

HEATH INSURANCE BROKING LIMITED

Annual Report and Financial Statements

31 December 2011



Heath Insurance Broking Limited
Company Number 1005219 Registered in England & Wales

DIRECTORS

D C Ross
M S Mugge

SECRETARY

Heath Lambert Corporate Services

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

BANKERS

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

REGISTERED OFFICE

9 Alie Street
London
E1 8DE

COMPANY NUMBER

1005219

Heath Insurance Broking Limited

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DIRECTORS' REPORT

The directors present their report together with the audited financial statements of Heath Insurance Broking Limited (the "Company") for the year ended 31 December 2011

REVIEW OF THE BUSINESS AND FUTURE ACTIVITIES

The principal activity of the Company was that of an insurance broker. The Company did not trade during the current year ended 31 December 2011 or during the prior period. The directors do not expect the Company to trade in the foreseeable future.

PARENT COMPANY

On 12 May 2011, the entire issued share capital of the ultimate holding company (at the time), HLG Holdings Limited, of which this Company is a subsidiary, was acquired by Arthur J Gallagher Holdings Two (UK) Limited, a subsidiary of the largest group of undertakings which is headed up by Arthur J Gallagher & Co, a company incorporated in the United States of America, which is the ultimate parent undertaking.

RESULTS AND DIVIDENDS

The loss for the year ended 31 December 2011 after taxation was £73,000 (2010: £nil). The retained loss for the period of £73,000 (2010: £nil) has been transferred to reserves.

The Company has net assets of £6,245,000 at 31 December 2011 (2010: £6,318,000).

DIRECTORS AND THEIR INTERESTS

The directors serving during the year ended 31 December 2011 are shown below:

W D Bloomer (resigned 12 May 2011)

A Colosso (resigned 16 January 2012)

R N Thomas (resigned 12 May 2011)

D Ross (appointed 12 May 2011)

K Barton (appointed 12 May 2011, resigned 31 August 2011)

M Mugge (appointed 31 August 2011)

FINANCIAL RISK MANAGEMENT

The management of the business and the execution of the Company's strategy are directed on a Group basis and are subject to a number of risks.

EMPLOYEES

The Company has no employees.

DONATIONS

There was no charity or political donations during the period (2010: £nil).

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing this report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and that the auditor is aware of that information.

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DIRECTORS' REPORT (continued)

AUDITORS

Ernst & Young LLP were appointed as the Company's independent auditor on 13 May 2011

In accordance with Section 487 of the Companies Act 2006, a resolution to re-appoint Ernst & Young LLP as independent auditors to the Company has been proposed at the Annual General Meeting on 01 June 2012

By Order of the Board



M S Mugge
Director

Date 12 July 2012

Heath Insurance Broking Limited
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STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 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 judgments 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper 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.

By order of the board



M S Mugge
Director

Date 12 July 2012

Heath Insurance Broking Limited

Company Number 1005219 Registered in England & Wales

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HEATH INSURANCE BROKING LIMITED

We have audited the financial statements of Heath Insurance Broking Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 Statement of Directors' Responsibilities 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss 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.

Heath Insurance Broking Limited
Company Number 1005219 Registered in England & Wales

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

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



Kevin Senior (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
London, 12 July 2012

Heath Insurance Broking Limited
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PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Tax charge on loss on ordinary activities	4	(73)	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(73)	-

There are no material differences between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents

The notes on pages 9 to 11 are an integral part of these financial statements. The independent auditors' report is on pages 5 and 6

The Company has no recognised gains or losses other than the loss for the financial year reported above and, therefore, no separate statement of total recognised gains or losses is presented

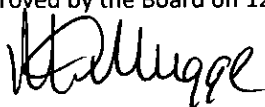
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BALANCE SHEET

as at 31 December 2011

	Notes	2011 £'000	2010 £'000
CURRENT ASSETS			
Debtors - Amounts falling due within one year	5	6,345	6,418
CREDITORS - amounts falling due within one year	6	(100)	(100)
NET CURRENT ASSETS		6,245	6,318
NET ASSETS		6,245	6,318
CAPITAL AND RESERVES			
Called-up share capital	7	-	-
Profit and loss account	8	6,245	6,318
SHAREHOLDERS' FUNDS	8	6,245	6,318

Approved by the Board on 12 July 2012 and signed on its behalf by



M S Mugge
Director

The notes on pages 9 to 11 are an integral part of these financial statements. The independent auditors' report is on pages 5 and 6.

Heath Insurance Broking Limited

NOTES TO THE ACCOUNTS

For the year ended 31 December 2011

1. ACCOUNTING POLICIES

Accounting convention

These financial statements have been 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 (United Kingdom Generally Accepted Accounting Practice) The directors are satisfied with the use of the going concern assumption based on a letter of support from the parent Company

On 12 May 2011, the entire issued share capital of the former ultimate holding company, HLG Holdings Limited, for which this Company is a subsidiary, was purchased by Arthur J Gallagher Holdings Two (UK) Limited, a subsidiary of the largest group of undertakings which is headed up by Arthur J Gallagher & Co a company incorporated in the United States of America, which is the ultimate parent undertaking

As permitted by Financial Reporting Standard 1 "Cash Flow Statements" (revised) the Company, being a wholly-owned subsidiary, is not required to prepare a cash flow statement 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

The directors have reviewed the Company's accounting policies and consider them to be appropriate in accordance with FRS18's objectives of relevance, reliability, comparability and understandability

The directors are satisfied that the Company should prepare the financial statements on a going concern

Taxation

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

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Auditors' remuneration for the period amounted to £2,000 (2010 £2,000), which was borne on behalf of the Company by Heath Lambert Limited a fellow group undertaking Fees payable to the auditors for other (non-audit) services are in respect of services to the Group as a whole and are disclosed in the consolidated accounts of the Company's ultimate parent company

During the year the Company was provided with certain services from other group companies for which it was not charged

3. STAFF COSTS AND DIRECTORS' EMOLUMENTS

Wages and salaries, Social security costs and Pension costs were £nil for the year ending 31 December 2011 (2010 £nil) The average number of persons employed by the Company during the year was nil (2010 nil)

Directors' Emoluments

The Directors were remunerated during the year by Arthur J Gallagher & Co , the ultimate parent undertaking Neither of these Directors received any emoluments during the year in respect of their services as a Director of the Company (2010 £nil) and it would not be practicable to apportion their emoluments between their services as Directors of the Company and their services as Directors of other group companies The Company has not been recharged any amount for the emoluments of these Directors (2010 £nil)

Heath Insurance Broking Limited

NOTES TO THE ACCOUNTS

For the year ended 31 December 2011

4. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The charge for taxation comprises

Analysis of charge/(credit) in year	2011 £'000	2010 £'000
Current tax		
Group relief claimed for payment	73	-
Tax on profit on ordinary activities	73	-
Reconciliation of corporation tax charge		
Profit on ordinary activities before taxation	-	-
Standard rate of corporation tax in UK of 26.5% (2010 28%)	-	-
<i>The Corporation tax charge for the year has been affected by</i>		
Adjustments in respect of transfer pricing	121	140
Adjustment in respect of debt cap	(48)	(140)
	73	-

The company also has unrecognised tax assets of £944,000 (£2010 1,020,000) in respect of unutilised tax losses. No deferred tax assets are recognised as these assets are not expected to be utilised in the foreseeable future.

As a result of changes in the UK main corporation tax rate from 26% to 25% that have been substantively enacted in 2011, the relevant deferred tax balance has been re-measured as at 31 December 2011 at 25%.

The Company profits are taxable in the UK under the standard rate of corporation tax being 26.5% for 2011 (2010 28%). The Company is expected to continue to attract the standard rate of UK corporation tax. The UK government legislated during 2011 to reduce the main rate of corporation tax to 25%, applicable from 1 April 2012. Furthermore, the Government announced in March 2012 as part of the Budget a further reduction of 1% to 24% to apply from 1 April 2012, with additional reductions of 1% per annum falling to 22% with effect from 1 April 2014. These reductions have not been reflected in the closing deferred tax asset as they were not substantively enacted at the balance sheet date. It is anticipated that the impact of the future changes on the closing deferred tax position would decrease the total unrecognised deferred tax asset by £113,000 in the Company. In addition the Company has unrecognised capital losses.

5. DEBTORS

	2011 £'000	2010 £'000
Amounts owed by group undertakings	6,345	6,418
	6,345	6,418

Heath Insurance Broking Limited

NOTES TO THE ACCOUNTS

For the year ended 31 December 2011

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Amounts owing to group undertakings	100	100
	<u>100</u>	<u>100</u>

Included in this balance there is group relief of £73,163 (2010 £nil) in relation to corporation tax

7. CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
55 allotted, called up and fully paid ordinary shares of £1	-	-
	<u>-</u>	<u>-</u>

8. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	2011 £'000	2010 £'000
At 1 January	6,318	6,318
(Loss)/ profit for the year	(73)	-
At 31 December 2011	<u>6,245</u>	<u>6,318</u>

9. POST BALANCE SHEET EVENTS

The directors are not aware of any significant events arising after the balance sheet date that require disclosure or adjustment to amounts included within the financial statements outside of the change in tax rate as disclosed in note 4

10. ULTIMATE PARENT COMPANY

The immediate parent company is Friary Intermediate Ltd, 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 Insurance Broking Limited