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A winning formula

Heath Lambert Limited Group Annual Report and Financial Statements 2009

Heath Lambert

Listens, tries harder, delivers

Contents

Heath Lambert listens
Heath Lambert tries harder
Heath Lambert delivers

RANKED
FIRST
2009 & 2010

Ability to Understand Clients' Business Needs

Heath Lambert was recognised again for its ability to understand clients' needs

Insurer and Broker Service Survey 2010
StrategicRISK

"Heath Lambert's holistic approach brought together all the elements of Travelex's business in their proposals. Heath Lambert's articulate and enthusiastic presentation to our selection panel addressed our objective to engage with our broker as part of an integrated approach to risk management."

Peter Russell Group Treasurer
Travelex

Heath Lambert is one of the UK's leading independent insurance brokers and advisers. It listens to clients, understands insurance markets and tries harder.

Heath Lambert's CEO, Adrian Colosso explains further:

The global recession continued into 2009 and, like all companies, it was necessary to make tough decisions during that period Notwithstanding this, the positive outcomes for the Company are visible, we have won and retained our high profile client base by building on our exceptional service, specialist expertise, and excellent insurer relationships Our approach in understanding clients' risks, designing and placing insurance programmes aligned to clients' key risks and providing exceptional service has borne fruit This has led us to secure savings for and delivered benefits to our clients during this difficult trading period and our retention rates still remain at over 95% for many of our corporate and commercial business areas This was a major achievement and testament to the long-term relationships and trust our clients hold in both the Heath Lambert brand, but more importantly, our people

Exceptional client service has always been our mantra, and the all the hard work paid off in 2009 It was a year we will remember for awards and accolades Strategic Risk magazine's survey of the top risk managers named us number one for service and we topped four further categories, this again reinforced our proposition of listening, going the extra mile and then delivering what our clients require

The icing on the cake came in December 2009 when we picked up the Insurance Times Commercial Lines Broker of the Year – a triumph for the whole Heath Lambert team and endorsement of their diligence and professionalism

Reshaping

At the end of the first quarter in 2009, we integrated our core general retail insurance activities into one business, Heath Lambert Retail This restructuring exercise meant we could focus more effectively on our specialist areas, "Specialist Desks" and our Regional Offices, permitting us to penetrate more deeply into profitable sectors and achieve our vision of being best of breed in our specialist sectors

Across the Company we have hired 165 new recruits, with more to come in 2010 We are refocusing and reshaping the team, investing in skills and training to both retain and attract dynamic and talented individuals, dedicated to developing and maximising the best for Heath Lambert and its clients

"I personally have been associated with Heath Lambert for 30 years. As a client over this period of time, I have been constantly re-educated, updated on new developments and for many years now have looked after marine and political risk insurance related risks in a more professional manner. Thank you Heath Lambert."

Colin Bain Director
Andalusite Resources and Tantalite Resources

Business Wins

A number of outstanding victories has validated the Company's approach, Co-op, Care UK, Travelex, Post Office Financial Services (POFS), Fat Face, Trader Media, Skipton Building Society, TargetFollow to name but a few Heath Lambert places insurance on behalf of and advises the major UK High Street retailers

Heath Lambert is now the leading provider of all insurances for the biggest infrastructure projects in the UK and Europe This is demonstrated by the Company's achievement in winning the insurance work in respect of the extension to the Forth Bridge, to sit alongside its current clients of Crossrail and Thames Tideway

Through its specialist emergency services affinity broker, George Burrows, the Company places insurance on behalf of 13 out of 43 Police Federations and we have invested in a rebrand of this specialist area to be rolled out in 2010 This will offer a fresh feel to reflect the modern and ever-changing environment in which the emergency services work

We reinvigorated our Public Sector Unit team, won and retained major district councils against all our main competitors, and took five new accounts in the space of five weeks at the end of 2009 The team's efforts to create a completely innovative approach to insurance buying made headlines in both the national and trade press, by encouraging a consortium of Southwest district councils to work together and maximise spend during this difficult economic period

The Company's Art, Jewellery and Private Client team launched a unique service, Christie's Insurance Services, in conjunction with the world-class auction house This was a key development with our insurer partner Chubb, which will give us global recognition among the most prestigious museums, galleries and fine art collectors In addition, we were again proud to sponsor the Frieze Sculpture Park in 2009 and we also supported the highly-acclaimed The Real Van Gogh The Artist and his Letters exhibition at the Royal Academy

The Company also won the Care UK account which is the country's leading independent health and social care provider The Company will now focus on growing its healthcare business (creating in 2010 a separate new specialist area dedicated to the healthcare business) to cater for primary care services and NHS trusts

Our Personal Lines division will grow further in 2010, working on a solid foundation of brand names such as Admiral Group's elephant co uk and female-oriented motor insurer Diamond, Debenhams online home insurance, plus charities such as Diabetes UK and The Stroke Association We plan to recruit a number of key executives to boost the affinity business where we are building on an excellent foundation This is further highlighted by our launching a suite of small commercial lines products for the SME sector via POFS, with our insurer partner Fortis, in May 2009 and this is growing rapidly across the national network

RANKED FIRST 2009 & 2010

Level of Risk Expertise

Risk managers again rated Heath Lambert as the top Risk Expert

Insurer and Broker Service Survey 2010
StrategicRISK

Overall Service

For the second year, Heath Lambert topped the table for Overall Service

Insurer and Broker Service Survey 2010
StrategicRISK

RANKED
FIRST
2009 & 2010

“Heath Lambert constantly deliver set objectives and have worked hard with the business to promote and raise the risk profile to the insurance market. We feel they are part of the team with their knowledge of our business, providing practical and innovative ideas to develop our global insurance and risk programme.”

Suzette Cooper Group Insurances and Claims Officer
New Look Retailers Ltd

We opened our new Birmingham office in the heart of the city in March 2009, and we have seen the Midlands market grow We hired a new head of office and new staff which has led to a sharp increase in new business and income growth

Employee Benefits

Despite the economic environment, 2009 was a stable year for our employee benefits business and profitability was increased In November 2009, we recruited Michael Brown as Managing Director for this business, after some 30 years with a leading competitor and over 40 years in the field of employee benefits and financial services

Following his appointment a strategic review was carried out leading to the implementation of a new structure for the business, focused on the needs of our many clients trustees of pension schemes, employers, and individuals Investments are being made in capable people and new service propositions for clients which are designed to both upgrade services to existing clients, but also to drive the acquisition of new clients The business is now well positioned for the implementation of the Retail Distribution Review in 2012

Innovation

Operationally we are achieving our vision that began in 2008 with major investment in the Acturis system which is streamlining our business, plus investment in a new on-line HR system Innovation is a key driver and the professional indemnity and directors' and officers' online quoting and documentation engines have been well received by our strategic partners, RIBA and ACE, improving conversion rates for new business by 38% and client retention rates by 18%

"Heath Lambert has consistently provided an exceptional level of expertise and service to Buss Global, particularly during one of the more challenging periods in the market. The team has a very deep knowledge of our industry and has always been very responsive to us in regard to all matters."

John Rhodes CFO
Buss Global

Ethics

Heath Lambert is committed to maintaining the highest ethical standards and conducting business with the utmost level of integrity We fully support the initiatives of the FSA and the various insurance industry trade and professional bodies such as BIBA, the CII and LIIBA, to instil professionalism and a code of conduct within our industry We support the Aldermanbury Declaration which was launched this year by the CII to set a standard of excellence and commitment to on-going training across the industry to help improve the overall experience for the UK and international customer

International

Our international alliance, the Heath Alliance, with like-minded practices such as Wells Fargo and the German alliance, FUNK Gruppe, continues to deliver central grip and control of global clients' insurance programmes This enhances our ability to provide client focus, quality and professional advice, guidance and to improve market relationships

In September 2009 we entered a strategic relationship with Heritage Group in Guernsey to enhance captive management services for our clients This resulted in Heritage Group acquiring our captive management teams in Guernsey and Malta

In December 2009, it was announced that we had become a strategic partner with AIRMIC, the global risk managers association, and we will develop the Heath Alliance to push the boundaries of our international scope and expertise

We have a lot to be proud of I am personally delighted with the way in which we pulled together, dealt with ongoing economic difficulties and still gave excellent service to our clients It is the Company's aim to carry on in the same vein in 2010 and beyond

I would personally like to thank the Heath Lambert staff and clients for their continued support

Adrian Colosso
Chief Executive

British Insurance Awards 2010 Commercial Lines Broker of the Year

WINNER

Directors' Report

The directors submit their report together with the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2009

Activities and Review of the Business

The principal activity of the Company an accredited Lloyd's Broker, continues to be that of insurance broking and the provision of a full range of insurance broking services in the United Kingdom The Company's primary trading subsidiary is Heath Lambert Consulting Limited, an employee benefits consultancy Both Heath Lambert Limited and Heath Lambert Consulting Limited are authorised and regulated by the Financial Services Authority

Capital Reduction

In order to eliminate a dividend block the share capital of the Company was reduced from £75,000,000 to £7,500 000 in December 2009 by way of a solvency statement in accordance with Section 642 of the Companies Act 2006

Results and Dividend

The Group made a profit after net exceptional items and taxation of £6 9m (2008 £19 9m) The Group has net assets of £98 7m at 31 December 2009 (2008 £91 7m) No final dividend is proposed (2008 £nil) A retained profit of £6 9m (2008 £19 9m) has been transferred to reserves

During the year the Group sold its shareholdings in the Guernsey based entities Heath Lambert Insurance Management (Guernsey) Ltd and Friary Court Insurance PCC Ltd to Heritage Management Holding Limited for an initial consideration of £1 5m with further consideration of up to £1m due dependent on performance

Outlook

2009 continued to be very difficult in the UK economy The Group is well positioned and continues to trade profitably Interest rates have remained at historically low levels and therefore interest income has fallen significantly in 2009 The business has made a reasonable start to the year and continues to benefit from the rationalisation made in operating costs in 2008 and 2009

Key Performance Indicators

The Board monitors the performance of the Group in reference to specific KPIs amongst other performance criteria All KPIs relate to continuing operations

		Group	Insurance broking	Employee benefits
Revenue per employee				
Turnover* (fees and commissions) divided by	2009	69,486	67,290	87,075
the total staff numbers (average for the year)	2008	69,209	67,038	86,250
Adjusted broking profit as percentage of turnover*	2009	15 4%	15 8%	13 3%
Adjusted broking profit divided by turnover (fees and commissions)	2008	14 0%	15 7%	3 6%
Staff cost to turnover* ratio				
Direct salary costs divided by turnover (fees	2009	60 2%	61 1%	54 7%
and commissions)	2008	60 6%	61 3%	56 5%

* Turnover excludes turnover from Guernsey operations sold in the year

The calculation of adjusted broking profit is set out below

The above ratios indicate that the Insurance broking operations have improved profitability year on year and have become more efficient

Trading Results – Continuing Operations

	2009 £m	2008 £m
Trading Result	**11 1**	15 1
Add back		
Redundancies	**2 7**	1 4
Legacy insurance run off settlements	**0 9**	–
Overseas entities winding up costs	**0 3**	0 2
Adjusted Result	**15 0**	16 7
Interest	**(0 8)**	(3 0)
Adjusted Broking Profit	**14 2**	13 7

Directors' Report (continued)

Risk Management

Robust risk management is fundamental to the achievement of the Group's objectives The Board of Directors is responsible for setting the Group's risk appetite and ensuring that it has an appropriate and effective risk management framework and monitors the ongoing process for identifying, evaluating, managing and reporting significant risks faced by the Group To facilitate this, the Group maintains a Risk Framework through which the key risks affecting the Group are identified, assessed and monitored

Risk Framework

The Risk Framework identifies risks within eight risk categories, listed below The risks within each area are analysed, mitigating factors assessed and relevant controls identified The risks are then graded for their expected severity and probability and a risk rating assigned to them to enable the Board of Directors to prioritise its attention to them Action is taken by the Board of Directors to manage the key risks as it considers appropriate so as to safeguard the Group and the interests of its shareholders

The Risk Assessment Framework is regularly updated and is reviewed at least twice each year by the Board of Directors with particular focus on top rated risks

The eight risk categories are as follows

1 **Market Risk** is the risk to the Group from the performance and solvency of the insurers with whom we place our clients' business To mitigate this risk we only use insurers that have a minimum BBB S&P or equivalent credit rating and our business is well spread across many insurers

2 **Credit Risk** is the risk of financial loss to the Group in the event of non-performance by a client or counterparty with respect to its contractual obligations to the Group The Groups exposure to credit risk is minimised as when acting as an agent in placing the insurable risks of clients with insurers, brokers are generally not liable as principals for amounts arising from transactions other than for marine risks placed under the terms of the Marine Insurance Act 1906 Voluntary funding of payments on behalf of clients from whom funds have not yet been received, happens only in exceptional circumstances In each case, any voluntary funding is pre-approved by the Board of Directors

3 **Operational Risk** is the risk to the Group from inadequate or failed internal processes and systems Operational risk covers a wide and diverse range of risk types Our top rated operational risks are failure to placing a clients insurance policy properly and failure to operate appropriate controls over delegated underwriting authorities We mitigate these risks through our published divisional procedures independent peer review and routine independent compliance monitoring

4 **Strategic and Business Risk** – The Group operates in an environment characterised by intense competition and where failure to react to changes in market dynamics can have an adverse impact on profitability The Group's strategies for mitigating this risk are for the strategy and business plans to be agreed by the Board of Directors clearly communicated to senior management and for progress to be closely monitored

5 **Governance Risk** is the risk of loss or damage to the business due to a failure of management structures or processes This might take the form of a failure to ensure adequate succession to key management positions or the inappropriate use of authority and influence Succession planning is overseen by the Board of Directors and effective management oversight and segregation of duties are in place to reduce the likelihood of inappropriate use of authority and influence

6 **Regulatory, Legal and Human Resource Risk** is the potential loss of value due to regulatory action arising from compliance breaches the possible costs and penalties associated with litigation, the possibility of failure to retain and motivate key members of staff, and the possibility of staff lacking the core competencies to do their jobs Our top rated risks in this risk category are errors and omissions or other claims emerging from current or historic business and staff lacking core competencies We mitigate these risks through the use of checklists and other procedures to control the placement of a client's insurance policy, through early notification and management of potential litigation and through supervision and training of our staff

7 **Reputational Risk** is the risk that the Group's ability to do business might be damaged as a result of its reputation being tarnished We have a zero risk appetite for unethical or fraudulent activity financial crime and for significant and/or intentional regulatory non-compliance

8 **Financial Risk** – The Group's operations expose it to a variety of financial risks that include the effects of changes in interest rates, changes in foreign exchange rates and liquidity risk The Board of Directors actively monitors the exposure of the Group to these risks and where necessary, takes action to mitigate identified risks

Directors' Report (continued)

Interest Rate Risk – The directors have reviewed the exposure of the Group to any increase in interest rates and feel that at this time there is no benefit in using financial instruments to hedge against this risk

Exchange Rate Risk – Less than 15% of the Group's total income is through foreign income The directors have reviewed the exposure of the Group to any movement in exchange rates and at this time feel that there is no benefit in using financial instruments to hedge against this risk We mitigate exposure to exchange rate risk by closing potential foreign exchange exposures monthly

Liquidity Risk – The Company's ultimate parent company, HLG Holdings Limited, has entered into financing arrangements with its shareholders and lenders which are designed to leave the HLG Holdings Limited Group (HLGH Group) with a stable and manageable capital and debt structure The HLGH Group's financing arrangements are sufficient to allow funds to be made available for expansion should an appropriate opportunity arise Working capital cash flows are monitored by the Board of Directors

Personnel

Information on the Group's activities and consultation with staff is provided regularly through various management communication channels These include the circulation of internal bulletins notices, press releases, meetings and presentations by senior management at major locations and provincial offices The Group is committed to the principle of equal opportunity and ensuring that employees are not discriminated against in recruitment, career development or promotion

Consultation with employees and their representatives continues at all levels with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Group as a whole

Disabled Employees

It is the policy of the Group not to discriminate between employees or potential employees with disabilities because of a reason relating to their disability, and to offer the same employment opportunities, training, career development and promotion prospects to all

Directors

The directors of the Company who held office during the period and to the date of this report are

G M Barr (Resigned 1 May 2009)
W D Bloomer
M A Bruce (Resigned 30 November 2009)
A Colosso
K Hamill (Appointed 1 May 2009)
J Hume (Appointed 1 May 2009)
A W Pratten (Resigned 1 May 2009)
P D Smith (Resigned 1 May 2009)
R N Thomas

The Company conducted a thorough review of its corporate governance arrangements in May 2009 and this has led to the resignation and appointments indicated above Mr K Hamill and Mr J Hume have been appointed as Non Executive Directors while Mr G M Barr Mr A W Pratten and Mr P D Smith have stepped down from the Board but will form part of the newly created Heath Lambert Executive Committee which also comprises W D Bloomer A Colosso, M Constanti, R N Thomas and M G Trevor

No directors exercised share options in the year

Payments to Suppliers

The Group conformed wherever possible to the payment terms agreed with its suppliers

Donations

During the year, donations to charities by the Group amounted to £21,079 (2008 £20,713)

Directors' Report (continued)

Cautionary Statement

The Group Chief Executive's Review and Directors' Report together contain certain forward-looking statements with respect to the financial condition, results, operations and businesses of the Group These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts Nothing in this annual report should be construed as a profit forecast

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 prepared the group and parent company 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 group and the company and of the profit or loss of the group 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements
- 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 the group and 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Auditors and Disclosure of Information to Auditors

In accordance with Section 418 of the Companies Act 2006, each director in office at the date the Directors' Report is approved states that

- so far as the director is aware there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the 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 auditors are aware of that information

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting

By Order of the Board

W D Bloomer
Company Secretary
3 September 2010

Independent Auditor's Report

To the members of Heath Lambert Limited

We have audited the group and parent company financial statements (the "financial statements") of Heath Lambert Limited for the year ended 31 December 2009 which comprise the Group Profit and Loss Account the Group and Parent Company Balance Sheets the Group Statement of Total Recognised Gains and Losses and the related notes 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)

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 13, 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 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

This report including the opinions, has been prepared for and only for the companys members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

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 groups and parent 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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's 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 by the parent company or returns adequate for our audit have not been received from branches not visited by us or
- the parent company 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

Roy Clark

Roy Clark (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

3 September 2010

Consolidated Profit and Loss Account

For the year ended 31 December 2009

	Notes	Total 2009 £m	Continuing operations 2008 £m	Discontinued operations 2008 £m	Total 2008 £m
Turnover	2	**92 6**	99 3	8 1	107 4
Interest receivable and similar income	3	**0 8**	3 0	0 5	3 5
Total Income		**93 4**	102 3	8 6	110 9
Administrative expenses					
Administrative expenses	5	**(82 3)**	(87 2)	(9 8)	(97 0)
Exceptional administrative expenses	4	**–**	–	(2 2)	(2 2)
Depreciation & goodwill amortisation	7 8	**(4 4)**	(3 0)	–	(3 0)
Total Administrative Expenses		**(86 7)**	(90 2)	(12 0)	(102 2)
Operating Profit/(Loss)	5	**6 7**	12 1	(3 4)	8 7
Analysed as					
Trading results continuing operations		**11 1**	15 1	–	15 1
Trading results discontinued operations		**–**	–	(3 4)	(3 4)
Depreciation & goodwill amortisation		**(4 4)**	(3 0)	–	(3 0)
Profit on disposal of discontinued operations	4	**–**	–	7 4	7 4
Profit on disposal of subsidiary undertakings	4	**1 3**	–	–	–
Profit on disposal of fixed asset investments	4	**0 1**	0 9	–	0 9
Income from fixed and current asset investments		**0 4**	0 6	–	0 6
Profit on Ordinary Activities before Taxation		**8 5**	13 6	4 0	17 6
Taxation	6	**(1 6)**	–	–	2 3
Profit on Ordinary Activities after Taxation attributable to Shareholders for the Period	18	**6 9**	–	–	19 9

There are no material differences between the profit and loss on ordinary activities before taxation and the retained profit for the year stated above at their historical cost equivalents Results for the current year are attributable to continuing operations

The notes on pages 18 to 30 form part of these financial statements

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2009

	2009 £m	2008 £m
Currency translation differences	**0 1**	0 1
Movement in share option reserve	**–**	0 1
Net Gains Recognised Directly in Equity	**0 1**	0 2
Profit for the financial year	**6 9**	19 9
Total Recognised Profits Relating to the Period	**70**	20 1

The notes on pages 18 to 30 form part of these financial statements

Balance Sheets

As at 31 December 2009

	Notes	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Fixed Assets					
Intangible assets	7	**4 9**	5 6	**4 3**	5 0
Tangible assets	8	**6 3**	7 9	**6 3**	7 9
Investments in subsidiary undertakings	9	**–**	–	**10 5**	12 8
Other investments	10	**0 5**	0 5	**–**	–
		11 7	14 0	**21 1**	25 7
Current Assets					
Debtors – Amounts falling due within one year	12	**201 8**	227 3	**172 9**	196 9
– Amounts falling due after more than one year	12	**8 5**	10 1	**6 4**	7 4
Cash at bank and in hand	13	**48 0**	67 0	**47 5**	65 8
		258 3	304 4	**226 8**	270 1
Creditors – Amounts falling due within one year	14	**(166 1)**	(217 4)	**(165 8)**	(223 5)
Net Current Assets		**92 2**	87 0	**61 0**	46 6
Total Assets Less Current Liabilities		**103 9**	101 0	**82 1**	72 3
Creditors – Amounts falling due after more than one year	14	**(2 4)**	(2 4)	**(2 4)**	(2 4)
Provisions for liabilities and charges	16	**(2 8)**	(6 9)	**(1 7)**	(5 7)
Net Assets		**98 7**	91 7	**78 0**	64 2
Capital and Reserves					
Share capital	17	**7 5**	75 0	**7 5**	75 0
Profit and loss account	18	**91 1**	16 6	**70 4**	(10 9)
Other reserves	18	**0 1**	0 1	**0 1**	0 1
Equity Shareholders' Funds	19	**98 7**	91 7	**78 0**	64 2

Approved by the Board of Directors on 3 September 2010 and signed on its behalf by

R N Thomas
Director

Registered number 1199129

The notes on pages 18 to 30 form part of these financial statements

Notes to the Financial Statements

1 Accounting Policies

(a) Basis of Preparation

These financial statements are the consolidated financial statements of the Company and its subsidiary undertakings (collectively the Group") and have been prepared under the historical cost convention and in accordance with applicable UK accounting standards

The directors have reviewed the Group's accounting policies and consider them to be appropriate in accordance with FRS 18's objective of relevance reliability comparability and understandability

The directors are satisfied that adequate long term financing facilities are in place to enable the Group to continue as a going concern

(b) Group Financial Statements

Unless stated otherwise business combinations are accounted for by the acquisition method of accounting The results of subsidiary undertakings acquired during the period are included in the consolidated profit and loss account from the effective date of acquisition In accordance with FRS 2 'Accounting For Subsidiary Undertakings', the Group has excluded certain subsidiaries from consolidation on the basis that their inclusion would have an immaterial effect Subsidiary undertakings excluded from consolidation have been treated as current asset investments Profits or losses on intra-group transactions and also intra-group balances are eliminated in full on consolidation Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group

(c) Turnover

Insurance Broking turnover represents the aggregate of net brokerage fees commission and other related income including that arising as a result of run-off activity in the markets Brokerage is recognised at the date of inception of the risk subject to the placement having been completed to the client's satisfaction In instances where the inception of the risk does not relieve the Group of all contractual obligations an element of brokerage is deferred and subsequently released to the profit and loss account as these obligations are discharged

Brokerage on multi-year policies that are non-cancellable is recognised at the date of inception of the risk, providing that the brokerage is not dependent on future events Brokerage on multi-year policies which can be cancelled or varied after the inception of the risk is apportioned on an annual basis

Turnover derived from employee benefits consultancy and related services comprises the aggregate of net commission, fees and other related income arising primarily from the provision of employee benefits consultancy to corporate clients

Commission income received from financial product providers is accounted for on an accruals basis when the policy is completed whilst fee income is recognised in the period to which it relates and when it can be measured with reasonable certainty

Commission income received on an indemnity term basis where should the client cancel the policy within a certain timeframe, the relevant proportion of the commission is repayable to the provider is accounted for on an accruals basis when the policy is completed A separate provision is maintained to cover the anticipated repayments to product providers of commissions previously recognised as income

Income has been recognised from the writing back of some specific old run off credit items on the insurance broking ledgers which, in the directors' opinion following investigation during the period do not represent insurance broking liabilities of the Group

(d) Investment Income

Dividends receivable from participating interests are recognised as income when formally declared

(e) Finance Leases

Assets acquired under finance leases are capitalised as tangible fixed assets and stated at cost less accumulated depreciation Interest included within lease payments is charged to the profit and loss account over the period of the lease at a rate which reflects the capital repayments outstanding

(f) Operating Leases

Lease payments in respect of operating leases are charged against profit as incurred over the period of the lease

Where a leasehold property becomes surplus to the Group's foreseeable business requirements, provision is made for the expected future net cost of the property taking account of the duration of the lease and any recovery of cost achievable from subletting

Notes to the Financial Statements

(g) Goodwill

Goodwill arising from business combinations being the excess of the fair value of the consideration over the fair value of the net assets acquired, and purchased goodwill has been capitalised at cost and is being amortised on a straight-line basis over its estimated useful life not exceeding twenty years

Negative goodwill arising from business combinations, being the excess of the fair value of the net assets over the fair value of the consideration acquired, has been capitalised at cost and has been fully amortised on a straight-line basis over its estimated useful life of 3 5 years

(h) Fixed Assets

Tangible assets are stated at cost less accumulated depreciation Depreciation is provided in equal annual instalments at rates calculated to provide for the cost of the assets over their anticipated useful lives as follows

Furniture and equipment - Four/Five years

(i) Systems Development Costs

External costs incurred in connection with the development of improved data handling systems are capitalised These costs are then written off in equal annual instalments over three years commencing with the year in which benefits arise from the introduction of these systems The carrying value is assessed annually and further provision where appropriate is made for any impairment in value

(j) Investments in Subsidiary Undertakings

Investments in subsidiary undertakings in the financial statements of the parent company are stated at cost less provision for any impairment in value

(k) Fixed Asset Investments

Fixed asset investments comprise trade investments in other insurance broking entities which do not meet the criteria to be treated as associated or subsidiary undertakings

Fixed asset investments are stated at their fair value on acquisition or cost if acquired since the acquisition of Heath Lambert Group Limited by the ultimate parent of the Company, HLG Holdings Limited, less any provision for impairment in value

(l) Taxation

Corporation tax payable is provided on taxable profits at the current rate

Deferred taxation is recognised in respect of all timing differences between taxable and booked income and expenditure that have originated but not reversed at the balance sheet date Deferred tax assets are recognised to the extent that they are recoverable Deferred taxation is not recognised on permanent differences or for taxation which would become payable if the undistributed reserves of overseas companies were remitted to the UK Deferred tax balances are not discounted

(m) Pensions

The Group operates defined contribution pension schemes for the benefit of its employees Contributions are charged to the profit and loss account as incurred

(n) Foreign Currencies

Monetary assets and liabilities in foreign currencies are expressed in sterling at exchange rates ruling at the balance sheet date Income earned in foreign currencies is recognised in the profit and loss account at the exchange rate ruling at the date of the transaction or, where a related forward exchange contract has been entered into, at the rate specified in the forward contract All realised exchange differences arising from trading are recognised in the result before taxation

Profits and losses of consolidated overseas subsidiary undertakings are translated into sterling at the closing exchange rate for the period The assets and liabilities of such companies are translated at the exchange rates ruling at the balance sheet date Exchange differences on the translation of net assets are taken directly to reserves

Notes to the Financial Statements

(o) Insurance Broking Debtors and Creditors

Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers and as such, are generally not liable as principals for amounts arising from such transactions Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities This recognises that the insurance broker is entitled to retain the investment income on any cash flow arising from these transactions

Debtors and creditors arising from a transaction between clients and insurers (e g a premium or a claim) are recorded simultaneously Consequently, there is a high level of correlation between the totals reported in respect of insurance broking debtors and insurance broking creditors

The position of the insurance broker as agent means that generally the credit risk is borne by the principals There can be circumstances where the insurance broker acquires credit risk through statute or through the act or omission of the insurance broker or of one of the principals There is much legal uncertainty surrounding the circumstances and the extent of such exposures However, the total of insurance broking debtors appearing in the balance sheet is not an indication of credit risk

It is normal practice for insurance brokers to settle accounts with other intermediaries clients insurers and market settlement bureaux on a net basis Large changes in both insurance broking debtors and creditors can result from comparatively small cash settlements and for this reason the totals of insurance broking debtors and creditors give no indication of future cash flows

The legal status of this practice of net settlement of debtors and creditors is uncertain and in the event of an insolvency it is generally abandoned FRS 5 'Reporting the Substance of Transactions' requires that offset of assets and liabilities should be recognised in financial statements where and only where, the offset would survive the insolvency of the other party Accordingly only such offsets have been recognised in calculating insurance broking debtors and creditors

(p) Share-based Incentives

In accordance with FRS 20 the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of options that will eventually vest Options granted have been measured at fair value using a Black-Scholes pricing model Further details are set out in note 5

(q) Cash Flow Statement

As at 31 December 2009, the Company was a wholly owned subsidiary of HLG Holdings Limited and is included in the consolidated financial statements of that Company, which are publicly available Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (Revised 1996)

(r) Provisions

A provision is recognised where there is a present obligation whether legal or constructive as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation The basis of each class of provision is described in note 16

2 Segmental Reporting

The Group s turnover, profit before tax and net assets in these financial statements are almost wholly attributable to subsidiaries incorporated in the United Kingdom

The table below analyses turnover by the address of the client from whom the business is derived This does not necessarily reflect the original source or location of the business

	Total 2009 £m	Continuing 2008 £m	Discontinued 2008 £m	Total 2008 £m
UK	**81 8**	89 4	2 7	92 1
Asia and Australasia	**1 0**	0 9	1 6	2 5
The Americas	**2 6**	1 7	2 1	3 8
Continental Europe	**7 0**	7 1	1 3	8 4
Africa	**0 2**	0 2	0 4	0 6
Total Turnover	**92 6**	99 3	8 1	107 4

Notes to the Financial Statements

2 Segmental Reporting (continued)

The Group's turnover analysed by business segment is as follows

	Total 2009 £m	Continuing 2008 £m	Discontinued 2008 £m	Total 2008 £m
Insurance broking and related activities	**79 8**	85 5	8 1	93 6
Employee benefits consultancy and related activities	**12 8**	13 8	–	13 8
Total Turnover	**92 6**	99 3	8 1	107 4

The Group's profit before tax and net assets by business segment are as follows

	Profit before tax 2009 £m	Profit before tax 2008 £m	**Net Assets 2009 £m**	Net Assets 2008 £m
Insurance broking and related activities	**6 7**	16 8	**95 8**	87 9
Employee benefits consultancy and related activities	**1 8**	0 8	**2 9**	3 8
Total	**8 5**	17 6	**98 7**	91 7

3 Interest

	Total 2009 £m	Continuing 2008 £m	Discontinued 2008 £m	Total 2008 £m
Interest receivable and other similar income	**0 8**	3 0	0 5	3 5

Interest is allocated between continuing and discontinued operations based on the net insurance broking debtor/creditor balance at the end of each month

4 Exceptional Items

Operating exceptional costs

	2009 £m	2008 £m
Lease Settlement	–	2 2
Total operating exceptional costs	–	2 2

Non-Operating exceptional profits

	2009 £m	2008 £m
Profit on disposal of subsidiary undertakings	**1 3**	–
Profit on disposal of discontinued operations	–	7 4
Profit on disposal of fixed asset investments	**0 1**	0 9
Total non-operating exceptional profits	**1 4**	8 3

Profit on disposal of subsidiary undertakings

The Group disposed of its captive management operations during the year for an initial consideration of £1 5m Further consideration is due, contingent on performance, to be received in 2010 and 2011

Profit on disposal of fixed asset investments

The profit on disposal of fixed asset investments relates to the sale of shares in Fenchurch Faris Ltd in 2008 for which additional consideration has now been recognised

Notes to the Financial Statements

5 Profit on Ordinary Activities before Taxation

Profit on ordinary activities before taxation is stated after charging the following

	Total 2009 £m	Continuing 2008 £m	Discontinued 2008 £m	Total 2008 £m
Staff costs				
Wages and salaries	**46 4**	51 0	4 2	55 2
Social security costs	**5 3**	5 4	0 6	6 0
Other pension costs	**3 2**	3 0	0 2	3 2
Depreciation				
– relating to owned assets	**3 6**	4 0	–	4 0
– relating to assets held under finance lease	**0 1**	0 1	–	0 1
Amortisation				
– negative goodwill arising on consolidation	**–**	(1 8)	–	(1 8)
– purchased goodwill	**0 7**	0 7	–	0 7
Foreign exchange losses/(gains)	**0 1**	(0 4)	–	(0 4)
Operating lease charges				
– land and buildings	**3 5**	3 4	2 1	5 5
– other	**0 3**	0 2	–	0 2

Auditors' remuneration for audit services in relation to the audit of the Group amounted to £0 3m (2008 £0 3m) Fees payable to the auditors for other services are in respect of services to the HLGH Group as a whole and are disclosed in the consolidated accounts of the Company's ultimate parent company

Administrative expenses of £82 3m (2008 £97 0m) comprise continuing operations £82 3m (2008 £87 2m) and discontinued operations £nil (2008 £9 8m)

During the year, an average of 1 324 staff (2008 1 488) were employed by the Group

In 2007 certain employees of the Group were issued with options over shares in the ultimate parent company HLG Holdings Limited under the HLGH Share Option Plan (HLGH Plan) In line with FRS 20 an expense has been recorded in the Profit and Loss account of the Group in the year

The options granted under the HLGH Plan can be exercised only upon, or immediately prior to, an exit event The HLGH Plan options have a maximum term of 10 years Settlement of the HLGH Plan options is to be in the form of equity

A total of 605,000 options were granted on 25 July 2007 (options granted relate to 87,500 C ordinary shares and 517,500 D ordinary shares) The exercise price of each HLGH Plan option is £nil

The fair value of the HLGH Plan options is expensed over a 3 year period, based on the Black-Scholes model, assuming a risk free rate of 5 63%, expected volatility is 20% and an expected dividend yield of nil Expected volatility was determined using the median historic share price volatility of comparative insurance brokers' shares

No HLGH Plan options were granted, expired or exercised during the year nor became exercisable at the end of the year All 87,500 C ordinary share options were forfeited in 2009 (2008 nil), 25,000 D ordinary share options were forfeited in 2009 (2008 70,000) The total expense in the Profit and Loss account in the year relating to the HLGH Plan share options was £33,238 The liability for the HLGH Plan options at the end of the period is shown in the share option reserve (see note 18)

In 2009 certain employees of the Group were issued with options over shares in the ultimate parent company HLG Holdings Limited under the HLGH Share Option Plan 2009 (HLGH Plan 2009)

The options granted under the HLGH Plan 2009 can be exercised only upon, or immediately prior to, an exit event The HLGH Plan 2009 options have a maximum term of 10 years Settlement of the HLGH Plan 2009 options is to be in the form of equity

A total of 950,000 options were granted on 20 July 2009 (options granted relate to 725,000 C ordinary shares and 225,000 D ordinary shares) The exercise price of each option is £0 36

No HLGH Plan 2009 options were granted, forfeited, expired or exercised during the year nor became exercisable at the end of the year An indicative valuation of the shares in HLG Holdings Limited was carried out in February 2010 and no expense has been recorded in the Profit and Loss account of the Group in the year

Notes to the Financial Statements

6 Taxation on Profit on Ordinary Activities

The corporation taxation charge represents UK corporation tax calculated at 28% of profits chargeable to tax

Analysis of Charge in Year	**2009 £m**	2008 £m
Current Tax		
UK corporation tax charge on profits of the period	–	–
	–	–
Overseas current tax	0 2	–
Overseas adjustments in respect of prior periods	–	0 2
	0 2	0 2
Deferred Tax		
UK deferred tax charge for the year	**1 4**	(0 3)
Adjustments in respect of prior years	**–**	(2 2)
	1 4	(2 5)
Tax on profit on ordinary activities	**1 6**	(2 3)
Reconciliation of Corporation Tax Charge		
Profit on ordinary activities before taxation	**8 5**	17 6
Charge at standard rate of corporation tax in UK of 28 0% (2008 28 5%)	**2 4**	5 0
The corporation tax charge for the period has been affected by		
– Higher/Lower tax rates overseas	**(0 1)**	0 1
– Capital allowances in excess of depreciation	**(1 0)**	0 2
– Expenses not deductible for tax purposes	**0 9**	0 1
– Loss on sale of investments	**(0 4)**	(0 3)
– Capital gains offset by losses or exempt	**–**	(2 3)
– Intercompany balances written off and investment cost written down	**0 1**	(2 0)
– Adjustments in respect to previous periods	**–**	0 2
– Adjustment in respect of transfer pricing	**1 2**	1 3
– Group relief claimed for nil payment	**(1 9)**	(2 3)
– Other short term timing differences	**(0 4)**	0 2
– Movement of tax losses	**(0 5)**	–
– Non-taxable income	**(0 1)**	–
Current tax charge for year (as above)	**0 2**	0 2

Deferred Taxation Assets

Deferred tax assets have been recorded as follows

	Group 2009 £m	Group 2008 £m	**Company 2009 £m**	Company 2008 £m
Accelerated capital allowances	**6 4**	7 4	**6 4**	7 4
Corporation tax losses	**1 7**	2 2	**–**	–
Short term timing differences	**0 1**	–	**–**	–
	8 2	9 6	**6 4**	7 4

Movements in Deferred Taxation Asset

	Group £m	**Company £m**
At beginning of year	**9 6**	**74**
Current year	**(1 4)**	**(1 0)**
At end of year	**8 2**	**6 4**

Notes to the Financial Statements

6 Taxation on Profit on Ordinary Activities (continued)

The Group has recognised deferred tax assets of £1 7m (2008 £2 2m) in respect of unutilised tax losses and £0 1m (2008 £nil) in respect of short term timing differences £nil (2008 £nil) of the unutilised tax losses and £nil (2008 £nil) of the short term timing differences relate to the Company These unutilised tax losses and short term timing differences are recognised as deferred tax assets as they are expected to be utilised in the foreseeable future

The Group has charged depreciation in excess of capital allowances relating to 2008 and prior years It is expected that claiming capital allowances in future periods will result in allowable deductions in excess of depreciation charges in those periods Based on profit forecasts the directors expect that the Group will generate sufficient taxable income to be able to utilise the resulting deductions in the foreseeable future The Group has therefore recognised a deferred tax asset of £6 4m (2008 £7 4m) in respect of accelerated capital allowances (£6 4m of these relate to the Company (2008 £7 4m))

The Group also has unrecognised deferred tax assets of £0 3m (2008 £0 3m) in respect of unutilised tax losses and £nil (2008 £0 3m) in respect of short term timing differences £nil (2008 £nil) of the unutilised losses and £nil (2008 £nil) of the short term timing differences relate to the Company These unutilised tax losses are not recognised as deferred tax assets as they are not expected to be utilised in the foreseeable future However these tax losses will be realised should sufficient profits be generated against which the losses may be offset

All deferred tax assets as at 31 December 2009 have been calculated based on a 28% corporation tax rate in the UK

7 Intangible Assets

Goodwill

Group	Consolidated Goodwill £m	Purchased Goodwill £m	Total £m
Cost at 1 January and 31 December 2009	**0 7**	**7 8**	**8 5**
Amortisation			
At 1 January 2009	0 1	2 8	2 9
Provided in the period	–	0 7	0 7
At 31 December 2009	**0 1**	**3 5**	**3 6**
Net Book Value at 31 December 2009	**0 6**	**4 3**	**4 9**
Net Book Value at 31 December 2008	0 6	5 0	5 6

Purchased goodwill relates entirely to the Company

Negative Goodwill

Group	Consolidated Goodwill £m
Cost at 1 January and 31 December 2009	(6 6)
Amortisation at 1 January and 31 December 2009	**(6 6)**
Net Book Value at 31 December 2009	**–**
Net Book Value at 31 December 2008	–

Notes to the Financial Statements

8 Tangible Assets

Group	Systems Development Costs £m	Furniture & Equipment £m	Total £m
Cost			
At 1 January 2009	15 9	23 2	39 1
Additions	1 4	0 7	2 1
Disposals	–	(0 1)	(0 1)
At 31 December 2009	**173**	**23 8**	**41 1**
Depreciation			
At 1 January 2009	12 8	18 4	31 2
Provided in the year	1 9	1 8	3 7
Disposals	–	(0 1)	(0 1)
At 31 December 2009	**14 7**	**20 1**	**34 8**
Net Book Value at 31 December 2009	**2 6**	**3 7**	**6 3**
Net Book Value at 31 December 2008	3 1	4 8	7 9

The net book value of furniture and equipment included in fixed assets held under finance leases was £0 2m (2008 £0 3m) The depreciation charge in respect of these leased assets was £0 1m (2008 £0 1m)

Company	Systems Development Costs £m	Furniture and Equipment £m	Total £m
Cost			
At 1 January 2009	15 9	23 1	39 0
Additions	1 4	0 7	2 1
At 31 December 2009	**173**	**23 8**	**41 1**
Depreciation			
At 1 January 2009	12 8	18 3	31 1
Provided in the year	1 9	1 8	3 7
At 31 December 2009	**14 7**	**20 1**	**34 8**
Net Book Value at 31 December 2009	**2 6**	**3 7**	**6 3**
Net Book Value at 31 December 2008	3 1	4 8	7 9

The net book value of furniture and equipment included in fixed assets held under finance leases was £0 2m (2008 £0 3m) The depreciation charge in respect of these leased assets was £0 1m (2008 £0 1m)

Notes to the Financial Statements

9 Investments in Subsidiary Undertakings

Unlisted Investments	Company £m
Cost at 1 January 2009 and 31 December 2009	**20 0**
Impairment	
At 1 January 2009	7 2
Provided in the year	2 3
At 31 December 2009	**9 5**
Net Book Value at 31 December 2009	**10 5**
Net Book Value at 31 December 2008	12 8

Details of the Company's principal subsidiary undertakings are shown below

Principal Subsidiary Undertaking	Country of Incorporation	Percentage of Holding	Activity
Heath Lambert Overseas Limited	United Kingdom	100%	Holding Company
Heath Lambert Consulting Limited	United Kingdom	100%	Employee Benefits Consultancy

In the opinion of the directors, the value of the investments is at least equal to the total amounts shown above

10 Other Fixed Asset Investments

	Group £m	Company £m
Cost or Valuation at 1 January 2009 and 31 December 2009	**0 5**	**–**

The other investments above comprise investments in other entities not meeting the definition of either a subsidiary or associated undertaking Details of these investments are disclosed in note 24 Fixed asset investments are valued using a discounted cash flow method In the opinion of the directors the value of these investments is at least equal to the amount shown above

11 Net Fiduciary Assets

	Group 2009 £m	Group 2008 £m	**Company 2009 £m**	Company 2008 £m
Insurance broking debtors (note 12)	**115 7**	144 7	**115 7**	144 8
Fiduciary cash and deposits (note 13)	**38 0**	56 5	**38 0**	56 5
Insurance broking creditors (note 14)	**(153 7)**	(201 2)	**(153 7)**	(201 3)
Net Fiduciary Assets	**–**	–	**–**	–

The above fiduciary assets and liabilities are included on the balance sheet Fiduciary cash and deposits are held for the benefit of insurance broking creditors and not available for general corporate purposes

Notes to the Financial Statements

12 Debtors

Amounts Falling Due Within One Year

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Insurance broking debtors	**115 7**	144 7	**115 7**	144 8
Unrealised brokerage	**10 8**	10 4	**10 8**	10 3
Amounts due from fellow subsidiary undertakings of ultimate parent company	**70 5**	62 0	**44 3**	35 8
Other debtors	**3 1**	7 5	**0 4**	3 4
Prepayments and accrued income	**1 7**	2 7	**1 7**	2 6
Total debtors falling due within one year	**201 8**	227 3	**172 9**	196 9
Amounts Falling Due After More Than One Year				
Deferred taxation (see note 6)	**8 2**	9 6	**6 4**	7 4
Other debtors	**0 3**	0 5	**–**	–
Total debtors falling due after more than one year	**8 5**	10 1	**6 4**	7 4
Total Debtors	**210 3**	237 4	**179 3**	204 3

13 Cash at Bank and in Hand

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cash and deposits – corporate	**6 5**	7 0	**6 0**	5 8
Cash not yet withdrawn from fiduciary bank accounts	**3 5**	3 5	**3 5**	3 5
Fiduciary cash and deposits	**38 0**	56 5	**38 0**	56 5
Cash and Deposits – Total	**48 0**	67 0	**475**	65 8

In accordance with FSA requirements the Group's insurance broking subsidiaries hold monies in insurance broking bank accounts for the benefit of insurance broking creditors which are not available for general corporate purposes At 31 December 2009, these amounted to £41 5m (2008 £60 0m), of which £3 5m (2008 £3 5m) was available for general corporate use but had not been withdrawn

14 Creditors

Amounts Falling Due Within One Year

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Insurance broking creditors	**153 7**	201 2	**153 7**	201 3
Amounts due to group undertakings	**-**	–	**0 1**	7 4
Other taxation and social security	**1 5**	1 8	**1 5**	1 8
Obligations under finance leases (see note 15)	**0 1**	0 1	**0 1**	0 1
Other creditors	**4 5**	4 8	**4 2**	3 8
Accruals and deferred income	**6 3**	9 5	**6 2**	9 1
Total creditors falling due within one year	**166 1**	217 4	**165 8**	223 5
Amounts Falling Due After More Than One Year				
Obligations under finance leases (see note 15)	**0 1**	0 2	**0 1**	0 2
Other creditors	**–**	–	**–**	–
Accruals and deferred income	**2 3**	2 2	**2 3**	2 2
Total creditors falling due after more than one year	**2 4**	2 4	**2 4**	2 4
Total Creditors	**168 5**	219 8	**168 2**	225 9

Other creditors falling due within one year include £0 4m (2008 £0 4m) of outstanding pension contributions

Company insurance broking creditors include £nil (2008 £0 1m) owing to Group undertakings

Notes to the Financial Statements

15 Commitments

Group and Company

	Land and Buildings	
Operating Leases which Expire	**2009 £m**	2008 £m
Within one year	**0 1**	0 4
In the second to fifth years inclusive	**1 6**	1 7
In over five years	**1 4**	1 4
	3 1	3 5

The majority of leases of land and buildings are subject to rent reviews

Obligations Under Finance Leases Due	**2009 £m**	2008 £m
Within one year	**0 1**	0 1
In the second to fifth years inclusive	**0 1**	0 2
	0 2	0 3

16 Provisions for Liabilities and Charges

Group	Pensions & Other Regulatory Provisions £m	Other Provisions £m	Provision for Property Costs £m	Provision for Litigation £m	Total £m
At 1 January 2009	0 5	0 2	3 1	3 1	6 9
Utilised during the year	(0 2)	(0 2)	(2 5)	(1 4)	(4 3)
Provided/(Released) in the year	0 1	0 2	–	(0 1)	0 2
Balance at 31 December 2009	**0 4**	**0 2**	**0 6**	**1 6**	**2 8**

Company	Provision for Property Costs £m	Provision for Litigation £m	Total £m
At 1 January 2009	3 1	2 6	5 7
Utilised during the year	(2 5)	(1 2)	(3 7)
Released in the year	–	(0 3)	(0 3)
Balance at 31 December 2009	**0 6**	**1 1**	**1 7**

a) Pension and Other Regulatory Provisions

The Group has a liability in respect of complaints made regarding the misselling of both personal pensions and mortgage endowments As at 31 December 2009 this liability is estimated at £361 000 (2008 £454,000) All anticipated claims relating to the misselling of mortgage endowments are covered by the Group's insurance arrangements whereas claims relating to pension misselling are borne by the Group Included in other debtors is an amount of £91 000 (2008 £84 000) due from the Group's insurers in respect of the misselling of mortgage endowments It is not practical to specifically indicate the likely timing of claim settlements and recoveries

b) Other Provisions

There is a provision held for potential clawbacks in relation to commission received on indemnity terms Actual clawback experience in the year to 31 December 2009 and payments in respect of the current and prior periods was £183 000 (2008 £158 000) The provision held at 31 December 2009 was £161 000 (31 December 2008 £172,000) This has been calculated in accordance with FSA rules Generally clawback periods extend up to 24 months after the inception of the policy

c) Property Costs Provision

This provision is the estimated liability in respect of wear and tear on the Company's leasehold properties as at 31 December 2009 together with provisions in respect of rentals on empty property This provision will be utilised as the leases on the Company's leasehold properties expire

d) Litigation Provisions

The Company faces a number of complex and lengthy litigation matters which have arisen in the ordinary course of business, the resolution of which is uncertain Such actions, which are a common feature for companies trading in the international insurance markets seek to recover amounts that, if awarded would be significant Having taken appropriate legal advice the directors have provided amounts which they consider to be a realistic appraisal of the ultimate likely cost of these various claims against the Company It is not practical to specifically indicate the likely timing of claim settlements The provision is subject to regular review by the Groups legal department, external legal advisers and the directors

Notes to the Financial Statements

17 Called-up Share Capital

	2009 £m	2008 £m
7,500,000 authorised allocated and fully paid ordinary shares of £1 each	**75**	75 0

The share capital of the Company has been reduced by £67 500,000 by cancelling all of the called up share capital on 67 500 000 ordinary shares of £1 each

18 Reserves

Group	Profit and Loss Account £m	Share Option Reserve £m
At 1 January 2009	16 6	0 1
Profit attributable to shareholders	6 9	–
Reduction of share capital	67 5	–
Foreign exchange differences recognised directly in reserves	0 1	–
At 31 December 2009	**91 1**	**0 1**

Company	Profit and Loss Account £m	Share Option Reserve £m
At 1 January 2009	(10 9)	0 1
Profit attributable to shareholders	13 8	–
Reduction of share capital	67 5	–
At 31 December 2009	**70 4**	**0 1**

In accordance with the exemption provided in Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account The Company had a retained profit of £13 8m for the year (2008 £12 2m)

The cumulative amount of purchased goodwill eliminated directly against reserves at 31 December 2009 was £4 8m (2008 £4 8m) This purchased goodwill was eliminated against reserves in accordance with the accounting policies in place prior to the implementation of FRS10 'Goodwill and Intangible Assets in 1999 If certain elements of the Companys trade were to be disposed of, this purchased goodwill would be charged to the Profit and Loss Account in the year of disposal

A new reserve was created in 2007 on the issue of share options in HLG Holdings Limited to employees (see note 5) The total amount credited to the reserve for the year was £33,238

19 Reconciliation of Movements in Shareholders' Funds

Group	2009 £m	2008 £m
Profit for the Financial Period	**6 9**	19 9
Foreign exchange difference recognised directly in reserves	**0 1**	0 1
Movement in share option reserve	**-**	0 1
Net increase in shareholders' funds	**70**	20 1
Opening shareholders' funds	**91 7**	71 6
Closing Shareholders' Funds	**98 7**	91 7

20 Directors and Employees

The aggregate of directors' emoluments excluding pension contributions borne by this Company was £2 440 578 (2008 £1,977,346) The aggregate Company pension contributions to defined contribution schemes in respect of directors was £118 993 (2008 £166 904) The aggregate amount paid to former directors for loss of office was £477,644 (2008 £5,132)

The emoluments of the highest paid director whose emoluments were borne by this company were £690,015 (2008 £379,085) The contribution to a defined contribution pension scheme in respect of the highest paid director was £36,565 (2008 £36 564)

As at 31 December 2009, retirement benefits were accruing to three directors under defined contribution schemes (2008 nine)

Notes to the Financial Statements

21 Commitments and Contingent Liabilities

a) Securities and Guarantees over Group Banking Facilities

The Company and certain fellow Group Companies were guarantors of loan facilities provided by Royal Bank of Scotland/National Westminster Bank plc and other lenders to the Company HLG Holdings Limited and certain fellow Group undertakings

At 31 December 2009 there was £9 0m drawn down under these facilities (2008 £15 0m) At 31 December 2009, the facilities were secured against the assets and liabilities of the Company under a deed dated 26 May 2005 and the facilities also continued to be secured by fixed and floating charges over the assets of the ultimate parent company HLG Holdings Limited and certain fellow Group undertakings

As at 3 September 2010 the loans under the above facilities have been fully repaid

b) Capital Commitments

There were no capital commitments in respect of future capital expenditure on fixed assets at 31 December 2009 (2008 £nil)

22 Principal Subsidiary Undertakings

	Country of Incorporation	Holding %	Activity
Heath Lambert Consulting Limited	United Kingdom	100%	Employee Benefits Consultancy
Heath Lambert Overseas Limited	United Kingdom	100%	Holding Company

The Group sold its shareholdings in Heath Lambert Insurance Management (Guernsey) Ltd and Friary Court Insurance PCC Ltd in the year

23 Subsidiaries Excluded from Consolidation

Two subsidiaries are excluded from consolidation as in aggregate they are not deemed material to the Group The excluded subsidiaries are RIP-4 Warszawska SP Zoo a company incorporated in Poland and Edward Lloyd Ltd, a company incorporated in the USA the activity of both companies being insurance broking RIP-4 Warszawska SP Zoo was liquidated in 2009 Edward Lloyd Ltd has been liquidated in 2010

24 Other Fixed Asset Investments

	Country of Incorporation	Holding %	Activity
Fenchurch Faris Ltd	Isle of Man	10%	Insurance Broker

The investment in this entity is included in these financial statements as a fixed asset investment

25 Related Party Disclosures

The Group has taken advantage of exemptions under Financial Reporting Standard 8 "Related Party Disclosures" and has not disclosed transactions with other members or investees of the HLGH Group as the Company is wholly owned by HLG Holdings Limited which prepares publicly available consolidated financial statements in which the Company is included

26 Ultimate Parent Company

At 31 December 2009 the Company's ultimate parent undertaking was HLG Holdings Limited a company registered in England and Wales The Company's immediate parent undertaking was Friary Intermediate Limited, a company registered in England and Wales

The smallest and largest undertaking for which Group financial statements are prepared and of which the Company was a member are those headed by HLG Holdings Limited Copies of these Group financial statements will be available from the Company Secretary at 133 Houndsditch, London EC3A 7AH

27 Post Balance Sheet Events

The ultimate parent company HLG Holdings Limited, has refinanced its debt in 2010 HLG Holdings Limited will receive a bank loan of £18 0m to be repaid in equal instalments over five years

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