

# **Walsham Investment Limited**

**Financial statements for the year ended**

**31 December 2003**

**together with directors' report**

**Registered number: 4076521**



## **Directors' report**

**For the year ended 31 December 2003**

### **Financial Statements**

The directors present their report and financial statements of the company for the year ended 31 December 2003.

### **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 to 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

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**

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 6 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board on 16 July 2004



**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 2003 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes numbered 1 to 18. 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 audit 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**

**Chartered Accountants and Registered Auditors**

London

16 July 2004

## Profit and loss account

For the year ended 31 December 2003

|                                                        | Notes | 2003<br>£ | 2002<br>£ |
|--------------------------------------------------------|-------|-----------|-----------|
| Turnover                                               | 2     | -         | -         |
| Net investment return                                  |       | 216,052   | 3,750     |
| Administrative expenses                                |       | (129,113) | (12,465)  |
| Profit / (loss) on ordinary activities before taxation | 4     | 85,939    | (8,715)   |
| Taxation                                               | 5     | (21,795)  | -         |
| Profit / (loss) on ordinary activities after taxation  | 12    | 64,144    | (8,715)   |

All amounts derive from continuing operations.

## Statement of total recognised gains and losses

For the year ended 31 December 2003

|                                               | Notes | 2003<br>£ | Restated<br>(See Note 17)<br>2002<br>£ |
|-----------------------------------------------|-------|-----------|----------------------------------------|
| Profit / (loss) for the financial year        |       | 64,144    | (8,715)                                |
| Revaluation of listed fixed asset investments |       | 35,453    | 9,218                                  |
| Prior year adjustment                         | 17    | 9,218     | -                                      |
| Total recognised gains for the financial year |       | 108,815   | 503                                    |

The notes on pages 6 to 10 form an integral part of these financial statements

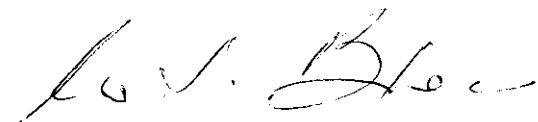
## Balance sheet

As at 31 December 2003

|                                                     |       |                  | Restated<br>(See Note 17)<br>2002 |
|-----------------------------------------------------|-------|------------------|-----------------------------------|
|                                                     | Notes | 2003<br>£        | 2002<br>£                         |
| <b>Fixed assets</b>                                 |       |                  |                                   |
| Investment in subsidiary undertaking                | 6     | 100              | 100                               |
| Other investments                                   | 7     | 6,529,522        | 6,314,069                         |
|                                                     |       | <u>6,529,622</u> | <u>6,314,169</u>                  |
| <b>Current assets</b>                               |       |                  |                                   |
| Debtors                                             |       | 19,005           | 2,242                             |
| Cash at bank and in hand                            |       | 4,350            | 100                               |
| Prepayments and accrued income                      | 8     | -                | 4,800                             |
| <b>Net current assets</b>                           |       | <u>23,355</u>    | <u>7,142</u>                      |
| <b>Creditors: amount falling due after one year</b> | 9     | (6,451,367)      | (6,319,533)                       |
| <b>Accruals and deferred income</b>                 | 10    | (1,410)          | (1,175)                           |
| <b>Total assets less liabilities</b>                |       | <u>100,200</u>   | <u>603</u>                        |
| <b>Capital and reserves</b>                         |       |                  |                                   |
| Called up share capital                             | 11    | 100              | 100                               |
| Profit and loss reserve                             | 12    | 55,429           | (8,715)                           |
| Revaluation reserve                                 | 12    | 44,671           | 9,218                             |
| <b>Equity shareholders' funds</b>                   |       | <u>100,200</u>   | <u>603</u>                        |

The notes on pages 6 to 10 form an integral part of these financial statements

The financial statements on pages 3 to 10 were approved by the Board on 16 July 2004



**W J Brown**

Director

## Cash flow statement

For the year ended 31 December 2003

|                                                     | Notes | 2003<br>£        | 2002<br>£   |
|-----------------------------------------------------|-------|------------------|-------------|
| <b>Net cash inflow from operating activities</b>    | 14    | <b>206,045</b>   | 1,022,750   |
| <b>Taxation</b>                                     |       |                  |             |
| Charge for group relief                             |       | (21,795)         | -           |
| <b>Capital expenditure and financial investment</b> |       |                  |             |
| Acquisition of fixed asset investments              |       | (180,000)        | (1,022,750) |
|                                                     |       | <b>(201,795)</b> | (1,022,750) |
| <b>Increase in cash in the year</b>                 |       | <b>4,250</b>     | -           |

# Notes to the financial statements

For the year ended 31 December 2003

## 1 Accounting policies

The principal accounting policies, which have all been applied consistently throughout the period covered by this report with the exception of the policy for the valuation of tangible fixed asset investments, are summarised below.

### a) Accounting convention

The financial statements are prepared under the historic cost convention, modified by the revaluation of certain investments, and in accordance with applicable United Kingdom law and accounting standards.

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) Change in accounting policy - fixed asset investments

In previous years all fixed asset investments were stated at cost, less provision for permanent diminution in value. This policy has been changed to recognise the difference between listed and unlisted investments. The value of fixed asset investments is stated in the financial statements on the following basis:

- (i) Listed investments are stated at closing middle market price on recognised stock exchanges; and
- (ii) Unlisted investments are stated at cost less provision for permanent diminution in value.

Comparative figures have been restated where applicable to reflect this change in accounting policy. The impact on reported results and comparative figures is explained in note 17. This change has had no impact on the profit and loss for the current and prior year.

### 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.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements.

## 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 Profit / (loss) on ordinary activities before taxation

Profit / (loss) on ordinary activities before taxation is stated after charging

|                                         | 2003<br>£ | 2002<br>£ |
|-----------------------------------------|-----------|-----------|
| Auditors' remuneration - audit services | 1,200     | 1,000     |

# Notes to the financial statements (continued)

For the year ended 31 December 2003

## 5 Taxation

### (a) Analysis of tax charge in year

UK corporation tax at 30%

Current tax charge for the year

Charge for group relief

Tax charge on profit on ordinary activities

### (b) Factors affecting tax charge for current year

The tax charge for the current year is £21,795 (2002 - Nil).

The differences are explained below:

Profit on ordinary activities before tax

Tax at 30% thereon

Effects of:

Disallowable expenses

UK dividend income

Tax losses (utilised) / unused

Tax charge for the year

| 2003<br>£ | 2002<br>£ |
|-----------|-----------|
| -         | -         |
| -         | -         |
| 21,795    | -         |
| 21,795    | -         |

| 2003<br>£ | 2002<br>£ |
|-----------|-----------|
| 85,939    | (8,715)   |
| 25,782    | (2,615)   |
| -         | 2,903     |
| (3,150)   | (1,125)   |
| (837)     | 837       |
| 21,795    | -         |

## 6 Investment in subsidiary undertaking

1 January and 31 December

| 2003<br>£ | 2002<br>£ |
|-----------|-----------|
| 100       | 100       |

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 2003

### 7 Other investments

|                                             | 2003<br>£        | Restated<br>(See Note 18)<br>2002<br>£ |
|---------------------------------------------|------------------|----------------------------------------|
| <b>Listed investments - at market value</b> |                  |                                        |
| 1 January                                   | 818,249          | 809,031                                |
| Unrealised gains                            | 35,453           | 9,218                                  |
| <b>31 December</b>                          | <b>853,702</b>   | <b>818,249</b>                         |
| <b>Unlisted investments</b>                 |                  |                                        |
| 1 January                                   | 5,495,820        | 4,473,070                              |
| Additions                                   | 180,000          | 1,022,750                              |
| <b>31 December</b>                          | <b>5,675,820</b> | <b>5,495,820</b>                       |
| <b>Total investments at 31 December</b>     | <b>6,529,522</b> | <b>6,314,069</b>                       |

### 8 Prepayments and accrued income

|             | 2003<br>£ | 2002<br>£ |
|-------------|-----------|-----------|
| Prepayments | -         | 4,800     |

### 9 Creditors: amounts falling due after one year

|                               | 2003<br>£   | 2002<br>£   |
|-------------------------------|-------------|-------------|
| Amount due to holding company | (6,451,367) | (6,319,533) |

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

|          | 2003<br>£ | 2002<br>£ |
|----------|-----------|-----------|
| Accruals | (1,410)   | (1,175)   |

# Notes to the financial statements (continued)

For the year ended 31 December 2003

## 11 Equity share capital

|                                        | 2003<br>£  | 2002<br>£  |
|----------------------------------------|------------|------------|
| <b>Authorised</b>                      |            |            |
| 100 ordinary shares of £1 each         | <u>100</u> | <u>100</u> |
| <b>Allotted, issued and fully paid</b> |            |            |
| 100 ordinary shares of £1 each         | <u>100</u> | <u>100</u> |

## 12 Movements in equity shareholders' funds

|                                  | Called up<br>share capital<br>£ | Profit and<br>loss account<br>£ | Revaluation<br>Reserve<br>£ | 2003<br>Total<br>£ | Restated<br>2002<br>Total<br>£ |
|----------------------------------|---------------------------------|---------------------------------|-----------------------------|--------------------|--------------------------------|
| 1 January                        | 100                             | (8,715)                         | -                           | (8,615)            | 100                            |
| Prior year adjustment            | -                               |                                 | 9,218                       | 9,218              | -                              |
| Balance at 1 January as restated | <u>100</u>                      | <u>(8,715)</u>                  | <u>9,218</u>                | <u>603</u>         | <u>100</u>                     |
| Movements after taxation         | -                               | 64,144                          | 35,453                      | 99,597             | 503                            |
| 31 December                      | <u>100</u>                      | <u>55,429</u>                   | <u>44,671</u>               | <u>100,200</u>     | <u>603</u>                     |

## 13 Capital commitments

There were no capital commitments at 31 December 2003 (2002 - £Nil)

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

|                                                        | 2003<br>£      | 2002<br>£        |
|--------------------------------------------------------|----------------|------------------|
| Profit / (loss) on ordinary activities before taxation | 85,939         | (8,715)          |
| Increase in debtors, prepayments and accrued income    | (11,963)       | (7,042)          |
| Increase in creditors and accruals                     | 132,069        | 1,038,507        |
| Net cash inflow from operating activities              | <u>206,045</u> | <u>1,022,750</u> |

## Notes to the financial statements (continued)

For the year ended 31 December 2003

### 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 £5,400,000 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 Restatement of comparatives

During the year the company has opted to state the listed fixed asset investments at their market value at the balance sheet date. This change in accounting policy which does not impact the profit and loss for the current and prior year, has had the following effects in the current and prior year:

|                                     | 2003<br>£ | 2002<br>£ |
|-------------------------------------|-----------|-----------|
| Increase in fixed asset investments | 44,671    | 9,218     |
| Increase in revaluation reserve     | 44,671    | 9,218     |

### 18 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.