

**Moneysupermarket.com Financial Group Limited**

**Directors' report and financial  
statements**

Registered number 3157344

31 December 2004



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## Company Information

Incorporated in England and Wales.

Number	3157344
Directors	SJ Nixon DR Cameron NJ Stobbs S Hornsby J Dodd R Mason S Glendinning
Secretary	SJ Nixon
Registered office	Moneysupermarket House St David's Park Ewloe Near Chester CH5 3UZ
Auditors	KPMG Audit Plc St James' Square Manchester M2 6DS

## Directors' report

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

### Principal activities

The principal activities of the company and the group during the year were that of the provision of mortgage intermediary services, and through its internet site, Moneysupermarket.com, the introduction of business to financial, insurance, and travel product providers.

### Business review

Turnover increased to £59.7 million in the year (2003: £38.1 million). Profit before tax and exceptional items of £15.9 million (£2003: £6.7 million) is 56% up on an annualised basis. All growth has been organic and has involved the major income streams.

During the year the business has continued to develop and evolve. The internet business has successfully launched new product streams into the insurance and travel sectors using second generation search technology. This enables consumers to compare prices on line of products that are dynamically priced through one search site rather than having to make multiple searches across a number of different sites. The intermediary business has also expanded, establishing Mortgage 2000 Intermediary Network Limited to provide regulatory assistance to the IFA community and has taken 50% ownership in a network of intermediaries, HLP Limited.

The outlook for the business continues to look promising.

### Research and development

The Group's research & development expenditure is predominantly associated with computer and internet software systems. Successfully developed software is used to improve and extend the functionality and scope of the Group's internet and intermediary operations.

### Results and dividends

The directors recommend the payment of a dividend of £111.11 per ordinary share (2003: *£nil*)

### Directors and directors' interests

The directors who held office during the year were as follows:

SJ Nixon  
DR Cameron  
NJ Stobbs  
S Hornsby  
J Dodd  
R Mason  
S Glendinning

## Directors' report (continued)

### Directors and directors' interests (continued)

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company according to the register of directors' interests:

	31 December 2004 Ordinary 1p shares	31 December 2004 "A" ordinary 1p shares	31 December 2003 Ordinary 1p shares	31 December 2003 "A" ordinary 1p shares
SJ Nixon	45,000	-	45,000	-
DR Cameron	45,000	-	45,000	-
NJ Stobbs	-	1,896	-	1,896
S Hornsby	-	758	-	758
J Dodd	-	284	-	284
R Mason	-	379	-	379
S Glendinning	-	379	-	379

None of the directors were granted or exercised the rights to subscribe for shares during the year.

### Charitable contributions

Donations to UK charities amounted to £12,628 (2003: £881), including £10,000 in respect of the Tsunami Appeal.

### Auditors

Our auditors, Baker Tilly, resigned during the year and the directors appointed KPMG Audit Plc to fill the casual vacancy arising. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting. Special notice has been received for this resolution pursuant to section 388 of the Companies Act 1985.

By order of the board

*SJ Nixon*

SJ Nixon  
 Secretary

Moneysupermarket House  
 St David's Park  
 Ewloe  
 Near Chester  
 CH5 3UZ

15 August 2005

## Statement of 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 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 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.



## KPMG Audit Plc

St James' Square  
Manchester  
M2 6DS  
United Kingdom

### **Report of the independent auditors to the members of Moneysupermarket.com Financial Group Limited**

We have audited the financial statements on pages 6 to 22.

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 page 4, 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.

#### **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.

#### **Opinion**

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

  
KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

) October 2005

**Group profit and loss account**  
*for the year ended 31 December 2004*

	<i>Note</i>	<b>2004</b> <b>£000</b>	<b>2003</b> <b>£000</b>
<b>Turnover</b>	<i>1</i>	<b>59,689</b>	<b>38,143</b>
Cost of sales		<b>(28,415)</b>	<b>(20,328)</b>
<b>Gross profit</b>		<b>31,274</b>	<b>17,815</b>
Administrative expenses		<b>(15,987)</b>	<b>(11,302)</b>
Exceptional operating costs	<i>3</i>	<b>-</b>	<b>(4,200)</b>
<b>Operating profit</b>	<i>2</i>	<b>15,287</b>	<b>2,313</b>
Investment income		<b>120</b>	<b>-</b>
Interest receivable and similar income		<b>478</b>	<b>166</b>
Interest payable and similar charges	<i>6</i>	<b>-</b>	<b>(25)</b>
<b>Profit on ordinary activities before taxation</b>		<b>15,885</b>	<b>2,454</b>
Tax on profit on ordinary activities	<i>7</i>	<b>(4,799)</b>	<b>(528)</b>
<b>Profit on ordinary activities after taxation</b>		<b>11,086</b>	<b>1,926</b>
Minority interests		<b>39</b>	<b>-</b>
Profit attributable to shareholders		<b>11,125</b>	<b>1,926</b>
Dividends		<b>(10,000)</b>	<b>-</b>
<b>Retained profit</b>		<b>1,125</b>	<b>1,926</b>



**Group balance sheet**  
*at 31 December 2004*

	<i>Notes</i>	2004	2003
		£000	£000
<b>Fixed assets</b>			
Tangible assets	8	4,562	4,350
<b>Current assets</b>			
Debtors	10	10,670	6,086
Investments	11	2,113	-
Cash at bank and in hand		15,218	9,110
		<u>28,001</u>	<u>15,196</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(26,777)</u>	<u>(14,907)</u>
<b>Net current assets</b>		<u>1,224</u>	<u>289</u>
<b>Total assets less current liabilities</b>		<u>5,786</u>	<u>4,639</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(75)	-
<b>Provisions for liabilities and charges</b>	14	-	(14)
<b>Net assets</b>		<u>5,711</u>	<u>4,625</u>
<b>Capital and reserves</b>			
Called up share capital	16	1	1
Profit and loss account	17	5,749	4,624
<b>Equity shareholders' funds</b>	19	<u>5,750</u>	<u>4,625</u>
Equity minority interests		(39)	-
		<u>5,711</u>	<u>4,625</u>

These financial statements were approved by the board of directors on 15<sup>th</sup> August 2005 and were signed on its behalf by:



**SJ Nixon**  
 Director

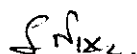


**DR Cameron**  
 Director

**Company balance sheet**  
*at 31 December 2004*

	Notes	2004 £000	2003 £000
<b>Fixed assets</b>			
Tangible assets	8	-	-
Investments		-	-
		<hr/>	<hr/>
		-	-
<b>Current assets</b>			
Debtors	10	1,086	2,459
Investments	11	2,113	-
Cash at bank and in hand		15,025	8,946
		<hr/>	<hr/>
		18,224	11,405
<b>Creditors: amounts falling due within one year</b>	12	(17,123)	(10,152)
		<hr/>	<hr/>
<b>Net current (liabilities)/assets</b>		1,101	1,253
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>			1,253
<b>Provisions for liabilities and charges</b>	14	-	(14)
		<hr/>	<hr/>
<b>Net assets</b>		1,101	1,239
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	16	1	1
Profit and loss account	17	1,100	1,238
		<hr/>	<hr/>
<b>Shareholders' funds</b>	19	1,101	1,239
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 15<sup>th</sup> August 2005 and were signed on its behalf by:



**SJ Nixon**  
 Director



**DR Cameron**  
 Director

**Group cash flow statement**  
*for the year ended 31 December 2004*

	2004	2003
	£000	£000
<b>Net cash inflow from operating activities</b>	<b>11,781</b>	<b>7,158</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	478	166
Dividends from investments	120	-
Interest paid	-	(25)
	<hr/>	<hr/>
	598	141
<b>Taxation</b>		
UK corporation tax paid	(3,298)	(830)
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(944)	(768)
Receipts from sale of tangible fixed assets	-	1,255
	<hr/>	<hr/>
	(944)	487
<b>Financing</b>		
Capital element of finance lease rentals	-	(17)
Subordinated loan	75	(2,222)
	<hr/>	<hr/>
	75	(2,239)
<b>Net cashflow before use of liquid resources</b>	<b>8,212</b>	<b>4,717</b>
<b>Management of liquid resources – short term deposits</b>	<b>(2,113)</b>	<b>-</b>
	<hr/>	<hr/>
<b>Increase in cash</b>	<b>6,099</b>	<b>4,717</b>
	<hr/>	<hr/>

The notes to this statement are included in note 21.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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.

#### ***Turnover***

##### ***Internet business***

The group generates fees from internet search services through a variety of contractual arrangements. The group's policy is to recognise turnover and associated costs in the period that the search is conducted.

The group also generates fees from introducing borrowers to finance providers. The group's policy is to recognise the turnover and associated costs in the period the introduction is made.

##### ***Intermediary business***

Commissions are recognised on completed transactions in the period that a transaction completes.

#### ***Recharged expenses***

Employees are paid by the parent company and their salary and overhead costs are recharged to the appropriate subsidiary company.

#### ***Fixed assets and 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:

Long leasehold land	-	Nil
Long leasehold buildings	-	2%
Computer equipment	-	33.3% straight line
Fixtures and fittings	-	20% straight line
Office equipment	-	20% straight line

#### ***Deferred taxation***

Deferred tax 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.

#### ***Research and development***

Research and development costs are written off as incurred

#### ***Pension costs***

The Group operates a stakeholder pension scheme. Pension costs are charged to the profit and loss account as they occur.

**Notes (continued)**

**2 Profit on ordinary activities before taxation**

<b>2004</b>	<b>2003</b>
<b>£000</b>	<b>£000</b>

*Profit on ordinary activities before taxation is stated after charging/(crediting)*

Depreciation	689	472
Auditors' remuneration:		
Audit	37	29
Other services	52	28
Loss/(profit) on disposal of fixed assets	43	(155)
Research and development costs	380	381
	<hr/>	<hr/>

**3 Exceptional operating costs**

<b>2004</b>	<b>2003</b>
<b>£000</b>	<b>£000</b>

Exceptional item	-	4,200
	<hr/>	<hr/>

Exceptional costs relate to the full and final settlement of a claim in respect of database and intellectual property rights.

## Notes (continued)

### 4 Remuneration of directors

	2004 £000	2003 £000
Directors' emoluments	2,727	4,292
Social security and company contributions to money purchase pension schemes	2	2
	2,729	4,294

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £1,932,000 (2003:2,542,000)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2004	2003
Administration	256	209

The aggregate payroll costs of these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	10,468	8,526
Social security and pension costs	931	966
	11,399	9,492

### 6 Interest payable and similar charges

	2004 £000	2003 £000
On bank loans	-	22
Finance charges payable in respect of finance leases and hire purchase contracts	-	3
	-	25

## Notes (continued)

### 7 Taxation

#### Analysis of charge in period

	2004 £000	2003 £000
<i>UK corporation tax</i>		
Current tax on income for the period	4,993	699
Adjustments in respect of prior periods	(2)	(171)
	<hr/> 4,991	<hr/> 528
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(38)	-
Adjustments in respect of prior periods	(154)	-
	<hr/> 4,799	<hr/> 528
Tax on profit on ordinary activities	<hr/> <hr/> 4,799	<hr/> <hr/> 528

#### Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2003: lower) than the standard rate of corporation tax in the UK (30%, 2003: 30%). The differences are explained below.

	2004 £000	2003 £000
Profit on ordinary activities before tax	15,885	2,454
Current tax at 30% (2003: 30%)	<hr/> 4,766	<hr/> 736
<i>Effects of:</i>		
Expenses not deductible for tax purposes	189	36
Capital allowances for period in deficit/(excess) of depreciation	23	(25)
Timing differences	15	(48)
Adjustments to tax charge in respect of previous periods	(2)	(171)
	<hr/> 4,991	<hr/> 528
Total current tax charge (see above)	<hr/> <hr/> 4,991	<hr/> <hr/> 528

## Notes (continued)

### 8 Tangible fixed assets

Group	Long leasehold land £000	Long leasehold property £000	Computer equipment £000	Fixtures and fittings £000	Office equipment £000	Total £000
<b>Cost</b>						
At 1 January 2004	338	3,065	1,540	199	87	5,229
Additions	-	23	835	66	20	944
Disposals	-	-	(136)	(22)	(15)	(173)
At 31 December 2004	338	3,088	2,239	243	92	6,000
<b>Depreciation</b>						
At 1 January 2004	-	56	755	32	36	879
Charge for year	-	61	566	46	16	689
On disposals	-	-	(120)	(3)	(7)	(130)
At 31 December 2004	-	117	1,201	75	45	1,438
<b>Net book value</b>						
At 31 December 2004	338	2,971	1,038	168	47	4,562
At 31 December 2003	338	3,009	785	167	50	4,350

No fixed assets are held by the Company.



## Notes (continued)

### 9 Fixed asset investments

#### Company

	Shares in group undertakings
<i>Shares</i>	£
<i>Cost</i>	
At beginning of year	14
Additions	-
	<hr/>
At end of year	14
	<hr/>

The principal companies in which the company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
M2 Mortgage Club Limited	England and Wales	Mortgage facilitators	Ordinary 100%
Mortgage 2000 Design & Processing Limited	England and Wales	Mortgage Brokers and Processors	Ordinary 100%
Moneysupermarket.com Limited	England and Wales	Internet sales of Financial, Travel and Insurance Products	Ordinary 100%
Mortgage 2000 Limited (formerly M2 EMP Limited)	England and Wales	Dormant	Ordinary 100%
1 <sup>st</sup> Source Partnership Limited	England and Wales	Auxilliary financial intermediary	Ordinary 100%
Mortgage 2000 Intermediary Network Limited	England and Wales	Auxilliary financial intermediary	Ordinary 100%
View My Accounts Limited	England and Wales	Dormant	Ordinary 100%
HL Partnership Limited	England and Wales	Auxilliary financial intermediary	Ordinary 50%

## Notes (continued)

### 10 Debtors

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade debtors	9,677	6,066	-	652
Amounts owed by group undertakings	-	-	295	417
Corporation tax	-	-	493	1,386
Other debtors	551	2	290	-
Prepayments and accrued income	264	18	2	4
Deferred tax	178	-	6	-
	<u>10,670</u>	<u>6,086</u>	<u>1,086</u>	<u>2,459</u>

### 11 Short term investments

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Short term deposits	2,113	-	2,113	-
	<u>2,113</u>	<u>-</u>	<u>2,113</u>	<u>-</u>

At the end of the year the company held short term investments in an open ended investment company fund.

### 12 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Bank loans and overdrafts	9	-	-	-
Trade creditors	9,265	6,130	30	164
Amounts owed to group undertakings	-	-	5,860	2,339
Corporation tax	2,005	660	-	-
Taxation and social security	1,448	2,600	346	2,200
Other creditors	734	105	659	104
Accruals and deferred income	3,316	5,412	228	5,345
Proposed dividend	10,000	-	10,000	-
	<u>26,777</u>	<u>14,907</u>	<u>17,123</u>	<u>10,152</u>

**Notes (continued)**

**13 Creditors: amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Subordinated loans	75	-	-	-
	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Analysis of debt:**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Debt can be analysed as falling due:				
Between two and five years		-	-	-
In five years or more	75	-	-	-
	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Notes (continued)

### 14 Provision for liabilities and charges

Group	2004 £000	2003 £000
<i>Deferred tax</i>		
Accelerated capital allowances	163	-
Short term timing differences	15	-
	<hr/> 178	<hr/> -
1 January 2004	(14)	(14)
Profit and loss account	192	-
	<hr/>	<hr/>
31 December 2004	<hr/> 178	<hr/> (14)
	<hr/>	<hr/>
<b>Company</b>	<b>2004 £000</b>	<b>2003 £000</b>
<i>Deferred tax</i>		
Accelerated capital allowances	-	-
Short term timing differences	20	-
	<hr/> 20	<hr/> -
1 January 2004	(14)	(14)
Profit and loss account	20	-
	<hr/>	<hr/>
31 December 2004	<hr/> 6	<hr/> (14)
	<hr/>	<hr/>

### 15 Related party transactions

#### Transactions with directors

During the year, cash has been advanced to certain directors of the company. The maximum balances outstanding during the year were:

SJ Nixon £64,325

DR Cameron £59,147

This maximum was reached at the year end date.

#### Abacus Permanent Limited/ Virtual Processing Limited

SJ Nixon is a director and one of the controlling shareholders of these companies. He is also a director of Abacus Permanent Limited and Virtual Processing Limited and the controlling shareholder of Unique e-ventures Limited, the parent undertaking of Abacus Permanent Limited and Virtual Processing Limited.

## Notes (continued)

### 15 Related party transactions (continued)

#### Transactions and balances

Transactions and balances with these two companies were as follows:

	Sales	Purchases from	Management charges to	Balances as at 31 December 2004	Balances as at 31 December 2003
	£	£	£	£	£
Abacus Permanent Limited	128,806	5,879	479,663	(239,212)	157,388
Virtual Processing Limited (formerly known as Soft Packaging Limited)	-	66,151	119,465	232,964	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 16 Called up share capital

	31 December 2004		31 December 2003	
	Number of shares	£	Number of shares	£
<i>Authorised</i>				
Ordinary shares of £0.01 each	100,000	1,000	100,000	1,000
'A; ordinary share of £0.01 each	10,000	100	10,000	100
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Issued</i>				
Ordinary shares of £0.01 each	90,000	900	90,000	900
'A; ordinary share of £0.01 each	4,796	48	4,796	48
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>94,796</u>	<u>948</u>	<u>94,796</u>	<u>948</u>

#### Non-equity shares

'A' ordinary shares of £0.01

The holders of 'A' ordinary shares are not entitled to receive any dividend or distribution. The shares have no voting rights.

The capital and assets of the company on a winding up or other return of capital shall be applied pari passu among the holders of both classes of share.

### 17 Profit and loss account

	Group £000	Company £000
1 January 2004	4,624	1,238
Profit for the year	11,125	9,862
Dividends	(10,000)	(10,000)
	<u>          </u>	<u>          </u>
31 December 2004	<u>5,749</u>	<u>1,100</u>

## Notes (continued)

### 18 Profit for the year

	31 December 2004 £000	31 December 2003 £000
Dealt with in the financial statements of the parent company	(138)	9
Retained by subsidiary undertakings	1,263	1,917
	<u>1,125</u>	<u>1,926</u>

### 19 Reconciliation of movements in shareholders' funds

	Group		Company	
	31 December 2004 £000	31 December 2003 £000	31 December 2004 £000	31 December 2003 £000
Profit for the financial year attributable to shareholders and net addition to shareholders' funds	1,125	1,926	(138)	9
Opening shareholders' funds	4,625	2,699	1,239	1,230
Closing shareholders' funds	<u>5,750</u>	<u>4,625</u>	<u>1,101</u>	<u>1,239</u>

### 20 Guarantees

There is an intercompany guarantee in favour of The Royal Bank of Scotland plc between Moneysupermarket.com Financial Group Limited, Mortgage 2000 Design & Processing Limited, Mortgage 2000 Limited (formerly M2 EMP Limited), M2 Mortgage Club Limited and Moneysupermarket.com Limited.

**Notes (continued)**

**21 Cash Flow**

**(i) Reconciliation of operating profit to net cash inflow from operating activities**

	31 December 2004 £000	31 December 2003 £000
Operating profit	15,287	2,313
Depreciation of tangible fixed assets	689	472
Loss/(profit) on disposal of fixed assets	43	(155)
Increase in debtors	(4,754)	(3,425)
Increase in creditors	516	7,953
<b>Net cash inflow from operating activities</b>	<b>11,781</b>	<b>7,158</b>

**(ii) Reconciliation of net cash inflow to movement in net funds**

	31 December 2004 £000	31 December 2003 £000
<b>Increase in cash in the year</b>	<b>6,108</b>	<b>4,717</b>
Cash outflow from decrease in debt and lease financing	-	2,239
<b>Movement in the year</b>	<b>6,108</b>	<b>6,956</b>
<b>Net funds at 1 January 2004</b>	<b>9,110</b>	<b>2,154</b>
<b>Net cash at 31 December 2004</b>	<b>15,218</b>	<b>9,110</b>

**(iii) Analysis of changes in net debt**

	At 1 January 2004 £000	Cash flows £000	Other changes £000	At 31 December 2004 £000
Cash at bank and in hand	9,110	8,221	(2,113)	15,218

Other changes relate to the management of liquid resources. At the end of the year the company had £2,113,000 invested in an open ended liquidity fund.

## Notes (continued)

### 22 Capital commitments

	31 December 2004 £	31 December 2003 £
Contracted for but not provided in the financial statements	-	-

### 23 Pension scheme

The group operates a stakeholder pension scheme. The pension charge for the period was £8,518 (2003: £4,594).

Contributions totalling £3,685 (2003: £3,200) were payable to the fund at the year end and are included in creditors.