BLUESURE LIMITED

Financial Statements

for the year ended 31 December 2002

BLUESURE LIMITED

COMPANY INFORMATION

DIRECTORS

G D Chilton	
T J Carroll	(Resigned 1 October 2002)
J L P Whiter	
J D Coll	(Resigned 8 July 2002)
J Groenvold	
A G Martin	
A Holland	(Resigned 3 July 2002)
S C Gilbert	(Appointed 13 August 2003)
J Abraham van Tonder	(Appointed 13 March 2003)
J van Zyl	(Appointed 13 March 2003, resigned 13 August 2003)

SECRETARY

G R G Stiff

REGISTERED OFFICE

55 Bishopsgate
London EC2N 3BD

REGISTERED NUMBER

3940496

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

BLUESURE LIMITED

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BLUESURE LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2002.

Review and future development of the business

The principal activity of the company is that of personal lines insurance services. The directors will continue to develop this business further in the forthcoming year.

Share Capital

Details of the current share capital of the company and the changes during the year are given in Note 10 to the financial statements.

Results and dividends

The results of the company for the year are shown on page 7. The directors do not recommend the payment of a dividend. The loss of £8,038,490 (2001: £5,982,040) has been charged to reserves.

Directors

The directors of the company are listed on page 2, and have been directors throughout the period from 1 January 2002 until the date of this report unless stated otherwise.

Directors' interests

The directors' interests in the shares of the company were as follows

	At 31 December 2002	At 31 December 2001
	Ordinary shares of £1 each	
A G Martin	6,122	1,000

None of the other directors at 31 December 2002 had any interest in the shares of the company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

BLUESURE LIMITED

DIRECTORS' REPORT CONTINUED

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By order of the board

G R G Stiff
Secretary

55 Bishopsgate
London EC2N 3BD

27 April 2004

BLUESURE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLUESURE LIMITED

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out on page 10.

Respective responsibilities of directors and 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

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 at 31 December 2002 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
27 April 2004

BLUESURE LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2002

Notes		Year Ended 31 December 2002 £	Year Ended 31 December 2001 £
1	Turnover	**316,571**	10,145
2	Net operating expenses	**(7,994,673)**	(5,987,566)
	Operating loss on ordinary activities	**(7,678,102)**	(5,977,421)
	Interest receivable	**10,369**	1,077
	Interest payable	**(370,663)**	-
	Loss on ordinary activities before taxation	**(8,038,396)**	(5,976,344)
5	Taxation on loss on ordinary activities	**(94)**	(5,696)
	Loss on ordinary activities after taxation	**(8,038,490)**	(5,982,040)
11	**Retained loss for the year**	**(8,038,490)**	(5,982,040)

The company's expenses all relate to continuing operations.

The company has no recognised gains and losses other than the loss reported above.

BLUESURE LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2002

Notes		2002 £	2001 £
	Fixed assets		
7	Tangible assets	**1,301,290**	2,002,098
	Current assets		
8	Debtors	**41,611**	175,334
	Cash	**1,838,696**	-
		1,880,307	175,334
9	Creditors – amounts falling due within one year	**(12,556,915)**	(4,518,260)
	Net current liabilities	**(10,676,608)**	(4,342,926)
	Net liabilities	**(9,375,318)**	(2,340,828)
	Capital and reserves		
10	Called up share capital	**5,105,000**	4,101,000
11	Share premium account	**20,000**	20,000
11	Profit and loss account	**(14,500,318)**	(6,461,828)
12	**Shareholders' funds (including non-equity)**	**(9,375,318)**	(2,340,828)
	Analysis of shareholders' funds		
	Equity	**(14,375,318)**	(6,340,828)
	Non-Equity	**5,000,000**	4,000,000
		(9,375,318)	(2,340,828)

Approved by the Board on 27 April 2004 and signed on its behalf by:

AG Martin.

A G Martin
Director

BLUESURE LIMITED

CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

Notes		Year ended 31 December 2002 £	Year ended 31 December 2001 £
13	**Net cash outflow from continuing operations**	**(5,477,380)**	(5,532,043)
	Returns on investments and servicing of finance		
	Interest received	**10,369**	1,077
	Interest paid	**(36)**	-
		10,333	1,077
	Taxation	**(1,599)**	(4,190)
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	**(77,868)**	(1,747,025)
	Net cash outflow before financing	**(5,546,514)**	(7,282,181)
	Financing		
	Issue of ordinary share capital	**4,000**	1,000
	Issue of preference share capital	**-**	3,250,000
	Net increase in financing from related undertakings	**7,579,184**	3,586,894
	Net cash inflow from financing	**7,583,184**	6,837,894
	Increase/(decrease) in net cash	**2,036,670**	(444,287)
	Reconciliation to net cash		
	Net cash balance at the beginning of the year	**(197,974)**	246,313
	Increase/(decrease) in net cash	**2,036,670**	(444,287)
	Net cash balance at the end of the year	**1,838,696**	(197,974)

BLUESURE LIMITED

ACCOUNTING POLICIES

Basis of preparation of the financial statements

The Company incurred losses of £8.0m during the year. In order to continue its development beyond the date of these financial statements, further funding was therefore required.

In March 2003 the company and its then shareholders entered into a Subscription and Shareholding Agreement with Santam Limited whereby Santam Ltd will provide additional finance of up to £4.5m. In order for this to occur the following arrangements took place:

- the issue of 3,515,592 new shares to Benfield Holdings Limited in return for debt outstanding.

- the signing of a formal term loan agreement between Benfield and Bluesure for existing debt outstanding of £1.5m.

- the adoption by the Company of new Articles of Association which provided for the division of the Company's authorised share capital of £17,241,910 in to 4,500,000 A shares, 4,500,000 B shares, 4,370,625 Ordinary shares and 3,871,285 Deferred shares.

- the subscription by Santam Limited for (i) 48.3% of the voting rights (100% of the 'B' ordinary shares) for £4.5m and (ii) 1,900,000 Deferred Shares held by Benfield Holdings Limited.

- the setting up of an additional working capital facility for £3m to be drawn down equally from Benfield and Santam, if the £4.5m described above is utilised.

The financial statements have been prepared on a going concern basis, which reflects that the refinancing proposals referred to above have been completed successfully.

As a result of the successful completion of these refinancing proposals, the directors believe that it is appropriate to prepare the accounts on a going concern basis, given the expectation that the additional finance will be adequate for the next stage of the company's development.

Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and the applicable UK accounting standards. A summary of the company's accounting policies, which have been applied consistently, is set out below.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over their estimated useful lives and will be charged from the date the assets are brought into use (see note 7). Software that is purchased from a third party is capitalised where it relates to long term IT infrastructure on a continuing use basis.

ACCOUNTING POLICIES CONTINUED

Impairment of fixed assets

The group undertakes a review for impairment of fixed assets if events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, which is the higher of net realisable value and value in use, the fixed asset is written down to its recoverable amount.

Taxation

The charge for taxation is based on the result for the period at current rates of tax and takes into account 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 that result in a future obligation to pay more tax or a future right to pay less tax have occurred. Timing differences give rise to differences between the company's taxable profits and its results as stated in the financial statements. Deferred tax is measured on a non-discounted basis.

Turnover

Turnover is attributable to the principal activity of personal lines insurance services and is recognised as these services are rendered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

1 TURNOVER

Turnover is attributable to the principal activity of personal lines insurance services arising in the United Kingdom

2 NET OPERATING EXPENSES

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Expenses are shown		
After charging:		
Depreciation (Note 7)	**778,676**	277,890
Staff costs (Note 3)	**1,226,286**	672,515

Audit fees have been borne by a related entity.

3 STAFF COSTS

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Emoluments		
Wages and salaries	**998,264**	521,557
Social security costs	**101,484**	70,087
Other pension costs	**126,538**	80,871
	1,226,286	672,515

The average number of people, including executive directors, employed by the company during the year is 22 (2001: 14).

4 DIRECTORS

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Remuneration		
Total emoluments	**384,871**	284,550
Contributions to money purchase pension schemes	**43,263**	41,925

The remuneration of directors disclosed above includes the following amounts paid to the highest paid director:

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Total emoluments	**244,393**	149,801
Contributions to money purchase pension schemes	**28,535**	20,485

5 TAXATION

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Based on the loss for the year		
Adjustment in respect of prior periods	94	5,696

In accordance with FRS 19 tax credits will be recognised in future periods to the extent that the company generates taxable profits, see note 8.

7 FIXED ASSETS

	Fixtures and fittings £	Computer Equipment £	Total £
Cost			
At 1 January 2002	-	2,279,988	2,279,988
Additions	1,260	76,608	77,868
At 31 December 2002	**1,260**	**2,356,596**	**2,357,856**
Depreciation			
At 1 January 2002	-	(277,890)	(277,890)
Charge for the year	(52)	(778,624)	(778,676)
At 31 December 2002	**(52)**	**(1,056,514)**	**(1,056,566)**
Net book value			
At 31 December 2002	**1,208**	**1,300,082**	**1,301,290**
At 31 December 2001	-	2,002,098	2,002,098
Depreciation rate	20% - 25%	25% - 33%	

8 DEBTORS

	2002 £	2001 £
Due within one year		
Trade debtors	**37,764**	-
Other debtors	**3,847**	8,810
Prepayments and accrued income	-	166,524
	41,611	175,334

There is an unrecognised deferred tax asset of £4,092,000 (2001: £1,882,000) which will be recoverable to the extent that the company generates taxable profits in future periods.

9 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Overdraft	-	197,974
Insurance balances	**108,295**	108,295
Amounts owed to related undertakings	**10,449,810**	3,765,832
Corporation tax	-	1,505
Other creditors	**1,789,322**	41,904
Accruals and deferred income	**209,488**	402,750
	12,556,915	4,518,260

10 SHARE CAPITAL

	2002 £	2001 £
Authorised		
170,625 ordinary shares of £1 each	**170,625**	170,625
71,285 deferred shares of £1 each	**71,285**	71,285
3,000,000 'A' preference shares of £1 each	**3,000,000**	3,000,000
2,000,000 'B' preference shares of £1 each	**2,000,000**	2,000,000
12,000,000 'C' preference shares of £1 each	**12,000,000**	0
	17,241,910	5,241,910
Allotted, issued and fully paid during the year		
105,000 ordinary shares of £1 each	**105,000**	29,715
71,285 deferred shares of £1 each	**-**	71,285
3,000,000 preference 'A' shares of £1 each	**3,000,000**	3,000,000
2,000,000 preference 'B' shares of £1 each	**2,000,000**	1,000,000
	5,105,000	4,101,000

The 3,000,000 fully paid preference 'A' shares attract a cumulative preferential dividend out of profits available for distribution at the annual rate of 6% on the nominal amount of each 'A' preference share.

The 2,000,000 fully paid preference 'B' Shares attract a cumulative preferential dividend out of profits available for distribution at the annual rate of 6% on the nominal amount of each 'B' preference share.

The cumulative preferential dividend for the preference 'A' shares and preference 'B' shares has not been accrued as the company has no profits available for distribution.

Changes in share capital

During 2002 the company worked towards raising new capital. In preparation for the proposed new investment a number of changes were made to the share capital as follows:

3 July 2002	71,285 Deferred Shares of £1 held by Benfield Holdings Limited (formerly Benfield Group plc) were converted back into 71,285 Ordinary Shares, resulting in the company becoming a subsidiary of Benfield Group plc
15 July 2002	In accordance with the Shareholders' Agreement Benfield Holdings Limited converted £1,000,000 of the loans that it had made to the company into 'B' Preference Shares.
16 July 2002	The company allotted 4,000 new Ordinary Shares of £1 each at par to the three corporate investors. The intention being that these shares would subsequently be transferred to an Employee Benefit Trust that was to be set up for the benefit of the employees of the company.
5 August 2002	The company's authorised share capital share capital was increased to £17,241,910 by the creation of 12,000,000 'C' preference shares of £1 each.

11 RESERVES

	Share premium account 2002 £	Profit and loss account 2002 £	Share premium account 2001 £	Profit and loss account 2001 £
At the beginning of the year	**20,000**	**(6,461,828)**	20,000	(479,788)
Retained loss for the year	**-**	**(8,038,490)**	-	(5,982,040)
At the end of the year	**20,000**	**(14,500,318)**	20,000	(6,461,828)

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Opening shareholders' funds	**(2,340,828)**	390,212
Capital raised	**1,004,000**	3,251,000
Loss for the year	**(8,038,490)**	(5,982,040)
Closing shareholders' funds	**(9,375,318)**	(2,340,828)

13 RECONCILIATION OF OPERATING PROFIT TO NET CASHFLOW FROM OPERATING ACTIVITIES

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Operating loss	**(7,678,102)**	(5,977,421)
Decrease / (increase) in debtors	**133,724**	(41,964)
Increase in creditors	**1,288,322**	209,452
Depreciation	**778,676**	277,890
Net cash outflow from continuing operations	**(5,477,380)**	(5,532,043)

14. POST BALANCE SHEET EVENTS

Prior to the year end, two of the corporate shareholders advanced money to the company to cover the future servicing costs of business placed. During 2003, these contributions have funded these servicing costs as they have arisen.

In January 2003 Benfield Holdings Limited acquired all of the shares held by the two other corporate shareholders and in March 2003 it acquired the shares held by Mr J Coll. In February 2003, in anticipation of the investment by Santam Limited, the share capital was re-organised and the 'A' Preference Shares were converted into fully paid Ordinary shares and Deferred Shares by application of the ratio of 240 Ordinary Shares and 760 Deferred Shares for every 1,000 'A' Preference shares. At the same time the 'B' Preference Shares were converted into fully paid Ordinary shares and Deferred Shares by application of the ratio of 240 Ordinary Shares and 760 Deferred Shares for every 1,000 'B' Preference shares.

In March 2003 the Company and its shareholders signed a Subscription and Shareholders Agreement with Santam Limited, a company incorporated in South Africa. The Subscription and Shareholders Agreement provides for the provision of up to £4.5m of working capital to the Company in accordance with an agreed business plan. In connection with this investment, new Articles of Association were adopted on 12 March 2003, which provided for the division of the Company's authorised share capital of £17,241,910 into 4,500,000 A shares, 4,500,000 B shares, 4,370,625 Ordinary shares and 3,871,285 Deferred shares.

15. ULTIMATE PARENT COMPANY

At 31 December 2002 the immediate parent undertaking was Benfield Holdings Limited (formerly Benfield Group plc).

During 2002, following the restructuring of the capital of the company, Benfield Holdings Limited increased its holding in the company to 95% from the 13% held at the start of the year. Whilst the equity holding increased above 50% Bluesure Limited has not been consolidated by Benfield Group plc as its majority stake was held for subsequent resale. Under the final stage of the restructuring, which was completed in March 2003, the holding of Benfield Holdings Limited was reduced to 48%.