



Nexgen Financial Solutions Limited
Annual Report 2004

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DIRECTORS AND OTHER INFORMATION

Board of Directors as at 31 December 2004

Mr John Donnelly	Chairman
Mr Xavier Daudin	Co-Managing Director
Mr Luc Giraud	
Mr Eric Paire	
Mr Francois Robey	
Mr Ravi Viswanathan	Co-Managing Director

Office Address (Dublin)

Nexgen Financial Solutions
Ormonde House
12 Lower Leeson Street
Dublin 2
Ireland

Office Address (Paris)

Nexgen Financial Solutions, Paris Branch
30 Avenue George V
75008 Paris
France

Registered Number

336712

Office Address (Milan)

Nexgen Financial Solutions, Milan Branch
Via Landolfo 1
20121 Milan
Italy

Company Secretary and Registered Office

Nicola O'Connell
Ormonde House
12 Lower Leeson Street
Dublin 2
Ireland

Bankers

AIB International Banking Services
Ashford House
Tara Street
Dublin 2
Ireland

External Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Wilton Place
Dublin 2
Ireland

Credit Lyonnais

Direction Regional Entreprises Paris
61, Rue Lafayette
75009 Paris
France

Internal Auditors

Deloitte & Touche
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

San Paolo IMI

Filiale 28
Via G.Negri 8
20123 Milan
Italy

DIRECTORS' REPORT

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2004.

Principal activities and review of the business

Nexgen Financial Solutions Limited (NFSL or the Company), an Irish incorporated company, is authorised by the Irish Financial Services Regulatory Authority under the Investment Intermediaries Act, 1995 and is part of the Nexgen Financial Solutions Group (Nexgen or the Group).

Nexgen, through its offices in Paris, Dublin, Milan and Singapore, offers risk based tailor-made financial solutions to corporations, insurance companies, banks and other financial services firms, and high net worth individuals, principally in Europe and Asia. The Group provides its clients with creative and robust solutions and executes transactions as principal counterparty. The risks assumed by Nexgen, after hedging in the market place, are actively managed and supported by the capital base of the Group.

The Company, together with its branches in Paris and Milan, carries out the sourcing and

structuring of transactions, products and services on behalf of the risk taking entities of the Nexgen Group (Nexgen Capital Limited and Nexgen Re Limited). Nexgen Financial Solutions (Asia) Pte Limited (NFSA), a subsidiary undertaking of NFSL, acts as the Singaporean marketing and structuring unit of the Group and provides trading support, in the Singaporean time zone, to related corporations. NFSA holds a Capital Markets Services Licence granted by the Monetary Authority of Singapore. NFSL also carries out research and development of IT systems exclusively for the Group.

The total number of employees in the NFSL Group at 31 December 2004 was 43 (31 December 2003: 30), of which 14 were based in the subsidiary in Singapore, 21 in the branch in Paris and 1 in the branch in Milan.

Results for the year and state of affairs at 31 December 2004

The profit retained for the year was US\$851,000 (2003: US\$640,000). The Company's net assets at 31 December 2004 amounted to US\$6,777,000 (2003:

US\$5,926,000). The profit and loss account for the period ended 31 December 2004 and the balance sheet at that date are set out on pages 8 and 9.

Directors

The names of the persons who were directors at any time during the year ended 31 December 2004 are set out below.

Mr John Donnelly	Irish
Mr Luc Giraud	French
Mr Eric Paire	French
Mr Francois Robey	French
Mr Ravi Viswanathan	French
Mr Xavier Daudin	French

Directors' and secretary's interests

The directors and Company secretary had no direct interest in Nexgen Financial Solutions Limited. The beneficial interests of the directors and the company secretary, in office at 31 December 2004, in the ordinary share capital of Nexgen Financial Holdings Limited, the company's ultimate parent, at 31 December 2004 and 31 December 2003 were as follows:

	Number of shares			
	31 December 2004		31 December 2003	
Luc Giraud	764,750	Ordinary shares	764,750	Ordinary shares
	15,240	Founders shares	15,240	Founders shares
Ravi Viswanathan	764,750	Ordinary shares	764,750	Ordinary shares
	15,240	Founders shares	15,240	Founders shares
Francois Robey	420,000	Ordinary shares	420,000	Ordinary shares
	9,496	Founders shares	9,496	Founders shares
Eric Paire	70,000	Ordinary shares	70,000	Ordinary shares
	4,842	Founders shares	4,842	Founders shares
Xavier Daudin	–	Ordinary shares	–	Ordinary shares
	3,088	Founders shares	3,088	Founders shares
Nicola O'Connell (Company Secretary)	–		–	

DIRECTORS' REPORT

In addition, as at 31 December 2004, the directors listed below held the following warrants to subscribe for ordinary shares in Nexgen Financial Holdings Limited (no change from 31 December 2003):

	Number of Warrants		
	Number	Maturity date	Subscription price
Luc Giraud	254,918	1 st December 2005	USD 1.00
	771,731	11 th December 2009	USD 1.50
	1,441,778	11 th December 2009	USD 2.50
Ravi Viswanathan	254,918	1 st December 2005	USD 1.00
	771,731	11 th December 2009	USD 1.50
	1,441,778	11 th December 2009	USD 2.50
Francois Robey	140,000	1 st December 2005	USD 1.00
	480,864	11 th December 2009	USD 1.50
	898,367	11 th December 2009	USD 2.50
Eric Paire	23,333	1 st December 2005	USD 1.00
	185,692	11 th December 2009	USD 1.50
	346,916	11 th December 2009	USD 2.50
Xavier Daudin	–	1 st December 2005	USD 1.00
	88,617	11 th December 2009	USD 1.50
	165,558	11 th December 2009	USD 2.50

None of the directors or the secretary of the Company held any other interests in any Group undertaking at 31 December 2004. There have been no contracts or arrangements entered into during the financial year in which a director was materially interested and which were significant in relation to the Company's business.

Subsequent Events

There were no significant events affecting the Company since the end of the financial year.

Employee Health and Safety

The welfare of the Company's employees is safeguarded through adherence to the Safety, Health and Welfare at Work Act, 1989.

Books of Account

The directors comply with the Company's obligation to keep proper books of account by using appropriate systems and procedures and employment of competent persons. The books of account are kept at the following address:

Ormonde House
12 Lower Leeson Street
Dublin 2
Ireland

Regulator

The Company is authorised by the Irish Financial Services Regulatory Authority under the Investment Intermediaries Act, 1995. The Paris and Milan branches of the Company were established under Article 17 of the Investment Services Directive, 1993.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office under Section 160 of the Companies Act, 1963.

On behalf of the board



Luc Giraud



Ravi Viswanathan

DIRECTORS' RESPONSIBILITY STATEMENT

Irish company law requires the directors to prepare financial statements for each financial year which 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. 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
- ▶ Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Companies Acts, 1963 to 2003. 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.

On behalf of the board

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEXGEN FINANCIAL SOLUTIONS LIMITED

We have audited the financial statements on pages 10 to 16 which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies 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 Irish law and accounting standards generally accepted in Ireland are set out on page 5 in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and auditing standards issued by the Auditing Practices Board applicable in Ireland. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act 1990 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 Irish statute comprising the Companies Acts, 1963 to 2003. We state whether we have obtained all the information and explanations

we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the Company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the Company to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the Company, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 2 to 4 is consistent with the financial statements.

The net assets of the Company as stated in the balance sheet on page 9 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2004 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

24 February 2005

PROFIT AND LOSS ACCOUNT

	Notes	Year ended 31 December 2004 USD'000	Year ended 31 December 2003 USD'000
Interest receivable		93	28
Fees and commission receivable	2	16,132	12,370
		16,225	12,398
Operating expenses	3	(15,018)	(11,503)
Profit on ordinary activities before taxation		1,207	895
Taxation	5	(356)	(255)
Profit retained for the financial year		851	640
Balance at beginning of year	11	926	286
Balance at end of year		1,777	926

The above results relate exclusively to continuing operations. There are no recognised gains or losses other than those dealt with in the profit and loss account.

On behalf of the board

BALANCE SHEET

	Notes	Year ended 31 December 2004 USD'000	Year ended 31 December 2003 USD'000
Assets			
Investment in Subsidiary	12	1,113	1,113
Tangible fixed assets	6	361	414
Debtors	7	8,346	5,531
Cash at bank and in hand		849	533
		10,669	7,591
Liabilities			
Creditors	8	3,892	1,665
Total Liabilities		3,892	1,665
Total Assets		6,777	5,926
Capital and reserves			
Called up share capital	9	–	–
Share premium	10	2,500	2,500
Capital contribution	10	2,500	2,500
Profit and loss account	11	1,777	926
Equity shareholders' funds	13	6,777	5,926

On behalf of the board

NOTES TO THE FINANCIAL STATEMENTS

1 | Accounting Policies

The significant accounting policies adopted by the Company are as follows:

Accounting Convention

The financial statements are prepared under the historical cost convention.

Basis of Preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish Statute comprising the Companies Acts, 1963 to 2003. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

Fees and Commission

Fees and commissions receivable and payable are recognised on an accruals basis.

Taxation

Corporation tax is provided on taxable profits based on the year to date profit in USD, converted at the average rate of USD/EUR for the year.

Deferred tax is provided on all timing differences that have originated but have not been reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the

balance sheet date. Deferred tax is not discounted.

Pension costs

Employees may be members either of the Group pension plan or of a personal pension plan. The Group pension plan is a defined contribution scheme. The Group contributes directly to the appropriate pension plan.

The amount charged to the profit and loss account in respect of pension costs is the sum of contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation net of depreciation and any provisions for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer Software	3 years
Computer Equipment	3 years
Office Equipment	3 years

Foreign currencies

Monetary assets, liabilities and commitments denominated in other currencies are reported at the rates of exchange prevailing at the reporting date. Gains or losses arising from changes in exchange rates are included in the profit and loss account. Revenue, costs and non-monetary assets are translated at the exchange rates ruling at the dates of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

2 | Fees and commissions

	Year ended 31 December 2004 USD'000	Year ended 31 December 2003 USD'000
Fees and commissions receivable comprise:		
Intercompany service income (see note 4)	16,079	12,224
Other income	53	146
	16,132	12,370

3 | Operating expenses

	Year ended 31 December 2004 USD'000	Year ended 31 December 2003 USD'000
Operating expenses comprise:		
Staff Costs	6,783	4,800
Audit Fee	20	7
Depreciation	146	120
Intercompany service expense (see note 4)	3,888	4,012
Deal related fees and expenses	635	524
Other administrative expenses		
- Professional fees	1,320	331
- Non Executive directors fees	22	22
- Travel and hotels	847	643
- Office rental	515	464
- Other administrative fees	842	580
	15,018	11,503
Staff costs comprise:		
Wages and salaries	4,794	3,569
Social welfare costs	1,145	767
Pension costs	461	254
Other staff costs	383	210
	6,783	4,800

In 2004, the audit fee was paid by Nexgen Re Limited and recharged to the Company.

The average number of persons employed by the Company during 2004 was 26 (2003:23), 3 of which were seconded employees.

	31 December 2004 USD'000	31 December 2003 USD'000
Directors' emoluments	1,323	1,001

In 2004, fees for directors' services and auditors' remuneration were paid by Nexgen Re Limited and recharged back to the Company.

4 | Intercompany Service Income/Expenses

Intercompany service income represents billing to other group companies for sourcing and structuring services. Intergroup services are billed at cost plus a margin.

Intercompany service expenses represent billing by other Group companies for staff seconded to the Company and for services rendered by NFSA. Seconded personnel costs are based on remuneration plus a percentage representing the cost of various benefits.

5 | Taxation

	Year ended 31 December 2004 USD'000	Year ended 31 December 2003 USD'000
Corporation tax in the Republic of Ireland:		
Current tax on income for the year	72	48
Deferred tax asset	(28)	(3)
Adjustments in respect of previous years	32	–
	76	45
Foreign tax		
Current tax on income for the year	280	210
	356	255
Effective tax rate	29%	28%

The reconciliation of current tax on profit on ordinary activities at the standard Irish corporation tax rate to the Company's actual current tax charge for the year ended 31 December 2004 is shown as follows:

	2004 USD'000	2003 USD'000
Profit on ordinary activities before taxation	1,207	895
Profit on ordinary activities multiplied by the standard rate of corporation tax in Ireland of 12.5% (2003: 12.5%)	151	112
Effects of:		
Expenses not deductible for tax purposes	19	13
Average EUR/USD fx rate used in Irish tax computation	6	
Foreign tax	148	133
Capital allowances in excess of depreciation	(1)	(1)
Adjustments in respect of previous years	33	(2)
Current tax charge for the year	356	255

NOTES TO THE FINANCIAL STATEMENTS

6 Tangible fixed assets	Computer Equipment USD'000	Office Equipment USD'000	Computer Software USD'000	Total USD'000
Cost				
At 31 December 2003	295	356	75	726
Additions	48	44	1	93
At 31 December 2004	343	400	76	819
Accumulated Depreciation				
At 31 December 2003	141	97	74	312
Charge for the year	82	62	2	146
At 31 December 2004	223	159	76	458
Net Book Value				
At 31 December 2003	154	259	1	414
At 31 December 2004	120	241	–	361

7 Deposits – amounts falling due within one year	Year ended 31 December 2004 USD'000	Year ended 31 December 2003 USD'000
Amounts due from group undertakings	7,380	4,903
Other debtors	671	288
Prepayments	295	340
	8,346	5,531

8 Creditors – amounts falling due within one year	Year ended 31 December 2004 USD'000	Year ended 31 December 2003 USD'000
Amounts due from group undertakings	1,170	562
Other creditors	2,667	984
Corporation Tax	55	119
	3,892	1,665

NOTES TO THE FINANCIAL STATEMENTS

9 | Share capital

	Year ended 31 December 2004 USD	Year ended 31 December 2003 USD
Authorised:		
1,000 ordinary shares of USD 1 each	1,000	1,000
Allotted, called up and fully paid:		
250 ordinary shares of USD 1 each	250	250

10 | Share Premium & Capital Contribution

	Year ended 31 December 2004 USD	Year ended 31 December 2003 USD
Share premium of USD 9,999 per ordinary share	2,499,750	2,499,750
Capital contribution	2,500,000	2,500,000
	4,999,750	4,999,750

11 | Movement in retained earnings

	Year ended 31 December 2004 USD'000	Year ended 31 December 2003 USD'000
Balance at beginning of the year	926	286
Profit retained for the year	851	640
Balance at 31 December 2004	1,777	926

12 | Group Companies

Details of subsidiary undertakings are as follows:

Subsidiary	% Interest 31 December 2004	% Interest 31 December 2003	Amount of Investment and principal area of operation	Country of incorporation	Nature of Business
Nexgen Financial Solutions (Asia) Pte Limited	100%	100%	SGD 2,000,000	Singapore	Marketing

13 | Shareholders' Funds

	Year ended 31 December 2004 USD'000	Year ended 31 December 2003 USD'000
The reconciliation of the movement in equity shareholders' funds is as follows:		
Opening shareholders' funds	5,926	2,786
Capital contribution received	–	2,500
Profit retained for the year	851	640
Closing shareholders' funds	6,777	5,926

14 | Cash Flow Statement

The ultimate parent company, Nexgen Financial Holdings Limited prepares consolidated financial statements, including a consolidated cash flow statement, which are publicly available. Consequently the Company is exempt under the terms of the Financial Reporting Standard No. 1 (Revised) from publishing a cash flow statement.

15 | Transactions with Related Parties

Transactions with other entities within the group are not disclosed as the Company has taken advantage of the exemption available under FRS 8 (Related Party Transactions), on the basis that the consolidated financial statements of Nexgen Financial Holdings Limited are publicly available.

16 | Parent Undertaking

The Company's immediate parent undertaking is Nexgen Re Limited, a company incorporated in Ireland. The Company's ultimate parent undertaking is Nexgen Financial Holdings Limited, a company incorporated in Ireland. Nexgen Financial Holdings Limited is the only Group company for which group financial statements are prepared. Copies of the financial statements of Nexgen Financial Holdings Limited are available from the company secretary at Ormonde House, 12 Lower Leeson Street, Dublin 2.

17 | Commitments and Guarantees

There were no commitments or guarantees at 31 December 2004 or at 31 December 2003.

18 | Approval of Financial Statements

The directors approved the financial statements on 18 February 2005.

NEXGEN GROUP OFFICES

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