

Lonham Group Limited

Financial statements

For the year ended 31 March 2007

Grant Thornton 

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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
Auditor	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 2007

Principal activities

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

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 these 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 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 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Donations

During the year the company made the following contributions

	2007	2006
	£	£
Charitable	<u>572</u>	<u>1,090</u>

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

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.

BY ORDER OF THE BOARD

D. Stannard

D Stannard
Secretary

Grant Thornton 

Report of the independent auditor to the member of Lonham Group Limited

We have audited the financial statements of Lonham Group Limited for the year ended 31 March 2007 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 16. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), 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 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Report of the independent auditor to the member of Lonham Group Limited (continued)

Basis of 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 applicable to Smaller Entities, of the state of the company's affairs as at 31 March 2007 and of its profit 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 Report of the Directors is consistent with the financial statements.

Grant Thornton UK LLP
GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

IPSWICH

20 August 2007

Principal 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 January 2005)

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Turnover

The turnover shown in the profit and loss account represents insurance commission earned in the year. This is calculated based on the policies which have been invoiced during the year.

Where the company receives revenue which is related to the underlying underwriting profit on policies written or sold, this is only recognised in the year in which the right to the consideration is achieved and the final amount can be reliably measured.

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	-	23 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

Monetary 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.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	2007 £	2006 £
Turnover	1	1,498,910	1,369,908
Other operating charges	2	1,432,504	1,291,269
Operating profit	3	66,406	78,639
Interest receivable		20,867	22,612
Interest payable and similar charges		(862)	(2,584)
Profit on ordinary activities before taxation		86,411	98,667
Tax on profit on ordinary activities	5	20,857	22,298
Profit for the financial year	15	65,554	76,369

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	7	84,970	98,609
Investments	8	4	4
		<u>84,974</u>	<u>98,613</u>
Current assets			
Debtors	9	2,044,981	1,749,932
Cash at bank and in hand		518,251	710,071
		<u>2,563,232</u>	<u>2,460,003</u>
Creditors: amounts falling due within one year	10	2,268,843	2,214,656
		<u>294,389</u>	<u>245,347</u>
Net current assets		294,389	245,347
Total assets less current liabilities		379,363	343,960
Creditors: amounts falling due after more than one year	11	—	30,151
		<u>379,363</u>	<u>313,809</u>
Capital and reserves			
Called-up equity share capital	14	100	100
Other reserves		10,000	10,000
Profit and loss account	15	369,263	303,709
Shareholder's funds		<u>379,363</u>	<u>313,809</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 January 2005)

These financial statements were approved by the directors on 13/7/07 and are signed on their behalf by

D Stannard

D Stannard
 Director

The accompanying accounting policies and notes form part of these financial statements.

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 10.3% (2006 - 11.0%)

2 Other operating charges

	2007 £	2006 £
Administrative expenses	<u>1,432,504</u>	<u>1,291,269</u>

3 Operating profit

Operating profit is stated after charging/(crediting)

	2007 £	2006 £
Staff pension contributions	18,357	16,748
Depreciation of owned fixed assets	20,196	25,719
Loss on disposal of fixed assets	–	38
Auditor's fees	7,150	6,950
Net loss on foreign currency translation	<u>6,066</u>	<u>6,733</u>

4 Directors

Remuneration in respect of directors was as follows

	2007 £	2006 £
Emoluments	743,981	632,340
Value of company pension contributions to money purchase schemes	59,700	43,400
	<u>803,681</u>	<u>675,740</u>

4 Directors (continued)

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

	2007 No	2006 No
Money purchase schemes	<u>4</u>	<u>4</u>

5 Taxation on ordinary activities

	2007 £	2006 £
Current tax		
UK Corporation tax based on the results for the year at 19% (2006 - 19%)	20,857	23,134
Over/under provision in prior year	-	(836)
Total current tax	<u>20,857</u>	<u>22,298</u>

6 Dividends

Dividends on shares classed as equity

	2007 £	2006 £
Paid during the year		
Equity dividends on ordinary shares	<u>-</u>	<u>216,000</u>
Proposed after the year-end (not recognised as a liability)		
Equity dividends on ordinary shares	<u>131,852</u>	<u>-</u>

7 Tangible fixed assets

	Land and buildings £	Other plant & machinery etc. £	Total £
Cost			
At 1 April 2006	300,610	160,818	461,428
Additions	—	6,557	6,557
Disposals	—	(13,492)	(13,492)
At 31 March 2007	<u>300,610</u>	<u>153,883</u>	<u>454,493</u>
Depreciation			
At 1 April 2006	228,289	134,530	362,819
Charge for the year	2,143	18,053	20,196
On disposals	—	(13,492)	(13,492)
At 31 March 2007	<u>230,432</u>	<u>139,091</u>	<u>369,523</u>
Net book value			
At 31 March 2007	<u>70,178</u>	<u>14,792</u>	<u>84,970</u>
At 31 March 2006	<u>72,321</u>	<u>26,288</u>	<u>98,609</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	102,789
Net book amount at 31 March 2007	<u>197,821</u>
Net book amount at 1 April 2006	<u>203,833</u>

8 Investments

Subsidiary undertakings

	£
Cost	
At 1 April 2006 and 31 March 2007	<u>4</u>
Net book value	
At 31 March 2007	<u>4</u>
At 31 March 2006	<u>4</u>

At 31 March 2007 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	–

9 Debtors

	2007	2006
	£	£
Trade debtors	2,001,880	1,705,862
VAT recoverable	3,734	657
Other debtors	39,367	43,413
	<u>2,044,981</u>	<u>1,749,932</u>

At 31 March 2006, pension contributions of £390 were prepaid

10 Creditors: amounts falling due within one year

	2007	2006
	£	£
Bank loan	–	5,967
Trade creditors	1,758,579	1,683,272
Amounts owed to group undertakings	72,268	72,268
Corporation tax	20,857	23,134
Other taxation and social security	86,190	92,455
Other creditors	330,949	337,560
	<u>2,268,843</u>	<u>2,214,656</u>

11 Creditors: amounts falling due after more than one year

	2007	2006
	£	£
Bank loan	-	30,151

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

Included within creditors falling due after more than one year is an amount of £nil (2006 - £2,012) in respect of liabilities which fall due for payment after more than five years from the balance sheet date

12 Leasing commitments

At 31 March 2007 the company had aggregate annual commitments under non-cancellable operating leases as set out below

	2007	2006
	£	£
Operating leases which expire		
Within 1 year	-	5,690
Within 2 to 5 years	5,268	5,268
	<u>5,268</u>	<u>10,958</u>

13 Related party transactions

As at 31 March 2007 £72,153 (2006 - £72,153) was owed to the parent company Lonham Limited and £115 (2006 - £115) to Lonham Commercial Risks Limited a subsidiary of Lonham Limited

14 Share capital

Authorised share capital

	2007	2006
	£	£
45,000 Ordinary shares of £1 each	<u>45,000</u>	<u>45,000</u>

Allotted, called up and fully paid

	2007		2006	
	No	£	No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

15 Profit and loss account

	2007	2006
	£	£
Balance brought forward	303,709	443,340
Profit for the financial year	65,554	76,369
Equity dividends paid	-	(216,000)
Balance carried forward	<u>369,263</u>	<u>303,709</u>

16 Ultimate parent company

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