

**REGISTRAR OF
COMPANIES**

3909745

RI3K Limited

Report and Financial Statements

Year Ended

31 December 2006

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BDO Stoy Hayward
Chartered Accountants

RI3K Limited

Report and financial statements for the year ended 31 December 2006

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Directors

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Directors

A Letts
R Merttens
N Eckert
K Lisson
O Hemsley
N Campsie
T Binks

Secretary and registered office

D Simpson, 10 Ely Place, London, EC1N 6RY

Company number

3909745

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL.

RI3K Limited

Report of the directors for the year ended 31 December 2006

The directors present their report together with the audited financial statements for the year ended 31 December 2006

Results and dividends

The profit and loss account is set out on page 6 and shows the result for the year

The directors do not recommend the payment of a dividend

Principal activity

The company's principal activity is the design, development, maintenance and marketing of an electronic trading service for the global insurance and reinsurance industries

Business review

2005 closed with the disposal of the Company's interests in its Consulting division and in its North American Life reinsurance subsidiary RI3K Inc. This paved the way for an increased focus on our core activity of developing and marketing the suite of products that make up the RI3K Trading Service. Development of the Marketplace, the Data Management Centre and the Contract Management Centre was accelerated to fill the gap left in the market by the closure of Lloyd's Kinnect trading service. As pressure was increased by the Financial Services Authority on the London market in 2006 to meet its challenge for 'contract certainty' (the full completion of contracts for insurance prior to the policy inception date), RI3K was ideally placed to provide an electronic framework to meet these requirements.

During 2006 the London market's biggest broker by volume (Aon UK Ltd) declared its intention to move away from paper-based trading and to trade all of its business electronically by the end of 2007, by the end of 2006 Aon had integrated its systems with RI3K's electronic marketplace to help enable this transition. Lloyd's has shown itself to be supportive of the solution that RI3K offers and combined with a shortage of direct competition, credibility of the RI3K proposition is increasing. As a result the Company is now in a strong position from which to increase substantially the volume of business transacted over the coming years.

Two further barriers to adoption of the RI3K Trading Service have been addressed during 2006. There had been some concerns expressed in the industry that the transaction fee of \$500 per line, charged to underwriters was an impediment to usage. By reducing this fee to £50 per transaction from 1 August 2006, it is expected that a significant increase in transactions will, during 2007/8, more than offset the reduced margin. The other concern expressed by potential customers was that RI3K's current shareholding and funding structure appeared inconsistent with that of a major, long-term, industry infrastructure provider. As a result BRIT undertook to review its position as the majority owner of RI3K.

During 2006, investment in development personnel was increased by 40%, whilst dependency upon freelance resource was reduced by a similar proportion, reflecting the growing maturity of the business. This action increased short term productivity and protected the Company's reputation for delivering products on time and will also have long-term benefits in staff loyalty. The company continues to improve the functionality and range of its products.

RI3K Limited

Report of the directors for the year ended 31 December 2006 (*Continued*)

Business review (*Continued*)

Excluding the impact of operations discontinued in 2005, turnover dropped by 7.1%, reflecting the reduced transaction charges, and overheads increased by 6.5%, resulting in an increase in the operating loss for the year of 10.3%. This was in line with expectations. BRIT continued to fund the business by increasing its loan to the Company.

The Company has promoted vigorously the benefits available to its potential customers of adoption of full electronic trading and this view is gaining acceptance. Nevertheless the Company is dependent upon the speed of take-up by the market, a factor which it cannot control. In consequence, whilst a significant increase in revenue is expected in 2007, a further operating loss is also anticipated.

In order to address the Company's long-term funding requirements and to overcome objections expressed by BRIT's competitors to using the services of one of its subsidiaries, an agreement was reached on 3 May 2007 whereby BRIT reduced its share holding from 85% to 22% and waived the balance and accrued interest due to it on its loans to the Company, and new investors injected £5m of working capital by way of preference shares. A pro forma balance sheet is included in the notes to these financial statements to show the effect these transactions would have had on the balance sheet had they been concluded at 31 December 2006.

In light of opportunities arising in China early in 2007 and of its ongoing running cost it was decided to close the Singapore office in April 2007 and to wind up the subsidiary RI3K Asia Pte Limited.

The company has considered its credit risks and concluded that in light of its concentrated and high quality customer base no material credit risks exist.

Charitable and political donations

During the year the company made charitable contributions of £908 (2005 - £762).

Directors

The directors of the company during the year and their interests in the ordinary share capital and options to purchase shares in the company were

	2006		2005	
	Options	Ordinary shares of 1p each	Options	Ordinary shares of 1p each
A Letts	-	1,825,000	-	1,825,000
R Merttens	747,500	172,500	747,500	172,500
N Eckert	-	-	-	-
M Scales (resigned 3 May 2007)	-	-	-	-

K Lisson, O Hemsley, N Campsie and T Binks were appointed to the board on 3 May 2007.

N Eckert and M Scales were directors of the company's ultimate parent company and their interests in the shares of that company are declared in the parent company's report and accounts. A Letts and R Merttens have no interests in the shares of the ultimate parent company.

RI3K Limited

Report of the directors for the year ended 31 December 2006

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business


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

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board


D Simpson

Secretary

Date 25/7/07

RI3K Limited

Report of the independent auditors

To the shareholders of RI3K Limited

We have audited the financial statements of RI3K Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds, the 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 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).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

RI3K Limited

Report of the independent auditors (*Continued*)

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 company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
London

25 July 2007

RI3K Limited
Profit and loss account for the year ended 31 December 2006

	Note	2006 £	Continuing operations 2005 As restated £	Discontinued operations 2005 £	Total 2005 As restated £
Turnover	3	909,313	978,570	789,362	1,767,932
Cost of sales		1,531	1,481	66,552	68,033
Gross profit		907,782	977,089	722,810	1,699,899
Administrative expenses					
Systems development costs		(644,562)	(968,960)	-	(968,960)
Provision against amount owed by subsidiary undertaking		(26,662)	(315,256)	-	(315,256)
Amount owed by subsidiary undertaking written off		-	-	(474,322)	(474,322)
Other operating costs		(4,022,615)	(3,124,797)	(545,415)	(3,670,212)
Total administrative expenses		(4,693,839)	(4,409,013)	(1,019,737)	(5,428,750)
Operating loss	5	(3,786,057)	(3,431,924)	(296,927)	(3,728,851)
Profit on sale of discontinued operations		-	-	253,542	253,542
Interest receivable		8,805	6,992	-	6,992
Interest payable	6	(1,014,909)	(716,024)	-	(716,024)
Loss on ordinary activities before taxation		(4,792,161)	(4,140,956)	(43,385)	(4,184,341)
Taxation	8	1,868,739	-	-	-
Loss on ordinary activities after taxation		(2,923,422)	(4,140,956)	(43,385)	(4,184,341)

All recognised gains and losses are included in the profit and loss account
All amounts relate to continuing activities in the current year

The notes on pages 10 to 21 form part of these financial statements

RI3K Limited**Reconciliation of movements in shareholders' funds for the year ended 31 December 2006**

	2006	2005
	£	As restated £
Shareholders' deficit at beginning of year	(10,721,580)	(7,451,921)
Loss for the year (as previously stated - 2005)	(2,923,422)	(4,169,659)
Effect of FRS 20 adopted for 2005	-	(14,682)
	<hr/>	<hr/>
Restated loss for the year	(2,923,422)	(4,184,341)
Effect of FRS 20 - share capital reserve	15,134	14,682
New share capital subscribed	-	900,000
	<hr/>	<hr/>
Shareholders' deficit at end of year	(13,629,868)	(10,721,580)
	<hr/>	<hr/>

The notes on pages 10 to 21 form part of these financial statements.


RI3K Limited

Balance sheet at 31 December 2006

	Note	2006 £	2006 £	2005 As restated £	2005 As restated £
Fixed assets					
Tangible assets	9		165,239		242,817
Investments	10		30,309		31,888
			<u>195,548</u>		<u>274,705</u>
Current assets					
Debtors - due within one year	11	119,805		441,966	
- due after more than one year	11	93,906		93,906	
Cash at bank and in hand		239,630		132,345	
		<u>453,341</u>		<u>668,217</u>	
Creditors: amounts falling due within one year	12	<u>14,278,757</u>		<u>11,664,502</u>	
Net current liabilities			<u>(13,825,416)</u>		<u>(10,996,285)</u>
Total assets less current liabilities			<u>(13,629,868)</u>		<u>(10,721,580)</u>
Capital and reserves					
Called up share capital	13		163,637		163,637
Share premium account	14		8,793,738		8,793,738
Share option reserve	14		29,816		14,682
Profit and loss account	14		(22,617,059)		(19,693,637)
Shareholders' deficit			<u>(13,629,868)</u>		<u>(10,721,580)</u>

The financial statements were approved by the Board of Directors and authorised for issue on

25 JUL 2007


A Letts
Director

The notes on pages 10 to 21 form part of these financial statements.

RI3K Limited**Cash flow statement for the year ended 31 December 2006**

	Note	2006 £	2006 £	2005 £	2005 £
Net cash outflow from operating activities	17		(3,477,043)		(3,242,625)
Returns on investments and servicing of finance					
Interest received		8,805		6,992	
Net cash inflow from returns on investments and servicing of finance			8,805		6,992
Capital expenditure and financial Investment					
Purchase of tangible fixed assets		(25,970)		(137,303)	
Disposal of intangible fixed assets		5		8,690	
Disposal of tangible fixed assets		1,488		10,668	
Proceeds from sale of discontinued operation		-		253,542	
			(24,477)		135,597
Cash outflow before use of liquid resources and financing			(3,492,715)		(3,100,036)
Financing					
Issue of shares		-		900,000	
Increase in loan from ultimate parent undertaking		3,600,000		2,150,000	
			3,600,000		3,050,000
Increase/(decrease) in cash	19		107,285		(50,036)

The notes on pages 10 to 21 form part of these financial statements

1 Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax. The revenue from membership and licence fees invoiced in advance is initially deferred and then recognised in the period to which it relates. Revenue from transaction fees crystallises upon the earlier of the inception date of the contract to which it relates, or the date of acceptance, and is recognised when invoiced retrospectively.

Fixed asset investments

Investments in subsidiary undertakings are stated at cost less provisions for impairment.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	-	15% per annum
Computer equipment	-	33% per annum
Fixtures, fittings and equipment	-	25% per annum

Development costs

Development costs are charged to the profit and loss account in the year of expenditure.

Research and development tax credit

Any receipts from HM Revenue and Customs in respect of research and development tax credit are accounted for on a cash basis.

Deferred taxation

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed by the balance sheet date except for deferred tax assets which are not recognised to the extent that the transfer of economic benefit in future is uncertain. Deferred tax liabilities and assets are not discounted.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1 Accounting policies (Continued)

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the year of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as 'operating leases'. Their annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Consolidated accounts

The company has not produced group financial statements on the grounds that the company's results are themselves consolidated into the results of its parent company.

Going concern

During the year the company traded at a loss. The directors have considered the group's ongoing cash requirements and financial support from the ultimate parent company (see note 12). This continued until 3 May 2007, on which date the loan due to the ultimate parent company was waived and £5m of working capital was introduced (see note 22). The directors therefore consider that it is appropriate to prepare the financial statements on the going concern basis. Should the company be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amount, to provide for any further liabilities which may arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

2 Changes in accounting policies and restatement of prior period

FRS 20 'Share based payment'

The group has adopted FRS 20 'Share based payment' which is obligatory for periods commencing on or after 1 January 2006.

FRS 20 'Share based payment' requires the recognition of share-based payments at fair value at the date of grant.

In accordance with transitional provisions of FRS 20, the standard was applied retrospectively to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005, and to liabilities for share-based transactions existing at 1 January 2005.

For 2005, the impact of share based payment is a charge to the profit and loss account of £14,682. The comparatives have been restated accordingly. In 2006, the impact is a charge to the profit and loss account of £15,134. Further details can be found in note 15.

RI3K Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****3 Turnover**

	2006 %	2005 %
Analysis by market		
UK	56	41
Rest of the World	44	59
	<u>100</u>	<u>100</u>

4 Employees

	2006 £	2005 £
Staff costs (including directors) consist of		
Wages and salaries	2,425,625	2,095,100
Social security costs	288,258	247,559
	<u>2,713,883</u>	<u>2,342,659</u>
The average number of employees (including directors) during the year was as follows	Number	Number
Employees	<u>35</u>	<u>27</u>

5 Operating loss

	2006 £	2005 £
This is arrived at after charging.		
Depreciation	102,060	80,543
Auditors' remuneration - audit services	15,500	9,500
- non-audit services	13,720	4,000
Directors' emoluments (note 7)	532,128	466,896
Systems development costs	644,562	968,960
Operating lease rentals - land and buildings	142,212	131,955
Exchange differences	96,810	(218,703)
Provision against amount owed by subsidiary undertaking	26,662	315,256
Amount owed by subsidiary undertaking written off	-	474,322
	<u></u>	<u></u>

RI3K Limited
Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)
6 Interest payable

	2006 £	2005 £
Loans from parent company	1,014,909	716,024

7 Directors' emoluments

	2006 £	2005 £
Fees and other emoluments	532,128	466,896
Highest paid director		
Emoluments	297,333	251,250

8 Taxation

	2006 £	2005 As restated £
a) UK corporation tax		
Current tax - credit	1,083,299	-
Credit adjustment in respect of previous period	785,440	-
	1,868,739	-
b) Tax reconciliation		
Loss on ordinary activities before tax	(4,792,161)	(4,184,341)
Loss on ordinary activities at the standard rate of corporation tax in the UK at 30% (2005 - 30%)	(1,437,648)	(1,255,302)
Effects of		
Expenses not deductible	342,151	466,574
Depreciation in excess of capital allowances	10,323	168
Losses surrendered under group relief	1,083,299	785,440
Short term timing differences	1,875	3,120
Group relief receivable for 2005	785,440	-
Group relief receivable for 2006	1,083,299	-
	1,868,739	-

As at 31 December 2006 the company had total deferred tax assets not recognised of £1,747,027 (2005 - £1,747,027) which relates to tax losses carried forward at the year end

RI3K Limited
Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)
9 Tangible assets

	Leasehold improvements £	Computer equipment £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At beginning of year	125,406	334,478	127,763	587,647
Additions	-	24,543	1,427	25,970
Disposals	-	(5,721)	(475)	(6,196)
At end of year	<u>125,406</u>	<u>353,300</u>	<u>128,715</u>	<u>607,421</u>
<i>Depreciation</i>				
At beginning of year	64,424	197,998	82,408	344,830
Provided for in the year	18,811	64,607	18,642	102,060
Disposals	-	(4,431)	(277)	(4,708)
At end of year	<u>83,235</u>	<u>258,174</u>	<u>100,773</u>	<u>442,182</u>
<i>Net book value</i>				
At 31 December 2006	<u>42,171</u>	<u>95,126</u>	<u>27,942</u>	<u>165,239</u>
At 31 December 2005	<u>60,982</u>	<u>136,480</u>	<u>45,355</u>	<u>242,817</u>

10 Fixed asset investments

	Subsidiary £
<i>Cost</i>	
At beginning of year	31,888
Disposals	(5)
Revaluation	(1,574)
At end of year	<u>30,309</u>

RI3K Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****10 Fixed asset investments (Continued)**

Name	Country of incorporation	Shares issued	Proportion held	Nature of business
RI3K Asia Pte Limited	Singapore	91,000 S\$1 shares	91%	E-commerce
Run Off Centre Limited	UK	5 £1 shares	5%	Information Technology

At 31 December 2006 RI3K Asia Pte Limited had the following results

	2006 £	2006 S\$	2005 £	2005 S\$
Loss for year	(150,981)	(437,668)	(107,200)	(348,442)
Aggregate capital and reserves	(1,772,541)	(5,322,674)	(1,711,339)	(4,885,006)

The company disposed of its interest in LifeRIC Inc, a subsidiary based in Canada, on 31 August 2006

11 Debtors

	2006 £	2005 £
Amounts receivable within one year		
Trade debtors	1,313	58,962
Other debtors	118,492	383,004
	119,805	441,966

Included in other debtors above are loans to staff totalling £15,157 (2005 - £16,029) to assist in the purchase of options in the company's shares under the terms of the employee share option scheme

	2006 £	2005 £
Amounts receivable after more than one year		
Other debtors	93,906	93,906

RI3K Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****12 Creditors: amounts falling due within one year**

	2006 £	2005 £
Loan from ultimate parent company	13,712,194	10,966,024
Trade creditors	43,329	92,480
Amounts owed to subsidiary undertaking	-	5
Creditors for taxation and social security	119,364	90,346
Other creditors	140,498	188,228
Accruals and deferred income	263,372	327,419
	<u>14,278,757</u>	<u>11,664,502</u>

The loan from shareholder at 31 December 2006 represents the amount provided to fund the working capital requirements of the business (see also notes 20, 21 and 22)

Interest is charged at a rate of 3% above LIBOR from 1 January 2006

13 Share capital

	Authorised		Allotted, called up and fully paid	
	2006 Number	2005 Number	2006 Number	2005 Number
Ordinary shares of 1p each	<u>50,000,000</u>	<u>50,000,000</u>	<u>16,363,749</u>	<u>16,363,749</u>
	£	£	£	£
Ordinary shares of 1p each	<u>500,000</u>	<u>500,000</u>	<u>163,637</u>	<u>163,637</u>

RI3K Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****13 Share capital (Continued)****Share options**

In respect of the company's unapproved share option scheme

	2006 Number	2005 Number
Options outstanding at 31 December 2005	2,036,251	1,136,251
Options lapsed during year	(104,688)	(183,362)
Options granted during year	59,663	1,083,362
	<hr/>	<hr/>
Options outstanding at 31 December 2006	1,991,226	2,036,251
	<hr/>	<hr/>

At 31 December 2006 options outstanding under the company's unapproved share option scheme were

Date of Grant	Number of shares of 1p each	Price per share	Year of option
10 November 2000	18,000	1p	10 November 2003 - 10 November 2010
3 April 2003	2,700	10p	3 April 2003 - 10 November 2010
5 January 2004	859,101	10p	5 January 2004 - 5 January 2014
24 October 2005	1,051,762	15p	24 October 2005 - 24 October 2015
16 May 2006	49,663	15p	16 May 2006 - 24 October 2015
14 September 2006	10,000	15p	14 September 2006 - 24 October 2015

14 Reserves

	Share option reserve £	Share premium £	Profit and loss As restated £
At 31 December 2005, as previously stated	-	8,793,738	(19,678,955)
Share option charge for 2005	14,682	-	(14,682)
	<hr/>	<hr/>	<hr/>
At 31 December 2005 - restated	14,682	8,793,738	(19,693,637)
Net loss for the year	-	-	(2,923,422)
Share option charge	15,134	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2006	29,816	8,793,738	(22,617,059)
	<hr/>	<hr/>	<hr/>

15 Share based payment

The company operates an unapproved share option scheme for the benefit of employees. Options are exercisable on the occurrence of a specified event such as a change of control or sale. Options lapse in the event of an employee leaving or upon the date of expiry (not more than 10 years) set at the time of grant.

	2006 Weighted average exercise price (pence)	2006 Number
Outstanding at the beginning of the year	12.42	2,036,251
Granted during the year	15.00	59,663
Forfeited/lapsed during the year	8.41	(104,688)
	<hr/>	<hr/>
Outstanding at the end of the year	12.71	1,991,226
	<hr/>	<hr/>
		2006

Equity-settled

Option pricing model used	Black-Scholes
Weighted average share value at grant date (pence)	13.00
Exercise price (pence)	12.71
Weighted average contractual life (days)	1,461

Equity-settled

Expected volatility	22%
Expected dividend growth rate	0%
Risk-free interest rate	5%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on the average sector volatility for Software and Computer Services, Non-life Insurance and Small Market Capitalisation.

The share-based remuneration expense comprises

	2006 £'000	2005 £'000
Equity-settled schemes	15	15

The company did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

16 Commitments under operating leases

As at 31 December 2006, the company had annual commitments under non-cancellable operating leases as set out below

	2006 Computer Software £	2005 Computer Software £	2006 Land and buildings £	2005 Land and buildings £
Operating leases which expire				
In one to two years	59,812	-	-	-
In three to five years	-	-	3,000	-
After five years	-	-	140,055	140,055
	<u>59,812</u>	<u>-</u>	<u>143,055</u>	<u>140,555</u>

17 Reconciliation of operating profit to net cash inflow from operating activities

	2006 Total £	2005 As restated Total £
Operating loss	(3,786,057)	(3,728,851)
Depreciation	102,060	80,543
Decrease in debtors	322,161	183,097
Decrease in creditors	(131,910)	(27,889)
Increase in amounts due from group undertakings	-	242,977
Decrease in amounts due to group undertakings	(5)	(4,342)
Foreign exchange movement	1,574	(2,842)
Share option charge	15,134	14,682
Net cash outflow from operating activities	<u>(3,477,043)</u>	<u>(3,242,625)</u>

In 2005, of the £3,242,625 cash outflow from operating activities, there was a cash inflow from discontinued activities of £200,229.

RI3K Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****18 Reconciliation of net cash inflow to movement in net debt**

	2006 £	2005 £
Increase/(decrease) in cash in the year	107,285	(50,036)
Cash inflow from increase in debt and lease financing	(4,614,909)	(2,866,024)
	<hr/>	<hr/>
Change in net debt resulting from cash flows and movement in net debt in the year	(4,507,624)	(2,916,060)
Opening net debt	(10,833,679)	(7,917,619)
	<hr/>	<hr/>
Closing net debt	(15,341,303)	(10,833,679)
	<hr/>	<hr/>

19 Analysis of net debt

	At 1 January 2006 £	Cash flow £	Other non-cash changes £	At 31 December 2006 £
Cash in hand and at bank	132,345	107,285	-	239,630
	<hr/>	<hr/>	<hr/>	<hr/>
	132,345	107,285	-	239,630
Debt due within one year	(10,966,024)	(3,600,000)	870,334	(13,695,690)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(10,833,679)	(3,492,715)	870,334	(13,456,060)
	<hr/>	<hr/>	<hr/>	<hr/>

The non cash movement in the year relates to accrued interest of £1,014,909 and a receivable due post year end in respect of the company's tax losses of £1,885,243

RI3K Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

20 Related party transactions

As at the year end RI3K Limited had the following loan amounts outstanding at 31 December 2006 with companies in which it had an interest

- a) An unsecured intercompany loan of £13,695,690 (2005 - £10,966,024) from BRIT Insurance Holdings Plc For further details see note 12
- b) An unsecured intercompany loan of £1,822,652 (2005 - £1,795,991) to RI3K Asia Pte Limited, a subsidiary of RI3K Limited The loan is non interest bearing and there is no fixed date for repayment The loan is provided for in full

The following transaction also took place during the year

- a) Sales of services to BRIT Insurance Holdings Plc of £257,116 (2005 - £250,000)
- b) Charge of interest on loan from BRIT Insurance Holdings Plc of £ 1,014,909 (2005 - £716,024)
- c) Intercompany recharge for services provided by RI3K Asia Pte Limited was £62,432 (2005 - £148,746)

After the year end the loan and accrued interest due to BRIT Insurance Holdings plc was waived and the loan due from RI3K Asia Pte Limited was written off

21 Ultimate parent company

At 31 December 2006, the company's ultimate parent company was BRIT Insurance Holdings plc

Copies of the consolidated financial statements of BRIT Insurance Holdings plc are available from Companies House

With effect from 3 May 2007 (see note 22) BRIT Insurance Holdings plc ceased to be the company's ultimate parent company

22 Post balance sheet events

The company closed the offices of RI3K Asia Pte in Singapore on 30 April 2007 and commenced proceedings for a voluntary liquidation The inter-company debt due from this subsidiary has been fully provided against the balance sheet as at 31 December 2006

On 3 May 2007 the ultimate parent company, Brit Insurance Holdings Plc sold 74% of its shareholding in the company to a loose consortium of investors comprising Numis Corporation, IPGL Insurance Services, Eton Park Funds, and Neil Eckert, reducing its interest to 22.4% of the issued share capital. In addition, Brit Insurance Holdings Plc waived its right to repayment of its loans to the company and accrued interest The new investors and Brit also subscribed for £5m of convertible redeemable cumulative preference shares in order to provide sufficient working capital to see the business through to profitability

Unaudited proforma balance sheet

The following unaudited proforma statement of net assets of RI3K Limited following the post balance sheet event (note 22) has been prepared for illustrative purposes only and because of its nature may not give a true reflection of the financial position of the company. It has been prepared on the basis that the capital restructure took place on 31 December 2006

	At 31 December 2006 (a) £	Unaudited loan waiver and issue of convertible redeemable preference shares (b) £	Unaudited assets at 31 December 2006 £
Fixed assets	195,548	-	195,548
Debtors	213,711	-	213,711
Cash at bank and in hand	239,630	5,000,000	5,239,630
	<u>453,341</u>	<u>5,000,000</u>	<u>5,453,341</u>
Creditors amounts falling due within one year	14,278,757	(13,712,194)	566,563
	<u>(13,825,416)</u>	<u>18,712,194</u>	<u>4,886,778</u>
Net current (liabilities)/assets			
Total assets less current (liabilities)/assets	(13,629,868)	18,712,194	5,082,326
Creditors amounts falling due after more than one year	-	4,275,413	4,275,413
	<u>(13,629,868)</u>	<u>14,436,781</u>	<u>806,913</u>
Capital and reserves			
Called up share capital - Ordinary	163,637	-	163,637
- Preference	-	724,587	724,587
Share premium	8,793,738	-	8,793,738
Share option reserve	29,816	-	29,816
Profit and loss account	(22,617,059)	13,712,194	(8,904,865)
	<u>(13,629,868)</u>	<u>14,436,781</u>	<u>806,913</u>

Unaudited proforma balance sheet (*Continued*)

- (a) The net assets of the group at 31 December 2006 are as set out in the balance sheet on page 8 of the financial statements
- (b) The loan waiver relates to an amount of £13,712,194 that was previously due to the parent company at 31 December 2006

The accounting for the convertible redeemable preference shares of £5,000,000 is split between a liability element (£4,275,413) and an equity element (£724,587)