

# **BLUESURE LIMITED**

## **Financial Statements**

**for the year ended 31 December 2003**



# **BLUESURE LIMITED**

## **COMPANY INFORMATION**

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### **DIRECTORS**

G D Chilton	
J L P Whiter	
J Groenvold	
A G Martin	
S C Gilbert	(Appointed 13 August 2003)
J A van Tonder	(Appointed 13 March 2003)
J van Zyl	(Appointed 13 March 2003, resigned 13 August 2003)
D B De Stadler	(Appointed 2 July 2004)

### **SECRETARY**

G R G Stiff

### **REGISTERED OFFICE**

55 Bishopsgate  
London EC2N 3BD

### **REGISTERED NUMBER**

3940496

### **AUDITORS**

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

# **BLUESURE LIMITED**

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# BLUESURE LIMITED

## DIRECTORS' REPORT

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The directors present their report and the audited financial statements of the company for the year ended 31 December 2003.

### Principal activities

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.

### Business review and future developments

The company will continue to carry on the business of personal lines insurance services.

### Results and dividends

The company's loss for the financial year is £4,284,712 (2002 loss: £8,038,490). The directors do not recommend the payment of a dividend. The loss of £4,284,712 (2002: £8,038,490) has been charged to reserves.

### Directors and their interests

The directors of the company are listed on page 1, and have been directors throughout the period from 1 January 2003 until the date of this report, unless otherwise stated.

The directors' interests in the shares of the company at 31 December 2003 were as follows:

	2003 Number	2002 Number
Ordinary shares of £1 each		
A G Martin	317,592	6,122

### 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 period. 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.

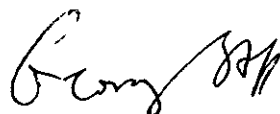
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have 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.

### Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution proposing their reappointment will be put to the Annual General Meeting.

by order of the Board



G R G Stiff  
Secretary  
23 December 2004

# **BLUESURE LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLUESURE LIMITED**

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We have audited the financial statements, which comprise the profit and loss account, the balance sheet, cash flow and the related notes.

### **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.

### **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.

### **Fundamental Uncertainty – going concern**

In forming our opinion we have considered the adequacy of the disclosures made in the Basis of Preparation paragraphs within the Accounting Policies note in the financial statements, concerning the uncertainty as to whether the company will remain in operational existence for at least the next twelve months. The financial statements have been prepared on a going concern basis, the validity of which depends on the company achieving its business plan or otherwise securing any additional funding that may be required during that period. The financial statements do not include any adjustments that would result from the company's inability to continue in operational existence.

In the event that further funding is required but is not secured the principal shareholders have agreed to provide the company with adequate resources for it to be able to achieve an orderly run off.

In view of the importance of this uncertainty we consider we should draw it to your attention but our opinion is not qualified in this respect.

# BLUESURE LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLUESURE LIMITED

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### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 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

23 December 2004

# **BLUESURE LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003**

		2003 £	2002 £
Notes			
1	Turnover	247,867	316,571
	Net operating expenses	(4,532,949)	(7,994,673)
2	<b>Operating Loss</b>	<b>(4,285,082)</b>	<b>(7,678,102)</b>
	Interest Receivable	10,739	10,369
	Interest Payable	(10,369)	(370,663)
	<b>Loss on ordinary activities before taxation</b>	<b>(4,284,712)</b>	<b>(8,038,396)</b>
5	Taxation on loss on ordinary activities	-	(94)
11	<b>Retained loss for the financial year</b>	<b>(4,284,712)</b>	<b>(8,038,490)</b>

The company's turnover and expenses all relate to continuing operations.

There is no difference between the loss on ordinary activities and historic cost equivalents.

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

# **BLUESURE LIMITED**

## **BALANCE SHEET AS AT 31 DECEMBER 2003**

		2003 £	2002 £
Notes			
	<b>Fixed Assets</b>		
6	Tangible assets	<u>1,437,390</u>	<u>1,301,290</u>
	<b>Current Assets</b>		
7	Debtors	156,850	41,611
	Cash at bank and in hand – including fiduciary funds	<u>578,032</u>	<u>1,838,696</u>
		<b>734,882</b>	<b>1,880,307</b>
	<b>Current Liabilities</b>		
8	Creditors – amounts falling due within one year	<u>(4,247,361)</u>	<u>(12,556,915)</u>
	<b>Net Current Liabilities</b>	<u>(3,512,479)</u>	<u>(10,676,608)</u>
	<b>Net Liabilities</b>	<u>(2,075,089)</u>	<u>(9,375,318)</u>
	<b>Capital and Reserves</b>		
9	Called up share capital	10,621,592	5,105,000
	Share premium account	6,088,349	20,000
10	Profit and loss account	<u>(18,785,030)</u>	<u>(14,500,318)</u>
11	<b>Deficit on Shareholder's Funds</b>	<u>(2,075,089)</u>	<u>(9,375,318)</u>
<b>Analysis of deficit on shareholders' funds</b>			
	Equity	(2,075,089)	(14,375,318)
	Non-Equity	-	5,000,000
		<u>(2,075,089)</u>	<u>(9,375,318)</u>

Approved by the Board on 23 December 2004 and signed on its behalf by:

*A G Martin*

**A G Martin**  
Director



# **BLUESURE LIMITED**

## **CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003**

	2003 £	2002 £
Notes		
12 Net cash outflow from continuing operations	(4,929,791)	(5,477,380)
<b>Returns on investments and servicing of finance</b>		
Interest received	10,739	10,369
Interest paid	(10,369)	(36)
	<u>370</u>	<u>10,333</u>
<b>Taxation</b>	-	(1,599)
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	<u>(662,827)</u>	<u>(77,868)</u>
<b>Net cash outflow before financing</b>	<b>(5,592,248)</b>	<b>(5,546,514)</b>
<b>Financing</b>		
Issue of ordinary share capital	2,635,000	4,000
Net increase in financing from related undertakings	<u>1,696,584</u>	<u>7,579,184</u>
<b>Net cash inflow from financing</b>	<b>4,331,584</b>	<b>7,583,184</b>
<b>Increase/(decrease) in net cash</b>	<b>(1,260,664)</b>	<b>2,036,670</b>
<b>Reconciliation to net cash</b>		
Net cash balance at 1 January	1,838,696	(197,974)
<b>Increase/(decrease) in net cash</b>	<b>(1,260,664)</b>	<b>2,036,670</b>
<b>Net cash balance at 31 December</b>	<b><u>578,032</u></b>	<b><u>1,838,696</u></b>

# **BLUESURE LIMITED**

## **ACCOUNTING POLICIES**

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### **Basis of preparation of the financial statements**

The balance sheet of the company shows net liabilities of £2,075,089 and a retained loss for the financial year of £4,284,712. The Directors have concluded that it is appropriate for the accounts to be prepared on a going concern basis. In arriving at this conclusion, the directors have taken into account the factors set out below.

The company has secured support from its principal shareholders Benfield Holdings Limited and Santam UK Limited in the form of a further borrowing facility sufficient to meet the company's forecast funding requirements for the next 12 months. After this point the company is forecasting to generate positive cashflows. In addition, Benfield Holdings Limited and Santam UK Limited have agreed that the existing liabilities due to them will not be repayable in the next 12 months.

However, the company's forecasts assume a significant improvement in sales and profitability. Inherently there can be no certainty that the plans will be achieved. In the event that the forecasts are not achieved, the company may need to seek further funding from Benfield Holdings Limited, Santam UK Limited or other sources.

It is uncertain whether, if such further funding is required, it will be obtained. In the absence of such future funding the company may not be able to continue in operational existence. The financial statements do not include any adjustments that would result from the company's inability to continue in operational existence, including potential impairment of tangible fixed assets. However, in that event, the principal shareholders have agreed to provide the company with adequate resources to be able to achieve an orderly and solvent run off.

Notwithstanding the consequences of the uncertainty surrounding the achievement of the sales forecast, the directors believe that it is likely that the business plan will be met and that therefore the Company will have sufficient resources to continue in operational existence. The directors have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis.

### **Accounting convention**

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

### **Turnover**

Turnover is attributable to the principal activity of personal lines insurance services and is recognised when these services have been rendered and the associated premium has actually been collected.

### **Taxation**

The charge for taxation is based on the profit for the year 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 future right to pay less tax have occurred. Timing differences are 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 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.

### **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 (see note 6). Software that is purchased from a third party is capitalised where it relates to long term information technology infrastructure on a continuing use basis.

# BLUESURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 1. TURNOVER

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

### 2. NET OPERATING LOSS

	2003 £	2002 £
<b>Net operating loss is stated after charging:</b>		
Depreciation (Note 6)	884,829	778,676
Staff costs (Note 3)	1,248,050	1,226,286

Audit and annual filing fees were borne by an associated undertaking.

### 3. STAFF COSTS

	2003 £	2002 £
<b>Emoluments</b>		
Wages and salaries	1,005,037	998,264
Social security costs	110,031	101,484
Other pension costs	132,982	126,538
	1,248,050	1,226,286

The average number of people, including executive directors, employed by the company during the year was 14 (2002: 22).

### 4. DIRECTORS' EMOLUMENTS

	2003 £	2002 £
<b>Remuneration</b>		
Total emoluments	282,290	384,871
Contributions to money purchase pension schemes	35,225	43,263

The remuneration of the highest paid director included in the amounts above is set out below:

	2003 £	2002 £
Total emoluments	282,290	244,393
Contributions to money purchase pension schemes	35,225	28,535

### 5. TAX ON LOSS ON ORDINARY ACTIVITIES

#### Analysis of charge in year

	2003 £	2002 £
<b>Current tax:</b>		
Adjustments in respect of prior periods	-	94

# **BLUESURE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003**

### **6. TANGIBLE FIXED ASSETS**

	<b>Fixtures and Fittings £</b>	<b>Computer Equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2003	1,260	2,356,596	2,357,856
Additions	14,741	1,006,188	1,020,929
Disposals	-	-	-
<b>At 31 December 2003</b>	<b>16,001</b>	<b>3,362,784</b>	<b>3,378,785</b>
<b>Accumulated depreciation</b>			
At 1 January 2003	(52)	(1,056,514)	(1,056,566)
Charge for year	(561)	(884,268)	(884,829)
Disposals	-	-	-
<b>At 31 December 2003</b>	<b>(613)</b>	<b>(1,940,782)</b>	<b>(1,941,395)</b>
<b>Net book amount</b>			
<b>At 31 December 2003</b>	<b>15,388</b>	<b>1,422,002</b>	<b>1,437,390</b>
At 31 December 2002	1,208	1,300,082	1,301,290
Depreciation rates	20% - 25%	25% - 33%	

### **7. DEBTORS**

	<b>2003 £</b>	<b>2002 £</b>
<b>Amounts falling due within one year</b>		
Trade Debtors	37,157	37,764
Other Debtors	5,130	3,847
Prepayments and accrued income	114,563	-
	<b>156,850</b>	<b>41,611</b>

### **8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2003 £</b>	<b>2002 £</b>
Insurance balances	445,863	108,295
Amounts due to associated undertakings	3,196,452	10,449,810
Accruals & Deferred income	552,068	209,488
Other creditors	52,978	1,789,322
	<b>4,247,361</b>	<b>12,556,915</b>

# **BLUESURE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003**

### **9. SHARE CAPITAL**

	2003 £	2002 £
<b>Authorised</b>		
Ordinary Shares of £1 each	4,370,625	170,625
'A' ordinary shares of £1 each	4,500,000	-
'B' ordinary shares of £1 each	4,500,000	-
Deferred shares of £1 each	3,871,285	71,285
'A' preference shares of £1 each	-	3,000,000
'B' preference shares of £1 each	-	2,000,000
'C' preference shares of £1 each	-	12,000,000
	<b>17,241,910</b>	<b>17,241,910</b>

	2003 Allotted £	2003 Called up £	2002 Allotted and called up £
<b>Allotted and called up</b>			
Ordinary Shares of £1 each	320,592	320,592	105,000
'A' ordinary shares of £1 each	4,500,000	4,500,000	-
'B' ordinary shares of £1 each	2,001,000	2,001,000	-
Deferred shares of £1 each	3,800,000	3,800,000	-
'A' preference shares of £1 each	-	-	3,000,000
'B' preference shares of £1 each	-	-	2,000,000
	<b>10,621,592</b>	<b>10,621,592</b>	<b>5,105,000</b>

### **Changes to share capital during the year**

	Ordinary shares £	A Ordinary Shares £	B Ordinary Shares £	Deferred Shares £	A Preference Shares £	B Preference Shares £
<b>Called up</b>						
At 1 January 2003	105,000	-	-	-	3,000,000	2,000,000
Division of preference shares	1,200,000	-	-	3,800,000	(3,000,000)	(2,000,000)
Conversion of debt	3,515,592					
Re-designation	(4,500,000)	4,500,000	-	-	-	-
Allotted	-	-	2,001,000	-	-	-
<b>At 31 December 2003</b>	<b>320,592</b>	<b>4,500,000</b>	<b>2,001,000</b>	<b>3,800,000</b>	<b>-</b>	<b>-</b>

During 2003 the company successfully raised new capital and in doing so a number of changes were made to the share capital as follows:

In February 2003, in anticipation of the investment by Santam Limited, the following arrangements took place:

- 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

# BLUESURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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.

- 3,515,592 Ordinary Shares of £1 each were issued to Benfield Holdings Limited with consideration being the release of the company from a liability to pay £7,521,461 to Benfield Holdings Limited.

In March 2003 the company and its then shareholders entered into a Subscription and Shareholding Agreement with Santam Limited. In conjunction with this agreement, 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' Ordinary Shares of £1 each, 4,500,000 'B' Ordinary Shares of £1 each, 4,370,625 Ordinary Shares and 3,871,285 Deferred Shares. Subsequently, the following arrangements took place:

- It was resolved that 4,500,000 Ordinary Shares of £1 each held by Benfield Holdings Limited were re-designated as 4,500,000 'A' Ordinary Shares of £1 each.
- It was resolved that 4,500,000 of the authorised but unissued Ordinary Shares of £1 each were re-designated as 4,500,000 'B' Ordinary Shares of £1 each.
- The 4,500,000 'B' Ordinary Shares of £1 each were allotted and issued at par as partly paid with £2,001,000 of the total consideration being called and paid up by 31 December 2003 in accordance with the Subscription and Shareholders agreement.

### Deferred Shares

The deferred shares have no voting rights and do not rank for dividends or other distribution except on a winding up of the company when they are entitled to receive the amount paid up after the holders of 'A' Ordinary Shares, 'B' Ordinary Shares and Ordinary Shares have received the sum of £1,000,000 in respect of each such share.

### 10. RESERVES

	Share premium account 2003 £	Profit and loss account 2003 £	Share premium account 2002 £	Profit and loss account 2002 £
At 1 January	20,000	(14,500,318)	20,000	(6,461,828)
Shares Issued	6,068,349	-	-	-
Retained loss for the year	-	(4,284,712)	-	(8,038,490)
<b>At 31 December</b>	<b>6,088,349</b>	<b>(18,785,030)</b>	<b>20,000</b>	<b>(14,500,318)</b>

### 11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Opening shareholders' funds	(9,375,318)	(2,340,828)
Loss for the year	(4,284,712)	(8,038,490)
Capital raised	11,584,941	1,004,000
<b>Closing shareholders' funds</b>	<b>(2,075,089)</b>	<b>(9,375,318)</b>

## BLUESURE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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#### 12. RECONCILIATION OF OPERATING PROFIT TO NET CASHFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating loss	(4,285,082)	(7,678,102)
Decrease/(increase) in debtors	(115,239)	133,724
Increase/(decrease) in creditors	(1,414,299)	1,288,322
Depreciation	884,829	778,676
Net cash outflow from continuing operations	(4,929,791)	(5,477,380)

#### 13. POST BALANCE SHEET EVENTS

At varying intervals during 2004 the company called and received the remaining £2,499,000 proceeds in respect of the 4,500,000 partly paid 'B' Ordinary Shares of £1 each.

#### 14. RELATED PARTY TRANSACTIONS

During the period Benfield Holdings Limited and Santam UK Limited, both shareholders of the company, provided funding to finance the working capital requirements the company. The amount due to Benfield Holdings Limited in relation to this working capital funding at 31 December 2003 was £1,197,452 (2002: £6,368,512). The amount due to Santam UK Limited at 31 December 2003 was £499,000.

As part of the Subscription and Shareholding Agreement described above, a formal term loan agreement was signed between Benfield Holdings Limited and Bluesure for the existing debt outstanding of £1,500,000 after the issue of share capital.