

REGISTRAR

Lonham Group Limited

FINANCIAL STATEMENTS

for the year ended

31 March 2003



Lonham Group Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Ayres
D Stannard
N Hamer
C Midwood (formerly C Hindle)

SECRETARY

D Stannard

REGISTERED OFFICE

The Captain's House
81 Grimwade Street
Ipswich
Suffolk
IP4 1LN

AUDITORS

Baker Tilly
Chartered Accountants
Friars Courtyard
30 Princes Street
Ipswich
Suffolk
IP1 1RJ

Lonham Group Limited

DIRECTORS' REPORT

The directors submit their report and financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year continue to be the provision of underwriting, claims handling and consultancy work within the marine insurance industry. It is also the parent of two dormant subsidiary undertakings, Lonham Marine Underwriters Limited and Lonham Claims & Recovery Bureau Limited.

REVIEW OF THE BUSINESS

The profit and loss account is set out on page 5 and shows the profit for the year before dividends.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE PARENT COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the parent company were as follows:

	£1 ordinary shares in the parent company	
	At 31 March 2003	At 1 April 2002
M Ayres	25	25
D Stannard	25	25
N Hamer	25	25
C Midwood (formerly C Hindle)	<u>25</u>	<u>25</u>

No director held any interest in the ordinary share capital of any other company in the group at the beginning or end of the financial year.

DIRECTORS' RESPONSIBILITIES

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, as described on pages 7 to 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of 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.

DONATIONS

During the year the company made the following contributions:

	2003 £	2002 £
Charitable	<u>155</u>	<u>505</u>

AUDITORS

With the consent of the company, Baker Tilly took office as auditors on 1 January 2003. Consequently a resolution to re-appoint them will be proposed at the annual general meeting.

Lonham Group Limited

DIRECTORS' REPORT

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

On behalf of the board

D. Stannard

D Stannard
Director

M. Ayres
M Ayres
Director

14 August 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONHAM GROUP LIMITED

We have audited the financial statements on pages 5 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom 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.

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 with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

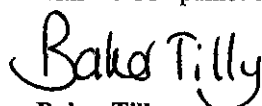
Basis of opinion

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 March 2003 and of its retained loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Baker Tilly
Registered Auditors
Chartered Accountants
Friars Courtyard
30 Princess Street
Ipswich IP1 1RJ

9 September 2003

Lonham Group Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 March 2003

	<i>Notes</i>	2003 £	2002 £
TURNOVER	1	1,231,887	783,549
Administrative expenses		842,853	645,437
OPERATING PROFIT	2	389,034	138,112
Interest receivable		5,552	5,155
Interest payable		(7,076)	(5,062)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		387,510	138,205
Tax on profit on ordinary activities	4	82,866	28,636
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		304,644	109,569
Equity dividends paid		370,000	—
(LOSS)/RETAINED PROFIT FOR THE FINANCIAL YEAR		(65,356)	109,569
Balance brought forward		122,318	12,749
Balance carried forward		56,962	122,318

Lonham Group Limited

BALANCE SHEET

31 March 2003

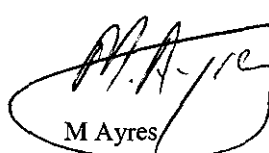
	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	5	102,368	91,755
Investments	6	4	4
		<u>102,372</u>	<u>91,759</u>
CURRENT ASSETS			
Debtors	7	1,922,285	1,183,837
Cash at bank and in hand		414,536	447,670
		<u>2,336,821</u>	<u>1,631,507</u>
CREDITORS			
Amounts falling due within one year	8	2,326,256	1,540,263
NET CURRENT ASSETS			
		<u>10,565</u>	<u>91,244</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>112,937</u>	<u>183,003</u>
CREDITORS			
Amounts due after more than one year	9	45,875	50,585
		<u>67,062</u>	<u>132,418</u>
CAPITAL AND RESERVES			
Called-up equity share capital	12	100	100
Capital redemption reserve		10,000	10,000
Profit and loss account		56,962	122,318
SHAREHOLDERS' FUNDS			
		<u>67,062</u>	<u>132,418</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved by the directors on the 14th Aug 03. and are signed on their behalf by:

D. Stannard

D Stannard
Director


M Ayres
Director

Lonham Group Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

TURNOVER

The turnover shown in the profit and loss account represents insurance commission earned in the year.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 2% per annum
Office Equipment	- 33.3% per annum

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

PENSION COSTS

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss 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 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. Timing differences are the differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

GROUP ACCOUNTS

The company is exempt from the requirement to prepare consolidated financial statements by virtue of section 248 of the Companies Act 1985 as the group it heads qualifies as a small group. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Lonham Group Limited

ACCOUNTING POLICIES

INVESTMENTS

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

CASH FLOW STATEMENT

The company has taken advantage of the exemption conferred by the Financial Reporting Standard for Smaller Entities (effective June 2002) not to prepare a cash flow statement.

Lonham Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2003

1 TURNOVER

Turnover is wholly attributable to the principal activity of the company. In the directors' opinion 12% (2002: 15.5%) of turnover arise outside the United Kingdom.

2 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2003	2002
	£	£
Staff pension contributions	44,515	39,058
Depreciation	10,325	11,069
Loss on disposal of fixed assets	—	18
Auditors' fees	4,300	4,500
Gain on foreign currency exchange	<u>(8,693)</u>	<u>(12,145)</u>

3 DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2003	2002
	£	£
Aggregate emoluments	360,841	258,763
Company pension contributions to defined contribution scheme	31,950	26,990
	<u>392,791</u>	<u>285,753</u>

Directors emoluments disclosed above include the following payments:

	Highest paid director 2003	2002
	£	£
Aggregate emoluments	105,452	74,683
Company pension contributions to defined contribution scheme	9,125	7,744
	<u>114,577</u>	<u>82,427</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2003	2002
	No	No
Defined contribution schemes	<u>4</u>	<u>4</u>

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Taxation

	2003	2002
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 30% (2002 - 20%)	82,866	28,636
Total current tax	<u>82,866</u>	<u>28,636</u>

Lonham Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2003

4 TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2002 - 20%).

	2003 £	2002 £
Profit on ordinary activities before taxation	387,510	138,205
Profit on ordinary activities by rate of tax	116,253	27,641
Capital allowances in advance of depreciation	(5,088)	(643)
Effect of small companies relief	(30,828)	—
Expenses not deductible for tax purposes	2,529	1,638
Total current tax (note 4(a))	82,866	28,636

5 TANGIBLE FIXED ASSETS

	Freehold Property £	Office equipment £	Total £
Cost			
At 1 April 2002	137,178	129,972	267,150
Additions	—	20,938	20,938
At 31 March 2003	137,178	150,910	288,088
Depreciation			
At 1 April 2002	56,285	119,110	175,395
Charge for the year	2,143	8,182	10,325
At 31 March 2003	58,428	127,292	185,720
Net book value			
At 31 March 2003	78,750	23,618	102,368
At 31 March 2002	80,893	10,862	91,755

The freehold land and building was professionally revalued by Fenn Wright, Chartered Surveyors, on the basis of the open market value at 11 March 1998, to reduce their value by £163,432. This valuation was undertaken in accordance with the Royal Institution of Chartered Surveyors Statement of Asset Valuation Practice and Guidance Notes and has not been updated. The company has taken advantage of the transitional arrangements in the revised Financial Reporting Standard for Smaller Entities to retain existing book values including those of its unimpaired tangible fixed assets which were previously stated at valuation.

Lonham Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2003

5 TANGIBLE FIXED ASSETS *(continued)*

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:

	Freehold Property 2003 £	Freehold Property 2002 £
Historical cost	<u>300,610</u>	<u>300,610</u>
Depreciation:		
At 1 April 2002	72,729	66,717
Charge for year	<u>6,012</u>	<u>6,012</u>
At 31 March 2003	<u>78,741</u>	<u>72,729</u>
Net historical cost value:		
At 31 March 2003	<u>221,869</u>	<u>227,881</u>
At 1 April 2002	<u>227,881</u>	<u>233,893</u>

6 INVESTMENTS

	2003 £
Cost	
At 1 April 2002 and 31 March 2003	<u>4</u>
Net book value	
At 31 March 2003	<u>4</u>
At 31 March 2002	<u>4</u>

The investments in subsidiary undertakings consist of a 100% interest in issued ordinary share capital of Lonham Marine Underwriters Limited and Lonham Claims & Recovery Bureau Limited. Both companies are incorporated in the UK and neither company has traded since incorporation. Each company has net assets of £2.

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

7 DEBTORS

	2003 £	2002 £
Trade debtors	1,876,525	1,149,396
Other debtors	<u>45,760</u>	<u>34,441</u>
	<u>1,922,285</u>	<u>1,183,837</u>

Lonham Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2003

8 CREDITORS amounts falling due within one year

	2003	2002
	£	£
Bank loan (secured)	6,131	6,131
Trade creditors	1,900,237	1,280,401
Amounts owed to group undertakings	72,268	72,268
Corporation tax	82,866	28,591
Other taxation and social security	24,192	23,263
Other creditors	240,562	129,609
	<u>2,326,256</u>	<u>1,540,263</u>

9 CREDITORS amounts falling due after more than one year

	2003	2002
	£	£
Bank loan (secured)	<u>45,875</u>	<u>50,585</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2003	2002
	£	£
Bank loan (secured)	<u>45,875</u>	<u>50,585</u>

Included within creditors falling due after more than one year is an amount of £21,350 (2002 - £26,060) in respect of liabilities which fall due for payment after more than five years from the balance sheet date.

10 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2003 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2003	2002
	£	£
Operating leases which expire:		
Within 1 year	5,814	6,503
Within 2 to 5 years	9,404	12,175
	<u>15,218</u>	<u>18,678</u>

11 RELATED PARTY TRANSACTIONS

Ultimate control is exercised by the four directors, each of whom owns 25% of the ordinary share capital of Lonham Limited, the ultimate parent company.

As at 31 March 2003 £72,153 (2002: £72,153) was owed to Lonham Limited and £115 (2002: £115) was owed to Lonham Commercial Risks Limited (fellow subsidiary of Lonham Limited). No other amounts were outstanding with related parties.

Lonham Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2003

12 SHARE CAPITAL

	2003 £	2002 £
Authorised: 45,000 Ordinary shares of £1 each	<u>45,000</u>	<u>45,000</u>
Allotted, called up and fully paid: Ordinary share capital	<u>100</u>	<u>100</u>

13 PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. An amount of £54 in respect of pension contributions (2002: Nil) is included within creditors.

14 ULTIMATE PARENT COMPANY

At 31 March 2003 the company's ultimate parent company, being the parent of both the smallest and largest group of which the company was a member, was Lonham Limited.

Lonham Group Limited
MANAGEMENT INFORMATION
for the year ended 31 March 2003

The following pages do not form part of the statutory financial statements
which are the subject of the independent auditors' report on page 4.

Lonham Group Limited
DETAILED PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2003

	2003 £	2002 £
TURNOVER		
Brokerage and underwriting commissions	1,197,528	770,794
Claim fees	34,359	12,755
	<u>1,231,887</u>	<u>783,549</u>
 OVERHEADS		
Administrative expenses	842,853	645,437
OPERATING PROFIT	<u>389,034</u>	<u>138,112</u>
 Interest receivable	5,552	5,155
	<u>394,586</u>	<u>143,267</u>
 Interest payable	7,076	5,062
PROFIT ON ORDINARY ACTIVITIES	<u>387,510</u>	<u>138,205</u>

Lonham Group Limited

NOTES TO THE DETAILED DETAILED PROFIT AND LOSS ACCOUNT for the year ended 31 March 2003

	2003 £	2002 £
ADMINISTRATIVE EXPENSES		
<i>Personnel costs</i>		
Salaries and national insurance costs	574,063	429,400
Pension contributions	44,515	39,058
	<u>618,578</u>	<u>468,458</u>
<i>Establishment expenses</i>		
Insurance	80,727	43,223
Office accommodation	22,884	24,368
	<u>103,611</u>	<u>67,591</u>
<i>General expenses</i>		
Travel and accommodation	12,871	15,555
Communication expenses	20,436	21,111
Computer expenses	6,467	6,563
Sundry expenses	29,496	20,164
Donations	155	505
Advertising	7,387	8,342
Entertaining	4,235	3,574
Disallowed VAT input tax	10,346	8,194
Management fee	—	(706)
Legal expenses	80	150
Accountancy fees	225	730
Auditors remuneration	4,300	4,500
Depreciation	10,325	11,069
Loss on disposal of fixed assets	—	18
	<u>106,323</u>	<u>99,769</u>
<i>Financial costs</i>		
Operating lease: Motor vehicles	23,034	21,764
Foreign currency gains/losses	(8,693)	(12,145)
	<u>14,341</u>	<u>9,619</u>
	<u>842,853</u>	<u>645,437</u>