STRATEGIC REPORT, DIRECTORS' REPORT AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

FOR

HEATH LAMBERT LIMITED

HEATH LAMBERT LIMITED

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HEATH LAMBERT LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS:	S Dalgarno N Eckert (Non-Executive) T Gallagher M Cooper-Mitchell (Non-Executive) M Mugge T O'Neill (Non-Executive) M Pike D Ross J Drummond-Smith (Non-Executive)
SECRETARY:	W McGowan
REGISTERED OFFICE:	The Walbrook Building 25 Walbrook London EC4N 8AW
REGISTERED NUMBER:	01199129 (England and Wales)
AUDITOR:	Ernst & Young LLP Statutory Auditor 1 More London Place London SE1 2AF
BANKERS:	Royal Bank of Scotland 3rd Floor 280 Bishopsgate London EC2M 4RB

HEATH LAMBERT LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their strategic report for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES
The Company's principal business is that of insurance broking. Revenues are geographically diversified with operations in the United Kingdom, Europe, North America and other countries. The key objective of the Company is to continue to expand its servicing capabilities through a strategy of acquisition of professional businesses and personnel.

The Company is a wholly owned subsidiary of Arthur J. Gallagher & Co. a Company incorporated in the United States of America and is included in the consolidated financial statements of Arthur J. Gallagher & Co. which are publicly available.

REVIEW OF BUSINESS AND FUTURE ACTIVITIES
For the year ended 31 December 2013, Heath Lambert Limited recorded a profit before tax of £1.8 million, compared to a pre-tax loss of £16.9 million for the year ended 31 December 2012. The profit was attributable to the successful completion of its integration strategy and the synergies released as a result of the integration activities.

Turnover decreased by 20% to £58.5 million compared to £73.3 million in 2012. This is due to increased competition in all areas of trading, especially in the Underwriting and Distributions department. Further, insurance policies originally held by the Company were renewed with another Group company, Arthur J. Gallagher (UK) Limited. Customers of the Company were incentivised to renew insurance policies with Arthur J. Gallagher (UK) Limited. The associated revenue attached to these policies amounted to £11.0m during the year.

Going forward, the Company aims to meet its objectives on operational excellence, new business and organic growth. The knowledge and specialist expertise of senior management, along with the completion of its integration strategy, will allow the Company to achieve its objectives in the forthcoming financial year.

RESULTS AND DIVIDENDS
The results for the year ended 31 December 2013 are set out in these financial statements on pages 7 to 21. The total recognised profit for the year of £0.7 million (2012: loss £14.9 million) was transferred to reserves. No dividends were paid during the year (2012:£nil). The Directors have not recommended the payment of a final dividend (2012:£nil).

PRINCIPAL RISKS AND UNCERTAINTIES
The Company's international operations and debt profile expose it to a variety of financial risks including the effects of changes in foreign currency exchange rates, counterparty credit risks, liquidity and interest rates. The Company has in place a risk management programme and policies that seek to limit the adverse impact upon the Company by use of financial instruments to fix currency rates.

Borrowing facilities and liquidity risk
The Company maintains facilities to ensure it has adequate funds available to finance operations and the growth of the business.

Foreign currency risk
The Company's major currency transaction exposure arises in respect of US dollar revenue earned in the UK. As a consequence, the Company's results are sensitive to changes in the sterling/US dollar exchange rate. Where forward foreign exchange contracts have been entered into to manage currency risk, they are designated as hedges of currency risk on specific future cash flows, which qualify as highly probable transactions for which hedge accounting has been used.

Interest rate risk
The Company has interest bearing assets but no material interest bearing liabilities that would give rise to exposures to fluctuations in interest rates.

Counterparty credit risk
The Company manages its cash and investment balances in the form of deposits with prime banks and other short term money market instruments, in accordance with an investment and counterparty policy agreed by the board of Directors and in respect of fiduciary funds. Investment and bank counterparties are subject to pre-approval at board level. All exposures to individual counterparties are subject to a limit to control undue concentrations of credit risk.

Price risk
The Company does not have a material exposure to equity securities price risk or commodity price risk.

Risk management
The Company's immediate parent is Friary Intermediate Limited and its ultimate parent is Arthur J. Gallagher & Co. Robust risk management is fundamental to the achievement of the group's objectives. The group's board of Directors are 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. To facilitate this, the group maintains a Risk Framework, through which the key risks affecting the group are identified, assessed and monitored.

EMPLOYEES
The Company is an equal opportunities employer and bases all decisions on individual ability regardless of race, religion, gender, age or disability.

ON BEHALF OF THE BOARD:

W McGowan
Company Secretary
Date: 18 June 2014

HEATH LAMBERT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their report with the financial statements of the Company for the year ended 31 December 2013.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2013.

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report.

S Dalgarno
M Cooper-Mitchell (Non-Executive)
T Gallagher
M Mugge
T O'Neill (Non-Executive)
M Pike
D Ross

Other changes in Directors holding office are as follows:

N Eckert (Non-Executive) - appointed 13 February 2013
J Gallagher - resigned 19 June 2013
J Drummond-Smith (Non-Executive) - appointed 12 February 2014

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a Directors in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

HEATH LAMBERT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

AUDITORS
The auditors, Ernst & Young LLP, are deemed to be reappointed as the Company's auditors, in accordance with section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:

W McGowan
Company Secretary
Date: 18 June 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEATH LAMBERT LIMITED

We have audited the financial statements of Heath Lambert Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 24. The financial reporting framework that has been applied is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Kevin Senior (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London

Date: 18 June 2014

HEATH LAMBERT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £'000	2012 £'000
TURNOVER	2	58,504	73,266
Administrative expenses		58,167	84,481
		337	(11,215)
Other operating income	3	159	843
OPERATING PROFIT/(LOSS)	6	496	(10,372)
Exceptional items		3	116
		493	(10,488)
Interest receivable and similar income	7	1,262	1,660
		1,755	(8,828)
Amounts written off investments	8	-	8,000
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		1,755	(16,828)
Tax on profit/(loss) on ordinary activities	9	1,045	(1,957)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		710	(14,871)

CONTINUING OPERATIONS
None of the Company's activities were acquired or discontinued during the current year or previous year.

The notes on pages 10 to 21 form part of these financial statements

HEATH LAMBERT LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £'000	2012 £'000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	710	(14,871)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	710	(14,871)
Prior year adjustment		(3,801)
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		(18,672)

The notes on pages 10 to 21 form part of these financial statements

HEATH LAMBERT LIMITED (REGISTERED NUMBER: 01199129)

BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	£'000	2013 £'000	£'000	2012 £'000
FIXED ASSETS					
Intangible assets	10		502		1,093
Tangible assets	11		1,540		2,114
Investments	12		-		-
			2,042		3,207
CURRENT ASSETS					
Debtors	13	93,967		149,125	
Cash at bank	14	37,761		48,833	
		131,728		197,958	
CREDITORS					
Amounts falling due within one year	15	120,870		185,351	
NET CURRENT ASSETS			10,858		12,607
TOTAL ASSETS LESS CURRENT LIABILITIES			12,900		15,814
PROVISIONS FOR LIABILITIES	17		5,045		8,669
NET ASSETS			7,855		7,145
CAPITAL AND RESERVES					
Called up share capital	18		12,000		12,000
Profit and loss account	19		(4,145)		(4,855)
SHAREHOLDERS' FUNDS	22		7,855		7,145

The financial statements were approved by the Board of Directors on 18 June 2014 and were signed on its behalf by:

M Mugge
Director

The notes on pages 10 to 21 form part of these financial statements

1. ACCOUNTING POLICIES

Accounting convention
These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and comply with accounting standards applicable in the United Kingdom. These accounting policies have been applied consistently during the period.

The directors have taken advantage of Section 401 of the Companies Act 2006 in not preparing consolidated financial statements on the basis that the results of the company are included within the consolidated financial statements of Arthur J. Gallagher & Co., a company incorporated in the United States of American and for which results are publically available for the company's registered office in the United States of America.

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Arthur J. Gallagher & Co. Group or investees of the Arthur J. Gallagher & Co. Group.

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 and invoiced. In instances where the inception of the risk does not relieve the Company 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.

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 Company.

Going concern
The Directors expect that the Company has adequate resources to continue in operational existence. For this reason they continue to adopt the going concern basis in the preparation of the financial statements.

Intangible fixed assets
Tangible assets are stated at cost less accumulated depreciation. The Company capitalises assets with a cost price over £500.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Leasehold improvements	- to lease expiration
Fixtures and fittings	- over 5 years
Computer equipment and software	- over 4 years

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1. **ACCOUNTING POLICIES – continued**

Taxation
Provision is made at current rates for taxation. In accordance with FRS 19, deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax in future periods.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are not discounted.

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

Foreign currencies
Monetary assets and liabilities in foreign currencies are expressed in sterling at exchange rates as at the balance sheet date. Income earned in foreign currencies is recognised in the profit and loss account at the exchange rate at the date of the transaction. All realised exchange differences arising from trading are recognised in the result before taxation.

Finance and operating 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.

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 Company'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.

Pensions
The Company operates defined contribution pension schemes for the benefit of its employees. Contributions are charged to the profit and loss account as incurred. The pension cost charges represent the contributions payable by the Company for the year under the rules of the defined contribution scheme.

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.

Systems development costs
External costs incurred in connection with the development of improved data handling systems are capitalised when the cost price is over £15,000. 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.

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.

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1. ACCOUNTING POLICIES - continued

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 insolvency it is generally abandoned. FRS 5 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.

2. TURNOVER

The turnover and profit (2012 - loss) before taxation are attributable to the one principal activity of the Company.

An analysis of turnover by geographical market and type is given below:

	2013 £'000	2012 £'000
United Kingdom	52,708	65,543
Europe	3,405	4,837
Asia and Australasia	1,517	1,056
The Americas	863	1,776
Africa	11	54
	58,504	73,266

The table above 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.

	2013 £'000	2012 £'000
Net Brokerage	40,667	50,354
Commission	7,905	8,382
Fees	9,932	14,530
	58,504	73,266

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3. OTHER OPERATING INCOME

	2013 £'000	2012 £'000
Other income	159	843

In January 2012, Heath Lambert Limited sold its Third Party Administration (TPA) business including its assets and liabilities to Gallagher Bassett International Limited. This resulted in gain on the sale of the book of business of £843,076.

4. STAFF COSTS

	2013 £'000	2012 £'000
Wages and salaries	40,262	43,258
Social security costs	4,227	3,562
Other pension costs	1,955	2,264
	46,444	49,084

The average monthly number of employees during the year was as follows:

	2013	2012
Broking and technical	639	748
Administration	221	265
Management	1	26
	861	1,039

5. DIRECTORS' EMOLUMENTS

	2013 £'000	2012 £'000
Directors' remuneration	668	1,021
Directors' pension contributions to money purchase schemes	16	25

The number of Directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	3	3

Information regarding the highest paid Directors is as follows:

	2013 £'000	2012 £'000
Emoluments etc	328	574
Pension contributions to money purchase schemes	5	14

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6. OPERATING PROFIT/(LOSS)

The operating profit (2012 - operating loss) is stated after charging:

	2013	2012
	£'000	£'000
Rent and utilities	5,194	7,196
Depreciation	1,443	1,955
Goodwill amortisation	591	618
Auditors' remuneration:		
Statutory audit	53	59
Group reporting	97	103
Other services	15	20

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013	2012
	£'000	£'000
Interest receivable	1,262	1,660

Interest receivable arises from interests received on bank deposits, £239,536 (2012:£304,505) and from the financial facility provided to clients to settle their policies by instalments £1,022,717 (2012:£1,355,075).

8. AMOUNTS WRITTEN OFF INVESTMENTS

	2013	2012
	£'000	£'000
Impairment of goodwill and other assets	-	8,000

In the prior year, the Company recorded an £8,000,000 impairment in its investment in Gallagher Benefits Consulting Limited, one of the Company's wholly-owned subsidiaries. The impairment was mainly driven by the sale of the subsidiary's pension trustee business to Cartwright Benefit Consultants Limited in March 2013 and the transfer of its remaining trading business to a fellow group undertaking, Gallagher Risk & Rewards Limited, in January 2013.

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9. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit on ordinary activities for the year was as follows:

	2013 £'000	2012 £'000
Current tax:		
Group relief	(321)	(3,428)
Adjustments in respect of prior years	134	(278)
Total current tax	(187)	(3,706)
Deferred tax:		
Timing differences	792	1,181
Impact of tax rate change	586	476
Adjustments in respect of prior years	(146)	92
Total deferred tax	1,232	1,749
Tax on profit/(loss) on ordinary activities	1,045	(1,957)

Factors affecting the tax charge/(credit)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2013 £'000	2012 £'000
Profit/(loss) on ordinary activities before tax	1,755	(16,828)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012 - 24.50%)	408	(4,123)
Effects of:		
Expenses not deductible for tax purposes	230	747
Capital allowances in excess of depreciation	(543)	(606)
Adjustments to tax charge in respect of previous periods	134	(278)
Origination of timing differences - general provisions	(250)	(575)
Transfer pricing adjustments	(166)	(113)
Impact of change in accounting policy	-	1,242
Current tax charge/(credit)	(187)	(3,706)

continued...

10. INTANGIBLE FIXED ASSETS

	Expiration Lists £'000
COST	
At 1 January 2013 and 31 December 2013	1,711
AMORTISATION	
At 1 January 2013	618
Amortisation for year	591
At 31 December 2013	1,209
NET BOOK VALUE	
At 31 December 2013	502
At 31 December 2012	1,093

11. TANGIBLE FIXED ASSETS

	Computer software £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
COST					
At 1 January 2013	3,399	197	1,670	1,845	7,111
Additions	786	7	10	98	901
Disposals	(30)	(38)	-	(82)	(150)
At 31 December 2013	4,155	166	1,680	1,861	7,862
DEPRECIATION					
At 1 January 2013	2,411	57	1,205	1,324	4,997
Charge for year	871	25	262	285	1,443
Eliminated on disposal	-	(38)	-	(80)	(118)
At 31 December 2013	3,282	44	1,467	1,529	6,322
NET BOOK VALUE					
At 31 December 2013	873	122	213	332	1,540
At 31 December 2012	988	140	465	521	2,114

continued...

12. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2013 and 31 December 2013	19,250
PROVISIONS	
At 1 January 2013 and 31 December 2013	19,250
NET BOOK VALUE	
At 31 December 2013	-
At 31 December 2012	-

The Company's investments at the balance sheet date in the share capital of companies include the following:

Heath Lambert Overseas Limited
Nature of business: Holding Company

Class of shares:	% holding
Ordinary	100.00

Gallagher Benefits Consulting Limited
Nature of business: Employee benefits

Class of shares:	% holding
Ordinary	100.00

13. DEBTORS

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Insurance debtors	65,046	116,382
Unrealised brokerage	6,611	10,159
Amounts owed by group undertakings	8,440	11,993
Other debtors	7,359	1,902
Corporation tax	801	788
Prepayments and accrued income	1,744	2,703
	90,001	143,927
Amounts falling due after more than one year:		
Deferred tax asset	3,966	5,198
Aggregate amounts	93,967	149,125

continued...

14. CASH AT BANK

	2013 £'000	2012 £'000
Other cash and cash equivalents	2,267	4,337
Restricted cash	35,494	44,496
	37,761	48,833

In accordance with Financial Conduct Authority requirements, the Company holds monies in insurance broking bank accounts for the benefit of insurance broking creditors, which are not available for general corporate purposes. At 31 December 2013, these amounted to £35,493,688 (2012:£44,496,367), of which £7,240,866 (2012: £4,663,922) was available for general corporate use but had not been withdrawn.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Insurance creditors	93,299	156,215
Amounts owed to group undertakings	16,642	19,295
Social security and other taxes	2,226	1,418
Other creditors	1,686	1,358
Accruals and deferred income	7,017	7,065
	120,870	185,351

Other creditors falling due within one year include £283,641 (2012:£636,475) of outstanding pension contributions.

16. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

	Land and buildings 2013 £'000	Land and buildings 2012 £'000
Expiring:		
Within one year	100	350
Between one and five years	4,387	6,946
In more than five years	2,228	2,683
	6,715	9,979

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

17. PROVISIONS FOR LIABILITIES

	2013 £'000	2012 £'000
Other provisions	5,045	8,669

continued...

17. PROVISIONS FOR LIABILITIES - continued

	Deferred tax £'000	Other provisions £'000
Balance at 1 January 2013	(5,198)	8,669
Utilised during year	-	(3,624)
Accelerated capital allowances	542	-
Timing differences	250	-
Impact of tax rate change	586	-
Prior year adjustments	(146)	-
Balance at 31 December 2013	(3,966)	5,045

The deferred tax asset represents tax losses - £217,324 (2012:£246,012), accelerated capital allowances - £3,277,734 (2012:£4,280,620) and short term and other timing differences - £470,930 (2012:£671,785).

The Company profits are taxable in the UK under the standard rate of corporation tax being 23.25% (2012: 24.50%). The Company is expected to continue to attract the standard rate of UK corporation tax. The UK government legislated during 2013 to reduce the main rate of corporation tax to 21%, applicable from 1 April 2014 with a further reduction of 1% to 20% to apply from 1 April 2015. These reductions have been reflected in the closing deferred tax asset, as they were enacted at the balance sheet date.

Other provisions:

	Litigation provisions £'000	Claims handling provision £'000	Property costs provision £'000	Property lease provision £'000	Deferred consideration £'000	Total £'000
At 1 January 2013	838	5,268	2,324	237	2	8,669
Amounts incurred/released in year	347	(3,331)	(401)	(237)	(2)	(3,624)
At 31 December 2013	1,185	1,937	1,923	-	-	5,045

Property costs

This provision is the estimated liability in respect of wear and tear on the Company's leasehold properties as at 31 December 2013, 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.

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 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 Company'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 Company. It is not practical to specifically indicate the likely timing of claim settlements. The provision is subject to regular review by the Company's legal department, external legal advisers and the Directors.

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17. PROVISIONS FOR LIABILITIES - continued

Claims handling provision

The provision for future servicing and claims handling costs is an estimate of the cost to run-off claims on policies previously placed by the Company. The provision is based on a projection of future claims applying a trend extrapolated from historical claims data. The provision is then discounted at the risk free interest rate of 6.75%. The provision is made in accordance with the requirements of FRS12 "Provisions, contingent liabilities and contingent assets".

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2013 £'000	2012 £'000
12,000,000	Ordinary	£1	12,000	12,000

19. RESERVES

	Profit and loss account £'000
At 1 January 2013	(4,855)
Profit for the year	710
At 31 December 2013	(4,145)

20. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost for the year was £1,954,903 (2012:£2,263,794).

21. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The immediate parent company is Friary Intermediate Limited, a company registered in England and Wales. The largest group of undertakings of which the Company is a member and for which financial statements are prepared, is headed up by Arthur J. Gallagher & Co. a company incorporated in the United States of America, which is the ultimate parent undertaking. A copy of these consolidated financial statements is available from the registered office of Heath Lambert Limited.

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £'000	2012 £'000
Profit/(loss) for the financial year	710	(14,871)
New share capital subscribed	-	4,500
Net addition/(reduction) to shareholders' funds	710	(10,371)
Opening shareholders' funds	7,145	17,516
Closing shareholders' funds	7,855	7,145

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23. PRIOR YEAR ADJUSTMENT

The financial statements were restated to reflect a change in accounting policy with regards to provisions for liabilities and charges in 2011. The company adopted its parent company's accounting policy to provide for future policies cancellation; future claims handling costs and dilapidation provision. The prior year restatement in the prior year financial statements relates to the deferred tax impact of this change in accounting policy.

24. NET FIDUCIARY ASSETS

	2013 £'000	2012 £'000
Insurance broking debtors (note 13)	65,046	116,382
Fiduciary cash and deposits (note 14)	28,253	39,833
Insurance broking creditors (note 15)	(93,299)	(156,215)
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 are not available for general corporate purposes.