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ARTHUR J. GALLAGHER (UK) LIMITED

Annual Report and Financial Statements

31 December 2011

Company Number 1193013

DIRECTORS

J Patrick Gallagher	
T Gallagher	
D C Ross	
M S Mugge	
S Dalgarno	
C R Bowen	
M Pike	
M W Cooper-Mitchell	(Non-Executive Director)
P T O'Neill	(Non-Executive Director)

SECRETARY
W L McGowan

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

BANKERS
Barclays Bank PLC
1 Churchill Place
London
E14 5HP

REGISTERED OFFICE
9 Alie Street
London
E1 8DE

COMPANY NUMBER
1193013

REPORT OF THE DIRECTORS

The dırectors present theır annual report together wıth the audıted Fınancıal Statements of Arthut J Gallagher (UK) Lımıted for the year ended 31 December 2011

PRINCIPAL ACTIVITIES

The Company's prıncıpal actıvıty ıs that of ınsurance brokıng The dırectors aım to contınue to expand the servıcıng capabılıtıes of the Company through the acquısıtıon of professıonal busınesses and personnel

The Dırectors have decıded to take advantage from preparıng consolıdated financıal statements under sectıon 401 from Companıes Act 2006 Arthur J Gallagher (UK) Lımıted ıs a wholly-owned subsıdıary of Arthur J Gallagher & Co a company ıncorporated ın the Unıted States of Amerıca and ıs ıncluded ın the consolıdated financıal statements of Arthur J Gallagher & Co whıch are publıcly avaılable

The comparatıve financıal statements for the year ended 2010 have been restated to show the Profit and Loss, the Statement of Total Recognısed Gaıns and Losses, the Balance Sheet and the related notes of Arthur J Gallagher (UK) Lımıted as a company wıthout ıncludıng the results and financıal posıtıon of ıts subsıdıarıes

REVIEW OF THE BUSINESS AND FUTURE ACTIVITIES

For the year ended 31 December 2011, Arthur J Gallagher (UK) Lımıted recorded an unconsolıdated loss before tax of £2 8 mıllıon, compared to a profit of £4 0 mıllıon for the year ended 31 December 2010 The operatıng loss decreased from a profit of £4 0 mıllıon ın 2010 to a loss of £1 9 mıllıon ın 2011 The loss ıs attrıbuted to the ıntegratıon costs of acquısıtıons from whıch the company expects to achıeve annual costs synergıes goıng forward

Turnover ıncreased by 13% to £65 0 mıllıon compared to £57 2 mıllıon ın 2010 The largest ıncrease of 30% was generated by busıness ın the Unıted Kıngdon and Europe, thıs was offset by a reductıon on busıness from North Amerıca of 7% and a 11% ıncrease from other geographıcal areas, makıng an average ıncrease of 13%

Followıng the strategıc plan the Company has ın 2011 entered ın to agreements wıth Aon Entertaınıng, Lonmar Global Rısk Ltd, and Oxygen Insurance Brokers Ltd, for teams that wıll ımprove market strength ın theır prospectıve areas

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2011 are set out ın these financıal statements on pages 7 to 20 The total recognısed loss for the year of £2 03 mıllıon (2010 £2 32 mıllıon) was transferred to reserves No dıvıdends were paıd durıng the year (2010 £ nıl) The dırectors have not recommended the payment of a final dıvıdend (2010 £ nıl)

REPORT OF THE DIRECTORS

DIRECTORS AND THEIR INTERESTS

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

M K Barton	(resigned on 31 August 2011)
C R Bowen	
M W Cooper-Mitchell (Non-executive director)	
S Dalgarno	
J Patrick Gallagher	
T Gallagher	(appointed 01 April 2011)
M S Mugge	(appointed 31 August 2011)
D E McGurn	(resigned on 13 January 2011)
P T O'Neill (Non-executive director)	
M Pike	
D C Ross	
A Pfitzner	(resigned on 10 September 2012)
W L McGowan	(appointed on 11 September 2012)

No director had any interest in the shares of the Company The interests of the directors in the shares of the ultimate holding company, Arthur J Gallagher & Co are not required to be disclosed in this report

FINANCIAL RISK MANAGEMENT

The nature of the company's international operations and debt profile expose it to a variety of financial risks including the effects of changes in foreign currency exchange rates, counter party credit risks, liquidity and interest rates The company has in place a risk management programme and policies that seek to limit the adverse impact upon the company by the use of financial instruments to fix currency rates

Borrowing Facilities and Liquidity Risk
The company maintains facilities to ensure that it has adequate available funds to finance operations and the growth of the business The company has a core uncommitted overdraft facility of £250k The overdraft has not been drawn down upon in 2011

Foreign Currency Risk
The company's major currency transaction exposure arises in respect of US dollar revenue earned in the UK As a consequence, the company's results are sensitive to changes in the sterling/US dollar exchange rate

Where forward foreign exchange contracts have been entered into to manage currency risk, they are designated as hedges of currency risk on specific future cash flows which qualify as highly probable transactions for which hedge accounting has been used

Interest Rate Risk
The company has interest bearing assets but no material interest bearing liabilities that would give rise to exposures to fluctuations in interest rates

Counterparty Credit Risk
The company manage its cash and investment balances in the form of deposits with prime banks and other short term money market instruments, in accordance with an investment and counterparty policy agreed by the Board of Directors, and, in respect of fiduciary funds, all relevant regulatory guidelines Investment and bank counterparties are subject to pre approval at Board level All exposures to individual counterparties are subject to a limit to control undue concentrations of credit risk

Price Risk
The company does not have a material exposure to equity securities price risk or commodity price risk

REPORT OF THE DIRECTORS

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Company made charitable contributions totalling £32,732 (2010 £29,000) There were no political donations made during the year (2010 £nil)

EMPLOYMENT POLICIES

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

Applications for employment by disabled persons will always be fully considered, having regard to their particular aptitudes and abilities Should employees become disabled, every effort will be made to ensure that their employment with the company continues and, in the event that they are unable to continue to work, that their financial interests are safeguarded It is the intention of the company that opportunities for training, career development and promotion of disabled persons should, as far as possible, be identical with those for other employees

SUPPLIER PAYMENT POLICY

The company agrees payment terms with suppliers when it enters into contracts for the purchase of goods and services and seeks to abide by those terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions

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 its 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

A resolution to re-appoint Ernst & Young LLP as the Company's auditor was put to the nnual General Meeting on 30 May 2012

By order of the board

D C Ross
Director
Date 26 September 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' REPORT
to the members of Arthur J. Gallagher (UK) Limited

We have audited the financial statements of Arthur J Gallagher (UK) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors Responsibilities set out on page 5 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

Ernst & Young LLP
Kevin Senior (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
London

Date 26 September 2012

Annual Report and Financial Statements
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
TURNOVER	2	**64,980**	57,236
Other operating income	3	**1,032**	237
Other operating charges		**(67,893)**	(53,513)
OPERATING (LOSS)/ PROFIT	4	**(1,881)**	3,959
Exceptional items	5	**(475)**	(15)
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		**(2,356)**	3,944
Interest charges		**(411)**	(260)
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**(2,767)**	3,684
Tax credit/ (charge) on profit on ordinary activities	8	**734**	(1,359)
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**(2,033)**	2,325
Minority interest		**-**	-
(LOSS)/ PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO SHAREHOLDERS		**(2,033)**	2,325

The result attributable to the members of the parent company is a loss of £1 8 million (2010 gain of £2 3 million)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2011 £'000	2010 £'000
(Loss)/ profit for the financial year attributable to shareholders	**(2,033)**	2,325
Unrealised (loss) / gain on hedge options	**(834)**	(697)
	(2,867)	1,628

The notes on pages 9 to 20 are an integral part of these financial statements The independent auditors' report is on page 6

Annual Report and Financial Statements
COMPANY BALANCE SHEET
as at 31 December 2011

	Notes	2011 £'000	2010 £'000
NON CURRENT ASSETS			
Intangible assets	9	**15,118**	14,294
Tangible assets	10	**3,680**	3,031
Investments	11	**2,681**	2,681
		21,479	20,006
CURRENT ASSETS			
Debtors	12	**149,630**	135,768
Cash at bank and in hand		**82,370**	56,812
		232,000	192,580
CREDITORS amounts falling due within one year	13	**(213,697)**	(171,808)
NET CURRENT ASSETS		**18,303**	20,772
TOTAL ASSETS LESS CURRENT LIABILITIES		**39,782**	40,778
PROVISIONS FOR LIABILITIES AND CHARGES	14	**(10,054)**	(10,683)
NET ASSETS		**29,728**	30,095
CAPITAL AND RESERVES			
Called-up share capital	16/17	**5,000**	5,000
Share premium account	16	**3,606**	3,606
Profit and loss account	16	**21,122**	21,489
SHAREHOLDERS' FUNDS	16	**29,728**	30,095

Approved by the board on 26 September 2012 and signed on its behalf by

D C Ross
Director

The notes on pages 9 to 20 are an integral part of these financial statements The independent auditors' report is on page 6

Annual Report and Financial Statements
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Accounting convention
These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and comply with accounting standards applicable in the United Kingdom These accounting policies have been applied consistently during the year

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 consolidated financial statements of Arthur J Gallagher & Co which are publicly available These financial statements therefore do not include consolidated financial statements The company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 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

Turnover
Turnover represents brokerage and fees associated with placing insurance and reinsurance contracts It is net of commission payable and is recognised at the later of inception date and the date the placement is completed and confirmed

Claims handling obligations
The company provides for the expected cost of providing future claims handling services in respect of its insurance and reinsurance broking activities by reference to the estimated number of claims and expected costs The provision is made in accordance with the requirements of FRS12 "Provisions, contingent liabilities and contingent assets"

Intangible assets
Intangible assets arising on the acquisition of teams and other business have been capitalised, classified as assets on the balance sheet and amortised over its useful economic life as shown below It is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable

Amortisation is provided on all intangible assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows

Expiration lists	- over 5 years
Non-competes	- over 5 years

Provision for liabilities and charges
The provision for future servicing and claims handling costs is an estimate of the cost to run-off claims on policies previously placed by the Company The provision is based on a projection of future claims applying a trend extrapolated from historical claims data The provision is then discounted at the risk free interest rate of 5%

Depreciation
Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows

Leasehold improvements	to lease expiration
Furniture and equipment	over 10 years
Computer equipment and software	over 3 years
Motor vehicles	between 2 and 4 years

1 ACCOUNTING POLICIES (continued)

Taxation
Provision is made at current rates for taxation In accordance with Financial Reporting Standard 19 "Deferred Tax , deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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 differences can be deducted

Deferred tax assets and liabilities are not discounted

Foreign currency transactions
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 rate of exchange ruling at the balance sheet date All rate of exchange differences are taken to the profit and loss account

The assets and liabilities of overseas subsidiary undertakings have been translated at rates of exchange ruling at the balance sheet date and resulting exchange differences taken directly to the statement of total recognised gains and losses

Pensions
All company employees may become members of the Gallagher (UK) 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 The pension cost charges represent the contributions payable by the company for the year under the rules of the defined contribution scheme

Insurance broking debtors and 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 balance sheet 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

Annual Report and Financial Statements
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (continued)

Insurance broking debtors and creditors (continued)
The legal status of this practice of net settlement is uncertain and in the event of an insolvency it is generally abandoned FRS 5, "Reporting the substance of transactions', requires that 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

2 TURNOVER

All operating activities of the company are attributable to insurance broking The company had operations in the United Kingdom

	2011 £'000	2010 £'000
Turnover		
UK & Europe	**32,335**	24,844
North America	**17,217**	18,546
Other countries	**15,428**	13,845
	64,980	57,236
(Loss)/ profit on ordinary activities before taxation	**(2,767)**	3,684
Net assets	**29,728**	30,095

	2011 £'000	2010 £'000
Turnover		
Continuing operations	**64,980**	57,236
	64,980	57,236
(Loss)/ profit on ordinary activities before taxation		
Continuing operations	**(2,767)**	3,684
	(2,767)	3,684

	2011	2010
3 OTHER OPERATING INCOME	**£'000**	£'000
Investment income	**433**	184
Other income	**37**	38
Credit write backs	**562**	15
	1,032	237

During 2011 and 2010 the company, in conjunction with an independent accountancy firm, reviewed certain balances within its insurance ledger and identified credit balances related to unclaimed client money The company, having notified the FSA, took credits totalling £562,000 (2010 £15,000) to the profit and loss account

	2011	2010
4 OPERATING (LOSS)/PROFIT	**£'000**	£'000
This is stated after charging		
Staff costs (note 7)	**53,212**	43,779
Auditors' remuneration *	**10**	10
Amortisation of intangible assets (note 9)	**4,408**	2,866
Depreciation of fixed assets (note 10)	**1,051**	1,208
Operating lease rentals	**2,421**	1,915
Provision for doubtful debts release	**179**	(257)
Lease abandonment provision release (note 14)	**-**	(1,327)
Gain on foreign exchange	**(130)**	(764)

	2011	2010
Auditor's remuneration	**£'000**	£'000
AJGUK - services under other regulations	**10**	10
	10	10

	2011	2010
5 EXCEPTIONAL ITEMS	**£'000**	£'000
Profit on disposal of fixed assets	**(615)**	(15)
Proceeds from disposal of book of business	**140**	-
	(475)	(15)

The Company disposed of fixed assets resulting in a realised loss of £615,167 (2010 loss of £15,000) which has been disclosed in accordance with Financial Reporting Standard 3 'Reporting Financial Performance' as an exceptional item in the profit and loss account

	2011	2010
6 DIRECTORS' EMOLUMENTS	**£'000**	£'000
Aggregate Emoluments	**1,912**	2,315
Company contributions paid to money purchase schemes	**62**	63
Members of money purchase schemes	**3**	3
The amounts in respect of the highest paid director are		
Aggregate Emoluments	**938**	**962**
Company Contributions paid to money purchase schemes	**36**	**39**

	2011	2010
7 STAFF COSTS	**£'000**	£'000
Wages and salaries	**44,691**	36,897
Social Security costs	**6,237**	4,879
Pension costs (note 18)	**2,284**	2,003
	53,212	43,779
The average number of employees during the year was		
Broking and technical	**296**	265
Administration	**117**	105
	413	370

8 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2011 £'000	2010 £'000
The charge for taxation comprises		
Current tax		
UK Corporation tax	**449**	1,177
Group relief surrendered for payment	**403**	
Prior year adjustments	**(731)**	(2,468)
Total current tax	**121**	(1,291)
Deferred tax (note 15)		
Origination and reversal of timing differences	**(576)**	229
Effect of change in tax rate	**95**	18
Prior year adjustments	**(374)**	2,404
Tax (credit)/charge on profit on ordinary activities	**(734)**	1,359

Effective Tax Rate

The effective tax rate for the year is higher than the standard rate of tax in the UK (26 5%) The differences are explained below

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	**(2,767)**	3,684
Corporation tax at standard rate of 26 5% (2010 28%)	**(733)**	1,031
Effect of		
Depreciation in excess of capital allowances	**82**	61
Origination of timing differences	**485**	(230)
Profit on disposal of fixed assets	**-**	4
Non deductible goodwill amortisation	**-**	104
Non deductible share option expense	**4**	-
Expenses not deductible for tax purposes	**966**	141
Pension contributions outstanding at year end	**-**	65
Transfer pricing adjustments	**48**	-
Prior year adjustments	**(731)**	(2,467)
Current tax charge for the year	**121**	(1,291)

	2011 £'000	2010 £'000
Provision for deferred tax		
Deferred tax asset at start of the year	**436**	2,843
Depreciation in excess of capital allowances	**91**	65
Origination of timing differences	**485**	(294)
Unrealised gain on hedge options	**294**	242
Prior year adjustments	**374**	(2,404)
Effect of change in tax rate	**(109)**	(16)
Deferred tax asset at end of the year	**1,571**	436

8 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (Continued)

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, which has been reflected in the closing deferred tax position on the balance sheet Furthermore, the Government announced in March 2012 as part of the Budget a further reduction of 1% to 24% to apply from 1 April 2012, with additional reductions of 1% per annum falling to 22% with effect from 1 April 2014 These reductions have not been reflected in the closing deferred tax liability as they were not substantively enacted at the balance sheet date It is anticipated that the impact of the future changes on the closing deferred tax position would decrease the total recognised deferred tax asset by £188,500 in the Company

9 INTANGIBLE ASSETS

	Expiration Lists £'000
Cost	
At 1 January 2011	21,351
Additions during the year	5,233
At 31 December 2011	**26,584**
Amortisation	
At 1 January 2011	7,057
Charge for the year	4,408
At 31 December 2011	**11,466**
Net book value	
At 31 December 2011	**15,118**
At 1 January 2011	14 294

Expiration lists represent payments contracted to teams and individuals joining the Company They are amortised on a straight-line basis over a maximum of 5 years based on the joining date

10 TANGIBLE ASSETS	Leasehold improvements £'000	Computer equipment £'000	Furniture & equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2011	1,880	7,403	1,012	129	10,424
Additions	91	2,170	78	-	2,339
Additions on acquisition of business	-	-	-	-	-
Disposals	-	(714)	(2)	-	(716)
At 31 December 2011	**1,971**	**8,859**	**1,088**	**129**	**12,047**
Depreciation					
At 1 January 2011	1,227	5,397	685	84	7,393
Charge for the year	214	724	92	21	1,051
Additions on acquisition of business	-	-	-	-	-
Disposals	-	(77)	-	-	(77)
At 31 December 2011	**1,441**	**6,044**	**777**	**105**	**8,367**
Net Book Value					
At 31 December 2011	**530**	**2,815**	**311**	**24**	**3,680**
At 1 January 2011	653	2,006	327	45	3,031

11 INVESTMENTS	Subsidiary undertakings 2011 £'000
Cost:	
At 1 January 2011	2,681
Additions	-
At 31 December 2011	**2,681**
Permanent diminution in value	
At 1 January 2011	-
Charge for the year	-
At 31 December 2011	-
Net Book Value	
At 31 December 2011	**2,681**
At 1 January 2011	2,681

11 INVESTMENTS (continued)

Details of the investments in which the Group or the Company holds more than 10% of the nominal value of any class of share capital are as follows (all held by the Company unless indicated)

Name of company	Country of registration (or incorporation and operation)	Holding	Proportion of voting rights and shares held	Nature of Business
Subsidiary undertakings				
Arthur J Gallagher Asia Limited	Hong Kong	Ordinary	100%	Non-Trading
Risk Management Partners Limited	England & Wales	Ordinary	100%	Risk Management
Alesco Risk Management Services Limited	England & Wales	Ordinary	65%	Insurance Broking

12 DEBTORS

	2011 £'000	2010 £'000
Insurance debtors	136,845	124,549
Corporation tax	706	1,111
Deferred corporation tax (note 15)	1,571	436
Other debtors	2,551	2,491
Other prepayments	7,957	7,181
	149,630	135,768

13 CREDITORS amounts falling due within one year

	2011 £'000	2010 £'000
Insurance creditors	184,746	153,196
Amounts owed to fellow group undertakings	15,340	9,906
Other taxes and social security costs	1,865	1,218
Other creditors	1,432	848
Accruals and deferred income	10,314	6,640
	213,697	171,808

Included in "Amounts owed to fellow group undertakings" there is group relief of £408,440 (2010 £26,000) in relation to corporation tax

14 PROVISIONS FOR LIABILITIES AND CHARGES	Purchase price obligation £'000	Vacant Property provision £'000	Future servicing and claims handling costs £'000	Total £'000
Company				
At 1 January 2011	2,000	1,509	7,174	10,683
Amounts incurred during period	-	47	(829)	(782)
Release of provision	-	-	153	153
At 31 December 2011	**2,000**	**1,556**	**6,498**	**10,054**

In 2010 the company entered into certain contracts for the acquisition of teams and individuals These contracts included certain future payments in relation to the performance of that business acquired The provision is in relation to the estimated future amounts to be paid in respect of these contracts

During 2007 the company moved some of its employees from an office in Grays, Essex to London This office space is no longer used by the company During 2008 the company reviewed its London property portfolio and established that certain office space was surplus to requirement A provision was made in respect of the costs to the end of the lease for space it does not utilise In 2010 the company decided that it would utilise the vacant space in its London office and therefore released the provision for these future costs

15 DEFERRED TAXATION

Included in debtors shown in Note 12 are the following in respect of deferred taxation

	2011 **£'000**	2010 £'000
Opening deferred tax asset	**436**	2,843
Amounts charged to profit and loss account including		
Accelerated capital allowances	**91**	65
Timing differences	**484**	(294)
Unrealised gain on hedge options	**295**	242
Prior year adjustments	**374**	(2,404)
Effect of change in tax rate	**(109)**	(16)
Closing deferred tax asset	**1,571**	436

There is no unprovided deferred taxation

16 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	**2011 Total £'000**	2010 Total £'000
Company					
At 1 January	5,000	3,606	21,489	**30,095**	26,217
Unrealised gain on hedge options	-	-	(834)	**(834)**	(697)
Transfer to reserves			(2,033)	**(2,033)**	2,325
Dividends from RMP Ltd	-	-	2,500	**2,500**	2,250
At 31 December	**5,000**	**3,606**	**21,122**	**29,728**	30,095

Dividends received from Risk Management Partners Limited (RMP) a 100% subsidiary £2,500,000 (2010 £2,250,000)

No interim or final dividend was paid during the year (2010 £ nil) At 31 December 2011 the allotted, called up and fully paid share capital of the company amounted to £5m (2010 £5m)

17 SHARE CAPITAL

	2011 Number	2010 Number	**2011 £'000**	2010 £'000
Authorised				
Ordinary shares of £1 each	5,000,000	5,000,000	5,000	5,000
Allotted, issued and fully paid				
Ordinary shares of £1 each	5,000,000	5,000,000	5,000	5,000

18 PENSION COMMITMENTS

The Company operates a defined contribution pension scheme for its employees The assets of the scheme are held separately from those of the Company in an independently administered fund The pension cost for the year was £2,284,892 (2010 £2,003,000)

19 TRANSACTIONS WITH DIRECTORS

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 a recognised stock exchange

As far as the directors are aware, other than as discussed above, no transaction or arrangement involving a director of the Company requires disclosure in these accounts under the Companies Act 2006

20 OTHER FINANCIAL COMMITMENTS

At 31 December 2011 the company had annual commitments under non-cancellable operating leases comprising

	2011	2010
Land and Buildings	**£'000**	£'000
- Expiring within 1 year	**-**	-
- Expiring between 1 and 4 years	**2,138**	2,138
- Expiring after more than 5 years	**-**	-

Whilst the above is the annual commitment, the company has entered into arrangements with other occupants of the office premises as to rent payable Note 4 sets out the charge for the year

21 CONTINGENT LIABILITIES - CLAIMS AND LITIGATION

The Company could be subject to claims and litigation in the course of its business, resulting from alleged errors and omissions in connection with its insurance broking business Any such claims could arise several years after the original events that give rise to the dispute Provision is made in respect of claims notified to the Company at the Balance Sheet date and no provisions have been made for claims attributable to events which may have occurred by the Balance Sheet date but which are yet to be made known

Although such claims would be strenuously defended, provision would be made, after taking account of the Company's insurance arrangements, for potential liabilities including expenses that may arise in respect of any claims and litigation This provision would be based on information then current and legal advice and the provisions would be adjusted from time to time according to developments The directors believe that the Company does not have any exposure with respect to such claims and litigation

22 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 rates as disclosed in note 8

23 ULTIMATE PARENT UNDERTAKING

The immediate parent company is Gallagher Holding (UK) 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 Arthur J Gallagher (UK) Limited