

Company Number 1193013

ARTHUR J. GALLAGHER (UK) LIMITED

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 1994



ARTHUR J. GALLAGHER (UK) LIMITED

REPORTS AND FINANCIAL STATEMENTS for the year ended 31 December 1994

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ARTHUR J. GALLAGHER (UK) LIMITED

LIST OF DIRECTORS, ADVISERS AND OTHER INFORMATION

DIRECTORS:

J D Stancik	Chairman
T L W Evans	Deputy Chairman
G M Cavazzi	Finance Director
C M East	
John P Gallagher	(USA)
J Patrick Gallagher	(USA)
D Knight	
P A Nastri	
A D Robertson	
T A Robertson	
R S Wilson	

SECRETARY:

G M Cavazzi

REGISTERED OFFICE:

9 Alie Street
LONDON
E1 8DE

AUDITORS:

Ernst & Young
Becket House
1 Lambeth Palace Road
LONDON
SE1 7EU

BANKERS:

Barclays Bank PLC
54 Lombard Street
LONDON. EC3V 9EX

Bank of Scotland PLC
155 Bishopsgate
LONDON. EC2M 3UB

Royal Bank of Scotland Plc
Shipping Business Centre
5-10 Great Tower Street
LONDON. EC3P 3HX

National Westminster Bank PLC
15 Bishopsgate
LONDON. EC2P 2AP

SOLICITORS:

Clyde & Co
51 Eastcheap
LONDON. EC3M 1JP

Freshfields
Grindall House
25 Newgate Street
LONDON. EC1A 7LH

ARTHUR J. GALLAGHER (UK) LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 1994.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company continued to be that of insurance broking.

FUTURE DEVELOPMENTS

The Company is expanding its penetration into world insurance markets through acquisitions of teams of insurance professionals where experience and contacts relate to that geographical region.

The Company aims to continue its growth and the directors consider that 1995 will show a further significant increase in brokerage and profitability.

RESULTS AND DIVIDENDS

The results of the group for the year ended 31 December 1994 are set out in the financial statements on pages 6 to 21. The retained profit for the year was transferred to reserves.

FIXED ASSETS

Details to changes in fixed assets are set out in notes 11 to 14 to the financial statements.

DONATIONS

During the year the group made charitable donations amounting to £2,305.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1994 are as shown on page 1. No director has any interest in the shares of the company. R N L Helman resigned as a director on 31 October 1994. P A Nastri was appointed as a director on 30 March 1994, replacing M Neil, who retired on 1 April 1994.

ARTHUR J. GALLAGHER (UK) LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD



GARY M CAVAZZI
Company Secretary

5 April 1995

ARTHUR J. GALLAGHER (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

REPORT OF THE AUDITORS

to the members of Arthur J. Gallagher (UK) Limited

We have audited the accounts on pages 6 to 21, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

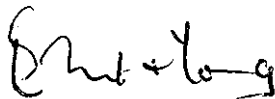
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Ernst & Young', written in a cursive style.

Ernst & Young
Chartered Accountants
Registered Auditor
London

5 April 1995

ARTHUR J. GALLAGHER (UK) LIMITED

GROUP PROFIT & LOSS ACCOUNT for the year ended 31 December 1994 (In Pounds Sterling)

	Notes	1994	1993
TURNOVER	2	8,227,953	7,753,576
Other operating income	3	1,347,275	1,055,311
Administrative expenses	4	(8,745,323)	(7,694,198)
Share of loss of associated undertaking	12	<u>(46,000)</u>	<u>-</u>
OPERATING PROFIT		783,905	1,114,689
Exceptional Items:			
Net settlement gain on conversion of pension plan		<u>-</u>	<u>2,808,888</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		783,905	3,923,577
Tax on profit on ordinary activities	8	<u>(135,386)</u>	<u>(1,532,590)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		648,519	2,390,987
Dividends	10	-	(4,125,000)
RETAINED PROFIT FOR THE YEAR		<u>648,519</u>	<u>(1,734,013)</u>

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1994

There are no recognised gains or losses in the period other than as stated in the profit and loss account.

ARTHUR J. GALLAGHER (UK) LIMITED

GROUP BALANCE SHEET

as at 31 December 1994

(In Pounds Sterling)

	Notes	1994	1993
FIXED ASSETS			
Tangible assets	11	698,511	619,177
Investments	13	30,997	33,097
Investment in associated undertaking	12	26,400	-
		<u>755,908</u>	<u>652,274</u>
CURRENT ASSETS			
Debtors	15	20,965,594	19,678,360
Investments	16	1,325,880	1,596,824
Cash	17	19,861,427	23,635,665
		<u>42,152,901</u>	<u>44,910,849</u>
CREDITORS: amounts falling due within one year	19	(35,321,720)	(39,345,161)
NET CURRENT ASSETS		<u>6,831,181</u>	<u>5,565,688</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,587,089</u>	<u>6,217,962</u>
CREDITORS: amounts falling due after more than one year	20	(154,963)	(154,963)
PROVISIONS FOR LIABILITIES AND CHARGES	21	(301,128)	419,480
		<u>7,130,998</u>	<u>6,482,479</u>
CAPITAL AND RESERVES			
Called up share capital	23	744,476	744,476
Share premium	24	564,000	564,000
Profit and loss account	24	5,822,522	5,174,003
		<u>7,130,998</u>	<u>6,482,479</u>

Approved by the board on 5 April 1995
and signed on its behalf by:

J D STANCIK



)
)
) Directors
)
)

G M CAVAZZI



ARTHUR J. GALLAGHER (UK) LIMITED

BALANCE SHEET

as at 31 December 1994

(In Pounds Sterling)

	Notes	1994	1993
FIXED ASSETS			
Tangible assets	11	698,511	619,177
Investments	13	1,822,949	1,825,049
Investments in subsidiary undertakings	14	1,082,072	1,082,072
Investment in associated undertaking	12	26,400	-
		<u>3,629,932</u>	<u>3,526,298</u>
CURRENT ASSETS			
Debtors	15	16,812,836	17,893,021
Investments	16	1,325,880	1,596,824
Cash	17	17,762,344	20,305,346
		<u>35,901,060</u>	<u>39,795,191</u>
CREDITORS: amounts falling due within one year	19	(29,925,088)	(35,140,908)
NET CURRENT ASSETS		<u>5,975,972</u>	<u>4,654,283</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,605,904</u>	<u>8,180,581</u>
CREDITORS: amounts falling due after more than one year	20	(154,963)	(154,963)
PROVISIONS FOR LIABILITIES AND CHARGES	21	(301,128)	419,730
		<u>9,149,813</u>	<u>8,445,348</u>
CAPITAL AND RESERVES			
Called up share capital	23	744,476	744,476
Share premium	24	564,000	564,000
Profit and loss account	24	7,841,337	7,136,872
		<u>9,149,813</u>	<u>8,445,348</u>

Approved by the board on 5 April 1995
and signed on its behalf by:


J D STANCIK



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)

) Directors

G M CAVAZZI



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ARTHUR J. GALLAGHER (UK) LIMITED

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 1994

(In Pounds Sterling)

	Notes	1994	1993
NET CASH (OUTFLOW)INFLOW FROM OPERATING ACTIVITIES	4(b)	(4,198,401)	8,079,799
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid	10	-	(4,125,000)
TAXATION			
Corporation tax repayments(payments)		789,220	(2,044,855)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(551,014)	(345,294)
Receipts from sales of tangible fixed assets		136,090	30,251
Payments to acquire investments		(8,700)	(179,840)
Payment to acquire a share in associated undertakings		(26,400)	-
Receipts from sale of investments		84,967	610,522
NET CASH (OUTFLOW)INFLOW FROM INVESTING ACTIVITIES		<u>(365,057)</u>	<u>115,639</u>
NET CASH (OUTFLOW)INFLOW		<u>(3,774,238)</u>	<u>2,025,583</u>
(DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS	17	<u>(3,774,238)</u>	<u>2,025,583</u>

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994 (In Pounds Sterling)

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention. The accounts are prepared in accordance with applicable accounting standards.

Basis of Consolidation

The financial statements have been prepared under the historical cost convention. They include the financial statements of the Company and its subsidiary companies made up to 31 December 1994. The profits and losses of subsidiary companies are consolidated from the date of acquisition to the date of disposal. Goodwill is written off against reserves immediately. No profit and loss account is presented for the Company as provided by S228 (7) of the Companies Act 1985.

Revenue recognition

Turnover comprises net retained brokerage.

Brokerage is included in revenue when debit notes are processed irrespective of the inception date or period of insurance, except for reinsurance business which is credited following receipts of declarations.

Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Pensions

The company employees are members of the Gallagher Plumer Pension Plan, a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets on a straight line basis over their useful lives. Refer to Note 11 for rates of depreciation.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated that the timing differences will reverse.

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1994

(In Pounds Sterling)

1. ACCOUNTING POLICIES (continued)

Compliance with FRS5

In the ordinary course of insurance broking business, settlement is required to be made with certain markets, market settlement bureaux or insurance intermediaries on the basis of net balance due to the market, bureaux or intermediary in question, rather than amounts included in insurance broking debtors and creditors.

The basis of presentation, which is consistent with past years, was the recommended accounting practice until the introduction of FRS5 in 1994. FRS5 requires offset, but only where the ability to insist upon a net settlement is assured beyond doubt. However, the extent to which net settlement can be enforced is uncertain in some situations.

Pending clarification of the legal uncertainties about offset, advantage has been taken of an amendment to FRS5, issued in December 1994, which exempts insurance broking transactions from the FRS5 offset requirements until 1996.

2. TURNOVER

Turnover is attributable to the one continuing activity of insurance broking.

An analysis of turnover by geographical market is given below:

	1994	1993
United Kingdom & Europe	2,930,940	2,298,587
North America	4,822,755	4,935,891
Other Countries	474,258	519,098
	<u>8,227,953</u>	<u>7,753,576</u>

3. OTHER OPERATING INCOME

	1994	1993
Investment income	822,272	1,052,058
Profit on sale of fixed assets	50,386	3,253
Other income	474,617	-
	<u>1,347,275</u>	<u>1,055,311</u>

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994 (In Pounds Sterling)

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) This is stated after charging/(crediting):

	1994	1993
Staff Costs (note 5)	4,892,616	4,310,142
Depreciation	385,977	525,051
Amortisation of unlisted investment	10,800	-
Auditor's remuneration	35,844	47,859
Operating leases	963,212	963,212
Doubtful debts provision	(13,567)	(70,824)
Loss(profit) on foreign exchange	247,538	(53,491)
Other administrative expenses	2,222,903	1,972,248
	<u>8,745,323</u>	<u>7,694,197</u>

(b) Reconciliation of operating profit to net cash (outflow)inflow from operating activities

	1994	1993
Operating profit	783,905	1,114,689
Exceptional items	-	2,808,888
Profit on disposal of fixed assets	(50,386)	(3,253)
Depreciation	385,977	533,851
Amortisation of unlisted investment	10,800	-
Loss(gain) in value of listed investment	185,977	-
(Increase)decrease in debtors	(1,236,348)	2,204,142
(Decrease)increase in creditors	(4,278,326)	1,421,482
Net cash (outflow)inflow from continuing operating activities	<u>(4,198,401)</u>	<u>8,079,799</u>

5. STAFF COSTS

	1994	1993
Salaries	3,775,834	3,514,950
National Insurance	433,691	381,058
Pension costs	683,091	414,134
	<u>4,892,616</u>	<u>4,310,142</u>

The average number of persons employed by the group during the year was as follows;

Broking & technical	104	103
Administration	20	18
	<u>124</u>	<u>121</u>

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994 (In Pounds Sterling)

6. DIRECTORS' EMOLUMENTS

	1994	1993
Total including pension payments	1,171,233	1,083,404
Directors' emoluments, excluding pension contributions, included amounts paid to:		
Chairman	167,920	142,944
The highest paid Director	179,098	172,227

The number of other directors who received emoluments (excluding pension contributions) in the following ranges were:

£Nil	2	2
£10,001 - £15,000	1	0
£35,001 - £40,000	0	1
£40,001 - £45,000	1	0
£55,001 - £60,000	0	1
£60,001 - £65,000	1	1
£65,001 - £70,000	1	1
£70,001 - £75,000	1	0
£90,001 - £95,000	0	1
£95,001 - £100,000	0	2
£100,001 - £105,000	2	0
£120,001 - £125,000	1	0
£125,001 - £130,000	1	0
£140,001 - £145,000	0	1

7. TRANSACTIONS WITH DIRECTORS

As far as the directors are aware, other than as disclosed below, no transaction or arrangement involving a director of the Company requires disclosure in these financial statements under the Companies Act 1985.

All of the directors who are underwriting members of Lloyd's participate in syndicates on similar terms which govern all other members of the syndicates in which they participate. In the normal course of business, the Company may place risks with the syndicates at Lloyd's in which the directors participate as members. Any such business is placed on a normal commercial basis. Other than as noted above, no director is connected with any insurance underwriter other than as an insignificant shareholder in an insurance company listed on the London Stock Exchange.

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994 (In Pounds Sterling)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1994	1993
Based on the profit for the year:		
Corporation tax at 33%	600,000	1,563,361
Deferred taxation	<u>720,608</u>	<u>(30,771)</u>
	1,320,608	1,532,590
Corporation tax overprovided in respect of prior years	<u>(1,185,222)</u>	<u>-</u>
	<u>135,386</u>	<u>1,532,590</u>

9. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION

	1994	1993
Dealt with in the accounts of the Company	704,465	2,479,657
Retained by subsidiary companies	<u>(55,946)</u>	<u>(88,670)</u>
	<u>648,519</u>	<u>2,390,987</u>

10. DIVIDENDS

	1994	1993
Ordinary shares (1993: 744,476 £1 shares at £5.5408 per share)	<u>-</u>	<u>4,125,000</u>

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994 (In Pounds Sterling)

11. TANGIBLE FIXED ASSETS

GROUP AND COMPANY

	Computer Equipment	Leasehold Property	Furniture and Equipment	Motor Vehicles	Total
COST					
1 January 1994	1,193,257	444,672	901,466	762,207	3,301,603
Additions	126,655	3,250	101,101	320,008	551,014
Disposals	0	0	0	(312,990)	(312,990)
31 December 1994	<u>1,319,913</u>	<u>447,922</u>	<u>1,002,567</u>	<u>769,225</u>	<u>3,539,627</u>

DEPRECIATION

1 January 1994	993,993	444,672	780,534	463,227	2,682,426
Charge for year	173,010	650	51,757	160,560	385,977
Eliminated on disposals	0	0	0	(227,287)	(227,287)
31 December 1994	<u>1,167,003</u>	<u>445,322</u>	<u>832,291</u>	<u>396,500</u>	<u>2,841,116</u>

NET BOOK VALUES

31 December 1994	<u>152,910</u>	<u>2,600</u>	<u>170,276</u>	<u>372,725</u>	<u>698,511</u>
31 December 1993	<u>199,264</u>	<u>0</u>	<u>120,933</u>	<u>298,980</u>	<u>619,177</u>
Depreciation rates	33 1/3%	to next rent review	20%	25%	

12. INVESTMENT IN ASSOCIATED UNDERTAKING

During the year the Company purchased 26% of the ordinary share capital of Grimston Insurance Services Limited, a company registered in England and Wales. No goodwill arose on the acquisition.

The group share of the loss for the year was £46,000. There was no movement on any other reserves. The directors do not consider that there has been a permanent diminution in value of the investment.

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994 (In Pounds Sterling)

13. INVESTMENTS

	GROUP	COMPANY		
	Unlisted	Unlisted	Loan To Subsidiary	Total
COST				
At 1 January 1994	121,097	113,049	1,800,000	1,913,049
Additions	8,700	8,700	0	8,700
At 31 December 1994	<u>129,797</u>	<u>121,749</u>	<u>1,800,000</u>	<u>1,921,749</u>
PROVISION FOR DIMINUTION IN VALUE				
At 1 January 1994	88,000	88,000	0	88,000
Written off in the year	10,800	10,800	0	10,800
At 31 December 1994	<u>98,800</u>	<u>98,800</u>	<u>0</u>	<u>98,800</u>
NET BOOK VALUES				
At 31 December 1994	<u>30,997</u>	<u>22,949</u>	<u>1,800,000</u>	<u>1,822,949</u>
At 31 December 1993	<u>33,097</u>	<u>25,049</u>	<u>1,800,000</u>	<u>1,825,049</u>

In the opinion of the Directors the value of unlisted investments is not less than book value.

The loan to a subsidiary company is subordinated to the rights of other creditors of that company. It bears no interest and is only repayable with the consent of Lloyd's.

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994 (In Pounds Sterling)

14. INVESTMENTS IN SUBSIDIARY COMPANIES

The net asset value of the shares at 1 January and 31 December 1994 was £1,082,072.
Details of the Company's subsidiaries at 31 December 1994 were as follows:

Name	Activity	Class of Shares	Percentage Held
John Plumer & Partners Limited	Lloyd's Broker	Ordinary	100%
John Plumer & Partners Marine Limited	Dormant	A Ordinary	100%*
		B Ordinary	100%*
		Participating	
		Preference	100%*
Gallagher Plumer Aviation Ltd.	Dormant	Ordinary	100%
Gallagher Plumer Marine Reinsurance Brokers Ltd.	Dormant	Ordinary	100%
Gallagher Plumer Non-Marine Ltd.	Dormant	Ordinary	100%
Gallagher Plumer North America Ltd.	Dormant	Ordinary	100%
John Plumer & Company Ltd.	Dormant	Ordinary	100%
Gallagher Plumer & Partners Ltd.	Dormant	Ordinary	100%
Gallagher Plumer Non-Marine Reinsurance Brokers Ltd.	Dormant	Ordinary	100%

* HELD BY JOHN PLUMER & PARTNERS LTD.

All the above companies are registered in England and Wales.

15. DEBTORS

	GROUP		COMPANY	
	1994	1993	1994	1993
Insurance debtors	17,843,458	16,424,815	13,691,239	13,018,285
Insurance balances owed by subsidiary undertakings	-	59,378	-	8,669
Amounts owed by subsidiary undertakings	1,000	-	1,000	-
Amount owed by parent undertakings and fellow subsidiary undertakings	159	31,575	157	31,575
Amount owed by associated undertaking	683,603	-	683,603	-
Other debtors	246,262	258,105	246,262	1,931,527
Prepayments and accrued income	2,191,112	2,904,487	2,190,575	2,902,965
	<u>20,965,594</u>	<u>19,678,360</u>	<u>16,812,836</u>	<u>17,893,021</u>

Included in other debtors is ACT recoverable of £50,887.

£350,000 of the amount owed by the associated undertaking constitutes a loan receivable after more than 1 year.

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1994

(In Pounds Sterling)

16. INVESTMENTS

	GROUP		COMPANY	
	1994	1993	1994	1993
UNLISTED				
Certificate of Tax Deposit	-	84,967	-	84,967
Hemisphere Neutral Fund	1,325,880	1,511,857	1,325,880	1,511,857
	<u>1,325,880</u>	<u>1,596,824</u>	<u>1,325,880</u>	<u>1,596,824</u>

17. CASH AND CASH EQUIVALENTS

	1994	1993
Cash at bank and in hand		
At 1 January	23,635,665	21,610,082
Net cash (outflow)inflow	(3,774,238)	2,025,583
At 31 December	<u>19,861,427</u>	<u>23,635,665</u>

18. LLOYD'S BROKERS SECURITY AND TRUST DEED

The Principal Deed:

As required by Lloyd's Brokers Byelaw (No. 5 of 1988), the Company entered into a trust deed on 16 August 1989 under which all insurance broking account assets are subject to a floating charge held on trust by the Society of Lloyd's for the benefit of the insurance creditors. Such creditors at 31 December 1994 amounted to £32,609,086 (£30,911,595 in 1993). The charge only becomes enforceable under certain circumstances as set out in the deed. The assets subject to this charge were:-

	1994	1993
Bank Balances	16,967,970	20,055,026
Insurance Debtors	17,843,458	13,026,954
	<u>34,811,428</u>	<u>33,081,980</u>

Variation To The Principal Deed:

The Company and the Society agreed on 20 January 1994 that without prejudice to the continuation of the floating charge contained in the principal deed, the charged assets shall be further charged by way of a second floating charge in favour of the Society as trustee as a continuing security (ranking equally with the original charge) for the payment of any liability of the broker in respect of any loan or overdraft facility obtained by the broker from an approved bank on an insurance broking account to the extent that such loan or overdraft is used for any purpose referred to in paragraph 24 or 25(1)(d) of the byelaw.

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994 (In Pounds Sterling)

18. LLOYD'S BROKERS SECURITY AND TRUST DEED (continued)

The Company and the Society have further agreed that the principal deed shall be modified so that the appointment of a receiver under clause 8(a) of the principal deed and the release or modification of the principal deed shall be effected by notice and that notices under clauses 3,6,8 and 16 of the principal deed shall be valid if given in writing signed by an officer of the Society authorised for that purpose.

19. CREDITORS: amounts falling due within one year

	GROUP		COMPANY	
	1994	1993	1994	1993
Insurance creditors	31,305,882	35,918,534	25,462,383	30,308,063
Insurance balances owed to parent and fellow subsidiary undertakings	1,303,204	603,522	1,340,488	603,522
Amounts owed to subsidiary undertakings	-	-	732,731	-
Amounts owed to parent undertakings and fellow subsidiary undertakings	181,461	-	181,461	-
Current corporation tax	659,400	404,515	659,400	400,542
Other taxes and social security costs	125,007	847,554	125,007	847,554
Other creditors	996,917	1,299,521	673,769	2,044,513
Accruals	749,849	271,515	749,849	936,714
	<u>35,321,720</u>	<u>39,345,161</u>	<u>29,925,088</u>	<u>35,140,908</u>

20. CREDITORS: amounts falling due after more than one year

The amount is a shareholder's loan arising on the acquisition of the minority interest in the subsidiary Gallagher Plumer Non-Marine Ltd (formerly Gallagher Plumer International Ltd). It has no set repayment date and no interest is payable.

21. PROVISION FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current and previous years are as follows:

	GROUP	COMPANY
At 1 January	419,480	419,730
Provision for the year	(720,608)	(720,858)
At 31 December	<u>(301,128)</u>	<u>(301,128)</u>

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1994 (In Pounds Sterling)

22. DEFERRED TAXATION

Provision for deferred taxation is made in respect of the following;

	GROUP		COMPANY	
	1994	1993	1994	1993
Capital allowances in advance of depreciation	178,959	211,580	178,959	211,580
Other short term timing differences	(9,815)	(250)	(9,815)	0
Timing differences on pension payments	(470,272)	208,150	(470,272)	208,150
	<u>(301,128)</u>	<u>419,480</u>	<u>(301,128)</u>	<u>419,730</u>

There is no unprovided deferred taxation.

23. SHARE CAPITAL

	1994	1993
<i>Authorised</i>		
Ordinary shares of £1 each	<u>1,250,000</u>	<u>1,250,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>744,476</u>	<u>744,476</u>

24. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

GROUP	Called Up Share Capital	Share Premium Account	Profit and Loss Account	Total
At 1 January 1994	744,476	564,000	5,174,003	6,482,479
Retained profit for the year	-	-	648,519	648,519
At 31 December 1994	<u>744,476</u>	<u>564,000</u>	<u>5,822,522</u>	<u>7,130,998</u>
COMPANY				
At 1 January 1994	744,476	564,000	7,136,872	8,445,348
Retained profit for the year	-	-	704,465	704,465
At 31 December 1994	<u>744,476</u>	<u>564,000</u>	<u>7,841,337</u>	<u>9,149,813</u>

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 December 1994** **(In Pounds Sterling)**

25. CAPITAL COMMITMENTS

The Company is committed by the terms of agreements with certain key executives to purchase their rights to receive specified shares of the profits (profit-sharing rights) of a Division of the Company.

This commitment requires the Company to purchase the profit-sharing rights by 1st May 1997, however, a prior purchase can occur anytime after finalisation of 1994 results of the Division.

It is not practicable to compute the financial impact of the purchase of the profit-sharing rights and its effect on the operations and financial condition of the Company, as a forecast of the Division's profits and the timing of the purchase cannot be made with certainty.

26. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The parent undertaking of the largest group of undertakings for which group accounts are prepared and of which the Company is a member is Arthur J. Gallagher & Co., incorporated in the United States of America. A copy of this Company's accounts can be obtained from The Gallagher Centre, Two Pierce Place, Itasca, Illinois, 60143-3141, USA.

The parent undertaking of the smallest group of undertakings for which group accounts are prepared and of which the Company is a member is Arthur J. Gallagher Investments Inc., incorporated in the United States of America. A copy of this Company's accounts can be obtained from 9, Alie Street, London, E1 8DE.

27. OTHER FINANCIAL COMMITMENTS

The annual commitments under non-cancellable operating leases of over 5 years in respect of land and buildings are £963,212.

There are no other operating leases.