

**LAMBERT FENCHURCH OVERSEAS LIMITED**

**Annual Report and Financial Statements**

**31 December 2011**



**LAMBERT FENCHURCH OVERSEAS LIMITED**

Company number 2214161 Registered in England & Wales

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**DIRECTORS**

D C Ross

M S Mugge

**AUDITORS**

Ernst & Young LLP

1 More London Place

London

SE1 2AF

**BANKERS**

Royal Bank of Scotland

3<sup>rd</sup> Floor

280 Bishopsgate

London EC2M 4RB

**REGISTERED OFFICE**

9 Alie Street

London

E1 8DE

**COMPANY NUMBER**

2214161

## **LAMBERT FENCHURCH OVERSEAS LIMITED**

Company number 2214161 Registered in England & Wales

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011**

The directors submit their annual report together with the audited Financial Statements of Lambert Fenchurch Overseas Limited (the "Company") for the year ended 31 December 2011

#### **Principal Activities**

The principal activity of the Company, an accredited Lloyd's Broker, continues to be that of insurance broking and the provision of a full range of insurance broking services primarily in the United Kingdom. Lambert Fenchurch Overseas is authorised and regulated by the Financial Services Authority. The Company did not trade during the current year ended 31 December 2011.

#### **Results and Dividends**

The Company made a loss after taxation for the year of £41,000 (2010: profit £385,000). Dividends of £6,000,000 (2010: £nil) were paid during the year. A retained loss of £6,041,000 (2010: profit £385,000) has been transferred to reserves.

The Company has net assets of £761,000 at 31 December 2011 (2010: £6,802,000).

#### **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.

#### **Risk Management**

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

#### **Personnel**

The Company has no employees.

#### **Payment to suppliers**

The Company has no trade creditors. All such creditors are paid by Heath Lambert Limited, a fellow group undertaking, and recharged to the Company. Heath Lambert Limited conformed wherever possible to the payment terms agreed with its suppliers.

#### **Donations**

There were no donations to charities by the Company during the year (2010: £nil). In addition, there were no political donations during the period (2010: £nil).

#### **Directors**

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

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)

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**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)**

**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 auditor 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.

**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

## LAMBERT FENCHURCH OVERSEAS 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 laws 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 the period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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

## **LAMBERT FENCHURCH OVERSEAS LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAMBERT FENCHURCH OVERSEAS LIMITED**

We have audited the financial statements of Lambert Fenchurch Overseas Limited (the "Company") for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 15. 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 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 Practices, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

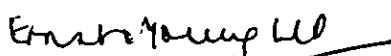
#### **Opinion on other matter prescribed by the Companies Act 2006**

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.



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

**LAMBERT FENCHURCH OVERSEAS LIMITED**

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**Annual Report and Financial Statements****PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Administrative expenses	2,3	-	(7)
Foreign exchange gains	4	130	318
<b>Operating Profit</b>		<b>130</b>	<b>311</b>
Profit on disposal of subsidiary undertakings	5	-	50
Investment income	6	-	87
Interest payable and similar charges	7	(64)	(63)
<b>Profit on Ordinary Activities before Tax</b>		<b>66</b>	<b>385</b>
Tax on profit on ordinary activities	8	107	-
<b>(Loss)/ profit on Ordinary Activities after Tax</b>		<b>(41)</b>	<b>385</b>

Results for the current year and prior period are attributable to continuing operations

There is no material difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis

The notes on pages 8 to 13 are an integral part of these financial statements

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 and losses is presented

**LAMBERT FENCHURCH OVERSEAS LIMITED**

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**Annual Report and Financial Statements****BALANCE SHEET**

as at 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>Current Assets</b>			
Debtors - Amounts falling due within one year	10	7,072	13,157
<b>Creditors – Amounts Falling Due Within One Year</b>	11	(6,311)	(6,355)
<b>Net Assets</b>		<u>761</u>	<u>6,802</u>
<b>Capital And Reserves</b>			
Share Capital	12	-	-
Profit and Loss Account	13	761	6,802
<b>Total Capital and Reserves</b>		<u>761</u>	<u>6,802</u>

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

M S Mugge  
Director

The notes on pages 8 to 13 are an integral part of these financial statements



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2011

**1 ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom (United Kingdom Generally Accepted Accounting Practice)

On 12 May 2011, the entire issued share capital of the former ultimate holding company, HLG Holdings Limited, of 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

The Company is a wholly-owned subsidiary of Arthur J Gallagher Holdings II Limited and is included in the consolidated financial statements of Arthur J Gallagher & Co which are publically available

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

**Investment income**

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

**Taxation**

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

**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

## LAMBERT FENCHURCH OVERSEAS LIMITED

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### NOTES TO THE ACCOUNTS

For the year ended 31 December 2011

#### 2. ADMINISTRATIVE EXPENSES

	2011 £'000	2010 £'000
Administrative expenses	-	7
	<u>-</u>	<u>7</u>

The Company has no employees

Auditors' remuneration for the year amounted to £2,000 (2010 £2,000) and 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.

#### 3. 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).

#### 4. FOREIGN EXCHANGE GAINS

	2011 £'000	2010 £'000
Foreign exchange gains	130	318
	<u>130</u>	<u>318</u>

#### 5. PROFIT ON DISPOSAL OF SUBSIDIARY UNDERTAKINGS

	2011 £'000	2010 £'000
Edward Lloyd Ltd	-	50
	<u>-</u>	<u>50</u>

Edward Lloyd Ltd was a wholly owned subsidiary of Lambert Fenchurch US Holdings Inc (LFUSH), which was a fully owned subsidiary of the Company. LFUSH and Edward Lloyd Ltd were placed into liquidation on 31 December 2009, the proceeds from the Edward Lloyd Ltd liquidation being £50,000. There was no charge to corporation tax in respect of the profit on disposal.

## LAMBERT FENCHURCH OVERSEAS LIMITED

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### NOTES TO THE ACCOUNTS

For the year ended 31 December 2011

#### 6. INVESTMENT INCOME

	2011 £'000	2010 £'000
Income from shares in group undertakings	-	87
	<u>-</u>	<u>87</u>

Income from shares in group undertakings resulting from dividends received from Lambert Fenchurch France SA, a 100% subsidiary, was £nil (2010 £86,902)

#### 7 INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £'000	2010 £'000
Interest payable	(64)	(63)
	<u>(64)</u>	<u>(63)</u>

Interest payable relates to an intercompany loan with the subsidiary Lambert Fenchurch France S A

## LAMBERT FENCHURCH OVERSEAS LIMITED

### NOTES TO THE ACCOUNTS

For the year ended 31 December 2011

#### 8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

There was no corporation tax charge in 2010, as the Company received group relief for nil payment. In 2011, following a change in this policy, Lambert Fenchurch Overseas Limited will pay for group relief

##### Analysis of charge/(credit) in year

	2011 £'000	2010 £'000
<b>Current tax</b>		
Group relief claimed for payment	105	-
Adjustments in respect of prior years	2	-
	<u>107</u>	<u>-</u>
<b>Tax on Profit on Ordinary Activities</b>		
	<u>107</u>	<u>-</u>
<b>Reconciliation of Corporation Tax Charge</b>		
<b>Profit on ordinary activities before taxation</b>	66	385
Charge at standard rate of corporation tax in UK of 26.5% (2010: 28%)	17	108
The Corporation tax charge for the year has been effected by		
Adjustments to tax charge in respect of previous periods	2	-
Dividends received not taxable	-	(24)
Adjustment in respect of transfer pricing	179	238
Adjustment in respect of debt cap	(91)	(221)
Capital gains offset by losses or exempt	-	(12)
Group relief received for nil payment	-	(89)
<b>Tax on Profit on Ordinary Activities</b>	<u>107</u>	<u>-</u>

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.

#### 9. DIVIDENDS

	2011 £'000	2010 £'000
Dividends paid	6,000	-
	<u>6,000</u>	<u>-</u>

Interim dividends paid to the immediate parent Company, Heath Lambert Overseas Limited £6,000,000 (2010: £nil)

## LAMBERT FENCHURCH OVERSEAS LIMITED

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### NOTES TO THE ACCOUNTS

For the year ended 31 December 2011

#### 10 DEBTORS

	2011 £'000	2010 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	7,072	13,155
Corporation tax	-	2
<b>Total Debtors</b>	<b>7,072</b>	<b>13,157</b>

#### 11. CREDITORS

	2011 £'000	2010 £'000
Amounts falling due within one year		
Amounts owing to group undertakings	6,311	6,355
<b>Total creditors</b>	<b>6,311</b>	<b>6,355</b>

Included in this balance there is group relief of £105,285 (2010 £nil) in relation to corporation tax

#### 12 SHARE CAPITAL

	2011 £'000	2010 £'000
59 called-up and fully paid ordinary shares of £1 each	-	-

#### 13. RESERVES

	Profit and loss account £'000	Total £'000
As at 31 December 2010	6,802	6,802
Loss for the year	(41)	(41)
Dividends paid	(6,000)	(6,000)
<b>At 31 December 2011</b>	<b>761</b>	<b>761</b>

Dividends paid to the immediate parent company, Heath Lambert Overseas Limited were £6,000,000 (2010 £nil)

**NOTES TO THE ACCOUNTS**

For the year ended 31 December 2011

**14. 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 8

**15. ULTIMATE PARENT COMPANY**

The immediate parent company is Heath Lambert Overseas 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 Lambert Fenchurch Overseas Limited.