

Walsham Investment Limited

Financial statements for the year ended

31 December 2002

together with directors' report

Registered number: 4076521



Directors' report

For the year ended 31 December 2002

Financial Statements

The directors present their report and financial statements of the company for the year ended 31 December 2002.

Principal activities

The principal activity of the company is the management of investments.

Financial results and dividends

The results for the year and the transfer from reserves are shown on page 3.

The directors do not propose that a dividend be paid.

Statement of 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 financial year and of the profit and loss of the company for that year. 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; and
- prepare the 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal controls, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The directors who held office during the year were:

Mr W J Brown - Chairman

Mr J A Brown

Mr R Brown

Mr B C Gordon (appointed 1 June 2002)

Mr T W Moore (resigned 31 May 2002)

The directors have no beneficial interest in the capital of the company. The directors interests in the shares of the ultimate holding company Walsham Brothers & Co. Limited can be seen in that company's accounts.

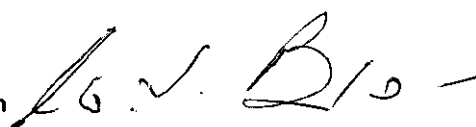
Auditors

Deloitte & Touche were appointed as auditors following the resignation of Arthur Andersen. Deloitte & Touche have expressed their willingness to continue in office and a resolution will be proposed at the Annual General Meeting to re-appoint them as auditors of the company.

This report was approved by the Board on 20 June 2003.

W J Brown

Director



Independent auditors' report to the members of Walsham Investment Limited

We have audited the financial statements of Walsham Investment Limited for the year ended to 31 December 2002 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

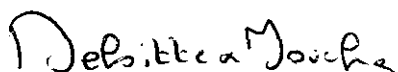
Basis of opinion

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.

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 at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors

London

20 June 2003

Profit and loss account

For the year ended 31 December 2002

	Notes	2002 £	2001 £
Turnover	2	-	-
Net investment return		3,750	-
Administrative expenses		(12,465)	-
Loss on ordinary activities before taxation	4	(8,715)	-
Taxation	5	-	-
Loss on ordinary activities after taxation		(8,715)	-

All amounts derive from continuing operations. The company had no recognised gains or losses other than those disclosed in the profit and loss account and consequently no statement of total recognised gains and losses has been prepared.

The notes on pages 6 to 9 form an integral part of these financial statements

Balance sheet

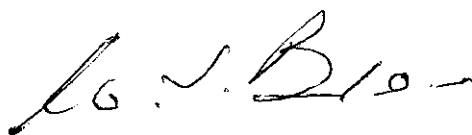
As at 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Investment in subsidiary undertaking	6	100	100
Other investments	7	6,304,851	5,282,101
		<u>6,304,951</u>	<u>5,282,201</u>
Current assets			
Debtors		2,242	-
Cash at bank and in hand		100	100
Prepayments and accrued income	8	4,800	-
		<u>7,142</u>	<u>100</u>
Net current assets			
		<u>7,142</u>	<u>100</u>
Creditors: amount falling due after one year	9	(6,319,533)	(5,282,201)
Accruals and deferred income	10	(1,175)	-
		<u>(8,615)</u>	<u>100</u>
Total assets less liabilities			
		<u>(8,615)</u>	<u>100</u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss reserve	12	(8,715)	-
		<u>(8,615)</u>	<u>100</u>
Equity shareholders' deficit			
		<u>(8,615)</u>	<u>100</u>

The notes on pages 6 to 9 form an integral part of these financial statements

The financial statements on pages 3 to 9 were approved by the Board on 20 June 2003.

W J Brown
Director



Cash flow statement

For the year ended 31 December 2002

	Notes	2002 £	2001 £
Net cash inflow from operating activities	14	<u>1,022,750</u>	<u>5,282,201</u>
Capital expenditure and financial investment			
Investment in subsidiary undertaking		-	(100)
Acquisition of fixed asset investments		(1,022,750)	(5,282,101)
		<u>(1,022,750)</u>	<u>(5,282,201)</u>
Financing			
Issue of shares		-	100
Increase in cash in the period		<u>-</u>	<u>100</u>

Notes to the financial statements

For the year ended 31 December 2002

1 Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the period.

a) Accounting convention

The financial statements are prepared under the historic cost convention.

The financial statements have been prepared on a going concern basis on the grounds that the directors of the ultimate holding company have indicated their willingness to support the company by providing adequate loan facilities to meet the financial obligations of the company as they fall due for a period of at least twelve months from the date these financial statements are signed.

b) Tangible fixed asset investments

Tangible fixed asset investments are stated at cost, less provision for permanent diminution in value.

c) Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2 Turnover

Due to the nature of its activities the company does not have a turnover.

3 Employees

The company has no employees other than its directors, who received no remuneration.

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2002 £	2001 £
Auditors' remuneration - audit services	1,000	-

5 Taxation

	2002 £	2001 £
(a) Analysis of tax charge in year		
UK corporation tax at 30%	-	-
Current tax charge for the year	-	-
Tax charge on loss on ordinary activities	-	-

Notes to the financial statements (continued)

For the year ended 31 December 2002

5 Taxation (continued)

(b) Factors affecting tax charge for current year

There is no tax charge for the current year (2001 - Nil)

	2002 £	2001 £
The differences are explained below:		
Loss on ordinary activities before tax	<u>(8,715)</u>	<u>-</u>
Tax at 30% thereon	(2,615)	-
Effects of:		
Disallowable expenses	2,903	-
UK dividend income	(1,125)	-
Unused tax losses	837	-
	<u>-</u>	<u>-</u>
Current tax (credit)/charge for the year	<u>-</u>	<u>-</u>

(c) Factors that may affect future tax charges

A deferred tax asset has not been recognised in respect of timing differences relating to unused trading losses as there is insufficient current evidence that this will be recovered. The amount not recognised is £837 (2001 - Nil)

6 Investment in subsidiary undertaking

	2002 £	2001 £
1 January	100	-
Additions	-	100
	<u>100</u>	<u>100</u>
31 December	<u>100</u>	<u>100</u>

The company holds 100% of the issued share capital of Walsham Corporate Capital Limited, a company incorporated in Great Britain and registered in England and Wales. Advantage has been taken of the exemption for wholly owned subsidiaries not to produce group accounts

Notes to the financial statements (continued)

For the year ended 31 December 2002

7 Other investments

	2002 £	2001 £
Listed investments		
1 January	809,031	-
Transferred from holding company at cost	-	809,031
31 December	809,031	809,031

The market value of the listed investments at 31 December was £818,250 (2001 - £654,281).

Unlisted investments

1 January	4,473,070	-
Transferred from holding company at cost	-	4,473,070
Additions	1,022,750	-
31 December	5,495,820	4,473,070
Total investments at 31 December	6,304,851	5,282,101

8 Prepayments and accrued income

	2002 £	2001 £
Prepayments	4,800	-

9 Creditors: amounts falling due after one year

	2002 £	2001 £
Amount due to holding company	(6,319,533)	(5,282,201)

The directors of the holding company have agreed not to call for the repayment of the amount outstanding for a period of at least twelve months from the date on which these financial statements are signed.

10 Accruals and deferred income

	2002 £	2001 £
Accruals	(1,175)	-

Notes to the financial statements (continued)

For the year ended 31 December 2002

11 Equity share capital

	2002 £	2001 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, issued and fully paid		
100 ordinary shares of £1 each	100	100

12 Movements in shareholders' deficit

	Called up share capital £	Profit and loss account £	2002 Total £	2001 Total £
1 January	100	-	100	100
Loss on ordinary activities after taxation	-	(8,715)	(8,715)	-
31 December	100	(8,715)	(8,615)	100

Shareholders' deficit comprises £8,615 (2001 Funds - £100) equity interests.

13 Capital commitments

There were no capital commitments at 31 December 2002 (2001 - Nil)

14 Reconciliation of operating loss to net cash inflow from operating activities

	2002 £	2001 £
Loss before tax on ordinary activities	(8,715)	-
Increase in debtors, prepayments and accrued income	(7,042)	-
Increase in creditors and accruals	1,038,507	5,282,201
Net cash inflow from operating activities	1,022,750	5,282,201

15 Related party transactions

Advantage has been taken of the exemption available to 90% or more owned subsidiaries not to disclose related party transactions between the company and its parent undertaking.

16 Contingent liability and charges

The company has indemnified its bankers against all liabilities which the bank may from time to time incur in relation to guarantees of £475,000 and US\$3,732,500 which the bank has given to third parties at the request of the company to enable it to make a guarantee of certain liabilities of Lloyd's Syndicate's underwriting results.

17 Ultimate and immediate parent company

The directors regard Walsham Brothers and Co Limited a company incorporated in Great Britain and registered in England and Wales, as the ultimate and immediate parent company and the ultimate controlling party. Copies of the financial statements of Walsham Brothers & Co Limited are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ.

9 WALSHAM INVESTMENT LIMITED