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LOWNDES LAMBERT INTERNATIONAL LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2001

TOGETHER WITH DIRECTORS' REPORT



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LOWNDES LAMBERT INTERNATIONAL LIMITED

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Report of the Directors for the Year Ended 31 March 2001

The directors present their annual report on the affairs of the Company, together with the financial statements for the year ended 31 March 2001.

Principal activities and business review

The Company did not trade during the year and the directors do not expect the Company to trade in the foreseeable future.

Directors

The directors holding office at the end of the year were as follows:

M J Caley	D D Janes
A M Barabino	J D Forder
R A McAdie	C R Mitchell
A Colosso	H C Champion

Directors' interests

None of the directors held any beneficial interest in the share capital of Lowndes Lambert International Limited. The beneficial interests, including family interests, in the shares of the ultimate parent undertaking, HLF Insurance Holdings Limited, according to the register of directors' interests maintained in compliance with the Companies Act 1985 are as follows:

	<u>Redeemable Cumulative</u>					
	<u>Ordinary Shares</u>		<u>Preference Shares</u>		<u>11% Unsecured Loan Notes</u>	
	<u>1 April</u> <u>2000</u>	<u>31 March</u> <u>2001</u>	<u>1 April</u> <u>2000</u>	<u>31 March</u> <u>2001</u>	<u>1 April</u> <u>2000</u>	<u>31 March</u> <u>2001</u>
M J Caley	53,000	53,300	118,680	120,228	88,320	89,472
H C Champion	58,500	58,800	69,660	71,208	51,840	52,992
R A McAdie	4,875	4,875	-	-	-	-
A Colosso	20,080	20,080	-	-	-	-

The directors held share options over HLF Insurance Holdings Limited at 31 March 2001 as follows:

	<u>Shares under option</u>				
	<u>Ordinary Shares</u>	<u>Preference Shares of £1 each</u>	<u>11% Unsecured Loan Notes</u>	<u>Date of Grant</u>	<u>Date option expires</u>
A Colosso	39,420	49,020	36,480	16.12.99	9.12.09

Options in HLF Insurance Holdings Limited are normally exercisable in the event of a listing or sale of HLF Insurance Holdings Limited.

**Report of the Directors (continued)
for the Year Ended 31 March 2001**

Director's Responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company for that period. In preparing these accounts, the directors are required to:

- a) select suitable accounting policies and then apply them consistently.
- b) make judgements and estimates that are reasonable and prudent.
- c) state whether applicable accounting standards have been followed, subject to any material departures and explained in the accounts; and
- d) prepare the accounts 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 to enable them to ensure the accounts 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.

By Order of the Board



M P M Slater
Company Secretary

Friary Court
Crutched Friars
London
EC3N 2NP

23 January 2002

Balance Sheet
as at 31 March 2001

	<u>Notes</u>	<u>2001</u> £	<u>2000</u> £
<u>Current assets</u>			
<u>Debtors:</u>			
Amounts owed by group companies:			
Amounts due within one year		10,000	10,000
Amounts falling due after more than one year		100,000	100,000
		<hr/>	<hr/>
<u>Total assets less current liabilities</u>		110,000	110,000
 <u>Creditors:</u>			
Amounts due to group companies		(10,000)	(10,000)
		<hr/>	<hr/>
<u>Net assets</u>		100,000	100,000
		<hr/> <hr/>	<hr/> <hr/>
 Called-up share capital	2	100,000	100,000
		<hr/>	<hr/>
<u>Shareholders' funds</u>		100,000	100,000
		<hr/> <hr/>	<hr/> <hr/>

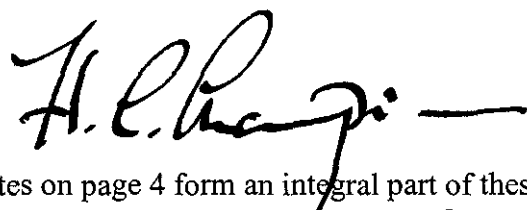
For the year ended 31 December 2000 the Company was entitled to the exemption under section 249AA(1) of the Companies Act 1985. Members have not required the Company to obtain an audit in accordance with section 249(B)(2) of the Companies Act 1985.

The directors acknowledge their responsibility for:

- (i) ensuring the Company keeps accounting records which comply with section 221; and
- (ii) preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year, in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the Company.

Approved by the Board of Directors on 23 January 2002, and signed on its behalf by:

H C Champion



Director

The accompanying notes on page 4 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 March 2001

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards.

The Company has not traded during the year and did not trade during the previous year. Consequently, a profit and loss account, statement of total recognised gains and losses and reconciliation of movements in shareholders' funds have not been prepared.

The Company is a wholly owned subsidiary of HLF Insurance Holdings Limited and is included in the consolidated financial statements of the parent company. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The Company is also exempt under the term of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of HLF Insurance Holdings Limited or investees of HLF Insurance Holdings Limited.

2. Called-up share capital

	<u>2001</u>	<u>2000</u>
	£	£
Authorised:		
100,000 ordinary shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>
Issued and fully paid:		
100,000 ordinary shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>

3. Ultimate parent company

The ultimate parent company of Lowndes Lambert International Limited is HLF Insurance Holdings Limited and the immediate parent company is Fenchurch Limited, registered in England and Wales.

The smallest and largest undertaking for which group accounts are prepared and of which the Company is a member are those headed by Heath Lambert Group Limited and HLF Insurance Holdings Limited respectively. Copies of the group accounts may be obtained from the company secretary, at Friary Court, Crutched Friars, London, EC3N 2NP.