>	<u>(1,380,459)</u>
Gross Profit	1,605,106	1,146,533
Overheads		
Administrative expenses	<u>(1,375,385)</u>	<u>(701,425)</u>
Operating Profit	229,721	445,108
Bank interest receivable	<u>3,680</u>	<u>2,036</u>
	233,401	447,144
Interest on other loans	<u>—</u>	<u>(2,526)</u>
Profit on Ordinary Activities	<u>233,401</u>	<u>444,618</u>

UNDERWRITING DIRECT LIMITED

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2004

	2004	2003
	£	£
Administrative Expenses		
Wages and salaries	353,637	154,498
Staff national insurance contributions	45,016	18,125
Rent	22,607	8,636
Rates and water	11,329	2,249
Light and heat	1,230	1,453
Insurance	99,389	62,807
Repairs and maintenance	540	53
Cleaning of premises	1,965	596
Computer expenses	2,636	6,160
Motor expenses	1,186	2,082
Travel and subsistence	27,707	11,016
Telephone	15,644	5,601
Printing, stationery and postage	349	1,144
Training and recruitment	3,278	2,963
Staff welfare	1,372	140
General expenses	402	697
Subscriptions and Donations	519	152
Marketing	7,552	7,567
Entertaining	2,355	1,166
Management charges payable	703,000	333,750
Legal and professional fees	22,106	3,699
Auditors remuneration	10,450	7,800
Depreciation	40,690	68,612
Bank charges	426	459
	<u>1,375,385</u>	<u>701,425</u>
