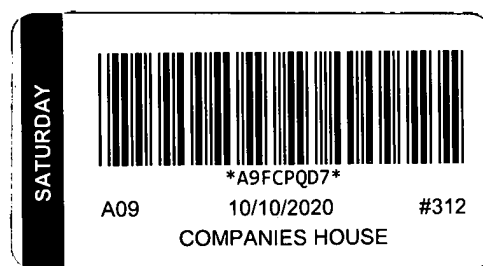


STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
FOR
HEATH LAMBERT LIMITED



HEATH LAMBERT LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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HEATH LAMBERT LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019**

DIRECTORS:

M Rea
C Richmond
C Scott

SECRETARY:

A Peel

REGISTERED OFFICE:

The Walbrook Building
25 Walbrook
London
EC4N 8AW

REGISTERED NUMBER:

01199129 (England and Wales)

INDEPENDENT AUDITOR:

Ernst & Young LLP
Statutory Auditor
25 Churchill Place
Canary Wharf
London
E14 5EY

HEATH LAMBERT LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their Strategic Report for the year ended 31 December 2019.

REVIEW OF BUSINESS

The principal activity of the Company in the period under review was that of insurance broking. The Company plans to run-off its remaining business in the coming years.

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 publicly available consolidated financial statements of Arthur J. Gallagher & Co. ("the Group"). The Group's strategic focus continues to be on the organic growth of existing core business and the acquisition of businesses to enhance future turnover and profitability.

The results of the Company for the year ended 31 December 2019 are set out in the financial statements on pages 9 to 20.

For the year ended 31 December 2019, the Company recorded turnover of £1,776k and a profit before tax of £498k, an increase of £588k from the prior year loss before tax of £90k. This was mainly due to a decrease in expenses from the prior year.

Given recent external developments and geopolitical disruption in relation to the ongoing COVID-19 pandemic, future forecasts and projections have been re-performed as at the time of signing. This exercise concluded that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the signing of the Financial Statements.

SECTION 172 STATEMENT

The Directors of Heath Lambert Limited have regard to the interests of the Company's stakeholders in accordance with S172(1) of the Companies Act 2006.

The Directors recognise their responsibility to act in good faith to promote the success of the Company for the benefit of its shareholder, the Gallagher Group, while also considering the impact of their decisions on other stakeholders. These stakeholders are predominantly within the Arthur J. Gallagher group, as the Company no longer trades and is now in run-off. Engagement with these internal stakeholders is part of our decision-making process. In making key decisions, the Directors consider the outcomes of engagement with the relevant stakeholders. Set out below are two key decisions taken by the Directors during 2019, with details of the stakeholder engagement process undertaken in arriving at them, and how it influenced the decisions taken.

Employee Engagement Survey (Nov 2019)

Context:

Employees are a key stakeholder group for the Company, being the key producers of revenue for our Group.

How the Directors engaged with stakeholders:

One of the key tools used by the Board in understanding employee sentiment is the annual Employee Engagement Survey, conducted in September 2019, led by the HR function and facilitated by an external provider, bvia. Areas covered by the survey included Manager Effectiveness, Communication, and Diversity. The response rate to the survey was high, and the responses were overwhelmingly positive across the employee population. The Directors of our fellow Gallagher subsidiary, Arthur J. Gallagher Insurance Brokers Limited, actively challenged management on the findings of the survey.

Outcomes:

It was agreed that, based on employee feedback, an action plan for employee engagement would be created and brought back to the Arthur J. Gallagher Insurance Brokers Limited Board for review.

HEATH LAMBERT LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

SECTION 172 STATEMENT –continued

COVID-19 (Post year-end)

Context:

Although after the year of account, Gallagher's robust response to the COVID-19 pandemic of early 2020 demonstrated that actions taken in 2019 and earlier years to invest in resilient technology, business continuity planning and in its workforce were appropriate and thorough.

How the directors engaged with stakeholders:

The COVID-19 pandemic affected all of our stakeholders, from employees, who were obliged to adapt quickly to home-working, to clients, who needed our support throughout the crisis, and our regulator, who relied on Gallagher to respond quickly to requests for information. The Board of our UK parent company, Arthur J. Gallagher Holdings (UK) Limited, held a series of extraordinary conference calls, to monitor the Group's financial and operational status throughout this period, and reviewed data provided by management on employee well-being, customer feedback, the position of key suppliers, and interaction with the FCA. The board of Arthur J. Gallagher Holdings (UK) Limited was briefed on claims made by customers and on any complaints received from them. All of this was done in close consultation with our shareholder, the Gallagher group.

Outcomes:

All of our key stakeholders were impacted in some way by COVID-19, and our sound planning and high degree of preparedness served these stakeholders well during the period of the Government-imposed lockdown.

These decisions underline the importance of consideration of a range of stakeholder interests to the Company's decision-making.

The Company and its Directors remain fully committed to engaging effectively with the Company's stakeholders as part of their decision-making process, and will continue to do so in future.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's international operations and debt profile expose it to a variety of financial and operational risks including the effects of change in foreign currency exchange rates, counterparty credit risks, compliance risk, liquidity and interest rates. The UK Group's Board of Directors are responsible for setting the UK 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 UK Group maintains a risk framework, through which the key risks affecting the UK Group are identified, assessed and monitored. Oversight is provided by the Risk Committee which is chaired and attended by independent non-executive members, and reports to the Board of Directors. In addition, each business division has a Risk Forum that oversees the specific risks faced by each business division. Across the Central Services functions similar activities are undertaken in respect of managing the risks within each function.

The UK Group has in place a risk management programme and policies in the context of the wider Group risk framework. This risk management programme seeks to manage any adverse impact upon the Group caused by the nature of its principal activity. The approach to the significant risks is noted below:

Borrowing facilities and liquidity risk

Operations for the Group are financed by a mixture of shareholders' funds, external borrowing facilities, inter-group borrowings and cash reserves. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Group. Forward looking cash flow projections are prepared on a regular basis to assess funding requirements.

Interest rate risk

Interest rates on the Group's formal intra-group loans are fixed in nature and set in accordance with the wider Group treasury and transfer pricing policies.

Counterparty credit risk

The Group is exposed to credit related losses in the event of non-performance by counterparties to financial assets but mitigates such risk through its policy of selecting only counterparties with high credit ratings or arranging beneficial credit terms in accordance with the Group's investment and counterparty policy.

HEATH LAMBERT LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

PRINCIPAL RISKS AND UNCERTAINTIES- continued

Compliance risk

The Group is exposed to regulatory risk from the potential failure to comply with the relevant laws and regulations for insurance intermediaries. To mitigate this, the Group has a risk and compliance function, comprising members with experience of working at regulators, insurers, brokers and other financial institutions and has a control framework that has been rolled out and embedded within the culture throughout the Group to reduce the risk of non-compliance. This includes regular assessments within the business to gain assurance on compliance and monitoring of the compliance and regulatory requirements, with regular reporting to the Risk Committee and Board of Directors, and the Group has a proactive, open relationship with the regulator.

Operational risk

The Group has identified the key operational risks to which it is exposed, principal among which are, the protection of client information, managing change, the prevention of cyber and financial crime, suppliers, facilities and IT resilience, M&A and compliance with regulations. An appropriate control framework has been deployed to manage and mitigate these key operational risks.

BY ORDER OF THE BOARD:

Alistair C. Peel

Alistair C. Peel (Sep 30, 2020 04:50 GMT+1)

A Peel- Secretary

Date: 30 September 2020

HEATH LAMBERT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2019. The results for the Company for the year ended 31 December 2019 and future developments are discussed in the Strategic Report.

DIRECTORS

The Directors who have held office during the period from 1 January 2019 to the date of this report are as follows:

M Rea
C Richmond
C Scott

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019 (2018: £nil).

EVENTS AFTER THE REPORTING PERIOD

Information relating to events after the reporting period is given in note 17 to the financial statements.

EMPLOYEES

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

DIRECTORS' INDEMNITY PROVISIONS

The Directors have benefited from qualifying third party indemnity provisions in place during the financial year and to the date of this report.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. The s172 statement on page 2 of the Strategic Report provides further details of Directors responsibilities.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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; 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 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 they ought to have taken as a Director in order to make themselves 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 2019**

AUDITOR

The auditor, Ernst & Young LLP, will be proposed for re-appointment in accordance with section 487(2) of the Companies Act 2006.

BY ORDER OF THE BOARD:

Alistair C. Peel

Alistair C. Peel (Sep 30, 2020 04:50 GMT+1)

.....
A Peel - Secretary

Date: 30 September 2020
.....

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

Opinion

We have audited the financial statements of Heath Lambert Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter- Effects of COVID-19

We draw attention to note 1 and note 17 in the financial statements which describe the economic consequences the Company is facing as a result of COVID-19 which is impacting financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Directors' Report and the Strategic Report. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

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

Date: 30 September 2020

HEATH LAMBERT LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
TURNOVER	2	1,776	2,009
Administrative expenses		<u>(1,286)</u>	<u>(2,109)</u>
OPERATING PROFIT/(LOSS)	5	490	(100)
Interest receivable and similar income	6	<u>8</u>	<u>10</u>
PROFIT/(LOSS) BEFORE TAXATION		498	(90)
Tax on profit/(loss)	7	<u>(185)</u>	<u>(320)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u><u>313</u></u>	<u><u>(410)</u></u>

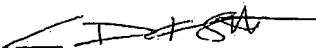
The notes form part of these financial statements

HEATH LAMBERT LIMITED (REGISTERED NUMBER: 01199129)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019**

	Notes	£'000	2019 £'000	2018 £'000
FIXED ASSETS				
Investments	8		318	318
CURRENT ASSETS				
Debtors	9	39,033		41,889
Cash at bank	10	<u>4,063</u>		<u>4,786</u>
		43,096		46,675
CREDITORS				
Amounts falling due within one year	11	<u>15,304</u>		<u>17,289</u>
NET CURRENT ASSETS			<u>27,792</u>	<u>29,386</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			28,110	29,704
PROVISIONS FOR LIABILITIES	13		<u>653</u>	<u>2,560</u>
NET ASSETS			<u>27,457</u>	<u>27,144</u>
CAPITAL AND RESERVES				
Called up share capital	14		19,000	19,000
Retained earnings	15		<u>8,457</u>	<u>8,144</u>
SHAREHOLDERS' FUNDS			<u>27,457</u>	<u>27,144</u>

The financial statements were approved and authorised for issue by the Board of Directors on 30 September 2020 and were signed on its behalf by:


.....
C Scott - Director

HEATH LAMBERT LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	19,000	8,554	27,554
Changes in equity			
Loss for the financial year	<u>-</u>	<u>(410)</u>	<u>(410)</u>
Balance at 31 December 2018	<u>19,000</u>	<u>8,144</u>	<u>27,144</u>
Changes in equity			
Profit for the financial year	<u>-</u>	<u>313</u>	<u>313</u>
Balance at 31 December 2019	<u>19,000</u>	<u>8,457</u>	<u>27,457</u>

The notes form part of these financial statements

HEATH LAMBERT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES

Accounting convention

These financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", and with the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Company has 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 America and for which results are publicly available from the Company's registered office.

The Company has also taken advantage of the exemptions, under FRS 102 paragraph 1.12(b) & (e) respectively, from preparing a Statement of Cash Flows and disclosure of key management compensation, on the basis that it is a qualifying entity and its ultimate holding company, Arthur J. Gallagher & Co., includes such disclosures in its own consolidated financial statements.

The financial statements have been prepared on a going concern basis, under the historical cost basis. Given recent external developments and geopolitical disruption in relation to the ongoing COVID-19 pandemic, future forecasts and projections have been re-performed by the Company as at the time of signing. The potential stress on future profitability of the Company was also considered by Management as described in Note 17. This exercise concluded that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the signing of the Financial Statements. The Company is fully operational, has deployed continuity protocols and based on information available at the date of approval of the Financial Statements, the Company is not expected to be materially impacted by the COVID-19 pandemic. The Directors therefore continue to prepare the accounts on a going concern basis.

Significant judgements and estimates

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements include:

i. Impairment of investments

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on a value in use calculation. The value in use calculation is based on a net asset or revenue multiple basis. Both methods are derived from the financial statements and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The multiple rate used is in line with recent acquisitions.

ii. Impairment of debtors

The Group makes an estimate of the recoverable value of trade debtors. When assessing impairment of trade debtors, management have considered an appropriate formula for calculating the bad debt provision based on the ageing of the trade debtors.

iii. Supplemental commission accrual

The Group calculates an estimate at the year end to ascertain the accrued supplemental commission income not yet billed. Supplemental commission is recognised when an agreement is in place with a panel of insurance carriers. Management have considered the appropriate formulae for calculating the year end accrual based on analysis of transactions subject to the insurance service agreements, which are amended when necessary to reflect previous experience with the estimate.

iv. Provisions

Where a provision is required the Group will perform calculations based on a policy regarding each individual category of provision. Each of these policies will be based on a degree of estimate and judgements. These policies are included within note 13.

HEATH LAMBERT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES - continued

Turnover

Turnover represents brokerage and fees associated with placing insurance and reinsurance contracts. It is recognised net of commission payable and allowable discounts. It is recognised at the later of inception date and the date the placement is completed and confirmed. Where there is an expectation of future servicing requirements, a proportion of income relating to the policy is deferred to cover the associated obligations under the policy contract.

Interest receivable/payable

Interest receivable/payable is recognised in the Statement of Comprehensive Income on an accruals basis based on the terms of the underlying contracts or agreements.

Operating leases

Rentals under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are also recognised on a straight line basis over the period of the lease.

Taxation

Provision is made at current enacted rates for taxation. Deferred tax is recognised in respect of all timing difference that have originated but not reversed at the Statement of Financial Position 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 difference can be deducted.

Deferred tax assets and liabilities are not discounted.

Fixed asset investments

Fixed asset investments in the financial statements are stated at cost less provision for any impairment in value.

Insurance broking debtors & creditors

Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers. As such they are generally not liable as principals for the amounts arising from these transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities, respectively.

Debtors and creditors arising from a transaction between client and insurers (e.g. premiums, claims etc.) are recorded simultaneously. Consequently, there is a high level of correlation between the totals reported in respect of insurance broking debtors and creditors.

The position of the insurance broker as agent means that generally the credit risk is borne by the principals. However, there may be circumstances where the insurance broker acquires credit risk, through statute, or through the act or omission of the insurance broker or one of the principals. There is much legal uncertainty surrounding the circumstances and the extent of such exposure which, consequently, cannot be evaluated. The total of insurance broking debtors and creditors appearing in the Statement of Financial Position is therefore 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. Thus, large changes in insurance broking debtors and creditors can result from comparatively small cash settlements. 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 is uncertain and in the event of insolvency it is generally abandoned. 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.

HEATH LAMBERT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES - continued

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

Loans to/from group undertakings

Loans to/from other group undertakings are initially recognised at transaction price, less any transactional costs unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future payments discounted at a market rate of interest. In subsequent years the loans are carried at amortised cost, using the effective interest rate method.

Where loans are repayable on demand they are classified as short term debtors/creditors and recognised at the full amount payable. The loans are derecognised when the liability is extinguished, that is when the contractual obligation is discharged or cancelled.

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 that the economic benefit can be reliably measured.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the date of the Statement of Financial Position. All exchange rate differences are taken to the Statement of Comprehensive Income.

2. TURNOVER

The turnover and profit (2018 - loss) before taxation are attributable to the one principal activity of the Company.

An analysis of turnover by class of business is given below:

	2019	2018
	£'000	£'000
Net Brokerage	1,374	1,589
Commission	125	149
Fees	<u>277</u>	<u>271</u>
	<u>1,776</u>	<u>2,009</u>

An analysis of turnover by geographical market is given below:

	2019	2018
	£'000	£'000
United Kingdom	1,770	2,009
United States of America	2	-
Other countries	<u>4</u>	<u>-</u>
	<u>1,776</u>	<u>2,009</u>

3. EMPLOYEES AND DIRECTORS

The amounts relating to staff costs were incurred by Arthur J. Gallagher Services (UK) Limited. An amount of £683k (2018 - £796k) was recharged back to the Company, and is accounted for in administrative expenses.

HEATH LAMBERT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. DIRECTORS' REMUNERATION

	2019 £'000	2018 £'000
Directors' remuneration	<u>11</u>	<u>18</u>

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

Money purchase schemes	<u>2</u>	<u>1</u>
------------------------	----------	----------

Information regarding the highest paid Director is as follows:

Director's remuneration	<u>8</u>	<u>10</u>
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The above amounts represent remuneration allocated to the Directors based on their directorships of entities within the Group. This is on a different basis to which Directors remunerations are recharged to the Company and accounted for in administrative expenses.

5. OPERATING PROFIT/(LOSS)

The operating loss is stated after charging/(crediting):

	2019 £'000	2018 £'000
Computer software amortisation	-	320
Provision for impairment	-	294
Land and buildings operating leases	36	36
Foreign exchange differences	<u>(55)</u>	<u>22</u>

Auditor's remuneration in the current year of £26k (2018: £31k) has been borne by another group undertaking and has not been recharged to the Company.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £'000	2018 £'000
Interest on loans to group undertakings	<u>8</u>	<u>10</u>

7. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	-	263
Adjustments in respect of prior years	<u>-</u>	<u>(8)</u>
Total current tax	<u>-</u>	<u>255</u>
Deferred tax:		
Origination and reversal of timing differences	185	58
Impact of tax rate change	-	(1)
Adjustments in respect of prior years	<u>-</u>	<u>8</u>
Total deferred tax	<u>185</u>	<u>65</u>
Tax on profit/(loss)	<u>185</u>	<u>320</u>

HEATH LAMBERT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. TAXATION – continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is the same as the standard rate of corporation tax in the UK.

	2019	2018
	£'000	£'000
Profit/(loss) before tax	<u>498</u>	<u>(90)</u>
Profit/(loss) multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	95	(17)
Effects of:		
Expenses not deductible for tax purposes	8	57
Tax rate changes	-	(1)
Effects of group relief/other reliefs	(199)	(1)
Transfer pricing adjustments	281	281
	<u> </u>	<u> </u>
Total tax charge	<u>185</u>	<u>320</u>

The Company profits are taxable in the UK under the standard rate of corporation tax being 19% (2018: 19%). The Company is expected to continue to attract the standard rate of UK corporation tax. The UK government had previously legislated to reduce the main rate of corporation tax to 17% to apply from 1 April 2020. These reductions have been reflected in the closing deferred tax asset, as they were enacted at the balance sheet date. Subsequent to the balance sheet date, the government have subsequently enacted legislation to reverse the rate change. Accordingly the rate will remain at 19%.

8. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2019 and 31 December 2019	<u>23,750</u>
PROVISIONS	
At 1 January 2019 and 31 December 2019	<u>23,432</u>
NET BOOK VALUE	
At 31 December 2019	<u>318</u>
At 31 December 2018	<u>318</u>

HEATH LAMBERT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. FIXED ASSET INVESTMENTS- continued

The Company's investments at the Statement of Financial Position date, in the share capital of group undertakings, comprise the following:

Name of Company	Registered Address	Holding	Proportion of shares held
Heath Lambert Overseas Limited	The Walbrook Building	Ordinary Shares	100.00%
Gallagher Benefits Consulting Limited	The Walbrook Building	Ordinary Shares	100.00%
Lambert Fenchurch Overseas Limited**	The Walbrook Building	Ordinary Shares	100.00%
Fenchurch Faris Limited - Jordan*	Jordan Insurance Company Building No. B	Ordinary Shares	10.00%
Fenchurch Faris Limited - Saudi Arabia*	Jordan Insurance Company Building No. B	Ordinary Shares	14.00%

* held indirectly

** held indirectly and Company dissolved 16 April 2019

Registered Address	Street Address
The Walbrook Building	25 Walbrook, London, EC4N 8AW
Jordan Insurance Company Building No. B	5th Floor, Office No. 4, Third Circle, Prince Mohammad Street, P.O. BOX 840371, Jabal Amman 11181, Amman, Jordan

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade debtors	7,210	10,560
Amounts owed by group undertakings	31,783	31,141
Other debtors	37	-
Deferred tax asset	3	188
	<u>39,033</u>	<u>41,889</u>

Amounts owed by group undertakings are unsecured, repayable on demand and are on an interest free basis, with the exception of the following loans. These loans are unsecured and have the following terms and conditions:

Aggregate Loan Value	Interest Rate	Interest Terms	Repayment Period	Aggregate Carrying Value
£203k	0%	Compounded annually. Interest charge up to 31 Dec 2017. Thereafter from 1 Jan 2018 interest at 0%.	Repayable on demand	£242k
£2,820k	0%	Compounded annually. Interest charge up to 31 Dec 2017. Thereafter from 1 Jan 2018 interest at 0%.	Repayable on demand	£3,018k
£185k	0%	Compounded annually. Interest charge up to 31 Dec 2017. Thereafter from 1 Jan 2018 interest at 0%.	Repayable on demand	£195k

HEATH LAMBERT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR- continued

	Deferred tax
	£'000
Balance at 1 January 2019	188
Deferred tax charge to income statement for the period	<u>(185)</u>
Balance at 31 December 2019	<u><u>3</u></u>

The deferred tax asset represents short-term and other timing differences of £3k (2018: £188k). The amount of deferred tax that will unwind in the following accounting period is uncertain at this stage and therefore not quantifiable.

10. CASH AT BANK

	2019	2018
	£'000	£'000
Other cash and cash equivalents	345	778
Restricted cash	<u>3,718</u>	<u>4,008</u>
	<u><u>4,063</u></u>	<u><u>4,786</u></u>

The Company holds restricted cash balances in respect of its insurance activities, held principally in respect of insurance trade creditors. This cash is held in client money bank accounts and cannot be used for general corporate purposes.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Trade creditors	7,064	9,517
Amounts owed to group undertakings	7,623	7,098
Group relief creditor	-	263
Other creditors	<u>617</u>	<u>411</u>
	<u><u>15,304</u></u>	<u><u>17,289</u></u>

Amounts owed to group undertakings are unsecured, repayable on demand and are on an interest-free basis.

12. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019	2018
	£'000	£'000
Within one year	58	58
Between one and five years	191	233
In more than five years	<u>-</u>	<u>16</u>
	<u><u>249</u></u>	<u><u>307</u></u>

HEATH LAMBERT LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2019

13. PROVISIONS FOR LIABILITIES

	2019 £'000	2018 £'000
Other provisions	<u>653</u>	<u>2,560</u>

	Errors and Omissions provision £'000	Property dilapidation provision £'000	Onerous lease provision £'000	Total £'000
At 1 January 2019	1,569	990	1	2,560
Incurred during year	137	-	-	137
Transferred during year	(645)	-	-	(645)
Utilised during year	(429)	(953)	-	(1,382)
Released during year	-	(17)	-	(17)
At 31 December 2019	<u>632</u>	<u>20</u>	<u>1</u>	<u>653</u>

Errors and omissions provision

The Company faces a number of litigation and other claims, the resolution of which is uncertain, which have arisen in the ordinary course of business. Having taken appropriate legal advice and having regards to the Group's errors and omissions 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. The provision is subject to regular review by the Group's legal department, external legal advisers and the Directors. The timing of outflows relating to these liabilities is uncertain as at the end of the reporting period.

Property dilapidation provision

The provision for dilapidation is based on a calculation supplied by an external property management consultant, and applies to the current leases that the Company holds. The timing of outflows relating to these liabilities is uncertain as at the end of the reporting period.

Onerous lease provision

The Company has provided for a provision based on the remaining costs of the lease for the unoccupied space in one of its leased properties. The unoccupied space is not generating any economic benefit and it is deemed to be prudent to make a provision for this.

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £'000	2018 £'000
19,000,000	Ordinary	£1	<u>19,000</u>	<u>19,000</u>

Ordinary shares have full rights in the Company with respect to voting, dividends and capital distributions.

15. RESERVES

Called Up Share Capital - represents the nominal value of shares that have been issued.

Retained Earnings - includes all current and prior period profits and losses.

16. 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 holding company. The registered address of Arthur J. Gallagher & Co. is 2850 W. Golf Rd., Rolling Meadows, IL 60008. A copy of these consolidated financial statements is available from the registered office of the Company.

HEATH LAMBERT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. EVENTS AFTER THE REPORTING PERIOD

Given recent external developments and geopolitical disruption in relation to the ongoing COVID-19 pandemic, future cash flow and profit forecasts and projections have been re-performed and sensitised by the Company as at the time of signing.

The Company is fully operational and has deployed continuity protocols from early March 2020 following the global outbreak of COVID-19. The Company has considered the potential impact of COVID-19 on its brokerage operations, risk management and financial forecasts for the period of one year from the date of signing of the Financial Statements.

As a result of this assessment, the directors consider that the Company has adequate resources to continue in operational existence for a period of twelve months from the signing of the Financial Statements.

COVID-19 is a non-adjusting post balance sheet event. As the external environment is continually evolving, the scale and duration of the disruption is not fully possible to quantify or estimate. As a result of the assessment of the events and conditions summarised above and based on information available at the date of approval of the Financial Statements, the Company has concluded there to be no material impact on amounts shown in the balance sheet at 31 December 2019 in relation to the COVID-19 pandemic.

The Directors confirm that there are no other events after the reporting period that require to be disclosed.