

**HEATH LAMBERT LIMITED**  
**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**



REGISTERED NUMBER 1199129

## **HEATH LAMBERT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

The directors submit their annual report together with the audited consolidated financial statements of the Company and its subsidiaries for the period to 31 December 2010

#### **Principal activities**

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.

#### **Results and dividends**

The Group made a profit after taxation for the year of £7.6m (2009: £6.9m). A retained profit of £7.6m (2009: £6.9m) has been transferred to reserves.

The Group had net assets of £106.3m as at 31 December 2010 (2009: £98.7m).

#### **Review of the business**

The Group's operations earned an Adjusted Broking Profit of £14.5m in 2010 (£14.2m in 2009). This creditable result was achieved despite the difficult trading conditions. Group turnover was down 1% on the previous year but the Group has continued to reduce its cost base in order to maintain profit margins. Interest rates have remained at historically low levels and therefore interest income has fallen significantly in 2010.

#### **Key Performance Indicators (KPIs)**

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

		<b>Group</b>	<b>Insurance broking</b>	<b>Employee benefits</b>
<b>Revenue per employee</b>				
Turnover* divided by the total staff numbers	<b>2010</b>	£70,928	£68,930	£88,060
(average for the year)	<b>2009</b>	£69,486	£67,290	£87,075
<b>Staff costs to turnover ratio</b>				
Direct salary costs divided by turnover*	<b>2010</b>	56.7%	57.3%	52.5%
	<b>2009</b>	60.2%	61.1%	54.7%
<b>Adjusted broking profit as percentage of turnover</b>				
Adjusted broking profit divided by turnover*	<b>2010</b>	15.9%	16.2%	14.4%
	<b>2009</b>	15.4%	15.8%	13.3%

\* Turnover excludes turnover from the Guernsey operations sold in 2009

## **HEATH LAMBERT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

#### **Key Performance Indicators (KPIs) (continued)**

The calculation of adjusted broking profit is set out below

<b>Trading Results – Continuing Operations</b>	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
Trading Result	13.7	11.1
Add back		
Redundancies	0.5	2.7
Legacy insurance run off settlements	0.6	0.9
Overseas entities winding up costs	-	0.3
Adjusted Result	14.8	15.0
Interest	(0.3)	(0.8)
Adjusted Broking Profit	14.5	14.2

#### **Future Outlook**

2010 continued to be very difficult in the UK economy. The Group is well positioned and continues to generate operating profit.

#### **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 customers' 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.

## **HEATH LAMBERT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

**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 Group's 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, systems or external events. Operational risk covers a wide and diverse range of risk types. Our top rated operational risks are failure to placing a client's 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.

**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** - Only 12% of the Group's total income is foreign currency 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 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.

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## **HEATH LAMBERT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

#### **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 and press releases and 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.

#### **Payment to suppliers**

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

#### **Donations**

During the period donations to charities by the Group amounted to £15,395 (2009 £21,079). There were no political donations in the period.

#### **Cautionary Statement**

The Directors' Report contains 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.

#### **Directors**

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

W D Bloomer  
A Colosso  
K Hamill  
J Hume  
R N Thomas

The Group has indemnity insurance to cover directors and officers.

## **HEATH LAMBERT LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

#### **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.

#### **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.

#### **Independent auditors**

In accordance with Section 487 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

11 May 2011

## **HEATH LAMBERT LIMITED**

### **INDEPENDENT AUDITORS' 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 2010 which comprise the Consolidated Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses, the Group Reconciliation of Movements in Shareholders' Funds 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 Statement of Directors' Responsibilities set out on page 5 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.

This report, including the opinions, has been prepared for and only for the company's 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 group's 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 2010 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

**HEATH LAMBERT LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEATH LAMBERT LIMITED**  
**(continued)**

- 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** (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
11 May 2011



**HEATH LAMBERT LIMITED****CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010**

	Notes	2010 £m	2009 £m
<b>Turnover</b>	2	<b>91.0</b>	92.6
Interest receivable and similar income	5	<b>0.3</b>	0.8
<b>Total income</b>		<b>91.3</b>	93.4
<b>Administrative expenses</b>			
Administrative expenses	6	<b>(77.6)</b>	(82.3)
Depreciation and goodwill amortisation	8,9	<b>(4.3)</b>	(4.4)
<b>Total Administrative Expenses</b>		<b>(81.9)</b>	(86.7)
<b>Operating Profit</b>		<b>9.4</b>	6.7
Analysed as			
Trading results		<b>13.7</b>	11.1
Depreciation and goodwill amortisation		<b>(4.3)</b>	(4.4)
Profit on disposal of subsidiary undertakings	3	<b>0.8</b>	1.3
Profit on disposal of fixed asset investments	3	-	0.1
Income from fixed asset investments	4	<b>0.3</b>	0.4
<b>Profit on Ordinary Activities before Taxation</b>		<b>10.5</b>	8.5
Taxation on profit on ordinary activities	7	<b>(2.9)</b>	(1.6)
<b>Profit for the financial year</b>	18	<b>7.6</b>	6.9

The notes on pages 11 to 26 form part of these financial statements

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

# **HEATH LAMBERT LIMITED**

## **BALANCE SHEETS AS AT 31 DECEMBER 2010**

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>Fixed Assets</b>					
Intangible assets	8	4.0	4.9	3.5	4.3
Tangible assets	9	5.6	6.3	5.6	6.3
Investments in group undertakings	17	-	-	9.3	10.5
Other investments	10	0.5	0.5	-	-
<b>Total fixed assets</b>		<b>10.1</b>	<b>11.7</b>	<b>18.4</b>	<b>21.1</b>
<b>Current Assets</b>					
Debtors					
- Amounts falling due within one year	12	206.9	201.8	178.0	172.9
- Amounts falling due after more than one year	12	6.1	8.5	5.0	6.4
Cash at bank and in hand	13	49.2	48.0	48.8	47.5
<b>Total current assets</b>		<b>262.2</b>	<b>258.3</b>	<b>231.8</b>	<b>226.8</b>
<b>Creditors: Amounts falling due within one year</b>	14	<b>(161.5)</b>	<b>(166.1)</b>	<b>(161.3)</b>	<b>(165.8)</b>
<b>Net Current Assets</b>		<b>100.7</b>	<b>92.2</b>	<b>70.5</b>	<b>61.0</b>
<b>Total Assets Less Current Liabilities</b>		<b>110.8</b>	<b>103.9</b>	<b>88.9</b>	<b>82.1</b>
Creditors: Amounts falling due after more than one year	14	(2.1)	(2.4)	(2.1)	(2.4)
Provisions for liabilities	15	(2.4)	(2.8)	(1.6)	(1.7)
<b>Net Assets</b>		<b>106.3</b>	<b>98.7</b>	<b>85.2</b>	<b>78.0</b>
<b>Capital and Reserves</b>					
Share capital	16	7.5	7.5	7.5	7.5
Other reserve	18	0.1	0.1	0.1	0.1
Profit and loss account	18	98.7	91.1	77.6	70.4
<b>Total capital and reserves</b>		<b>106.3</b>	<b>98.7</b>	<b>85.2</b>	<b>78.0</b>

Approved by the Board of Directors on 11 May 2011 and signed on its behalf by



**R N Thomas**  
Group Finance Director

The notes on pages 11 to 26 form part of these financial statements

Registered number 1199129

## **HEATH LAMBERT LIMITED**

### **GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>2010 £m</b>	<b>2009 £m</b>
Currency translation differences	-	0.1
<b>Net gains recognised directly in equity</b>	-	0.1
Profit for the financial year	<b>7.6</b>	<b>6.9</b>
<b>Total Recognised Profits Relating to the Year</b>	<b>7.6</b>	<b>7.0</b>

### **RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>2010 £m</b>	<b>2009 £m</b>
<b>Profit for Financial Year</b>	<b>7.6</b>	<b>6.9</b>
Foreign exchange difference recognised directly in reserves	-	0.1
<b>Net increase in shareholders' funds</b>	<b>7.6</b>	<b>7.0</b>
Opening shareholders' funds	<b>98.7</b>	<b>91.7</b>
<b>Closing Shareholders' Funds</b>	<b>106.3</b>	<b>98.7</b>

The notes on pages 11 to 26 form part of these financial statements

# **HEATH LAMBERT LIMITED**

## **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 the Companies Act 2006 and 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. 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.

## **HEATH LAMBERT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **1. ACCOUNTING POLICIES (Continued)**

##### **(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.

##### **(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, have been capitalised at cost and are being amortised on a straight-line basis over their estimated useful lives 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
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##### **(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.

# **HEATH LAMBERT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **1. ACCOUNTING POLICIES (Continued)**

#### **(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 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. 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 rates 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.

#### **(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.

## **HEATH LAMBERT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **1. ACCOUNTING POLICIES (Continued)**

##### Insurance Broking Debtors and Creditors (continued)

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 6.

##### **(q)** 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 15.

##### **(r)** Cash Flow Statement

As at 31 December 2010, the Company was a wholly owned subsidiary of HLG Holdings Limited and is included in the consolidated financial statements of that Company, which are publically available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (Revised 1996).

## **HEATH LAMBERT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **2. SEGMENTAL REPORTING**

The Group's turnover, profit before tax and net assets reported 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

	<b>2010 £m</b>	<b>2009 £m</b>
UK	<b>80.0</b>	81.8
Asia and Australasia	<b>1.4</b>	1.0
The Americas	<b>2.4</b>	2.6
Continental Europe	<b>7.1</b>	7.0
Africa	<b>0.1</b>	0.2
<b>Total Turnover</b>	<b>91.0</b>	92.6

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

	<b>2010 £m</b>	<b>2009 £m</b>
Insurance broking and related activities	<b>79.2</b>	79.8
Employee benefits consultancy and related activities	<b>11.8</b>	12.8
<b>Total Turnover</b>	<b>91.0</b>	92.6

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

	<b>Profit before tax 2010 £m</b>	<b>Profit before tax 2009 £m</b>	<b>Net Assets 2010 £m</b>	<b>Net Assets 2009 £m</b>
Insurance broking and related activities	<b>8.4</b>	6.7	<b>104.2</b>	95.8
Employee benefits consultancy and related activities	<b>2.1</b>	1.8	<b>2.1</b>	2.9
<b>Total</b>	<b>10.5</b>	8.5	<b>106.3</b>	98.7

#### **3. EXCEPTIONAL ITEMS**

	<b>2010 £m</b>	<b>2009 £m</b>
Profit on disposal of subsidiary undertakings	<b>0.8</b>	1.3
Profit on disposal of fixed asset investments	-	0.1
<b>Total non-operating exceptional profits</b>	<b>0.8</b>	1.4

The Group disposed of its captive management operations in 2009 for an initial consideration of £1.5m. Further contingent consideration was paid in 2010 with the final net receipts to be received in 2011 & 2012.



# **HEATH LAMBERT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

### **4. INVESTMENT INCOME**

	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
Dividend income from fixed asset investments	<b>0.3</b>	<b>0.4</b>

### **5. INTEREST**

<b>INTEREST RECEIVABLE AND SIMILAR INCOME</b>	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
Interest receivable	<b>0.3</b>	<b>0.8</b>

### **6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
<b>Staff costs</b>		
Wages and salaries	<b>42.9</b>	<b>46.4</b>
Social security costs	<b>4.7</b>	<b>5.3</b>
Other pension costs	<b>4.0</b>	<b>3.2</b>
<b>Depreciation:</b>		
- relating to owned assets	<b>3.2</b>	<b>3.6</b>
- relating to assets held under finance lease	<b>0.1</b>	<b>0.1</b>
<b>Amortisation</b>		
- goodwill arising on consolidation	<b>0.1</b>	<b>-</b>
- purchased goodwill	<b>0.9</b>	<b>0.7</b>
<b>Foreign exchange losses</b>	<b>-</b>	<b>0.1</b>
<b>Operating lease charges</b>		
- land and buildings	<b>3.8</b>	<b>3.5</b>
- other	<b>0.2</b>	<b>0.3</b>

Auditors' remuneration for audit services in relation to the audit of the Group amounted to £0.2m (2009 £0.3m). Fees payable to the Company's auditor for the audit of the company and consolidated accounts are £146,000 (2009 £146,000). 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.

During the year, an average of 1,283 staff (2009 1,324) were employed by the Group.

## **HEATH LAMBERT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

#### **6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)**

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, 25,000 D ordinary share options were forfeited in 2010 (2009: 25,000). The total expense in the Profit and Loss account in the year relating to the HLGH Plan share options was £13,158. 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.

**HEATH LAMBERT LIMITED****NOTES TO THE FINANCIAL STATEMENTS CONTINUED****7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES****Analysis of charge in the year**

	2010 £m	2009 £m
<b>Current tax</b>		
UK corporation tax charge on profits of the period	0.9	-
	0.9	-
Overseas current tax	-	0.2
Overseas adjustments in respect of prior periods	(0.1)	-
<b>Total current tax charge</b>	<b>0.8</b>	<b>0.2</b>
<b>Deferred tax</b>		
UK deferred tax charge for the period	1.6	1.4
Adjustments in respect of previous periods	0.5	-
<b>Total deferred tax charge</b>	<b>2.1</b>	<b>1.4</b>
<b>Total taxation charge</b>	<b>2.9</b>	<b>1.6</b>

**Factor Affecting the Taxation Charge for the year**

	2010 £m	2009 £m
<b>Profit on Ordinary Activities before Taxation</b>	<b>10.5</b>	<b>8.5</b>
Charge at standard rate of corporation tax in the UK of 28% (2009 28%)	2.9	2.4
The corporation tax charge for the year has been affected by		
Higher tax rates overseas	-	(0.1)
Capital allowances in excess of depreciation	(0.8)	(1.0)
Expenses not deductible for tax purposes	0.2	0.9
Adjustments in respect of previous periods	(0.1)	-
Exempt capital gain	(0.2)	-
Loss on sale of investments	-	(0.4)
Intercompany balances written off and investment cost written down	-	0.1
Adjustment in respect of transfer pricing	-	1.2
Group relief	(0.6)	(1.9)
Other short term timing differences	-	(0.4)
Non-taxable income	(0.1)	(0.1)
Movement of tax losses	(0.5)	(0.5)
<b>Tax on Profit on Ordinary Activities</b>	<b>0.8</b>	<b>0.2</b>

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
<b>Deferred Taxation Asset</b>				
Deferred taxation assets have been recorded as follows				
Accelerated capital allowances	4.9	6.4	4.9	6.4
Corporation tax losses	1.1	1.7	-	-
Short term timing differences	0.1	0.1	0.1	-
	<b>6.1</b>	<b>8.2</b>	<b>5.0</b>	<b>6.4</b>

## **HEATH LAMBERT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

#### **7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)**

	<b>Group 2010 £m</b>	<b>Group 2009 £m</b>	<b>Company 2010 £m</b>	<b>Company 2009 £m</b>
<b>Movements in Deferred Taxation Asset</b>				
At beginning of year	8.2	9.6	6.4	7.4
Current year	(1.4)	(1.4)	(0.7)	(1.0)
Change in statutory tax rate	(0.2)	-	(0.2)	-
Adjustments in respect of prior year	(0.5)	-	(0.5)	-
At end of year	6.1	8.2	5.0	6.4

The Group has recognised deferred tax assets of £1.1m (2009 £1.7m) in respect of unutilised tax losses and £0.1m (2009 £0.1m) in respect of short term timing differences. £nil (2009 £nil) of these unutilised tax losses and £0.1m (2009 £nil) of the short term timing differences relate to the Company. These unutilised tax losses and short term 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 2009 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 £4.9m (2009 £6.4m) in respect of accelerated capital allowances (£4.9m of these relate to the Company (2009 £6.4m)).

The Group also has unrecognised deferred tax assets of £0.3m (2009 £0.3m) in respect of unutilised tax losses, £nil of the unutilised tax losses relate to the Company (2009 £nil). 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.

As a result of the change in UK main corporation tax rate from 28% to 27% that was substantively enacted on 20 July 2010 and that will be effective from 1 April 2011, the relevant deferred tax balances have been re-measured as at 31 December 2010.

Further reductions to the UK corporation tax rate were announced in the June 2010 and March 2011 Budgets. The changes, which are expected to be enacted separately each year, propose to reduce the rate a further 1% on 1 April 2011 and thereafter a further 1% per annum to 23% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and are therefore not recognised in these financial statements. The effect of reducing the UK corporation tax rate to 23% would decrease the total recognised deferred tax asset by £0.9m and the total unrecognised deferred tax asset by £nil at 31 December 2010. A decrease of £0.7m in the total recognised deferred tax asset relates to the Company.

## **HEATH LAMBERT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

#### **8. INTANGIBLE ASSETS**

<b>Group</b>	<b>Consolidated Goodwill £m</b>	<b>Purchased Goodwill £m</b>	<b>Total £m</b>
<b>Cost</b>			
At 1 January 2010	0.7	7.8	8.5
Additions	-	0.1	0.1
Disposals	-	(0.4)	(0.4)
<b>At 31 December 2010</b>	<b>0.7</b>	<b>7.5</b>	<b>8.2</b>
<b>Amortisation</b>			
At 1 January 2010	0.1	3.5	3.6
Provided in the year	0.1	0.9	1.0
Disposals	-	(0.4)	(0.4)
<b>At 31 December 2010</b>	<b>0.2</b>	<b>4.0</b>	<b>4.2</b>
<b>Net Book Value at 31 December 2010</b>	<b>0.5</b>	<b>3.5</b>	<b>4.0</b>
Net Book Value at 31 December 2009	0.6	4.3	4.9

Purchased goodwill relates entirely to the company

The group has negative goodwill with a cost of £(6.6m) (2009 £(6.6m)) and amortisation of £6.6m (2009 £6.6m) with a net book value of £nil (2009 £nil)

#### **9. TANGIBLE ASSETS**

<b>Group &amp; Company</b>	<b>Systems Development Costs £m</b>	<b>Furniture &amp; Equipment £m</b>	<b>Total £m</b>
<b>Cost</b>			
At 1 January 2010	17.3	23.8	41.1
Additions	1.9	0.7	2.6
Disposals	(6.3)	(14.6)	(20.9)
<b>At 31 December 2010</b>	<b>12.9</b>	<b>9.9</b>	<b>22.8</b>
<b>Depreciation</b>			
At 1 January 2010	14.7	20.1	34.8
Provided in the year	1.7	1.6	3.3
Disposals	(6.3)	(14.6)	(20.9)
<b>At 31 December 2010</b>	<b>10.1</b>	<b>7.1</b>	<b>17.2</b>
<b>Net Book Value at 31 December 2010</b>	<b>2.8</b>	<b>2.8</b>	<b>5.6</b>
Net Book Value at 31 December 2009	2.6	3.7	6.3

The net book value of furniture and equipment included in fixed assets held under finance leases was £0.1m (2009 £0.2m). The depreciation charge in respect of these leased assets was £0.1m (2009 £0.1m).

# **HEATH LAMBERT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

### **10. OTHER FIXED ASSET INVESTMENTS**

	<b>Group £m</b>	<b>Company £m</b>
<b>Cost or Valuation</b>		
At 1 January & 31 December 2010	<b>0.5</b>	<b>-</b>

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 21. In the opinion of the directors, the value of these investments is at least equal to the amount shown above.

### **11. NET FIDUCIARY ASSETS**

	<b>Group 2010 £m</b>	<b>Group 2009 £m</b>	<b>Company 2010 £m</b>	<b>Company 2009 £m</b>
Insurance broking debtors (note 12)	<b>105.1</b>	115.7	<b>105.1</b>	115.7
Fiduciary cash and deposits (note 13)	<b>42.9</b>	38.0	<b>42.9</b>	38.0
Insurance broking creditors (note 14)	<b>(148.0)</b>	(153.7)	<b>(148.0)</b>	(153.7)
<b>Net Fiduciary Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 are not available for general corporate purposes.

### **12. DEBTORS**

	<b>Group 2010 £m</b>	<b>Group 2009 £m</b>	<b>Company 2010 £m</b>	<b>Company 2009 £m</b>
<b>Amounts Falling Due Within One Year</b>				
Insurance broking debtors	<b>105.1</b>	115.7	<b>105.1</b>	115.7
Unrealised brokerage	<b>11.5</b>	9.2	<b>11.5</b>	9.2
Amounts due from fellow subsidiary undertakings of ultimate parent company	<b>83.4</b>	70.5	<b>57.3</b>	44.3
Other debtors	<b>3.1</b>	3.1	<b>0.3</b>	0.4
Prepayments and accrued income	<b>3.8</b>	3.3	<b>3.8</b>	3.3
	<b>206.9</b>	201.8	<b>178.0</b>	172.9
<b>Amounts Falling Due After More Than One Year</b>				
Deferred taxation (see note 7)	<b>6.1</b>	8.2	<b>5.0</b>	6.4
Other debtors	<b>-</b>	0.3	<b>-</b>	-
	<b>6.1</b>	8.5	<b>5.0</b>	6.4
<b>Total Debtors</b>	<b>213.0</b>	210.3	<b>183.0</b>	179.3

## **HEATH LAMBERT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

#### **13. CASH AT BANK AND IN HAND**

	<b>Group 2010 £m</b>	<b>Group 2009 £m</b>	<b>Company 2010 £m</b>	<b>Company 2009 £m</b>
Cash and deposits - corporate	2.6	6.5	2.2	6.0
Cash not yet withdrawn from fiduciary bank accounts	3.7	3.5	3.7	3.5
Fiduciary cash and deposits	42.9	38.0	42.9	38.0
<b>Cash and Deposits - Total</b>	<b>49.2</b>	<b>48.0</b>	<b>48.8</b>	<b>47.5</b>

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 2010, these amounted to £46.6m (2009 £41.5m), of which £3.7m (2009 £3.5m) was available for general corporate use but had not been withdrawn.

#### **14. CREDITORS**

	<b>Group 2010 £m</b>	<b>Group 2009 £m</b>	<b>Company 2010 £m</b>	<b>Company 2009 £m</b>
<b>Amounts Falling Due Within One Year</b>				
Insurance broking creditors	148.0	153.7	148.0	153.7
Amounts due to group undertakings	-	-	0.3	0.1
Corporation tax	0.9	-	0.9	-
Other taxation and social security	1.6	1.5	1.6	1.5
Obligations under finance leases (see note 20)	0.1	0.1	0.1	0.1
Other creditors	3.8	4.5	3.6	4.2
Accruals and deferred income	7.1	6.3	6.8	6.2
	<b>161.5</b>	<b>166.1</b>	<b>161.3</b>	<b>165.8</b>
<b>Amounts Falling Due After More Than One Year</b>				
Obligations under finance leases (see note 20)	-	0.1	-	0.1
Accruals and deferred income	2.1	2.3	2.1	2.3
	<b>2.1</b>	<b>2.4</b>	<b>2.1</b>	<b>2.4</b>
<b>Total Creditors</b>	<b>163.6</b>	<b>168.5</b>	<b>163.4</b>	<b>168.2</b>

Other creditors falling due within one year include £0.4m (2009 £0.4m) of outstanding pension contributions.

## **HEATH LAMBERT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

#### **15. PROVISIONS FOR LIABILITIES**

<b>Group</b>	<b>Property costs £m</b>	<b>Pensions &amp; other regulatory provisions £m</b>	<b>Litigation provisions £m</b>	<b>Other Provisions £m</b>	<b>Total £m</b>
At 31 December 2009	0.6	0.4	1.6	0.2	2.8
Utilised in the period	-	(0.2)	(0.3)	(0.1)	(0.6)
Provided in the year	-	-	0.2	-	0.2
<b>At 31 December 2010</b>	<b>0.6</b>	<b>0.2</b>	<b>1.5</b>	<b>0.1</b>	<b>2.4</b>

  

<b>Company</b>	<b>Property costs £m</b>	<b>Litigation provisions £m</b>	<b>Total £m</b>
At 31 December 2009	0.6	1.1	1.7
Utilised in the period	-	(0.3)	(0.3)
Provided in the year	-	0.2	0.2
<b>At 31 December 2010</b>	<b>0.6</b>	<b>1.0</b>	<b>1.6</b>

#### **Property costs**

This provision is the estimated liability in respect of wear and tear on the Group's leasehold properties as at 31 December 2010, together with provisions in respect of rentals on empty property. This provision will be utilised as the leases on the Group's leasehold properties expire.

#### **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 2010, this liability is estimated at £207,000 (2009 £361,000). 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 £93,000 (2009 £91,000) 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.

#### **Litigation provisions**

Certain of the Group's companies face 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 have become 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 and having regard to the Group's insurance arrangements, the directors have provided amounts which they consider to be a realistic appraisal of the ultimate likely cost of these various claims against the Group. It is not practical to specifically indicate the likely timing of claim settlements. The provision is subject to regular review by the Group's legal department, external legal advisers and the directors.



## **HEATH LAMBERT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

#### **15. PROVISIONS FOR LIABILITIES (continued)**

##### **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 2010 and payments in respect of the current and prior periods was £79,000 (2009 £183,000). The provision held at 31 December 2010 was £129,000 (31 December 2009 £161,000). Generally clawback periods extend up to 24 months after the inception of the policy.

#### **16. SHARE CAPITAL**

	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
7,500,000 authorised, allocated and fully paid up shares of £1 each	<b>7.5</b>	<b>7.5</b>

#### **17. INVESTMENTS IN GROUP UNDERTAKINGS**

	<b>Company £m</b>
<b>Cost at 1 January 2010 &amp; 31 December 2010</b>	<b>20.0</b>
<b>Impairment</b>	
At 1 January 2010	9.5
Provided in the year	1.2
<b>At 31 December 2010</b>	<b>10.7</b>
<b>Net Book Value at 31 December 2010</b>	<b>9.3</b>
Net Book Value at 31 December 2009	10.5

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

<b>Subsidiary Undertaking</b>	<b>Country of Incorporation</b>	<b>Percentage of Holding</b>	<b>Activity</b>
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

# **HEATH LAMBERT LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

### **18. RESERVES**

<b>Group</b>	<b>Profit and loss account £m</b>	<b>Share option reserve £m</b>
As at 31 December 2009	91.1	0.1
Profit attributable to shareholders	7.6	-
<b>At 31 December 2010</b>	<b>98.7</b>	<b>0.1</b>

  

<b>Company</b>	<b>Profit and loss account £m</b>	<b>Share option reserve £m</b>
As at 31 December 2009	70.4	0.1
Profit attributable to shareholders	7.2	-
<b>At 31 December 2010</b>	<b>77.6</b>	<b>0.1</b>

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 £7.1m for the year (2009: £13.8m).

### **19. DIRECTORS' EMOLUMENTS**

The aggregate amount of directors' emoluments paid in respect of services to the Group for the period ended 31 December 2010, excluding pension contributions, was £887,321 (2009: £2,440,578). The aggregate pension contributions to defined contribution schemes in respect of directors was £83,365 (2009: £118,993). The aggregate amount paid to former directors for loss of office was £nil (2009: £477,644).

The emoluments of the highest paid director were £383,419 (2009: £690,015). The contribution to a defined contribution pension scheme in respect of the highest paid director was £36,565 (2009: £36,565).

At 31 December 2010, retirement benefits were accruing to three (2009: three) directors under the Group's defined contribution schemes.

### **20. COMMITMENTS**

<b>Annual commitments in 2011 for operating leases which expire</b>	<b>Land and Buildings 2010 £m</b>	<b>Land and Buildings 2009 £m</b>
Within one year	0.1	0.1
In the second to fifth years inclusive	1.5	1.6
In more than five years	1.4	1.4
	<b>3.0</b>	<b>3.1</b>

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

<b>Obligations under finance leases due</b>	<b>2010 £m</b>	<b>2009 £m</b>
Within one year	0.1	0.1
In the second to fifth years inclusive	-	0.1
	<b>0.1</b>	<b>0.2</b>

## **HEATH LAMBERT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

#### **20. COMMITMENTS (continued)**

There were no capital commitments entered into as at 31 December 2010 (2009 nil)

The Company and certain fellow Group Companies are guarantors of loan facilities provided by Santander UK plc to the Company and certain fellow Group undertakings

At 31 December 2010, there was £17.1m borrowed under these facilities (2009 £nil). At 31 December 2010, the facilities were secured against the assets and liabilities of the Company under an agreement dated 3 September 2010 and the facilities also continued to be secured by fixed and floating charges over the assets of the Company and certain fellow Group undertakings

As at 11 May 2011 there was £16.2m borrowed under these facilities. The potential additional liability in respect of the maximum drawdown under these facilities on 11 May 2011 was £6.0m

#### **21. OTHER FIXED ASSET INVESTMENTS**

	<b>Country of Incorporation</b>	<b>Holding %</b>	<b>Activity</b>
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

The investment has not been accounted using the equity accounting basis as in the directors' opinion the Group is unable to exert significant influence over this entity

#### **22. TRANSACTIONS WITH RELATED PARTIES**

The Group has taken advantage of exemptions under Financial Reporting Standard 8 "Related Party Disclosures" and has not disclosed intra-group transactions eliminated on consolidation either in these accounts or those of the ultimate parent undertaking. There were no transactions with other related parties

#### **23. ULTIMATE PARENT COMPANY**

The Company's ultimate parent undertaking is HLG Holdings Limited, a company registered in England and Wales. The Company's immediate parent undertaking is Fiary 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 is a member is HLG Holdings Limited. Copies of those group financial statements will be available from the Company Secretary at 133 Houndsditch, London EC3A 7AH