

SSP Group

Report & Financial Statements 2010

for year ended 31 March



Shaping
a better Industry

SSP Group

Report & Financial Statements 2010

Contents

Group Chairman's Report	2
Group Chief Executive's Report	4
Consolidated Income Statement	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Cash Flows	9
Group Staff Numbers	9
Basis of Preparation of the Consolidated Financial Statements	10
Officers & Professional Advisers	11

SSP is the international IT company with unrivalled expertise across the entire general insurance & financial services supply chain – shaping a better industry.

With the greatest knowledge, talent & technology in our market, we bring value to every client engagement.

Knowledge: Over 25 years experience

Talent: More than 750 of the most talented insurance IT professionals

Technology: The broadest range of capabilities

There is nobody better equipped to deliver business capabilities that improve performance, facilitate greater distribution & enhance customer experience for the best returns in insurance business.

knowledge • talent • technology

Group Chairman's Report

Steady Progress

In the financial year ended 31 March 2010, SSP made steady progress with slightly improved like-for-like profitability at the EBITDA level on similar revenues. Overall, on a comparable basis, the UK broking business grew by 3% whilst the insurer business revenue was flat.

The general insurance market in which we operate has shown resilience in the turbulent economic climate of the last two years. However, brokers and insurers have lost some income, through business failures and reduced premiums, in an industry where revenues have contracted by approximately 4% during the period. Against this backdrop we have made good progress in the year.

Accounting Changes

The Board has decided to change the group's revenue recognition policy to reflect better the profile of many of our contracts and spread license revenues over the contract term. This will slightly depress our earnings in the early years following the change, but will increase the proportion of recurring revenue in subsequent years. We have always adopted conservative accounting policies and this change is consistent with this approach as well as making it easier for users of our accounts to compare our performance against our peers.

Continued Strong Market Opportunity

The backdrop of a tougher climate for both insurers and brokers is bringing us more opportunity in both UK broking and international insurance company solutions.

The larger UK broking organisations are taking the opportunity to rationalise systems to gain efficiencies to cope with small losses of premium income. As the largest provider in the market, this is mainly to our benefit as organisations look towards proven flexible systems from a secure scale partner.

In the insurer market there is growing momentum internationally for change in front and back office systems to enable the flexibility, efficiency and speed to market that is required in a world where investment income is minimal and claims costs are increasing.

Premiums are rising in many personal lines markets to counter claims and fraud costs and new products are necessary in many personal and commercial markets to mirror the change in buying habits of consumers, as well as in e-trading with brokers, affinities and agency partners.

Secure Financial Positions

At an operating level, we continue to drive strong cash flows which significantly exceed our costs and bank interest charges. We accrue interest costs on loans from shareholders, which do not fall due until September 2028. Hellman & Friedman is a very strong and supportive shareholder who will help us acquire further when good value acquisitions become available.



SSP made steady progress with slightly improved like-for-like profitability at the EBITDA level on similar revenues.

The backdrop of a tougher climate for both insurers and brokers is bringing us more opportunity in both UK broking and international company solutions.

David Rasche
Chairman

Chairman's Report (continued)

Strong Governance

The board and its committees regularly analyse our risks, review financial performance and forecasts, keep a watch on remuneration in the company and competitors and overall ensure we maintain a secure business. We regularly invite various executives and outside parties to present to the board.

Social Responsibility

We continue to support a number of charities with events to raise money and their profile both within our business and beyond. We are working hard in the business to promote high ethical standards and to make the SSP business a great place to work in all its territories.

Committed Staff

It has been a testing year for many of the SSP teams, with customers demanding even better support as they trim staff numbers. We have also re-aligned the insurer business and, despite additional pressures, our staff have continued to demonstrate great commitment to the company and our customers.

Customer Relationships

We have gained several new customers during the year who have been complimentary about our style of working and we look forward to developing strong partnerships with them over the coming years. Many of our customers have again this year increased their business with us across our territories. We are grateful to them on both counts and pleased that they value the business partnerships we have with them.

David A Rasche
Chairman

Group Chief Executive's Report

Financial Performance

I am pleased to report another strong financial performance for the year. At group level, total revenues for the year ended 31 March 2010 were stable at £72.2m compared to £72.8m in the prior year. Excluding revenues from Media Maker Limited, a unit acquired as part of the group's acquisition of Sirius Financial Solutions Plc in 2007 which was sold during the year, core revenues increased by 2% from £69.4m in the year ended 31 March 2009 to £70.6m in the year ended 31 March 2010. The result reflects a solid performance against a difficult economic environment.

The group's operating result has shown a modest increase, with adjusted operating profit rising to £12.5m¹ in the year ended 31 March 2010, from £12.3m in the prior year. The group's operating profit margin as a percentage of revenues therefore improved slightly to 17.3% in 2010 from 16.9% in 2009.

In the Broking division, which serves the UK Broker market, revenues increased by 3% to £48.9m.

In the Insurer division, responsible for the supply of software and services to worldwide insurance companies, revenues were £23.2m. The decrease from prior year being explained mainly by the disposal of Media Maker Limited.

Excluding Media Maker revenues, the UK business of the Insurer division delivered revenues of £12.7m, an increase of 21% on the prior year. This reflects strong wins with our new Insure⁴ product.

The International business delivered revenues of £10.5m, approximately 7% down on prior year, largely as a result of a contraction in the level of activity in mainland Europe.

The results reflect a voluntary change in accounting policy implemented this year in respect of revenue recognition. The change is in order to provide reliable and more relevant information about the effects of the sale of software licenses on the group's financial position and performance. The board considers that the change will improve the comparability of the group's financial reporting with other participants in the sector in which the group operates. The nature and impact of the change is set out more fully within the notes to the consolidated financial statements below.

Under the previous revenue recognition policy, Earnings before Interest Tax Depreciation and Amortisation (EBITDA) for the year ended 31 March 2010 would have amounted to £18.4m compared to £17.8m in the previous year, an increase of 4%. In contrast, EBITDA reported under the new revenue recognition policy is flat year-on-year, amounting to £13.9m in each year.

Products & Services

We continue to make headway with streamlining our broker administration platforms, and the delivery of a single set of trading platforms for these administration systems is now a reality. Significant interest in our Insight call centre solution underpins strong service and transaction revenue moving forward.



Core revenues increased by 2% from £69.4m in the year ended 31 March 2009 to £70.6m in the year ended 31 March 2010.

The result reflects a solid performance against a difficult economic environment.

Laurence Walker
Chief Executive

¹ Operating profit (£5.8m) plus intangible amortisation (£5.9m) plus reorganisation costs (£0.8m)

Chief Executive's Report (continued)

We now have three engagements on our new Insure^J product, one in each of our key territories: Asia Pacific, Europe and Africa. These wins demonstrate that we have developed a product suitable for the international insurer market and therefore a compelling proposition for the users of legacy technology worldwide. In addition to the wins with Insure^J, we already have a number of our existing customers committed to S4i.net, our latest release of the S4i product.

Our customer satisfaction surveys have shown improved performance by our service and delivery teams across the group. We have grown the capability of our Indian development centre and more of our work is delivered overseas.

Operating Structure

Our central services model continues to deliver efficiencies for the group. The consolidation of the UK and International Insurer divisions last year and the combination of the Broker divisions previously allows better integration between the central functions and the business divisions.

Customers

The stalling of broker market consolidation due to the economic climate is still an ongoing theme. The larger brokers are starting to look for efficiencies in their own organisations and this is driving change, which in turn means some larger brokers have renewed commitments or have signed up for new arrangements. Our transaction volumes continue to increase, reflecting continued growth in insurance volumes. However, there are strong competitive pressures in personal lines markets and rates are still low in SME markets.

The Insurer market is more buoyant internationally than in the UK. Nevertheless, we are starting to see the early signs of engagements coming onto the domestic market. Deal pipeline is strengthening, reflecting insurance companies' search for efficiencies in the short to medium term, as well as longer term strategic outcomes to resolve the constraints inherent in legacy technology platforms.

Culture & Communication

Our comprehensive people agenda, to harmonise the various acquired units within the group, delivered significant benefits this year. We have implemented a single set of terms and conditions, flexible benefits, a new electronic performance management system and a new competency framework. All of these initiatives are aimed at retaining, developing and recruiting the very best people in our industry.

The economic downturn has limited the group to modest growth during the period. We have continued to grow the business on a comparable basis and have strengthened our position in the market both in terms of our future outlook and against our competition. The growth achieved during the period reflects a strong business that is able to continue to invest in its future during these challenging economic times, in preparation for expected future expansion. I look forward to capitalising on these investments in the years to come.

Laurence J B Walker
Chief Executive

Consolidated Income Statement

Year ended 31 March 2010

	2010 £'000	Restated ² 2009 £'000
Revenue	72,197	72,822
Cost of sales	(41,516)	(43,567)
Gross Profit	30,681	29,255
Operating expenses:		
– Distribution costs	(7,982)	(6,957)
– Administration expenses	(10,003)	(9,786)
– Intangible amortisation	(5,964)	(3,915)
– Reorganisation costs	(788)	(590)
– Share option expense	–	(209)
– Loss on disposal of subsidiary undertaking	(167)	–
– Total administrative expenses	(16,922)	(14,500)
Total Operating Expenses	(24,904)	(21,457)
Profit before interest & taxation	5,777	7,798
EBITDA³	13,880	13,854
Investment revenue	287	441
Other gains & losses	(648)	(2,042)
Finance costs ⁴	(6,438)	(6,444)
Loss before taxation	(1,022)	(247)
Taxation	2,868	600
Profit for the year attributable to equity holders of the parent	1,846	353

All of the above results arose from continuing operations.

² Amounts reflect a restatement of revenues following a voluntary change in revenue recognition policy in 2010. The nature and impact of the change is set out more fully within the note below regarding the basis of preparation of the consolidated financial statements.

³ EBITDA is calculated as Profit before interest and taxation and before depreciation and amortisation.

⁴ Finance costs are stated before deferred interest costs on the parent company loan amounting to £20.0m (2009: £9.2m) which is not payable until 2028.

Consolidated Statement of Comprehensive Income

Year ended 31 March 2010

	2010 £'000	Restated ⁵ 2009 £'000
Exchange differences on translation of foreign operations	(2,107)	608
Equity settled share based payments recognised in equity	–	209
Deferred tax on items recognised directly in equity	–	58
	(2,107)	875
Profit for the year ⁶	1,846	353
Total comprehensive income for the year	(261)	1,228

⁵ Amounts reflect a restatement following a voluntary change in revenue recognition policy in 2010. The nature and impact of the change is set out more fully within the note below regarding the basis of preparation of the consolidated financial statements.

⁶ Profit for the year ended 31 March 2009, amounting to £0.4m, comprises a £1.4m profit in the period ended 30 September 2008, prior to the acquisition of SSP Holdings Limited, and £1.0m loss in the post-acquisition period ended 31 March 2009.

Consolidated Statement of Financial Position

As at 31 March 2010

	2010 £'000	Restated ⁷ 2009 £'000
Non-current assets		
Goodwill	164,973	164,235
Other intangible assets	54,241	57,859
Property, plant & equipment	3,403	3,796
Deferred tax asset	2,346	–
	224,963	225,890
Current assets		
Inventories	34	162
Trade & other receivables	18,873	16,146
Cash & cash equivalents	8,764	8,682
Total current assets	27,671	24,990
Current liabilities		
Trade & other payables	17,625	17,201
Corporation tax	1,588	37
Obligations under finance leases	–	49
Borrowings	2,686	4,051
Provisions	133	133
Total current liabilities	22,032	21,471
Net current assets	5,639	3,519
Non-current liabilities		
Borrowings ⁸	214,031	212,109
Provisions	556	689
Derivative financial instruments	2,945	3,459
Deferred tax liability	13,059	12,880
Total non-current liabilities	230,591	229,137
Net assets	11	272
Equity		
Share capital	673	673
Translation reserve	(1,499)	608
Retained earnings ⁸	837	(1,009)
Equity attributable to equity holders of the parent	11	272

The consolidated group balance sheets are those of H&F Sensor Holdco Limited⁸, a company formed at the direction of funds managed and advised by Hellman & Friedman LLC for the purpose of acquiring the entire share capital of SSP Holdings Limited in September 2008.

⁷ Amounts reflect a restatement following a voluntary change in revenue recognition policy in 2010. The nature and impact of the change is set out more fully within the note below regarding the basis of preparation of the consolidated financial statements.

⁸ Excluding deferred interest costs on the parent company loan amounting to £29.9m (2009: £9.2m) not payable until 2028.

Consolidated Statement of Cash Flows

Year ended 31 March 2010

	2010 £'000	2009 £'000
Net cash flows from operating activities	8,142	10,121
Investing activities		
Purchases of property, plant & equipment	(1,901)	(1,738)
Purchase of intangible assets	(423)	(388)
Expenditure on product development	(1,923)	(3,713)
Acquisition of subsidiary undertakings & businesses	–	(141,080)
Disposal of subsidiary undertaking	671	–
Net cash used in investing activities	(3,576)	(146,919)
Financing activities		
Repayment of bank loans	(4,388)	(44,227)
Repayment of other loans	(300)	–
Repayment of obligations under financial leases	(49)	(131)
Proceeds on issue of shares	–	673
Proceeds on issue of loan notes	–	110,499
New bank loans	–	79,955
Net cash (used in)/from financing activities	(4,737)	146,769
Net (decrease)/increase in cash & cash equivalents	(171)	9,971
Cash & cash equivalents at beginning of year	8,682	(1,597)
Effect of foreign exchange rate changes	253	308
Cash & cash equivalents at end of year	8,764	8,682

Group Staff Numbers

Year ended 31 March 2010

The average monthly number of staff during the year was as follows:	2010 £'000	2009 £'000
Production – employees	694	706
Production – contractors	17	44
Administration	67	67
	778	817

Basis of Preparation of the Consolidated Financial Statements

31 March 2010

The financial information set out above does not constitute the group's statutory accounts for the periods ended 31 March 2010 or 2009, but is derived from those accounts and the accounts of its subsidiaries. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498 of the Companies Act 2006.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost convention as modified by the revaluation of certain financial instruments at fair value through profit or loss.

Revenue recognition

In 2010 the group implemented a voluntary change in accounting policy in respect of revenue recognition in order to provide reliable and more relevant information about the effects on its financial position and performance of the sale of those software licenses which form part of a multiple element contract.

Previously, revenue relating to software licenses granted under a multiple element term contract was recognised when the license was issued and a legally binding commitment existed. Revenue attributed to the license component was separately identified from that related to the associated support and other elements of the contract and recognised at management's estimate of fair value for each component.

Following the change in policy, where there is no vendor specific objective evidence that term licenses and support components exist independently of each other, revenue relating to software licenses granted under such a contract are recognised together with support components rateably over the term of the agreement.

The effect of the change, which has been applied retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', is a reduction in revenues amounting to £4,474,000 (2009: £3,927,000), a reduction in Trade and other receivables balances at 31 March 2010 amounting to £3,248,000 (2009: £11,334,000 of which £3,123,000 relates to the reduction in revenues in the post-acquisition period and £8,211,000 relates to restatement of acquired balances), an increase in Trade and other payables balances at 31 March 2010 amounting to £1,226,000 (2009: £Nil), and an increase in the tax credit for the current year by £667,000 (2009: £Nil).

In addition, the fair value of the net assets acquired by the group upon acquiring the entire share capital of SSP Holdings Limited in September 2008 is reduced by an amount of £8,211,000 as a result of the restatement of the Trade and other receivables balances and retained profit and loss account reserves of the acquired group, with a corresponding increase in the amount of goodwill arising on acquisition.

Officers & Professional Advisers

Directors

D A Rasche – Non-executive Chairman
L J B Walker – Chief Executive
N J Bate – Finance Director
S Bow – Managing Director – UK Broking Division
S Duckett – Non-executive Director
B Kleinman – Non-executive Director
G Folwell – Non-executive Director
N Discombe – Non-executive Director

Secretary

N J Bate

Registered Office

Fearnley Mill
Dean Clough
Halifax
West Yorkshire
HX3 5AX

Bankers

Barclays Bank plc
PO Box 190
2nd Floor
1 Park Row
Leeds
LS1 5WU

Solicitors

Hammonds LLP
Trinity Court
16 John Dalton Street
Manchester
M60 8HS

Auditors

Deloitte LLP
Chartered Accountants & Statutory Auditors
1 City Square
Leeds
LS1 2AL



Head Office: Fearnley Mill, Dean Clough, Halifax, West Yorkshire, HX3 5AX Tel: +44 (0)1422 330022

Solihull Office: 2500 The Crescent, Birmingham Business Park, Solihull, West Midlands, B37 7YE Tel: +44 (0)121 779 8400



www.ssp-worldwide.com

