

Registered number 1211673

LOCKTON COMPANIES INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2010

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LOCKTON COMPANIES INTERNATIONAL LIMITED

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LOCKTON COMPANIES INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	M Frost M Hammond J James D Whitewood
Non Executive Directors	D Gee
Company secretary	C Taggart
Company number	1211673
Registered office	The St Botolph Building 138 Houndsditch London EC3A 7AG
Auditors	KPMG Audit Plc, Statutory Auditors Chartered Accountants 8 Salisbury Square London EC4Y 8BB

LOCKTON COMPANIES INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2010

The directors present their report and the financial statements for the year ended 30 April 2010

Principal activities

The principal activity of the Company is insurance broking. The Company is authorised and regulated by the Financial Services Authority.

The directors' future strategy is to transfer the Company's insurance broking business to Lockton Companies LLP. Following this transaction, the Company will be a holding company only and no longer trade. (See "Post balance sheet event")

Business review

The business continued to trade in difficult conditions including rate reductions in a number of insurance classes. The current economic environment has had a negative impact on several business divisions. However the Company has managed to continuously grow its revenue through expanding existing business and winning new clients. The investment made last year in Lockton Re LP and the Company's Dubai branch office have contributed to the revenue growth.

The Company's Dubai branch office will be transferred to a separate legal entity and operate as a wholly owned subsidiary of the Company. The estimated date of transfer is 1 September 2010. The future intention is to transfer the new subsidiary to Lockton Overseas Limited, another Lockton group undertaking.

Lockton Companies LLP, a limited liability partnership of which the Company and LIGS Limited are the designated members, was set up during the current financial year. The Company is preparing to transfer its insurance broking business to Lockton Companies LLP in financial year 2010-11 subject to FSA approval.

Results, dividends and financial position

The profit for the year, after taxation, amounted to £18,893,451 (2009 - loss £3,648,729)

A £10,000,000 dividend was paid to the parent company Lockton UK Limited for the period from 1 May 2009 to 30 April 2010 (2009 £nil) and LIGS Limited waived its right to a share in the dividend.

As at 30 April 2010 the Company balance sheet shows net current assets of £ 27,059,202 (2009 £ 20,777,329) and net assets of £ 23,894,753 (2009 £ 15,001,302)

Directors

The directors who served during the year were

M Frost
M Hammond
J James
D Whitewood
D Gee

Business combination and other changes

On 22 January 2010 the Company completed the sale of its Insolvency business which was based in Nottingham for consideration of £13,000,000. The profit from the sale was £12,530,165.

LOCKTON COMPANIES INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2010

Post balance sheet events

In May and June 2010 \$17.8m (£11.8m) of Forward foreign exchange contracts were entered into by the Company.

In June 2010 the Company purchased additional shares in its wholly owned subsidiary, Lockton Companies (Shanghai) Insurance Brokers Limited for a sum of HKD6,000,000.

Lockton Companies LLP, a limited liability partnership of which the Company and LIGS Limited are the designated members, was set up during the current financial year. The Company is preparing to transfer its insurance broking business to Lockton Companies LLP in financial year 2010-11 subject to FSA approval.

In July 2010 LI Lux 2 S a r l drew down its £5,000,000 line of credit under the credit facility agreement with JP Morgan. Further information on this credit facility is provided in the Contingent Liabilities note.

The Government has announced that it intends to reduce the rate of UK corporation tax from 1 April 2011. For companies who pay tax at the main rate, as they have taxable profits above £1.5 million, the corporation tax rate will reduce from 28 percent to 27 percent on 1 April 2011. There will be a further reduction of 1 percent each year until 2014. This will reduce the main rate to 24 percent by 1 April 2014.

Financial, legal and regulatory risk management objectives and policies

Overview

The Company's operating activities are exposed to various financial, legal and regulatory risks. These include the key risk factors summarised below. The Company manages these risks within the Enterprise-wide risk management (EWRM) framework that has been developed to standardise the approach used across Lockton's diversified international operations to ensure that all risks are assessed and managed within a common framework.

Legal and regulatory risk

The Company is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations, in the conduct of its ordinary course of business. The directors are satisfied, based on present information and assessed probability of claims, that the Company has adequate insurance programmes and provisions in place to meet such claims. However, like all businesses of similar type, the risk exists that significant adverse developments in past claims, or a significant increase in the frequency or severity of future claims for errors and omissions, could have a material effect on the Company's reported results.

Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities. The components of the financial risk are price, currency, credit, liquidity and interest rate risk. The extent of the exposure to each of these components varies depending on the specific financial instrument.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate, principally as a result of changes in equity market conditions, interest rates and foreign currency exchange rates. While there is no direct market risk exposure to the Company in respect of assets relating to insurance operations as these assets are matched to corresponding policyholder or cell-owner liabilities. Cash holdings are not directly exposed to market risk however market risk can impact the value of current asset investments, therefore these investments are regularly monitored and managed.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument or the quantum of the future income

LOCKTON COMPANIES INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2010

derived from a foreign source, will fluctuate resulting from changes in foreign exchange rates. The Company is exposed to foreign currency risk arising from various currency exposures. In particular, the London-based wholesale insurance broking business has a Sterling cost base, but derives a significant proportion of its insurance broking income in US dollars. During the year there was a policy of forward selling approximately half of the anticipated US dollar brokerage on a rolling 12-month basis. This mitigated the effect of fluctuations in the Sterling/US dollar exchange rate on the Company's earnings, (see cash flows section below). A portion of the group's loan facilities are denominated in United States dollars to mitigate foreign currency exposure against United States dollar denominated trade receivables of the Company. Subsequent to the year end the company entered into a series of participating forwards which sold forward the entire 2010 years worth of US dollar revenue.

Cash flows

During the year the Company had a policy of forward selling approximately 50% of the US dollar denominated brokerage income of the UK business on a rolling 12-month basis. The policy has been established to limit the variability in cash flows and profits arising from fluctuations between the US dollar and Sterling on brokerage income earned by the Company's business.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates, except for interest income on cash balances, which is sensitive to short-term interest rates.

Credit risk

Credit risk is the risk that a counter party to a financial transaction will be unable to pay amounts in full when due.

Credit risk of insurers and clients

To minimise credit risk the Company's business has a general policy of not funding payment of claims on behalf of insurers or payment of premiums on behalf of the clients. However, the Company has established a strict authorisation policy whereby management may in certain circumstances authorise funding. Consequently, there is not significant exposure to credit risk deriving from insurers and clients in this respect. At the same time, the Company monitors the financial condition of insurers and reinsurers on an ongoing basis. The Company has a Market Security and Underwriting Committee that evaluates, approves and monitors both insurance and reinsurance markets of the group companies conducting insurance operations and reports back to the Company with recommendations accordingly. Such Committee decisions are supported by both local and international professional rating agencies data and the involvement of the insurance regulatory bodies in United Kingdom (namely the Financial Services Authority), Global Credit Rating Companies and legal opinion and other professional advice is sought, where necessary.

Other credit risks

Cash is held by high credit quality financial institutions. There are no significant concentrations of credit risk in respect of other receivables reflected in the Company's balance sheet.

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and ensuring the availability of funding through an adequate amount of cash resources and credit facilities. The Company has approved a formal treasury policy and procedures manual to closely monitor approved banks, concentration risk and management of cash balances, which includes the Client Money Resource test. This test represents both a requirement by the Company's regulator and a process of cash flow monitoring. Further, the Company has a funding policy as described under the credit risk section above. The funding requirements and cash flows of the Company are closely and regularly monitored.

Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud or human error. The Company mitigates these risks through the EWRM framework, systems of internal controls, internal audit and compliance functions and other measures such as back-up procedures, contingency planning and insurance.

LOCKTON COMPANIES INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2010

Creditor payment policy

The Company's principal activity is that of an insurance broker. It therefore has insurance creditors which it settles in accordance with normal insurance broking practices. Non-insurance transactions are dealt with by LIGS Limited, which acts as a service company to the Lockton Group in the UK as a whole. The creditor payment policy is stated in that company's financial statements.

Provision of information to auditors

Each of the directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Auditors

Under section 487(2) of the Companies Act 2006, KPMG Audit Plc, Statutory Auditors will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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 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 judgments and 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 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.

LOCKTON COMPANIES INTERNATIONAL LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2010**

This report was approved by the board on 12 August 2010 and signed on its behalf by



Charlotte Taggart
Secretary

The St Botolph Building
138 Houndsditch
London
EC3A 7AG

REPORT OF THE AUDITORS, KPMG AUDIT PLC TO THE MEMBERS OF LOCKTON COMPANIES INTERNATIONAL LIMITED

We have audited the financial statements of Lockton Companies International Limited for the year ended 30 April 2010, set out on pages 8 to 23. 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 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/UKNP.

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 30 April 2010 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.

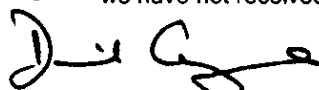
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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.



Daniel Cazeaux (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

12 August 2010

LOCKTON COMPANIES INTERNATIONAL LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 APRIL 2010**

	Note	2010 £	2009 £
TURNOVER	3	99,461,986	95,494,045
Administrative expenses		(95,173,129)	(96,372,823)
Exceptional administrative expenses	5	-	(6,469,413)
Total administrative expenses		(95,173,129)	(102,842,236)
Other operating income	4	2,651,769	641,449
OPERATING PROFIT/(LOSS)		6,940,626	(6,706,742)
EXCEPTIONAL ITEMS			
Net profit on sale of assets	5	12,530,165	42,454
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		19,470,791	(6,664,288)
Interest receivable	7	113,059	1,735,556
Interest payable	8	(98,590)	(354,857)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		19,485,260	(5,283,589)
Tax on profit/(loss) on ordinary activities	10	(591,809)	1,634,860
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	19	18,893,451	(3,648,729)

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and loss account

A £10,000,000 dividend was paid to the parent company Lockton UK Limited for the period from 1 May 2009 to 30 April 2010 (see Note 20) (2009 £nil)

The notes on pages 10 to 23 form part of these financial statements

LOCKTON COMPANIES INTERNATIONAL LIMITED
REGISTERED NUMBER 1211673

BALANCE SHEET
AS AT 30 APRIL 2010

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Fixed asset investments	12		354,698		354,078
CURRENT ASSETS					
Debtors	13	233,866,330		209,129,346	
Investments	14	-		1,517,619	
Cash at bank		77,600,567		61,084,802	
		<u>311,466,897</u>		<u>271,731,767</u>	
CREDITORS amounts falling due within one year	15	<u>(284,407,695)</u>		<u>(250,954,438)</u>	
NET CURRENT ASSETS			<u>27,059,202</u>		<u>20,777,329</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>27,413,900</u>		<u>21,131,407</u>
CREDITORS: amounts falling due after more than one year	16		<u>(300,000)</u>		<u>(200,000)</u>
PROVISIONS FOR LIABILITIES AND CHARGES					
Other provisions	17		<u>(3,219,147)</u>		<u>(5,930,105)</u>
NET ASSETS			<u><u>23,894,753</u></u>		<u><u>15,001,302</u></u>
CAPITAL AND RESERVES					
Called up share capital	18		4,000,001		4,000,001
Share premium account	19		9,999,999		9,999,999
Profit and loss account	19		<u>9,894,753</u>		<u>1,001,302</u>
SHAREHOLDERS' FUNDS	20		<u><u>23,894,753</u></u>		<u><u>15,001,302</u></u>

All turnover for both periods is derived from continuing operations

There is no difference between the loss/profit on ordinary activities before taxation and the loss/profit for both periods stated above and their historical cost equivalents

The Company had no recognised gains and losses during either period, other than the loss/profit for the period, and therefore no separate statement of total recognised gains or losses has been prepared

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 August 2010



D Whitewood
Director

The notes on pages 10 to 23 form part of these financial statements

LOCKTON COMPANIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2010

1. GOING CONCERN

The directors consider the going concern basis to be appropriate for the following reasons -

- the directors have reviewed relevant budget and cash flow forecasts for a period of not less than 12 months from the date of approving these financial statements and are satisfied that the company will have sufficient resources available to meet liabilities as they fall due
- as part of the review undertaken the directors have taken into account the funding that has been made available to the Company from parent undertakings, investors and from the group's credit facility with JP Morgan since the balance sheet date and the intention of these parties to continue to make funding available
- intra-group creditors comprise a significant proportion of creditors and an agreement has been made between major group companies that no intra-group creditors may take action to cause any intra-group financial indebtedness of any group undertaking to become due or to be paid unless the group undertaking has sufficient readily available cash to pay the sum which is due or demanded

The directors therefore consider that it remains appropriate to prepare the financial statements on a going concern basis

2 ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Companies Act 2006 and applicable accounting standards

2.2 Cash flow

The Company is exempt from producing a cash flow statement under Financial Reporting Standard 1 (revised) as more than 90% of the voting rights are owned by a parent undertaking (LI Lux 1 S a r l) and the results of the Company are included in the consolidated accounts that are publicly available

2.3 Turnover

Turnover comprises insurance brokerage, fees and other commissions Insurance brokerage is recognised when placement services are complete, at the inception date of the policy or the date the policy is fully placed if later In the case of cancellable multi-year policies, brokerage income is recognised at each effective renewal date over the life of the policy An appropriate portion of revenue is deferred for post placement obligations to be rendered in respect of business placed by the period end date The amount deferred is recognised as income over the servicing period on a consistent basis reflecting the pattern of servicing activities

Fees are credited when related services are rendered and other commissions are recognised when they can be reliably measured, usually when confirmed with third parties

2.4 Current asset investments

Current asset investments are stated at cost plus accrued interest, where applicable

LOCKTON COMPANIES INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2010**

2 ACCOUNTING POLICIES (continued)

2.5 Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as 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 calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

2.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

The group utilises forward foreign exchange contracts to reduce the volatility of US Dollar denominated revenues. When a forward foreign exchange contract closes the gain or loss is taken to the profit and loss account. Related receivables are translated at the rates of exchange ruling at the balance sheet date

2.7 Insurance broking debtors, cash and creditors

The Company acts as agent in placing the insurable risks of its clients with insurers either directly or through other insurance intermediaries. Generally, the Company is not liable as principal either for premiums due to insurers or for claims payable to its clients. Notwithstanding the Company's legal relationships with clients and insurers and since, in practice, premium and claim monies are ordinarily accounted for by insurance intermediaries as if they were principals in the insurance contract, fiduciary funds, debtors and creditors relating to insurance broking business are treated as the Company's assets and liabilities. Details of insurance broking debtors, cash and creditors are shown in note 11

2.8 Provisions for liabilities and charges

A provision is recognised where there is a present obligation (legal or constructive) as a result of a past event, and it is probable that a transfer of economic benefit will be required to settle that obligation, and a reliable estimate can be made

LOCKTON COMPANIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2010

2 ACCOUNTING POLICIES (continued)

2.9 Fixed asset investments

Investments held as fixed assets are shown at cost less provision for impairment

Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value in use.

2.10 Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised in equity when they have been approved by shareholders. A liability is recorded for future payment of final dividends.

3. TURNOVER

Turnover and trading results are derived wholly from insurance broking business.

Turnover comprises

	2010 £	2009 £
Brokerage and fees	<u>99,461,986</u>	<u>95,494,045</u>

Turnover by location of client

	2010 £	2009 £
United Kingdom	60,215,438	58,548,475
North America	16,279,358	14,619,914
Europe	7,515,713	9,268,730
Asia Pacific	6,761,249	2,161,661
Latin America	1,260,966	3,231,473
Rest of the world	7,429,262	7,663,792
	<u>99,461,986</u>	<u>95,494,045</u>

Business is fully placed within the United Kingdom

LOCKTON COMPANIES INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2010**

4 OTHER OPERATING INCOME

	2010 £	2009 £
Other operating income	3,317,339	1,162,714
Foreign exchange difference - (loss)	(665,570)	(521,265)
	<u>2,651,769</u>	<u>641,449</u>

5 EXCEPTIONAL ITEMS

Exceptional items charged before arriving at operating loss are as follows

	2010 £	2009 £
Exceptional recharge arising from severance and sign on costs due to restructuring activity in LIGS Ltd	-	(2,042,279)
Exceptional recharge relating to pension scheme losses	-	(4,032,000)
Shanghai operation opening costs	-	(395,134)
	<u>-</u>	<u>(6,469,413)</u>

A decision has been made by LIGS Limited not to recharge the actuarial losses on the defined benefit pension scheme, which has been recorded in LIGS Limited's Statement of Total Recognised Gains and Losses, to the Company

The tax impact of the above items was a credit of £0 (2009 £1,811,436)

Exceptional items charged after arriving at operating loss are as follows

	2010 £	2009 £
Profit on disposal of Guernsey business	-	42,454
Profit on disposal of Insolvency business	12,530,165	-
Total	<u>12,530,165</u>	<u>42,454</u>

On 22 January 2010 the Company completed the sale of its Insolvency business which was based in Nottingham for consideration of £13,000,000 The profit from the sale was £12,530,165

On the 20 June 2008 the Company disposed of its Guernsey business

The tax impact of the above items is a charge of £2,058,806 (2009 £11,887)

LOCKTON COMPANIES INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2010

6 EMOLUMENTS OF DIRECTORS

During the period under review Messrs Gee, Hammond and James were also directors of Lockton International Holdings Limited. Mr Frost was also a director of LCI Lux S à r l. Details of their remuneration are disclosed in the financial statements of those companies. They were remunerated by a fellow subsidiary undertaking for their services to the group as a whole.

Details of the other director's remuneration in respect of services to this company, also borne by a fellow subsidiary undertaking, are as follows:

	2010 £	2009 £
Aggregate emoluments (excluding pension)	214,346	71,315
Aggregate company contributions to defined contribution scheme	<u>12,360</u>	<u>6,159</u>
Highest paid director		
Aggregate emoluments (excluding pension)	214,346	71,315
Aggregate company contributions to defined contribution scheme	<u>12,360</u>	<u>6,159</u>

In respect of directors where emoluments are disclosed above, retirement benefits are accruing to one (2009: one) of the directors under the defined contribution scheme.

7 INTEREST RECEIVABLE

	2010 £	2009 £
Investment income	<u>113,059</u>	<u>1,735,556</u>

8 INTEREST PAYABLE

	2010 £	2009 £
On loans from group undertakings	<u>98,590</u>	<u>354,857</u>

Interest payable to group undertakings is interest on a £5,000,000 subordinated loan note from a fellow group undertaking (note 15).

LOCKTON COMPANIES INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2010**

9. OPERATING LOSS

The Company has no employees. Staff costs are borne by LIGS Limited, a fellow group undertaking. Details of employees and employee related costs, including pension costs, are shown in the financial statements of that company. Costs related to the audit of the Company financial statements are

	2010 £	2009 £
Profit / (Loss) on ordinary activities before taxation is stated after charging:		
Management fees payable to fellow group undertaking	<u>94,082,647</u>	<u>102,279,104</u>

The audit fees for the current period, which amounted to £86,610 (2009 £71,610), were borne by a fellow group undertaking. Amounts receivable by the Company's auditor in respect of services to the Company and the Lockton group, other than for the audit of the Company's financial statements, have not been disclosed. This information has been disclosed within LCI Lux S a r l. The Company has no employees.

All expenses incurred in the United Kingdom are borne by LIGS Limited, a fellow group undertaking, and recharged to the group operating companies as management fees. Recharges to the Company include amounts in respect of staff costs, including relevant pension contributions. Details of employees and employee related costs, including pension costs, are shown in the financial statements of LIGS Limited. The Company has entered into a guarantee in connection with certain pension scheme obligations (See note 23).

10. TAXATION

	2010 £	2009 £
Analysis of tax credit in the year		
Current tax (see note below)		
Adjustments in respect of prior periods	<u>(2,456,745)</u>	<u>(436,621)</u>
Deferred tax		
Current period	1,944,115	(289,977)
Adjustments to tax in respect of prior periods	<u>1,104,439</u>	<u>(908,262)</u>
Total deferred tax	<u>3,048,554</u>	<u>(1,198,239)</u>
Tax charge / (credit) on profit/loss on ordinary activities	<u><u>591,809</u></u>	<u><u>(1,634,860)</u></u>

LOCKTON COMPANIES INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2010**

10 TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2009 - *higher than*) the standard rate of corporation tax in the UK (28%) The differences are explained below

	2010 £	2009 £
Profit/loss on ordinary activities before tax	<u>19,485,260</u>	<u>(5,283,589)</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	5,455,873	(1,479,405)
Effects of		
Expenses not deductible for tax purposes	8,318	77,193
(Utilisation) / Creation of previously unrecognised tax losses	(1,712,698)	342,228
(Gain) / Loss on disposal of capital item	(2,061,040)	1,715
Other assessable income	(8,405)	81,580
Short term timing differences	(231,416)	(52,251)
Adjustments to tax charge in respect of prior periods	(2,456,745)	(436,621)
Group relief (claimed) / surrendered	(1,450,632)	1,028,940
Current tax credit for the year (see note above)	<u>(2,456,745)</u>	<u>(436,621)</u>

11 FIDUCIARY ASSETS AND LIABILITIES

The following fiduciary assets and liabilities held by the Company have been included in net current assets

	2010 £	2009 £
Insurance broking debtors - see note13	200,926,889	167,876,562
Current asset investments - see note14	-	1,517,619
Fiduciary cash and deposits	68,992,433	61,051,173
Insurance broking creditors - see note15	(269,900,820)	(230,313,666)
Total	<u>18,502</u>	<u>131,688</u>

LOCKTON COMPANIES INTERNATIONAL LIMITED

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12 FIXED ASSET INVESTMENTS

The Company's fixed asset investments, from shares in subsidiaries, are set out below

	£
Cost	
At 1 May 2009	354,078
Additions	620
	<u>354,698</u>
At 30 April 2010	<u>354,698</u>
Net book value at 30 April 2010	<u>354,698</u>
Net book value at 30 April 2009	<u><u>354,078</u></u>

The Company's investments are in the following companies

SUBSIDIARIES INSURANCE BROKING AND INTERMEDIARY COMPANIES	Country of Incorporation and registration	Percentage of ordinary share capital held
Lockton (Shanghai) Insurance Brokers Limited	People's Republic of China	100%
Lockton Companies LLP	England & Wales	100%
Lockton Re LP	USA	50%

In the opinion of the directors, the individual value of the above assets consisting of shares in the Company's subsidiary is not less than the individual amounts at which those assets are stated in the Company's balance sheet

13. DEBTORS

	2010 £	2009 £
Insurance broking debtors	200,926,889	167,876,562
Trade debtors	25,028,416	27,276,518
Amounts owed by group undertakings	1,221,282	3,384,322
Deferred tax asset	2,644,662	5,693,217
Prepayments and accrued income	1,230,193	186,181
Other debtors	2,814,888	4,712,546
	<u>233,866,330</u>	<u>209,129,346</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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13 DEBTORS (continued)

The deferred tax asset is analysed as follows

	2010 £	2009 £
Short-term timing differences	287,725	498,040
Tax losses carried forward	2,356,938	5,195,177
Total deferred tax asset	<u>2,644,663</u>	<u>5,693,217</u>
Deferred tax asset at 1 May 2009	5,693,217	4,494,978
Deferred tax credit recognised in the year	(3,048,554)	1,198,239
Deferred tax asset at 30 April 2010	<u>2,644,663</u>	<u>5,693,217</u>

14. CURRENT ASSET INVESTMENTS

	2010 £	2009 £
Current asset investment	-	1,517,619

The current asset investments comprised managed funds designated as insurance broking assets. These were primarily invested in term deposits of less than a year, certificates of deposit and United States Treasury stocks and were liquidated in current year.

15. CREDITORS. Amounts falling due within one year

	2010 £	2009 £
Insurance broking creditors	269,900,820	230,313,666
Amounts owed to group undertakings	5,728,629	3,934,363
Subordinated loan from group undertaking	-	5,000,000
Interest payable on subordinated loans from group undertaking	-	1,068,505
Corporation tax	-	2,269,545
Other creditors	298,024	55,582
Accruals and deferred income	8,480,222	8,312,777
	<u>284,407,695</u>	<u>250,954,438</u>

Included within the accruals and deferred income balance is the revenue deferred for post placement obligations, in accordance with accounting policy 23, of £6,547,948 (2009 £6,870,321). Amounts owed to group undertakings include amounts due to LIGS Limited.

The subordinated loan from a group subsidiary undertaking was repaid in January 2010.

LOCKTON COMPANIES INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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16. CREDITORS Amounts falling due after more than one year

	2010	2009
	£	£
Accruals and deferred income	300,000	200,000

The creditor falling due after one year of £300,000 (2009 £200,000) relates to deferred compensation in relation to the Dubai branch

17 PROVISIONS

	Errors and Omissions £
At 1 May 2009	5,930,105
Additions	1,894,424
Amounts used	(220,246)
Amounts reversed	(4,385,136)
At 30 April 2010	3,219,147

Errors and Omissions

The Company is subject to claims and litigation in the ordinary course of business resulting principally from alleged errors and omissions. Although all claims are strenuously defended, a charge is made within the Company's accounts in respect of provisions made for potential liabilities including expenses that are deemed more likely than not to arise in respect of potential claims and litigation notified to the Group at the date of these accounts. Claims may arise several years after the original events which could be the subject of dispute.

An amount of £2,714,799 (2009 £4,587,546) is included within other debtors for expected insurance recoveries related to these provisions. The timing of such recoveries is dependent on the time required to close each claim and therefore cannot be estimated reliably.

18 SHARE CAPITAL

	2010	2009
	£	£
Allotted, called up and fully paid		
4,000,001 Ordinary shares of £1 each	4,000,001	4,000,001

LOCKTON COMPANIES INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2010**

19 RESERVES

	Share premium account £	Profit and loss account £
At 1 May 2009	9,999,999	1,001,302
Profit for the year		18,893,451
Dividends Equity capital (250p per share)		(10,000,000)
At 30 April 2010	<u>9,999,999</u>	<u>9,894,753</u>

20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Opening shareholders' funds	15,001,302	18,650,031
Profit/(loss) for the year	18,893,451	(3,648,729)
Dividends (Note 22)	(10,000,000)	-
Closing shareholders' funds	<u>23,894,753</u>	<u>15,001,302</u>

21. DISPOSALS

During 2009 the company completed transactions to sell the assets and liabilities of certain parts of its business. The gain on sale represents the difference between the consideration received less transaction costs and net assets disposed of including goodwill. See also note 5.

	2010 £	2009 £
Consideration received	13,000,000	400,000
Transaction costs	(428,303)	-
Goodwill disposed of	-	(329,350)
Fixed assets disposed of	(41,532)	(28,196)
Profit on disposal	<u>12,530,165</u>	<u>42,454</u>

22 DIVIDENDS

	2010 £	2009 £
Dividends paid on equity capital (250p per share)	<u>10,000,000</u>	<u>-</u>

LOCKTON COMPANIES INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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23 CONTINGENT LIABILITIES

a Pursuant to LI Lux 2 S à r l, a parent company, entering into a £25,000,000 five year Credit Facility Agreement with JP Morgan in November 2006, the Company has given a charge over its present and future non-fiduciary assets as security for the payment of all liabilities present and future arising from the Facility Agreement. The security given is immediately enforceable on default. Default includes events such as non payment of any amount by the due date, breach of obligations including non compliance with restrictive covenants that require the maintenance of certain performance and leverage ratios as well as other customary covenants, misrepresentation, insolvency or insolvency proceedings.

As at 30 April 2010 the amount drawn down on the Credit Facility was £6,547,000 (2009 £14,754,624). Additionally there was accrued interest of nil (2009 £NIL).

b In the ordinary course of business, certain insurance broking subsidiaries may be required (either contractually or under the terms of the Marine Insurance Act 1906) to make payment of premium to insurers, without having received payment from the client. The total of such amounts cannot accurately be estimated.

c In the ordinary course of business, the Company may request Letters of Credit to be issued in support of tender bids and other business requirements.

d The Company has agreed with the Trustee of the Nelson Hurst Pension Scheme 4 (the "Scheme") to guarantee the payment of pension contributions equal to 25.3% of pensionable salaries for the Scheme members per annum. The Company has also agreed to meet Pension Protection Fund levy payments and additional contributions relating to early retirement on enhanced terms, ill health early retirements, costs arising in the Scheme in respect of benefit augmentations and increases in pensionable remuneration in excess of 5% per annum. In addition, the cost arising for the then active members of the Scheme from cumulative pensionable salary increases from 1 May 2008 exceeding the lower of the increase in the Retail price indexation and 5% over the corresponding period.

The Company has undertaken to guarantee the payment of amounts stated within a funding plan agreed with the Trustees, in addition to the usual contributions special contributions of £3.5m in 2010/11 and £4m in 2011/12 have been agreed. In the event that LIGS Limited ("the Employer") fails to make a due payment to the Scheme the Company has agreed to make such payment within 5 days of receiving a demand from the Trustee of the Scheme for payment. If the Company has failed to make a due payment within 30 days of receiving a notice (this is considered a breach for the purposes of the guarantee) or if the Trustee has provided 5 days notice that the Scheme has commenced winding up the Company is required to make an immediate payment equal to the then total future outstanding unpaid sums in respect of deficit contributions.

In the event of a breach the liability of the Company shall be co-extensive with the liability of the Employer in respect of deficit contributions.

Covenant obligations have been established on LIGS Limited which if breached and not rectified within 30 days following a request from the Trustee to do so require the Company to fund the total future outstanding sums in respect of the Scheme's funding deficit calculated on the scheme specific basis at the date of the last valuation.

The deficit of the Scheme, on an FRS17 basis, at 30 April 2010 was £3,900,000 deficit (2009 £200,000 deficit).

e The Company is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions in the conduct of its ordinary course of business. The directors are satisfied, based on present information and assessed probability of claims, that the Company has adequate insurance programmes and provisions in place to meet such claims. However, like all businesses of this type, the risk exists that significant adverse developments in past claims, or a

LOCKTON COMPANIES INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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significant increase in the frequency or severity of future claims for errors and omissions, could have a material effect on the Company's reported results

24 COMMITMENTS

The Company has commitments under forward foreign exchange contracts for selling currency, at equivalent sterling rates at 30 April 2010, totalling £11,800,000 (2009 £15,965,068). These commitments relate to USD forward contracts purchased to limit the variability in cash flows and profits arising from fluctuations between the US dollar and Sterling on brokerage income earned by the Company's business.

25 RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary within the LI Lux 1 S à r l Group and advantage has been taken of the exemption in Financial Reporting Standard No. 8 not to disclose any transactions with entities that are part of that group, as the accounts of LI Lux 1 S à r l Group are publicly available.

26 POST BALANCE SHEET EVENTS

In May and June 2010 \$17.8m (£11.8m) of Forward foreign exchange contracts were entered into by the Company.

In June 2010 the Company purchased additional shares in its wholly owned subsidiary, Lockton Companies (Shanghai) Insurance Brokers Limited for a sum of HKD6,000,000.

Lockton Companies LLP, a limited liability partnership of which the Company and LIGS Limited are the designated members, was set up during the current financial year. The Company will transfer its insurance broking business to Lockton Companies LLP in financial year 2010-11 subject to FSA approval. Various legal and regulatory elements are being compiled and documented in time for the formal transition to Lockton Companies LLP.

In July 2010 LI Lux 2 S à r l drew down its £5,000,000 line of credit under the credit facility agreement with JP Morgan. Further information on this credit facility is provided in the Contingent Liabilities note.

The Government has announced that it intends to reduce the rate of UK corporation tax from 1 April 2011. For companies who pay tax at the main rate, as they have taxable profits above £1.5 million, the corporation tax rate will reduce from 28 percent to 27 percent on 1 April 2011. There will be a further reduction of 1 percent each year until 2014. This will reduce the main rate to 24 percent by 1 April 2014.

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27 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent company and controlling party is Lockton UK Limited, a company that is registered in England and Wales. The Company's ultimate parent company and controlling party is Lockton Inc, a company incorporated in the United States.

The largest and smallest group for which group accounts are prepared and of which the Company is a member are as follows:

	Largest	Largest (publicly available)	Smallest
Name	Lockton Inc	LCI Lux S à r l	LI Lux 1 S a r l
Country of incorporation	United States	Luxembourg	Luxembourg
Address from which copies of the group accounts can be obtained	These financial statements are not publicly available	Registre de Commerce et des Sociétés, Centre administratif Pierre Werner, Bâtiment F, 13, rue Erasme, Luxembourg-Kirchberg	Registre de Commerce et des Sociétés, Centre administratif Pierre Werner, Bâtiment F, 13, rue Erasme, Luxembourg-Kirchberg