

Walsham Investment Limited

Financial statements for the year ended

31 December 2011

together with directors' report

Registered number 4076521

THURSDAY



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Directors' report

For the year ended 31 December 2011

Financial Statements

The directors present their report and financial statements of the company for the year ended 31 December 2011

Business Review and Principal activities

The company is a wholly owned subsidiary of Walsham Brothers & Co Limited. The ultimate holding company is QWB Group Limited.

The principal activity of the company is the management of its own investment portfolio in insurance related entities. There have not been significant changes in the company's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The directors are pleased to report that the company made a profit before taxation of £6,169,332 for the year. This compares with a profit of £5,480,348 for 2010, an increase of 12.5%.

Turnover for 2010 was in respect of fees for guarantee facilities that had been provided to third parties by the company. These guarantee facilities have now ceased and accordingly there is no turnover for 2011.

Investment return increased from £3,413,529 in 2010 to £6,222,932 for 2011 principally as a result of an increase in the dividend received from the subsidiary company from £3,000,000 in 2010 to £6,000,000 for 2011.

Fixed asset investment disposals during 2011 realised a profit of £24,427 compared with a profit of £1,107,305 for 2010.

Administrative expenses amounted to £78,027 for the year compared with £131,960 for 2010. The decrease was principally due to a reduction in charges from the company's parent company.

The balance sheet on page 6 of the financial statements shows the company's financial position at the year end and shows a decrease in net assets of £5,880,836. This is after the payment of dividends of £12m during 2011. Fixed asset investments have decreased to £1,673,041 at 31 December 2011 from £3,755,351 at 31 December 2010. Details of changes to fixed asset investments are shown in the notes attached to the accounts.

Due to the nature of the company's business, and its status as a wholly owned subsidiary of QWB Group Limited, the company's directors do not consider that further key performance indicators for the company are necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the group as a whole, which includes the company, is discussed in the Annual Report of QWB Group Limited which does not form part of this Report.

Principal risks and uncertainties

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk, liquidity risk, cash flow risk and market risk.

Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risks the directors consider relevant to this company are liquidity risk, cash flow risk and market risk.

Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations when due on a timely basis. To mitigate this risk the company ensures that it has appropriate access to its liquid assets and the directors are satisfied that liquidity and other financial support will continue to be forthcoming from its ultimate parent company, QWB Group Limited.

Market risk

The company's activities expose it to the financial risks of equity prices arising from equity and changes in foreign currency exchange rates for investments denominated in those currencies. The company monitors these risks, but does not actively trade these investments.

Directors' report (continued)

For the year ended 31 December 2011

Statement of 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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,

state whether applicable UK Accounting Standards have been followed, and

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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Dividends

The directors recommend a final dividend of £9,000 (2010 - £50,000) per ordinary share to be paid on 15 October 2012 to ordinary shareholders on the register on 1 October 2012. An interim dividend of £70,000 (2010 - £Nil) per ordinary share was paid on 22 November 2011.

Directors

The directors at the date of this report, who held office throughout the year except where indicated, are

Mr B C Gordon

Mr S R Berg

Appointed 10 November 2011

Mr J Fall

Appointed 10 November 2011

Mr S Mc Dermott

Appointed 10 November 2011

In addition to the following directors served during the year under review, from 1 January 2010 up to the dates of their resignations

Mr W J Brown

Resigned 10 November 2011

Mr J A Brown

Resigned 10 November 2011

Mr R Brown

Resigned 10 November 2011

The directors have no direct beneficial interest in the capital of the company. The directors' interests in the shares of the ultimate holding company QWB Group Limited can be seen in that company's accounts.

Going Concern

The company's business activities, performance and financial position are set out in the Business Review above. Taking account of current trading conditions and the company's investment portfolio the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future, that liquidity and other financial support will continue to be forthcoming from its ultimate parent company, QWB Group Limited, should it be required, and that there will be no requirement for external funding.

Directors' report (continued)

For the year ended 31 December 2011

Auditors

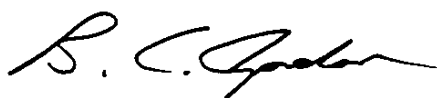
Each of the persons who is a director at the date of approval of this report confirms that

- 1 so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware and
- 2 the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given, and should be interpreted in accordance with, the provisions of Section 418 of the Companies Act 2006

Following the acquisition of the company's parent company, Walsham Brothers & Co Limited by QWB Group Limited, Deloitte LLP resigned as the company's auditor and Haines Watts were appointed in their stead. Haines Watts have expressed their willingness to continue in office and a resolution to re-appoint Haines Watts as the company's auditor will be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board on 25 September 2012



B C Gordon
Director

Independent auditor's report to the members of Walsham Investment Limited

We have audited the financial statements of Walsham Investment Limited for the year ended 31 December 2011 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 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements

give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
have been prepared in accordance with the requirements of the Companies Act 2006.

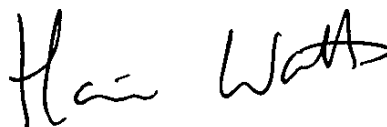
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
the financial statements are not in agreement with the accounting records and returns, or
certain disclosures of directors' remuneration specified by law are not made, or
we have not received all the information and explanations we require for our audit.



I M Gorsuch (Senior Statutory Auditor)

For and on behalf of Haines Watts

Chartered Accountants and Statutory Auditors

Interwood House

Stafford Avenue

Hornchurch

Essex

RM12 2ER

26.9.2012

Profit and loss account

For the year ended 31 December 2011

	Notes	2011 £	2010 £
Turnover	2	-	1,091,474
Investment income		6,222,932	3,413,529
Administrative expenses		(78,027)	(131,960)
Operating profit		6,144,905	4,373,043
Profit on disposal of fixed asset investments		24,427	1,107,305
Profit on ordinary activities before taxation	4	6,169,332	5,480,348
Tax charge on profit on ordinary activities	5	(22,050)	(499,000)
Profit on ordinary activities after tax and for the financial year		6,147,282	4,981,348

Statement of total recognised gains and losses

For the year ended 31 December 2011

		2011 £	2010 £
Profit for the financial year		6,147,282	4,981,348
Deficiency on revaluation of fixed asset investments	14	(28,118)	(710,836)
Total recognised gains for the financial year		6,119,164	4,270,512

All amounts derive from continuing operations

The notes on pages 7 to 11 form an integral part of these financial statements

Company registered number: 4076521

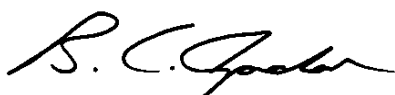
Balance sheet

As at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Investment in subsidiary undertaking	7	100	100
Other investments	8	1,673,041	3,755,351
		<u>1,673,141</u>	<u>3,755,451</u>
Current assets			
Debtors	9	442,300	1,533,625
Cash at bank and in hand		2,012,818	2,021,416
Prepayments and accrued income		216,093	248,841
		<u>2,671,211</u>	<u>3,803,882</u>
Creditors amount falling due within one year	10	(3,217,053)	(499,250)
Provision for other risks and charges	11	(35,952)	(87,300)
Accruals	12	(13,800)	(14,400)
		<u>(3,266,805)</u>	<u>(600,950)</u>
Net current (liabilities) / assets		<u>(595,594)</u>	<u>3,202,932</u>
Total assets less liabilities		<u><u>1,077,547</u></u>	<u><u>6,958,383</u></u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	966,656	6,819,374
Revaluation reserve	14	110,791	138,909
Equity shareholders' funds		<u><u>1,077,547</u></u>	<u><u>6,958,383</u></u>

The notes on pages 8 to 12 form an integral part of these financial statements

The financial statements on pages 5 to 12 were approved by the Board and authorised for issue on 25 September 2012



B C Gordon
Director

Cash flow statement

For the year ended 31 December 2011

	Notes	2011 £	2010 £
Net cash inflow from operating activities	16	10,905,680	2,031,032
Taxation paid		(941,550)	(483,000)
Capital expenditure and financial investment			
Acquisition of fixed asset investments		-	-
Disposal of fixed asset investments		2,027,272	3,453,734
Equity dividends paid		(12,000,000)	(3,000,000)
		(10,914,278)	(29,266)
(Decrease) / Increase in cash in the year		(8,598)	2,001,766
Reconciliation to cash at bank and in hand			
1 January		2,021,416	19,650
(Decrease) / Increase in cash in the year		(8,598)	2,001,766
31 December		2,012,818	2,021,416

Notes to the financial statements

For the year ended 31 December 2011

1 Accounting policies

The principal accounting policies adopted are summarised below. They have all been applied consistently throughout the current and preceding year.

a) Accounting convention

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

b) Going concern

The company's business activities, performance and financial position are set out in the Business Review above. Taking account of current trading conditions and the company's investment portfolio the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future, that liquidity and other financial support will continue to be forthcoming from its ultimate parent company, QWB Group Limited, should it be required, and that there will be no requirement for external funding. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

c) Fixed asset 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, adjusted for foreign exchange differences using exchange rate as at the balance sheet date where applicable, less provision for permanent diminution in value.

d) Rates of exchange

Revenue transactions in non-sterling currencies are translated into sterling at the relevant exchange rates ruling during the year or the realised rate of exchange on revenue transactions where sales of currency have been made prior to the year end. Assets and liabilities are translated into sterling at the relevant rates of exchange ruling at 31 December.

e) Investment income

Cash dividends are included in the profit and loss account when received, net of the related tax credit. The company takes credit for dividends from its subsidiary in the accounting period in which the dividend is declared. An accrual has been made for the accrued interest on other investments.

f) Taxation

Taxation is provided for by reference to the profits and losses recognised in these accounts after taking into account group relief.

g) 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

Turnover for 2010 represented fees receivable for the provision of guarantee facilities within the United Kingdom.

3 Employees and directors' remuneration

The company has no employees (2010 - none) other than its directors. The parent company, Walsham Brothers & Co. Limited, pays their remuneration on behalf of all group companies and recharges for their qualifying service accordingly. Details of the amounts recharged are as follows:

	2011 £	2010 £
Emoluments	62,000	107,750
Highest paid director (ENil pension contributions)	37,500	75,000

Notes to the financial statements (continued)

For the year ended 31 December 2011

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2011 £	2010 £
Auditors' remuneration - audit services	10,000	10,000

5 Taxation

	2011 £	2010 £
(a) Analysis of tax charge in year		
UK corporation tax at 26.5% (2010 - 28%)	-	-
Charge for group relief at 26.5% (2010 - 28%)	22,050	499,000
Prior year adjustment	-	-
Tax charge on profit on ordinary activities	22,050	499,000

(b) Factors affecting tax charge for current year

The tax charge for the current year is £22,050 (2010 - £499,000)

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK 26.5%

The differences are explained below

Profit on ordinary activities before tax	6,169,332	5,480,348
Tax at 26.5% (2010 - 28%) thereon	1,634,873	1,534,497
Effects of		
Loss on disposal of investments not provided for	-	(57,250)
UK dividend income	(1,590,000)	(862,145)
Overseas dividend income	-	(23,263)
Indexation relief on chargeable investment gains	-	(74,571)
Transfer pricing adjustment	(23,055)	(18,268)
Disallowed expenses	232	-
Current tax charge for the year	22,050	499,000

6 Dividends on equity shares

	2011 £	2010 £
Amounts recognised as distributions to equity holders in the period		
Final dividend on ordinary shares for 2010 - declared and paid in 2011 - £50,000 (2010 - £30,000) per ordinary share	5,000,000	3,000,000
Interim dividend on ordinary shares for 2011 - declared and paid in 2011 - £70,000 (2010 - £Nil) per ordinary share	7,000,000	-
Total amounts recognised	12,000,000	3,000,000

The proposed final dividend for the year ended 31 December 2011 of £9,000 per ordinary share is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements

Notes to the financial statements (continued)

For the year ended 31 December 2011

7 Investment in subsidiary undertaking

	2011 £	2010 £
1 January and 31 December	100	100

The company holds 100% of the issued share capital, comprising ordinary £1 shares, of Walsam Corporate Capital Limited, a company incorporated in Great Britain and registered in England and Wales which carries on the business of a corporate underwriting member at Lloyd's of London. Advantage has been taken of the exemption available under section 400 of the Companies Act 2006 for wholly owned subsidiaries not to produce group accounts.

8 Other investments

	2011 £	2010 £
Listed investments - at market value		
1 January	257,273	3,471,285
Additions	-	-
Disposals	(257,273)	(3,293,101)
Unrealised gains / (losses)	-	79,089
31 December	-	257,273
Unlisted investments - at cost adjusted for foreign exchange movements		
1 January	3,498,078	3,365,910
Additions	-	-
Disposals	(1,818,829)	(172,201)
Foreign exchange movement	(6,208)	304,369
31 December	1,673,041	3,498,078
Total investments at 31 December	1,673,041	3,755,351

9 Debtors

	2011 £	2010 £
Amount due from holding company	-	1,533,625
Taxation recoverable	442,300	-
	442,300	1,533,625

10 Creditors - amounts falling due within one year

	2011 £	2010 £
Amount due to holding company	3,195,003	-
Corporation tax - group relief	22,050	499,250
	3,217,053	499,250

10 WALSHAM INVESTMENT LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2011

11 Provision for other risks and charges

	2011 £	2010 £
Deferred tax liability	<u>35,952</u>	<u>87,300</u>

The movement in deferred tax liability is represented as follows

	Balance at 1 January 2011 £	Movement 2011 £	Balance at 31 December 2011 £
Provision for unrealised gains on investments	<u>87,300</u>	<u>(51,348)</u>	<u>35,952</u>

12 Accruals

	2011 £	2010 £
Accruals	<u>13,800</u>	<u>14,400</u>

13 Equity share capital

	2011 £	2010 £
Allotted, issued and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

14 Movements in equity shareholders' funds

	Called up share capital £	Profit and loss account £	Revaluation Reserve £	2011 Total £	2010 Total £
1 January	100	6,819,374	138,909	6,958,383	5,687,871
Movements after taxation	-	6,147,282	(28,118)	6,119,164	4,270,512
Dividends	-	(12,000,000)	-	(12,000,000)	(3,000,000)
31 December	<u>100</u>	<u>966,656</u>	<u>110,791</u>	<u>1,077,547</u>	<u>6,958,383</u>

15 Capital commitments

There were no capital commitments at 31 December 2011 (2010 - £Nil)

Notes to the financial statements (continued)

For the year ended 31 December 2011

16 Reconciliation of operating profit to net cash inflow from operating activities

	2011 £	2010 £
Operating profit	6,144,905	4,373,043
(Increase) / Decrease in debtors	1,533,625	(1,521,497)
Increase in prepayments and accrued income	32,747	(171,064)
(Decrease) / increase in creditors and accruals	3,194,403	(649,450)
Net cash inflow from operating activities	10,905,680	2,031,032

17 Related party transactions

Advantage has been taken of the exemption available under FRS 8 to 100% owned subsidiaries not to disclose related party transactions between the company and its related undertakings. Other related party transactions or balances requiring disclosure are set out below.

Mr J Fall and Mr S P McDermott are directors and shareholders, and Mr B C Gordon is a director, of Quest Group Holdings Limited. At the balance sheet date there was an outstanding loan account balance of £50,000 (2010 - £100,000) due to the company from Quest Group Holdings Limited. During the year interest and profit related remuneration payable by Quest Group Holdings Limited to the company amounted to £42,967 (2010 - £82,641), of which £40,063 (2010 - £78,285) was outstanding and included in accrued income at the year end.

Mr J Fall and Mr S P McDermott are directors and shareholders, and Mr B C Gordon is a director, of Danio Holdings Limited. At the balance sheet date there were outstanding loan account balances of £1,623,041 (2010 - £3,311,786) due to the company from Danio Holdings Limited. During the year interest payable by Danio Holdings Limited to the company amounted £174,190 (2010 - £168,715), all of which (2010 - all) was outstanding and included in accrued income at the year end.

18 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 a guarantee of £2,000,000 (2010 - £2,000,000) which the bank has given to third parties at the request of the company to enable it to make guarantees of certain liabilities of Lloyd's Syndicates' underwriting results.

19 Ultimate and immediate parent company

The directors regard Walsham Brothers & Co. Limited, a company incorporated in Great Britain and registered in England and Wales, as the immediate parent company and QWB Group Limited, a company incorporated in Great Britain and registered in England and Wales, as the ultimate parent company and the ultimate controlling party. QWB Group Limited is the parent of the smallest and largest group into which the results and financial position of this company are consolidated. Copies of the financial statements of QWB Group Limited are available to the public and may be obtained from Companies House, Crown Way, Maundy, Cardiff, CF14 3UZ.