

R3: HOLDINGS LTD
FINANCIAL STATEMENTS
FOR
31ST DECEMBER 2005

Company Registration Number 3674579

R3: HOLDINGS LTD

FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2005

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R3: HOLDINGS LTD

COMPANY INFORMATION

YEAR ENDED 31ST DECEMBER 2005

DIRECTORS

Mr R Proudman

Mr R Williams

SECRETARY

Mr R Proudman

AUDITORS

Finnigan & Co.

39 Lower Brook Street

Ipswich

IP4 1AQ

ACCOUNTANTS

Michael Payne & Co.

Windsor House

103 Whitehall Road

Colchester

CO2 8HA

BANKERS

Bank of Scotland Plc

35 Princes Street

Ipswich

IP1 1AE

REGISTERED OFFICE

Globe House

24 Turret Lane

Ipswich

IP4 1DL

R3: HOLDINGS LTD

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2005

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

RESULTS AND DIVIDENDS

The group profit for the year, after taxation and minority interests, amounted to £278,236 (2004 - £291,655). The directors do not recommend payment of a final dividend.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of a holding company supporting Insurers, Intermediaries and Brands to provide a broad range of retail financial services and products to their customers. This involved the provision of supplier management services, identification of appropriate delivery mechanisms and contract tender management.

REVIEW OF THE BUSINESS

Considerable activity was devoted to making further acquisitions in the year culminating in 2 companies being acquired effectively from 1st January 2006. As a result this years result has been impacted by all the costs and time associated with the acquisition and it will be 2006 before we see the beneficial impact of this activity on the Group. In addition we have made a strategic investment in creating a new managing agency, Axiom Underwriting, which needed start up funding and staff recruitment prior to being able to apply and receive its FSA authorisations.

Consultancy activity continued at a significant pace, contrary to our expectations and plan. This has generated good cashflow for the business and strengthened our perception with key providers as well as enhancing the skills of many of our team.

We are continuing to increase the central infrastructure to support the operating businesses to increase sales and marketing activity, particularly online quote and buy for our niche products and member benefits.

The business ends the year in a strong position having generated positive cashflow that has paid down bank debt.

FUTURE DEVELOPMENTS

The strategy for the business remains unchanged with the desire to acquire suitable businesses that will increase our affinity niche exposure. These businesses remain resilient to the general softening in the market and carry a premium as a result. Our approach to acquisition pricing remains unchanged in that we look to use bank finance to support the purchase and the business must contribute a positive result sufficient to pay interest and repay debt within 12 months.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

R3: HOLDINGS LTD**THE DIRECTORS' REPORT****YEAR ENDED 31ST DECEMBER 2005**

	Ordinary Shares of £1 each	
	At 31 December 2005	At 1 January 2005
Mr R Proudman	436	436
Mr R Williams	<u>436</u>	<u>436</u>

In addition to the direct interest in the shares detailed above, Mr R Proudman and Mr R Williams jointly control a company that holds an additional 439 ordinary shares. Mr R Proudman and Mr R Williams effectively control 48% of the company each.

DONATIONS

During the year the group made the following contributions:

	2005	2004
	£	£
Charitable	<u>1,621</u>	<u>1,058</u>

AUDITORS

A resolution to reappoint Finnigan & Co. as auditors will be put to the members at the Annual General Meeting.

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 of the company 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; 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. 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.

By order of the board

MR R PROUDMAN
Company Secretary
Date:

R3: HOLDINGS LTD**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS****YEAR ENDED 31ST DECEMBER 2005**

We have audited the financial statements on page which have been prepared under the historical cost convention and the accounting policies set out on page 1.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 shareholders 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 United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page.

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 and other members of the Group 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 circumstances of the Company and the Group, 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.

R3: HOLDINGS LTD

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

YEAR ENDED 31ST DECEMBER 2005

OPINION

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31st December 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

39 Lower Brook Street
Ipswich
Suffolk
IP4 1AQ

FINNIGAN & CO
Chartered Certified Accountants
& Registered Auditors

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R3: HOLDINGS LTD
GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 2005

	2005	2004
	£	£
TURNOVER	3,247,008	3,504,829
Cost of sales	2 (368,772)	(404,079)
Gross profit	<u>2,878,236</u>	3,100,750
Administrative expenses	2 (2,426,622)	(2,554,994)
OPERATING PROFIT	3 451,614	545,756
Profit on sale of fixed asset investments	-	2,423
Income from fixed asset investments	299	464
Interest receivable	93,301	90,548
Interest payable	6 (112,659)	(133,200)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>432,555</u>	505,991
Tax on profit on ordinary activities	7 (174,510)	(239,813)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	<u>258,045</u>	266,178
Minority interests	20,191	25,477
RETAINED PROFIT FOR THE FINANCIAL YEAR	<u><u>278,236</u></u>	<u><u>291,655</u></u>

R3: HOLDINGS LTD
GROUP BALANCE SHEET
31ST DECEMBER 2005

	Note	2005		2004	
		£	£	£	£
FIXED ASSETS					
Intangible assets	9		2,321,281		2,669,728
Tangible assets	10		197,199		233,984
Investments	11		33,201		33,201
			<u>2,551,681</u>		<u>2,936,913</u>
CURRENT ASSETS					
Debtors	12	1,643,121		1,178,597	
Cash at bank and in hand		1,546,185		1,737,474	
		<u>3,189,306</u>		<u>2,916,071</u>	
CREDITORS: Amounts falling due within one year	13	<u>(3,347,490)</u>		<u>(3,134,012)</u>	
NET CURRENT ASSETS			<u>(158,184)</u>		<u>(217,941)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,393,497</u>		<u>2,718,972</u>
CREDITORS: Amounts falling due after more than one year	14		<u>(610,744)</u>		<u>(1,221,858)</u>
			<u>1,782,753</u>		<u>1,497,114</u>
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	17		<u>(37,128)</u>		<u>(29,534)</u>
			<u>1,745,625</u>		<u>1,467,580</u>
MINORITY INTERESTS			<u>(213,191)</u>		<u>(213,382)</u>
			<u>1,532,434</u>		<u>1,254,198</u>
CAPITAL AND RESERVES					
Called-up equity share capital	18		1,350		1,350
Share premium account	19		34,951		34,951
Profit and loss account			1,496,133		1,217,897
SHAREHOLDERS' FUNDS			<u>1,532,434</u>		<u>1,254,198</u>

These financial statements were approved by the directors on the and are signed on their behalf by:

MR R PROUDMAN
 Director

R3: HOLDINGS LTD**BALANCE SHEET****31ST DECEMBER 2005**

	Note	2005		2004	
		£	£	£	£
FIXED ASSETS					
Tangible assets	10		120,342		127,285
Investments	11		889,319		1,632,419
			<u>1,009,661</u>		<u>1,759,704</u>
CURRENT ASSETS					
Debtors	12	175,309		169,046	
Cash at bank and in hand		392,722		402,945	
		<u>568,031</u>		<u>571,992</u>	
CREDITORS: Amounts falling due within one year	13	<u>(778,216)</u>		<u>(811,461)</u>	
NET CURRENT ASSETS			<u>(210,185)</u>		<u>(239,469)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>799,476</u>		<u>1,520,235</u>
CREDITORS: Amounts falling due after more than one year	14		<u>(610,744)</u>		<u>(1,221,858)</u>
			<u>188,732</u>		<u>298,377</u>
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	17		<u>(18,844)</u>		<u>(8,284)</u>
			<u>169,888</u>		<u>290,093</u>
CAPITAL AND RESERVES					
Called-up equity share capital	18		1,350		1,350
Share premium account	19		34,951		34,951
Profit and loss account	19		133,587		253,792
SHAREHOLDERS' FUNDS			<u>169,888</u>		<u>290,093</u>

These financial statements were approved by the directors on the and are signed on their behalf by:

MR R PROUDMAN
Director

R3: HOLDINGS LTD**STATEMENT OF CASH FLOWS****31ST DECEMBER 2005**

	Note	2005	2004
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	689,179	898,501
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		93,301	90,548
Interest paid		(112,659)	(132,625)
Interest element of finance lease rental payments		-	(575)
Dividends received		299	464
		(19,059)	(42,188)
TAXATION			
Corporation tax paid		(224,772)	(58,734)
		(224,772)	(58,734)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire intangible fixed assets		-	(592,466)
Payments to acquire tangible fixed assets		(30,273)	(23,209)
Receipts from sales of investments		-	30,049
Receipts from sale of fixed assets		4,750	-
		(25,523)	(585,626)
EQUITY DIVIDENDS PAID		-	-
FINANCING			
Issue of ordinary share capital		-	(7)
New long-term loans		-	387,965
Repayment of long-term loans		(611,114)	(588,344)
Repayments of capital element of finance leases and hire purchase contracts		-	(3,094)
		(611,114)	(203,480)
INCREASE IN CASH		(191,289)	(8,473)

The notes on page 9 form part of these financial statements.

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****1. ACCOUNTING POLICIES****Basis of preparation**

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

Basis of consolidation

The group accounts consolidate the accounts of R3: Holdings Limited and all of its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for R3: Holdings Limited as permitted by section 230 of the Companies Act 1985.

Goodwill

Goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life, presumed to be 10 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other period if events or changes in circumstances indicate that the carrying value may not be recoverable.

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	-	25% reducing balance basis
Equipment	-	25% reducing balance basis

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

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

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****1. ACCOUNTING POLICIES** (*continued*)**Leasing and hire purchase commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

All of the group's turnover is derived from the group's ordinary activities carried out in the United Kingdom.

2. COST OF SALES AND OPERATING EXPENSES

All results are derived are from continuing operations.

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****3. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	2005	2004
	£	£
Auditors' remuneration – audit services (Group)	8,000	6,000
Auditors' remuneration – audit services (Company)	8,000	6,000
Depreciation of owned fixed assets	62,313	75,294
Impairment of intangible fixed assets	-	107,534
Amortisation of goodwill	348,847	346,666
Operating lease rentals – plant and machinery	<u>3,325</u>	<u>10,492</u>

4. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2005	2004
	£	£
Aggregate emoluments	170,016	170,016
Value of company pension contributions to money purchase schemes	<u>16,500</u>	<u>16,500</u>
	<u>186,516</u>	<u>186,516</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2005	2004
	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****5. STAFF COSTS**

	2005 £	2004 £
Wages and salaries	1,170,008	1,268,354
Social security costs	125,490	131,346
Other pension costs	33,182	33,171
	<u>1,328,680</u>	<u>1,432,871</u>

The monthly average number of employees during the year was as follows:

	2005 No	2004 No
Administration	45	47
Operations	27	31
	<u>72</u>	<u>78</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Bank loans and overdrafts	112,659	132,625
Finance charges payable under finance leases and hire purchase contracts	-	575
	<u>112,659</u>	<u>133,200</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £	2005 £	2004 £	2004 £
<i>Current tax</i>				
UK corporation tax on profits of the period	166,916		192,104	
Adjustment in respect of previous periods	-		24,450	
Total current tax	<u>166,916</u>		<u>216,554</u>	
<i>Deferred tax</i>				
Origination and reversal of timing differences	7,594		23,259	
	<u>7,594</u>		<u>23,259</u>	
Taxation on profit on ordinary activities	<u>174,510</u>		<u>239,813</u>	

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £	2004 £
Profit/loss on ordinary activities before tax	<u>432,555</u>	<u>505,991</u>
Profit/loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 – 30%)	129,767	151,797
Effects of:		
Expenses not deductible for tax purposes	28,581	34,151
Capital allowances for period in excess of depreciation	(23)	(20,668)
Depreciation for period in excess of capital allowances	14,341	-
Income not chargeable to tax	(90)	(139)
Marginal relief	(5,660)	(2,555)
Group relief	-	29,518
Adjustment to tax charge in respect of previous periods	-	24,450
Current tax charge for period	<u>166,916</u>	<u>216,554</u>

Factors that may affect future tax charges

As the group continues to grow and expand it is anticipated that the group effective tax rate will rise towards the standard rate of corporation tax (currently 30%).

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £100,209 (2004 – £168,060).

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****9. INTANGIBLE FIXED ASSETS**

	Goodwill £	Total £
COST		
At 1st January 2005 and 31st December 2005	<u>3,484,467</u>	<u>3,484,467</u>
DEPRECIATION		
At 1st January 2005	814,739	814,739
Charge for the year	<u>348,447</u>	<u>348,447</u>
At 31st December 2005	<u>1,163,186</u>	<u>1,163,186</u>
NET BOOK VALUE		
At 31st December 2005	<u>2,321,281</u>	<u>2,321,281</u>
At 31st December 2004	<u>2,669,728</u>	<u>2,669,728</u>

10. TANGIBLE FIXED ASSETS

Group	Fixtures & Fittings £	Motor Vehicles £	Computer Equipment £	Office Equipment £	Website £	Total £
COST						
At 1st January 2005	24,852	7,137	206,681	146,643	3,477	388,790
Additions	-	-	20,372	9,901	-	30,273
	-	(7,137)	-	-	-	(7,137)
At 31st December 2005	<u>24,852</u>	<u>-</u>	<u>227,053</u>	<u>156,544</u>	<u>3,477</u>	<u>411,926</u>
DEPRECIATION						
At 1st January 2005	16,304	2,392	57,560	77,384	1,166	154,806
Charge for the year	1,836	-	41,046	18,855	576	62,313
Disposals	-	(2,392)	-	-	-	(2,392)
At 31st December 2004	<u>18,140</u>	<u>-</u>	<u>98,606</u>	<u>96,239</u>	<u>1,742</u>	<u>214,727</u>
NET BOOK VALUE						
At 31st December 2005	<u>6,712</u>	<u>-</u>	<u>128,447</u>	<u>60,305</u>	<u>1,735</u>	<u>197,199</u>
At 31st December 2004	<u>8,548</u>	<u>4,745</u>	<u>149,121</u>	<u>69,259</u>	<u>2,311</u>	<u>233,984</u>

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****10. TANGIBLE FIXED ASSETS (continued)**

Company	Fixtures & Fittings	Computer Equipment	Office Equipment	Total
COST				
At 1 st January 2005	13,424	98,425	119,076	230,925
Additions	-	20,372	9,901	30,273
At 31st December 2005	<u>13,424</u>	<u>118,797</u>	<u>128,977</u>	<u>261,198</u>
DEPRECIATION				
At 1st January 2005	9,697	25,626	68,317	103,640
Charge for the year	932	21,966	14,318	37,216
At 31st December 2005	<u>10,629</u>	<u>47,592</u>	<u>82,635</u>	<u>140,856</u>
NET BOOK VALUE				
At 31st December 2005	<u>2,795</u>	<u>71,205</u>	<u>46,342</u>	<u>120,342</u>
At 31st December 2004	<u>3,727</u>	<u>72,799</u>	<u>50,759</u>	<u>127,285</u>

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****11. INVESTMENTS**

Group	Shares in group undertakings £	Other listed investments £	Total £
COST			
At 1st January 2005	-	33,201	33,201
Additions	-	-	-
At 31st December 2005	<u>-</u>	<u>33,201</u>	<u>33,201</u>
NET BOOK VALUE			
At 31st December 2005	<u>-</u>	<u>33,201</u>	<u>33,201</u>
At 31st December 2004	<u>-</u>	<u>33,201</u>	<u>33,201</u>
Company			
COST			
At 1st January 2005	125,004	33,201	158,205
Additions	130,000	-	130,000
At 31st December 2005	<u>255,004</u>	<u>33,201</u>	<u>288,205</u>
LOANS			
At 1st January 2005	1,474,214	-	1,474,214
Advanced in year	492,255	-	492,255
Repaid in year	(1,365,355)	-	(1,365,355)
At 31st December 2004	<u>601,114</u>	<u>-</u>	<u>601,114</u>
NET BOOK VALUE			
At 31st December 2005	<u>856,118</u>	<u>33,201</u>	<u>889,319</u>
At 31st December 2004	<u>1,599,218</u>	<u>33,201</u>	<u>1,632,419</u>

Listed investments

Listed investments having a net book value of £33,201 (2004 - £33,201) are held by the company and had a market value of £12,162 at the end of the year (2004 - £16,943).

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****11. INVESTMENTS (continued)**

Details of the investments in which the group and the company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
<i>Subsidiary undertakings</i>			
R3: Affinity Alliance Limited	Ordinary Shares	100%	Dormant
R3: Business Consultancy Limited	Ordinary Shares	100%	Dormant
Stuart Harvey Insurance Brokers Limited (Held by a subsidiary undertaking)	Ordinary Shares	100%	Insurance Broker
Mortgage Excellence plc (Held by a subsidiary undertaking)	Ordinary Shares	77%	Mortgage Broker
Calibre HomeSolutions Limited (Held by a subsidiary undertaking)	Ordinary Shares	100%	Insurance Broker

12. DEBTORS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	1,385,021	897,630	169,803	142,162
Other debtors	12,058	14,794	-	14,790
Prepayments and accrued income	246,042	266,173	5,506	12,094
	<u>1,643,121</u>	<u>1,178,597</u>	<u>175,309</u>	<u>169,046</u>

13. CREDITORS: Amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdraft	631,402	631,402	631,402	631,402
Trade creditors	2,273,927	1,879,898	21,293	19,449
Corporation tax	166,916	224,772	9,435	3,653
Other taxes and social security costs	66,478	81,226	46,987	61,248
Other creditors	148,545	159,980	37,919	67,800
Accruals and deferred income	60,222	156,734	31,180	27,909
	<u>3,347,490</u>	<u>3,134,012</u>	<u>778,216</u>	<u>811,461</u>

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****14. CREDITORS: Amounts falling due after more than one year**

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdraft	610,744	1,221,858	610,744	1,221,858

15. LOANS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Amounts falling due:				
In one year or less	631,402	631,402	631,402	631,402
In more than one year but not more than two years	610,744	631,402	610,744	631,402
In more than two years but not more than five years	-	590,456	-	590,456
	1,242,146	1,853,260	1,242,146	1,853,260
Less: included in creditors: amounts falling due within one year	631,402	631,402	631,402	631,402
	610,744	1,221,858	610,744	1,221,858

The company has term loan facilities with its bankers totalling £3,200,000, of this facility a total of £2,887,965 has been drawn down.

Security in connection with the term loan facility is as follows:

Cross Corporate Guarantee between the group companies and third parties, granted 4 November 2003.

Cross Corporate Guarantee between the R3: Holdings Limited and third parties, granted 18 July 2001.

Personal Guarantees from each of the directors of £50,000.

A debenture for all monies secured on the group's assets dated 16 July 2001.

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****16. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS**

Annual commitments under non-cancellable operating leases are as follows:

Group	Land and buildings		Other	
	2005 £	2004 £	2005 £	2004 £
Operating leases which expire:				
Within one year	125,304	49,500	560	3,910
In two to five years	-	-	-	6,136
In over five years	78,003	73,479	7,380	-
	<u>203,307</u>	<u>122,979</u>	<u>7,940</u>	<u>10,046</u>
Company				
Operating leases which expire:				
Within one year	78,000	49,500	-	-
In two to five years	-	-	5,321	3,680
In over five years	35,416	35,416	2,059	-
	<u>113,416</u>	<u>84,916</u>	<u>7,380</u>	<u>3,680</u>

17. DEFERRED TAXATION

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
The movement in the deferred taxation provision during the year was:				
Provision brought forward	29,534	6,275	8,284	6,275
Profit and loss account movement arising during the year	7,594	23,259	10,560	2,009
Provision carried forward	<u>37,128</u>	<u>29,534</u>	<u>18,844</u>	<u>8,284</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Excess of taxation allowances over depreciation on fixed assets	37,128	29,534	18,844	8,284
	<u>37,128</u>	<u>29,534</u>	<u>18,844</u>	<u>8,284</u>

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****18. SHARE CAPITAL****Authorised share capital:**

	2005	2004
	£	£
1,400 Ordinary shares of £1 each	<u>1,400</u>	<u>1,400</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	<u>1,350</u>	<u>1,350</u>	<u>1,350</u>	<u>1,350</u>

19. RESERVES

Group	Share premium account	Profit and loss account
	£	£
At 1st January 2005	34,951	1,217,897
Retained profit for the year	-	278,236
At 31st December 2005	<u>34,951</u>	<u>1,496,133</u>

Company	Share premium account	Profit and loss account
	£	£
At 1st January 2005	34,951	253,792
Loss for the year	-	(120,205)
At 31st December 2005	<u>34,951</u>	<u>133,587</u>

R3: HOLDINGS LTD**NOTES TO THE FINANCIAL STATEMENTS****31ST DECEMBER 2005****20. NOTES TO THE STATEMENT OF CASH FLOWS**

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

	2005 £	2004 £
Operating profit	451,614	545,756
Depreciation	62,313	75,294
Amortisation of goodwill	348,447	346,666
(Increase)/Decrease in debtors	(444,524)	(227,134)
Increase/(Decrease) in creditors	271,334	157,919
Profit on disposal of fixed asset	(5)	-
Net cash inflow from operating activities	<u>689,179</u>	<u>898,501</u>

(b) Analysis of net debt

	At 1 January 2005 £	Cash flow £	Other non-cash movement s £	At 31 December 2005 £
Cash at bank and in hand	1,737,474	(191,289)	-	1,546,185
Bank overdrafts	-	-	-	-
Cash	1,737,474	(191,289)	-	1,546,185
Loans	(1,853,260)	611,114	-	(1,242,146)
Finance leases	-	-	-	-
	<u>(115,786)</u>	<u>419,825</u>	<u>-</u>	<u>304,039</u>

(c) Reconciliation of net cash flow to movement in net debt

	2005 £	2004 £
Increase in cash	(191,289)	8,473
Cash inflow from increase in loans	-	(387,965)
Repayment of long term loans	611,114	588,344
Repayment of capital element of finance leases and hire purchase contracts	-	3,094
Change in net debt resulting from cash flows	<u>419,825</u>	<u>211,946</u>
Other	-	-
Movement in net debt	<u>419,825</u>	<u>211,946</u>
Net debt at 1 January	<u>(115,786)</u>	<u>(327,732)</u>
Net debt at 31 December	<u>304,039</u>	<u>(115,786)</u>

R3: HOLDINGS LTD

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER 2005

21. RELATED PARTY TRANSACTIONS

During the year the group entered into transactions with Harrison Beaumont Insurance Services Limited, a company controlled by the directors.

The group made loans to the company of £100,000 in 2003 in order to fund initial set up costs of the business, this has been repaid and loans made to the group. The balance outstanding at 31 December 2005 (included within other creditors is £84,688 (2004 - £66,812).

In addition to this the company holds shares in the group. These shares represent a 32% holding.