

Lonham Group Limited

Financial statements

For the year ended 31 March 2005

Grant Thornton 



Company No. 1679607

Company information

Company registration number	1679607
Registered office	81 Grimwade Street Ipswich Suffolk IP4 1LN
Directors	M J Ayres N H Hamer C G Midwood D Stannard
Secretary	D Stannard
Bankers	Lloyds TSB Bank plc
Solicitors	Ashton Graham
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Crown House Crown Street IPSWICH Suffolk IP1 3HS

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Report of the directors

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

Principal activities and business review

The principal activity of the company during the year was the provision of underwriting, claims handling and consultancy work within the marine insurance industry.

The directors are satisfied with the results for the year and the year end position. The premium income has levelled off during this financial year and should remain constant for the forthcoming year.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2005 £	2004 £
Dividends paid on ordinary shares	<u>286,000</u>	<u>-</u>

Directors

The directors who served the company during the year were as follows:

M J Ayres
N H Hamer
C G Midwood
D Stannard

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

Directors' responsibilities

United Kingdom 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 at the end of the year and of the profit or loss for the year then ended. 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
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Donations

During the year the company made the following contributions:

	2005 £	2004 £
Charitable	<u>1,495</u>	<u>395</u>

Auditors

Grant Thornton UK LLP were appointed auditors on 22 April 2005 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985. Special notice pursuant to section 388(3) having been given, a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

D Stannard

D Stannard
Secretary

29 July 2005

Report of the independent auditors to the members of Lonham Group Limited

We have audited the financial statements of Lonham Group Limited for the year ended 31 March 2005 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in an auditors' 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 member 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 report of the directors and the financial statements in accordance with 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.

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 report of the directors 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 report of the directors and consider whether it is consistent with the audited financial statements. 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 United Kingdom 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.

Report of the independent auditors to the members of Lonham Group Limited (continued)

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 affairs of the company as at 31 March 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

IPSWICH

29 July 2005

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEC and in accordance with section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

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

Fixed assets

All fixed assets are initially recorded at cost.

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	-	2.38% straight line
Fixtures & Fittings	-	33.33% straight line
Office Equipment	-	33.33% straight line

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.

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.

Profit and loss account

	Note	2005 £	2004 £
Turnover	1	1,432,265	1,335,520
Other operating charges	2	903,639	991,303
Operating profit	3	528,626	344,217
Interest receivable		14,119	7,506
Interest payable and similar charges	6	(3,178)	(2,844)
Profit on ordinary activities before taxation		539,567	348,879
Tax on profit on ordinary activities	7	143,609	72,459
Profit on ordinary activities after taxation		395,958	276,420
Dividends	8	286,000	–
Retained profit for the financial year		109,958	276,420
Balance brought forward		333,382	56,962
Balance carried forward		<u>443,340</u>	<u>333,382</u>

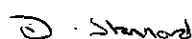
All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	9	107,383	109,845
Investments	10	4	4
		<u>107,387</u>	<u>109,849</u>
Current assets			
Debtors	11	1,991,125	2,024,347
Cash at bank and in hand		577,364	198,739
		<u>2,568,489</u>	<u>2,223,086</u>
Creditors: amounts falling due within one year	12	<u>2,186,210</u>	<u>1,950,523</u>
Net current assets		<u>382,279</u>	<u>272,563</u>
Total assets less current liabilities		<u>489,666</u>	<u>382,412</u>
Creditors: amounts falling due after more than one year	13	36,226	38,930
		<u>453,440</u>	<u>343,482</u>
Capital and reserves			
Called-up equity share capital	17	100	100
Other reserves	18	10,000	10,000
Profit and loss account		443,340	333,382
Shareholder's funds	20	<u>453,440</u>	<u>343,482</u>

These financial statements were approved by the directors on 29 July 05 and are signed on their behalf by:



D Stannard
Director

Notes to the financial statements

1 Turnover

Turnover is wholly attributable to the principal activity of the company.

Turnover attributable to geographical markets outside the United Kingdom amounted to 10.1% (2004 - 10.8%).

2 Other operating income and charges

	2005 £	2004 £
Administrative expenses	<u>903,639</u>	<u>991,303</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2005 £	2004 £
Depreciation of owned fixed assets	22,502	14,925
Loss on disposal of fixed assets	–	280
Auditors' remuneration:		
Audit fees	6,750	3,000
Operating lease costs:		
Plant and equipment	17,460	22,243
Net loss on foreign currency translation	<u>7,931</u>	<u>13,224</u>

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2005 No	2004 No
Number of sales staff	5	4
Number of administrative/general staff	10	8
Number of other staff	2	2
	<u>17</u>	<u>14</u>

The aggregate payroll costs of the above were:

	2005 £	2004 £
Wages and salaries	513,143	606,462
Social security costs	61,311	76,933
Other pension costs	52,768	48,870
	<u>627,222</u>	<u>732,265</u>

5 Directors

Remuneration in respect of directors was as follows:

	2005 £	2004 £
Emoluments receivable	266,813	459,684
Value of company pension contributions to money purchase schemes	38,900	36,100
	<u>305,713</u>	<u>495,784</u>

Emoluments of highest paid director:

	2005 £	2004 £
Total emoluments (excluding pension contributions)	89,597	129,094
Value of company pension contributions to money purchase schemes	10,850	10,150
	<u>100,447</u>	<u>139,244</u>

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

	2005 No	2004 No
Money purchase schemes	<u>4</u>	<u>4</u>

6 Interest payable and similar charges

	2005 £	2004 £
Interest payable on bank borrowing	<u>3,178</u>	<u>2,844</u>

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	2005 £	2004 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	<u>143,609</u>	<u>72,459</u>
Total current tax	<u>143,609</u>	<u>72,459</u>

(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% (2004 - 30%).

	2005 £	2004 £
Profit on ordinary activities before taxation	<u>539,567</u>	<u>348,879</u>
Profit/(loss) on ord actvs by rate of tax	161,870	104,664
Expenses not deductible for tax purposes	4,368	3,141
Depreciation for period in excess of capital allowances	3,096	(3,644)
Marginal relief	<u>(25,725)</u>	<u>(31,702)</u>
Total current tax (note 7(a))	<u>143,609</u>	<u>72,459</u>

8 Dividends

	2005 £	2004 £
Equity dividends:		
Dividend paid on ordinary shares	<u>286,000</u>	<u>-</u>

9 Tangible fixed assets

	Freehold Property £	Fixtures & Fittings £	Office Equipment £	Total £
Cost				
At 1 April 2004	300,610	40,248	109,571	450,429
Additions	–	1,227	18,813	20,040
Disposals	–	(1,273)	–	(1,273)
At 31 March 2005	<u>300,610</u>	<u>40,202</u>	<u>128,384</u>	<u>469,196</u>
Depreciation				
At 1 April 2004	224,003	38,654	77,927	340,584
Charge for the year	2,143	1,246	19,113	22,502
On disposals	–	(1,273)	–	(1,273)
At 31 March 2005	<u>226,146</u>	<u>38,627</u>	<u>97,040</u>	<u>361,813</u>
Net book value				
At 31 March 2005	<u>74,464</u>	<u>1,575</u>	<u>31,344</u>	<u>107,383</u>
At 31 March 2004	<u>76,607</u>	<u>1,594</u>	<u>31,644</u>	<u>109,845</u>

During the year ended 31 December 1997, the freehold property was written down to a value of £90,000 on the basis of a valuation by Fenn Wright, Chartered Surveyors.

The transitional provisions of Financial Reporting Standard 15, Tangible Fixed Assets, are being followed and therefore the valuation has not been updated.

If certain fixed assets had not been revalued, they would have been included on the historical cost basis at the following amounts:

	£
Cost	300,610
Accumulated depreciation	90,765
Net book amount at 31 March 2005	<u>209,845</u>
Net book amount at 1 April 2004	<u>215,857</u>

10 Investments

Subsidiary undertakings

	£
Cost	
At 1 April 2004 and 31 March 2005	<u>4</u>
Net book value	
At 31 March 2005	<u>4</u>
At 31 March 2004	<u>4</u>

At 31 March 2005 the company held more than 10% of the allotted share capital of the following undertakings:

	Country of registration	Class of share capital held	Proportion held	Nature of business	Capital and reserves £	Profit for the financial year £
Lonham Marine Underwriters Limited	England	Ordinary	100%	Dormant	2	-
Lonham Claims and Recovery Bureau Limited	England	Ordinary	100%	Dormant	2	-

11 Debtors

	2005 £	2004 £
Trade debtors	1,950,478	1,983,266
Other debtors	3,260	2,742
Prepayments and accrued income	37,387	38,339
	<u>1,991,125</u>	<u>2,024,347</u>

12 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loans and overdrafts	5,460	7,992
Trade creditors	1,815,304	1,609,816
Amounts owed to group undertakings	72,268	72,268
Corporation tax	143,609	72,459
Other taxation and social security	39,936	83,694
Other creditors	100,000	100,000
Accruals and deferred income	9,633	4,294
	<u>2,186,210</u>	<u>1,950,523</u>

13 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Bank loans and overdrafts	<u>36,226</u>	<u>38,930</u>

The bank loan is secured by a first legal charge over the company's property.

The bank loan is repayable in monthly instalments until 2011, and bears interest at 2% over the banks base rate.

14 Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows:

	2005 £	2004 £
Amounts repayable:		
In one year or less or on demand	5,460	7,992
In more than one year but not more than two years	5,840	5,577
In more than two years but not more than five years	20,076	18,878
In more than five years	10,310	14,475
	<u>41,686</u>	<u>46,922</u>

15 Leasing commitments

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2005 £	2004 £
Operating leases which expire:		
Within 1 year	1,108	4,293
Within 2 to 5 years	6,828	10,131
	<u>7,936</u>	<u>14,424</u>

16 Related party transactions

As a wholly owned subsidiary of Lonham Limited, the company is exempt from the requirements of Financial Reporting Standard No 8 to disclose transactions with other members of the group.

17 Share capital

Authorised share capital:

	2005 £	2004 £
45,000 Ordinary shares of £1 each	<u>45,000</u>	<u>45,000</u>

Allotted, called up and fully paid:

	2005 No	£	2004 No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

18 Other reserves

	2005 £	2004 £
Capital redemption reserve	<u>10,000</u>	<u>10,000</u>

19 Profit and loss account

	2005 £	2004 £
Balance brought forward	333,382	56,962
Retained profit for the financial year	109,958	276,420
Balance carried forward	<u>443,340</u>	<u>333,382</u>

20 Reconciliation of movements in shareholder's funds

	2005 £	2004 £
Profit for the financial year	395,958	276,420
Dividends	(286,000)	-
	<u>109,958</u>	<u>276,420</u>
Opening shareholder's equity funds	343,482	67,062
Closing shareholder's equity funds	<u>453,440</u>	<u>343,482</u>

21 Ultimate parent company

The company is a wholly owned subsidiary of Lonham Limited, a company incorporated in the United Kingdom.

The largest group of undertakings for which group accounts have been drawn up is that headed by Lonham Limited. Copies of the accounts can be obtained from Companies House, Cardiff, CF14 3UZ.