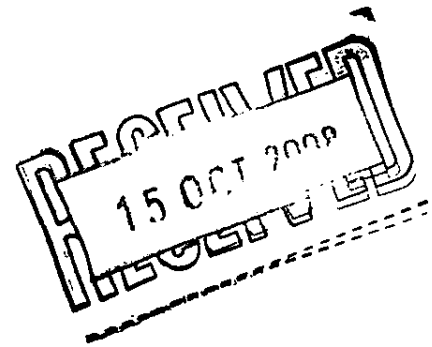




Grant Thornton



Financial Statements Lonham Group Limited

For the Year Ended 31 March 2008



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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 2008.

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

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 auditor is 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 auditor is aware of that information.

Donations

During the year the company made the following contributions:

	2008	2007
	£	£
Charitable	<u>430</u>	<u>572</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

26/9/08



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 2008 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 2007), 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 2008 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

13 October 2008

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 2007).

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	-	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

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	2008 £	2007 £
Turnover	1	1,626,039	1,498,910
Other operating charges	2	1,280,244	1,432,504
Operating profit	3	<u>345,795</u>	<u>66,406</u>
Interest receivable		22,630	20,867
Interest payable and similar charges		(23)	(862)
Profit on ordinary activities before taxation		<u>368,402</u>	<u>86,411</u>
Tax on profit on ordinary activities	5	86,953	20,857
Profit for the financial year	14	<u>281,449</u>	<u>65,554</u>

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

Balance sheet

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	7	83,314	84,970
Investments	8	4	4
		<u>83,318</u>	<u>84,974</u>
Current assets			
Debtors	9	1,986,469	2,044,981
Cash at bank and in hand		719,408	518,251
		<u>2,705,877</u>	<u>2,563,232</u>
Creditors: amounts falling due within one year	10	<u>2,399,527</u>	<u>2,268,843</u>
Net current assets		<u>306,350</u>	<u>294,389</u>
Total assets less current liabilities		<u>389,668</u>	<u>379,363</u>
Capital and reserves			
Called-up equity share capital	13	100	100
Other reserves		10,000	10,000
Profit and loss account	14	379,568	369,263
Shareholder's funds	15	<u>389,668</u>	<u>379,363</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 2007).

These financial statements were approved by the directors and authorised for issue on 26/9/08, 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 12.2% (2007 - 10.3%).

2 Other operating charges

	2008 £	2007 £
Administrative expenses	<u>1,280,244</u>	<u>1,432,504</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2008 £	2007 £
Staff pension contributions	18,786	18,357
Depreciation of owned fixed assets	15,254	20,196
Auditor's fees	8,350	7,950
Net (profit)/loss on foreign currency translation	<u>(8,217)</u>	<u>6,066</u>

4 Directors

Remuneration in respect of directors was as follows:

	2008 £	2007 £
Emoluments	607,718	743,981
Value of company pension contributions to money purchase schemes	<u>51,900</u>	<u>59,700</u>
	<u>659,618</u>	<u>803,681</u>

4 Directors (continued)

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

	2008 No	2007 No
Money purchase schemes	<u>4</u>	<u>4</u>

5 Taxation on ordinary activities

Analysis of charge in the year

	2008 £	2007 £
Current tax:		
UK Corporation tax based on the results for the year at 22.73% (2007 - 19%)	87,186	20,857
Over/under provision in prior year	(233)	-
Total current tax	<u>86,953</u>	<u>20,857</u>

6 Dividends

Dividends on shares classed as equity

	2008 £	2007 £
Paid during the year:		
Equity dividends on ordinary shares	<u>271,144</u>	<u>-</u>
Proposed after the year-end (not recognised as a liability):		
Equity dividends on ordinary shares	<u>-</u>	<u>131,852</u>

7 Tangible fixed assets

	Land and buildings £	Other plant & machinery etc. £	Total £
Cost			
At 1 April 2007	300,610	153,883	454,493
Additions	–	13,598	13,598
Disposals	–	(8,680)	(8,680)
At 31 March 2008	<u>300,610</u>	<u>158,801</u>	<u>459,411</u>
Depreciation			
At 1 April 2007	230,432	139,091	369,523
Charge for the year	2,143	13,111	15,254
On disposals	–	(8,680)	(8,680)
At 31 March 2008	<u>232,575</u>	<u>143,522</u>	<u>376,097</u>
Net book value			
At 31 March 2008	<u>68,035</u>	<u>15,279</u>	<u>83,314</u>
At 31 March 2007	<u>70,178</u>	<u>14,792</u>	<u>84,970</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.

8 Investments

Subsidiary undertakings

	£
Cost	
At 1 April 2007 and 31 March 2008	<u>4</u>
Net book value	
At 31 March 2008	<u>4</u>
At 31 March 2007	<u>4</u>

8 Investments (continued)

At 31 March 2008 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

	2008 £	2007 £
Trade debtors	1,942,183	2,001,880
VAT recoverable	2,370	3,734
Other debtors	41,916	39,367
	<u>1,986,469</u>	<u>2,044,981</u>

10 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	1,905,190	1,758,579
Amounts owed to group undertakings	72,268	72,268
Corporation tax	87,186	20,857
Other taxation and social security	97,592	86,190
Other creditors	237,291	330,949
	<u>2,399,527</u>	<u>2,268,843</u>

11 Leasing commitments

At 31 March 2008 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2008 £	2007 £
Operating leases which expire:		
Within 1 year	439	-
Within 2 to 5 years	6,216	5,268
	<u>6,655</u>	<u>5,268</u>

12 Related party transactions

As at 31 March 2008 £72,153 (2007 - £72,153) was owed to the parent company Lonham Limited and £115 (2007 - £115) to Lonham Commercial Risks Limited a subsidiary of Lonham Limited.

13 Share capital

Authorised share capital:

	2008 £	2007 £
45,000 Ordinary shares of £1 each	<u>45,000</u>	<u>45,000</u>

Allotted, called up and fully paid:

	2008 No	£	2007 No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

14 Profit and loss account

	2008 £	2007 £
Balance brought forward	369,263	303,709
Profit for the financial year	281,449	65,554
Equity dividends	(271,144)	-
Balance carried forward	<u>379,568</u>	<u>369,263</u>

15 Reconciliation of movements in shareholder's funds

	2008 £	2007 £
Profit for the financial year	281,449	65,554
Equity dividends	(271,144)	-
Net addition to shareholder's funds	<u>10,305</u>	<u>65,554</u>
Opening shareholder's funds	379,363	313,809
Closing shareholder's funds	<u>389,668</u>	<u>379,363</u>

16 Ultimate parent company

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

Management information

The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 5 to 6.

Profit and loss account

	2008 £	2007 £
Turnover	1,626,039	1,498,910
Overheads		
Administrative expenses	1,280,244	1,432,504
Operating profit	345,795	66,406
Interest receivable	22,630	20,867
	368,425	87,273
Bank interest payable	(23)	(862)
Profit on ordinary activities	368,402	86,411

Notes to the detailed profit and loss account

	2008 £	2007 £
Administrative expenses		
Personnel costs		
Directors salaries	582,600	709,087
Directors national insurance contributions	72,074	88,437
Directors pension contributions	51,900	59,700
Salaries	265,744	242,216
Employers national insurance contributions	32,064	29,461
Staff pension contributions	18,786	18,357
	<u>1,023,168</u>	<u>1,147,258</u>
Establishment expenses		
Rates and water	4,926	4,713
Light and heat	3,650	3,037
Property insurance	5,242	5,261
Repairs and maintenance	8,388	5,258
Gardening	2,189	2,103
Cleaning of premises	451	734
Car parking	7,930	7,759
	<u>32,776</u>	<u>28,865</u>
General expenses		
Motor expenses	10,152	13,649
Travel and subsistence	4,585	5,205
Telephone	6,956	7,582
Fax	1,638	1,307
Internet costs	1,109	634
Computer costs	6,611	10,807
Equipment repairs and renewals	3,564	5,937
Printing	478	3,826
Printing, stationery and postage	12,030	14,189
Couriers	4,977	3,866
Publications and subscriptions	8,501	8,605
Staff training	80	821
BUPA	8,671	8,230
Staff health and accident insurance	19,264	18,116
Staff health and safety	464	352
Sundry expenses	2,050	1,842
Storage	5,320	4,737
Disallowable VAT inputs	13,118	10,856
	<u>109,568</u>	<u>120,561</u>
Carried forward		

	2008 £	2007 £
Administrative expenses (continued)		
Brought forward	109,568	120,561
Donations	430	572
Advertising	12,457	8,107
Entertaining	11,102	9,109
Refreshments	844	965
General insurance	57,221	59,390
Directors' and officers' insurance	1,572	1,673
Legal and professional fees	-	880
Payroll services	390	334
Accountancy fees	1,715	1,635
Auditors remuneration	7,510	7,150
Depreciation of freehold property	2,143	2,143
Depreciation of fixtures and fittings	764	801
Depreciation of office equipment	12,347	17,252
	<u>218,063</u>	<u>230,572</u>
Financial costs		
Operating lease: motor vehicles	5,715	12,432
Bank charges	8,739	7,311
Foreign currency gains/losses	(8,217)	6,066
	<u>6,237</u>	<u>25,809</u>
	<u>1,280,244</u>	<u>1,432,504</u>
Interest receivable		
Bank interest receivable	22,597	20,766
Other interest receivable	33	101
	<u>22,630</u>	<u>20,867</u>