Registered no: 3940496

Bluesure Limited

Annual report

for the year ended 31 December 2005

Bluesure Limited

Annual report
for the year ended 31 December 2005

Bluesure Limited

Directors and advisers

Directors

G D Chilton	(resigned 4 August 2005)
S C Gilbert	
J Groenvold	
A G Martin	(resigned 3 May 2005)
D B De Stadler	(resigned 26 May 2006)
J A van Tonder	
J L P Whiter	(resigned 20 May 2005)
P Petterson	(appointed 15 June 2005, resigned 30 April 2006)

Secretary

G R G Striff

Registered office

55 Bishopsgate
London
EC2N 3BD

Registered auditors

PricewaterhouseCoopers LLP
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Directors' report
for the year ended 31 December 2005

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005

Principal activities

The principal activity of the company is that of personal lines insurance services

Review of business and future developments

In April 2006, after considering the financial performance and forecasts of the company and investigating potential options open to the company with regard to the company continuing to trade, the Directors felt that Bluesure Limited no longer offered commercial value to its shareholders Taking this into account, the Directors made the decision to wind down the trading activities of the company

The company's activities had, in effect, ceased by 30 November 2006 It is because of the above facts that the Directors consider that it is not appropriate for the accounts to be prepared on a going concern basis

Results and dividends

The company's loss for the financial year is £5,063,624 (2004 loss £2,362,999) The directors do not recommend the payment of a dividend and accordingly the loss has been transferred to reserves

Events after the balance sheet date

In April 2006, the Directors made the decision to wind down the trading activities of the company The company's activities had, in effect, ceased by 30 November 2006 Arrangements were made with Prestige Underwriting Services that they will administer the current policies in place, until such times as these policies expire

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The directors are responsible for preparing the financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records which 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)

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements is aware

- there is no relevant audit information of which the company's auditors are unaware, and

- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

G R G Stiff
Secretary
6 August 2007

Independent auditors' report to the shareholders of Bluesure Limited

We have audited the financial statements of Bluesure Limited for the year ended 31 December 2005, which comprise the profit and loss account, the balance sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for preparation of the financial statements in accordance with applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice)

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with 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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements We also report to you if, in our opinion, 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 other transactions 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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

PricewaterhouseCoopers

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Belfast
9 August 2007

Profit and loss account
for the year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover	2	**62,644**	7,001
Net operating expenses		**(4,120,237)**	(3,881,798)
Operating loss	3	**(4,057,593)**	(3,874,797)
Exceptional item – impairment of fixed assets	6	**(1,013,306)**	-
Interest receivable		**7,275**	11,798
Loan waiver received		**-**	1,500,000
Loss on ordinary activities before taxation		**(5,063,624)**	(2,362,999)
Taxation	7	**-**	-
Loss for the financial year	13	**(5,063,624)**	(2,362,999)

All amounts above relate to discontinued operations of the company

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents

Bluesure Limited

Balance sheet at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	8	-	1,535,389
Current assets			
Debtors	9	**359,650**	167,336
Cash at bank and in hand – including fiduciary funds		**232,838**	126,823
		592,488	294,159
Creditors: amounts falling due within one year	10	**(2,055,392)**	(3,768,636)
Net current liabilities		**(1,462,904)**	(3,474,477)
Total assets less current liabilities		**(1,462,904)**	(1,939,088)
Creditors: amounts falling due after more than one year	11	**(5,400,000)**	-
Net liabilities		**(6,862,904)**	(1,939,088)
Capital and reserves			
Called up share capital	12	**13,260,400**	13,120,592
Share premium account	13	**6,088,349**	6,088,349
Profit and loss account	13	**(26,211,653)**	(21,148,029)
Deficit on shareholders' funds	14	**(6,862,904)**	(1,939,088)

The financial statements on pages 5 to 12 were approved by the board on 6 August 2007 and were signed on its behalf by

J A van Tonder

Director

Notes to the financial statements for the year ended 31 December 2005

1 Accounting policies

The balance sheet of the company shows net liabilities of (£6,862,904) and a retained loss for the financial year of (£5,063,624) After consideration of the financial performance of the company and investigating potential options open to the company with regard to the company continuing to trade, the Directors felt that Bluesure Limited no longer offered commercial value to its shareholders Forecasts for the year ended 31 December 2006 continued to indicate significant trading losses Taking this into account, in April 2006 the Directors made the decision to cease the trading activities of the company The company's activities had, in effect, ceased by 30 November 2006

It is because of the above facts that the Directors feel that it is not appropriate for the accounts to be prepared on a going concern basis

Accounting convention

The financial statements have been prepared 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

Change in accounting policy

The adoption of the presentation requirements of FRS 25 has led to the reclassification of preference shares from equity to liabilities with the related dividends being recognised as interest cost Dividends paid are now shown in the profit and loss reserve rather than on the face of the profit and loss account

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 8) Software that is purchased from a third party is capitalised where it relates to long term information technology infrastructure on a continuing use basis

The principal annual rates for the depreciation of fixed assets are as follows

		%
Computer equipment	-	25-33 $^{1}/_{3}$
Fixture and fittings	-	25
Motor vehicles	-	33 $^{1}/_{3}$

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 loss for the year at current rates of tax and takes into account deferred taxation

Pension costs

The company operates a defined contribution scheme for those employees not covered by the above scheme The cost of funding the defined contribution scheme is charged to the profit and loss account as incurred

Debtors

Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful of collection

1 Accounting policies (continued)

Cash flow

The company has taken the exemption in FRS 1 Revised "Cash flow statements", as a small company, from publishing a cash flow statement

2 Turnover

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

3 Operating loss

	2005	2004
	£	£
Net operating loss is stated after charging:		
Staff Costs (note 4)	**1,504,804**	1,491,188
Depreciation	**829,220**	996,983
Auditors remuneration	**15,000**	9,000

4 Employee information

	2005	2004
	£	£
Staff costs		
Wages and salaries	**1,186,081**	1,164,366
Social security costs	**128,609**	135,320
Other pension costs	**190,114**	191,502
	1,504,804	1,491,188

	2005	2004
	Number	Number
Average monthly number of persons employed by the company (including executive directors) during the year	**23**	20

5 Directors' emoluments

	2005	2004
	£	£
Remuneration		
Total emoluments	**194,167**	187,674
Contributions to money purchase pension schemes	**38,895**	44,125

Highest paid director	2005	2004
	£	£
Total emoluments	**121,250**	187,674
Contributions to money purchase pension schemes	**28,270**	44,125

6 Exceptional item

	2005	2004
	£	£
Impairment of fixed assets	**1,013,306**	-

All fixed assets owned by the company were subject to an impairment review to ensure that the carrying amounts were stated at the lower of historical depreciated cost or residual value

7 Taxation

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

8 Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 January 2005	-	21,289	4,452,478	4,473,767
Additions	10,160	18,965	278,012	307,137
Impairment	(10,160)	(40,254)	(4,730,490)	(4,780,904)
At 31 December 2005	-	-	-	-
Accumulated depreciation				
At 1 January 2005	-	4,946	2,933,432	2,938,378
Charge for the year	2,258	5,380	821,582	829,220
Impairment	(2,258)	(10,326)	(3,755,014)	(3,767,598)
At 31 December 2005	-	-	-	-
Net book value				
At 31 December 2005	-	-	-	-
At 31 December 2004	-	16,343	1,519,046	1,535,389

9 Debtors: amounts falling due within one year

	2005	2004
	£	£
Amounts due from associated undertakings	-	48,964
Other debtors	**4,542**	3,810
Called up share capital not yet paid	**139,808**	-
Prepayments and accrued income	**215,300**	114,562
	359,650	167,336

The amounts due from associated undertakings at 31 December 2004 were unsecured, interest free and repayable on demand

10 Creditors: amounts falling due within one year

	2005	2004
	£	£
Insurance balances	**136,425**	230,673
Amounts due to associated undertakings (note 16)	**1,681,587**	3,000,000
Accruals and deferred income	**237,380**	503,206
Other creditors	**-**	34,757
	2,055,392	3,768,636

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

11 Creditors: amounts falling due after more than one year

	2005	2004
	£	£
Preferred redeemable preference shares of £1 each (5,400,000 shares) (see below)	**5,400,000**	-

Preference share capital

	2005	2004
	£	£
Authorised, issued and fully paid		
5,400,000 8% preferred redeemable preference shares of £1 each	**5,400,000**	-

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

The shares have no redemption entitlement On a winding up the holders have priority before all other classes of shares to receive repayment of capital plus any arrears of dividend The holders have no voting rights unless the dividend is in arrears by six months or more

12 Called up share capital

	2005	2004
	£	£
Authorised		
Preferred redeemable preference shares	**6,000,000**	-
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
	23,241,910	17,241,910
Allotted, called up and fully paid		
Ordinary shares of £1 each	**460,400**	320,592
'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	**3,800,000**	3,800,000
	13,260,400	13,120,592

12 Called up share capital (continued)

Changes to share capital during the year

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

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

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

13 Reserves

	2005		2004	
	Share premium account £	**Profit and loss account £**	Share premium account £	Profit and loss account £
At 1 January	**6,088,349**	**(21,148,029)**	6,088,349	(18,785,030)
Retained loss for the year	**-**	**(5,063,624)**	-	(2,362,999)
At 31 December	**6,088,349**	**(26,211,653)**	6,088,349	(21,148,029)

14 Reconciliation of movement in shareholders' funds

	2005 £	2004 £
Opening shareholders' funds	**(1,939,088)**	(2,075,089)
Loss for the year	**(5,063,624)**	(2,362,999)
Issue of share capital	**139,808**	2,499,000
Closing shareholders' funds	**(6,862,904)**	(1,939,088)

15 Events after the balance sheet date

After consideration of the financial performance and forecasts of the company and investigating potential options open to the company with regard to the company continuing to trade, the Directors felt that Bluesure no longer offered commercial value to its shareholders Taking this into account, the Directors made the decision to cease the trading activities of the company

It is because of the above facts that the Directors feel that it is not appropriate for the accounts to be prepared on a going concern basis

16 Related party transactions

Durıng the year Benfield Holdıngs Lımıted and Santam UK Lımıted, both shareholders of the company, provıded fundıng to finance the workıng capıtal requırements the company The amount due to Santam UK Lımıted ın relatıon to thıs fundıng at 31 December 2005 was £1,350,000 (2004 £1,500,000) The amount due to Benfield Holdıngs Lımıted ın relatıon to thıs fundıng at 31 December 2005 was £nıl (2004 £1,500,000)

In addıtıon, the company owed £331,587 (2004 £nıl) to Benfield Holdıngs Lımıted ın relatıon to varıous costs ıncurred on ıts behalf