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BLUESURE LIMITED

Financial Statements

for the year ended 31 December 2004



BLUESURE LIMITED

COMPANY INFORMATION

DIRECTORS

G D Chilton	
S C Gilbert	
J Groenvold	
AG Martin	(Resigned 3 May 2005)
D B De Stadler	(Appointed 2 July 2004)
J A van Tonder	
J L P Whiter	(Resigned 20 May 2005)

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

CONTENTS

Page

- 3. Directors' Report
- 4. Independent Auditors' Report
- 6. Profit and Loss Account
- 7. Balance Sheet
- 8. Cashflow Statement
- 9. Accounting Policies
- 10. Notes to the Financial Statements

BLUESURE LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

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 £2,362,999 (2003 loss: £4,284,712). The directors do not recommend the payment of a dividend and accordingly the loss of £2,362,999 (2003: £4,284,712) has been transferred 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 2004 until the date of this report, unless otherwise stated.

The directors' interests in the shares of the company at 31 December 2004 were as follows:

	2004 Number	2003 Number
Ordinary shares of £1 each		
A G Martin	317,592	317,592

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.

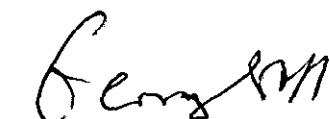
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have 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
8 July 2005

BLUESURE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLUESURE LIMITED

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**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 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

11 July 2005

BLUESURE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

		2004 £	2003 £
Notes			
1	Turnover	7,001	247,867
	Net operating expenses	(3,881,798)	(4,532,949)
2	Operating loss	(3,874,797)	(4,285,082)
	Interest Receivable	11,798	10,739
	Interest Payable	-	(10,369)
14	Loan waiver received	1,500,000	-
	Loss on ordinary activities before taxation	(2,362,999)	(4,284,712)
5	Taxation on loss on ordinary activities	-	-
11	Retained loss for the financial year	(2,362,999)	(4,284,712)

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

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

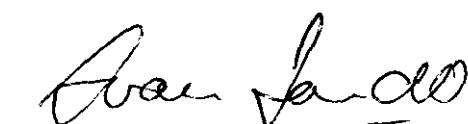
There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and the historic cost equivalents.

BLUESURE LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2004**

		2004	2003
		£	£
Notes			
	Fixed Assets		
6	Tangible assets	<u>1,535,389</u>	<u>1,437,390</u>
	Current Assets		
7	Debtors	167,336	156,850
	Cash at bank and in hand – including fiduciary funds	<u>126,823</u>	<u>578,032</u>
		294,159	734,882
	Current Liabilities		
8	Creditors – amounts falling due within one year	<u>(3,768,636)</u>	<u>(4,247,361)</u>
	Net Current Liabilities	<u>(3,474,477)</u>	<u>(3,512,479)</u>
	Net Liabilities	<u>(1,939,088)</u>	<u>(2,075,089)</u>
	Capital and Reserves		
9	Called up share capital	13,120,592	10,621,592
	Share premium account	6,088,349	6,088,349
10	Profit and loss account	<u>(21,148,029)</u>	<u>(18,785,030)</u>
11	Deficit on Shareholder's Funds	<u>(1,939,088)</u>	<u>(2,075,089)</u>

The financial statements on pages 6 to 14 were approved by the Board on 8 July 2005 and signed on its behalf by:


J Groenvold
Director


J A van Tonder
Director

BLUESURE LIMITED

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

Notes	2004 £	2003 £
12 Net cash outflow from continuing operations	(3,121,609)	(4,929,791)
Returns on investments and servicing of finance		
Interest received	11,798	10,739
Interest paid	-	(10,369)
	<u>11,798</u>	<u>370</u>
Taxation	-	-
Capital expenditure and financial investment		
Purchase of tangible fixed assets	<u>(1,094,982)</u>	<u>(662,827)</u>
Net cash outflow before financing	(4,204,793)	(5,592,248)
Financing		
Issue of ordinary share capital	2,499,000	2,635,000
Net increase/(decrease) in financing from related undertakings	<u>1,254,584</u>	<u>1,696,584</u>
Net cash inflow from financing	3,753,584	4,331,584
Increase/(decrease) in net cash	<u>(451,209)</u>	<u>(1,260,664)</u>
Reconciliation to net cash		
Net cash balance at 1 January	578,032	1,838,696
Increase/(decrease) in net cash	<u>(451,209)</u>	<u>(1,260,664)</u>
Net cash balance at 31 December	<u>126,823</u>	<u>578,032</u>

BLUESURE LIMITED

ACCOUNTING POLICIES

Basis of preparation of the financial statements

The balance sheet of the company shows net liabilities of £1,939,088 and a retained loss for the financial year of £2,362,999. 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. Since the year end the principle shareholders have subscribed for 4,500,000 Preferred Redeemable shares and in addition have undertaken to subscribe for further Preferred Redeemable shares sufficient to meet the company's forecast funding requirements for the next 12 months. After this point the company is forecasting to generate positive cash flows.

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 2004

1. TURNOVER

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

2. NET OPERATING LOSS

	2004 £	2003 £
Net operating loss is stated after charging:		
Depreciation (Note 6)	996,983	884,829
Staff costs (Note 3)	1,491,188	1,248,050

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

3. STAFF COSTS

	2004 £	2003 £
Emoluments		
Wages and salaries	1,164,366	1,005,037
Social security costs	135,320	110,031
Other pension costs	191,502	132,982
	1,491,188	1,248,050

The average number of people, including executive directors, employed by the company during the year was 20 (2003: 14).

4. DIRECTORS' EMOLUMENTS

	2004 £	2003 £
Remuneration		
Total emoluments	187,674	282,290
Contributions to money purchase pension schemes	44,125	35,225

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

	2004 £	2003 £
Total emoluments	187,674	282,290
Contributions to money purchase pension schemes	44,125	35,225

5. TAX ON LOSS ON ORDINARY ACTIVITIES

The company has trading losses brought forward. The trading loss arising in the current period is unlikely to be utilised in the foreseeable future and therefore no deferred tax credit has been recognised.

BLUESURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

6. TANGIBLE FIXED ASSETS

	Fixtures and Fittings £	Computer Equipment £	Total £
Cost			
At 1 January 2004	16,001	3,362,784	3,378,785
Additions	5,288	1,089,694	1,094,982
Disposals	-	-	-
At 31 December 2004	21,289	4,452,478	4,473,767
Accumulated depreciation			
At 1 January 2004	(613)	(1,940,782)	(1,941,395)
Charge for year	(4,333)	(992,650)	(996,983)
Disposals	-	-	-
At 31 December 2004	(4,946)	(2,933,432)	(2,938,378)
Net book amount			
At 31 December 2004	16,343	1,519,046	1,535,389
At 31 December 2003	15,388	1,422,002	1,437,390
Depreciation rates	20% - 25%	25% - 33%	

7. DEBTORS

	2004 £	2003 £
Amounts falling due within one year		
Trade Debtors	-	37,157
Amounts due from associated undertakings	48,964	-
Other Debtors	3,810	5,130
Prepayments and accrued income	114,562	114,563
	167,336	156,850

The amounts due from associated undertakings are unsecured, interest free and repayable on demand.

8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Insurance balances	230,673	445,863
Amounts due to associated undertakings (note 14)	3,000,000	3,196,452
Accruals & Deferred income	503,206	552,068
Other creditors	34,757	52,978
	3,768,636	4,247,361

The amounts due to associated undertakings are unsecured, interest free and repayable on demand.

BLUESURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

9. SHARE CAPITAL

	2004 £	2003 £
Authorised		
Ordinary Shares of £1 each	4,370,625	4,370,625
'A' ordinary shares of £1 each	4,500,000	4,500,000
'B' ordinary shares of £1 each	4,500,000	4,500,000
Deferred shares of £1 each	3,871,285	3,871,285
	<u>17,241,910</u>	<u>17,241,910</u>
	2004 £	2003 £
Allotted, called up and fully paid		
Ordinary Shares of £1 each	320,592	320,592
'A' ordinary shares of £1 each	4,500,000	4,500,000
'B' ordinary shares of £1 each	4,500,000	2,001,000
Deferred shares of £1 each	3,800,000	3,800,000
	<u>13,120,592</u>	<u>10,621,592</u>

Changes to share capital during the year

At varying intervals during 2004 the company called and received the remaining £2,499,000 proceeds in respect of the 4,500,000 'B' Ordinary Shares of £1 each allotted and issued at par as partly paid during 2003.

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 2004 £	Profit and loss account 2004 £	Share premium account 2003 £	Profit and loss account 2003 £
At 1 January	6,088,349	(18,785,030)	20,000	(14,500,318)
Shares Issued	-	-	6,068,349	-
Retained loss for the year	-	(2,362,999)	-	(4,284,712)
At 31 December	<u>6,088,349</u>	<u>(21,148,029)</u>	<u>6,088,349</u>	<u>(18,785,030)</u>

BLUESURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Opening shareholders' funds	(2,075,089)	(9,375,318)
Loss for the year	(2,362,999)	(4,284,712)
Capital raised	2,499,000	11,584,941
Closing shareholders' funds	(1,939,088)	(2,075,089)

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

	2004 £	2003 £
Operating loss	(3,874,797)	(4,285,082)
Decrease/(increase) in debtors	38,478	(115,239)
Decrease in creditors	(282,272)	(1,414,299)
Depreciation	996,982	884,829
Net cash outflow from continuing operations	(3,121,609)	(4,929,791)

13. POST BALANCE SHEET EVENTS

In January 2005 the company entered into an agreement with its principle shareholders to secure additional funding of up to £6,000,000. In connection with this investment, new Articles of Association were adopted on 7 January 2005, which provided for an increase in the company's authorised share capital from £17,241,910 to £23,241,910 by the creation of 6,000,000 Preferred Redeemable shares of £1 each.

The Preferred Redeemable shares carry a fixed dividend of 8% payable in preference to any dividend on any other class of share in the company, rank alongside the Ordinary shares in respect of voting rights and rank alongside the Deferred shares in respect of any return of capital on a winding up of the company. These shares can be redeemed at par at the option of the company at any time after their issue or at any time after 28 February 2008 at the option of the holders. Any shares that have not been redeemed by 31 December 2009 shall be converted in to 'A' and 'B' ordinary shares on that date.

At varying intervals during 2005 the company has allotted and issued at par 4,500,000 Preferred Redeemable shares of £1 each.

Also in January 2005, 139,808 Ordinary Shares of £1 each were allotted and issued at par.

BLUESURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

14. RELATED PARTY TRANSACTIONS

During the year 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 and Santam UK Limited in relation to this funding at 31 December 2004 was £1,500,000 (2003: £1,197,452) and £1,500,000 (2003: £499,000) respectively.

In addition, the company was owed £48,964 (2003: nil) by Benfield Holdings Limited in relation to various costs incurred on its behalf by the company.

In accordance with the terms of a shareholders agreement, a formal term loan between Benfield Holdings Limited and Bluesure was waived. The amount owed by the company on 1 January 2004 and on the date waived was £1,500,000.