

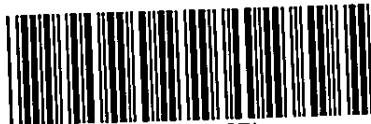
ARTHUR J. GALLAGHER (UK) LIMITED

Annual Report and Financial Statements

31 December 2012

Company Number: 1193013

THURSDAY



A2HPM6CZ

A05

26/09/2013

#383

COMPANIES HOUSE

Arthur J. Gallagher (UK) Limited

DIRECTORS

J Patrick Gallagher

T J Gallagher

D C Ross

M S Mugge

S Dalgarno

M W Pike

M W Cooper-Mitchell

(Non-Executive Director)

T O'Neill

(Non-Executive Director)

N D Eckert

(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 directors present their annual report together with the audited Financial Statements of Arthur J. Gallagher (UK) Limited for the year ended 31 December 2012

PRINCIPAL ACTIVITIES

The Company's principal activity is that of insurance broking. The directors aim to continue to expand the servicing capabilities of the Company through the acquisition of professional businesses and personnel.

The Directors have decided to take advantage from preparing consolidated financial statements under section 401 from Companies Act 2006. Arthur J. Gallagher (UK) Limited 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.

REVIEW OF THE BUSINESS AND FUTURE ACTIVITIES

For the year ended 31 December 2012, Arthur J. Gallagher (UK) Limited recorded a profit before tax of £13.1 million, compared to a loss of £0.27 million for the year ended 31 December 2011. The profit is attributable to the completion of its integration strategy, the synergies released as a result of this integration and the strong trading performance in the year.

Turnover increased by 14% to £74 million compared to £65 million in 2011. This is due to a strong performance across all areas of the business and in all geographical areas. There was particularly significant growth outside of North America and Europe.

Following the strategy of expansion, during 2012 a newly created subsidiary of the Company, Gallagher International Reinsurance Broking Limited, entered into an asset agreement with Execution Noble Limited, for a purchase of the business and assets related to the broking reinsurance business.

During the year the Company has authorised, issued and fully paid 4 million ordinary shares of £1 each issued at par. This capital was issued in relation to the purchase of a book of business at the end of 2011 with the share issue being in 2012.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2012 are set out in these financial statements on pages 7 to 19. The total recognised profit for the year of £10.80 million (2011: profit £0.47 million) was transferred to reserves. No dividends were paid during the year (2011: £ nil). The directors have not recommended the payment of a final dividend (2011: £ nil).

REPORT OF THE DIRECTORS

DIRECTORS AND THEIR INTERESTS

The directors serving during the year ended 31 December 2012 are shown below

C R Bowen	(resigned 30 May 2012)
M W Cooper-Mitchell (Non-executive director)	
S Dalgarno	
J Patrick Gallagher	
T J Gallagher	
M S Mugge	
P T O'Neill (Non-executive director)	
M W Pike	
D C Ross	
N D Eckert (Non-executive director)	(appointed 13 February 2013)

SECRETARY

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 2012.

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 manages 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 £71,460 (2011 £32,732). There were no political donations made during the year (2011 £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/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and that the auditor is aware of that information.

AUDITORS

Ernst and Young LLP are deemed to be reappointed as the Company's auditors under section 487 (2) of the Companies Act 2006.

By order of the board



Mark Mugge
Director

Date: 5 August 2013

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 adequate 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 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 24. 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 and non-financial information in the annual report and 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practices, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



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

Date 5 August 2013

Arthur J. Gallagher (UK) Limited
Company Number 01193013 Registered in England & Wales

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
TURNOVER	2	73,908	64,980
Other operating income	3	1,162	1,032
Other operating charges		(63,359)	(67,893)
OPERATING PROFIT/(LOSS)	4	11,711	(1,881)
Interest charges		(300)	(411)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER INTEREST		11,411	(2,292)
Exceptional items	5	(3)	(475)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER EXCEPTIONAL ITEMS		11,408	(2,767)
Dividends received from group undertakings		1,750	2,500
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		13,158	(267)
Tax (charge)/credit on profit/(loss) on ordinary activities	8	(2,353)	734
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		10,805	467
PROFIT/(LOSS) FOR THE FINANCIAL YEAR ATTRIBUTABLE TO SHAREHOLDERS		10,805	467

The result attributable to the members of the parent company is a profit of £10 805 million (2011 profit of £0 47 million)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012 £'000	2011 £'000
Profit/(Loss) for the financial year attributable to shareholders	10,805	467
Unrealised gain / (loss) on hedge options	683	(1,114)
Deferred tax provided in the STRGL	(278)	280
	11,210	(367)

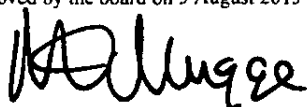
The notes on pages 9 to 19 are an integral part of these financial statements

Arthur J. Gallagher (UK) Limited
Company Number 01193013 Registered in England & Wales

COMPANY BALANCE SHEET
as at 31 December 2012

	Notes	2012 £'000	2011 £'000
NON CURRENT ASSETS			
Intangible assets	9	9,973	15,118
Tangible assets	10	4,268	3,680
Investments	11	2,681	2,681
		<u>16,922</u>	<u>21,479</u>
CURRENT ASSETS			
Debtors	12	216,377	149,630
Cash at bank and in hand		104,506	82,370
		<u>320,883</u>	<u>232,000</u>
CREDITORS amounts falling due within one year	14	<u>(286,272)</u>	<u>(213,697)</u>
NET CURRENT ASSETS		<u>34,611</u>	<u>18,303</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>51,533</u>	<u>39,782</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(6,595)</u>	<u>(10,054)</u>
NET ASSETS		<u>44,938</u>	<u>29,728</u>
CAPITAL AND RESERVES			
Called-up share capital	17/18	9,000	5,000
Share premium account	17	3,606	3,606
Profit and loss account	17	32,332	21,122
SHAREHOLDERS' FUNDS	17	<u>44,938</u>	<u>29,728</u>

Approved by the board on 5 August 2013 and signed on its behalf by



Mark Mugge
Director

The notes on pages 9 to 19 are an integral part of these 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	maximum 5 years
Non-competes	maximum 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 6.75%.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 TURNOVER

All operating activities of the company are attributable to insurance broking. The company has operations in the United Kingdom, North America & other countries.

	2012 £'000	2011 £'000
Turnover		
UK & Europe	36,329	32,335
North America	18,722	17,217
Other countries	18,857	15,428
	<u>73,908</u>	<u>64,980</u>
Profit/(Loss) on ordinary activities before taxation	<u>13,158</u>	<u>(2,767)</u>

	2012 £'000	2011 £'000
Turnover		
Continuing operations	<u>73,908</u>	<u>64,980</u>
	<u>73,908</u>	<u>64,980</u>
Profit/(Loss) on ordinary activities before taxation	<u>13,158</u>	<u>(2,767)</u>
Continuing operations	<u>13,158</u>	<u>(2,767)</u>

3 OTHER OPERATING INCOME

	2012 £'000	2011 £'000
Investment income	433	433
Other income	473	37
Credit write backs	256	562
	<u>1,162</u>	<u>1,032</u>

During 2012 and 2011 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 £256,078 (2011: £562,000) to the profit and loss account.

4. ADMINISTRATIVE EXPENSES

	2012 £'000	2011 £'000
Staff costs (note 7)	52,011	53,212
Professional fees	6,786	5,958
Amortisation of intangible assets (note 9)	5,145	1,139
Depreciation of fixed assets (note 10)	2,080	4,491
Group recharges	(13,608)	(7,420)
Rent and utilities	2,657	3,483
Other expenses	8,288	7,030
	<u>63,359</u>	<u>67,893</u>

NOTES TO THE FINANCIAL STATEMENTS

4. ADMINISTRATIVE EXPENSES (continued)

	2012 £'000	2011 £'000
Auditor's remuneration		
Audit of the financial statements	10	10
Audit for the purpose of group reporting	53	53
	<u>63</u>	<u>63</u>

5. EXCEPTIONAL ITEMS

	2012 £'000	2011 £'000
Profit on disposal of fixed assets	(3)	(615)
Proceeds from disposal of book of business	-	140
	<u>(3)</u>	<u>(475)</u>

The Company disposed of fixed assets resulting in a realised gain of £2,516 (2011 loss of £615,167) which has been disclosed in accordance with Financial Reporting Standard 3 'Reporting Financial Performance' as an exceptional item in the profit and loss account

6. DIRECTORS' EMOLUMENTS

	2012 £'000	2011 £'000
Aggregate emoluments	1,938	1,912
Company contributions paid to money purchase schemes	32	62
Members of money purchase schemes	<u>3</u>	<u>3</u>
The amounts in respect of the highest paid director are		
Aggregate emoluments	736	938
Company contributions paid to money purchase schemes	18	36
	<u>753</u>	<u>974</u>

7. STAFF COSTS

	2012 £'000	2011 £'000
Wages and salaries	43,325	44,691
Social security costs	6,363	6,237
Pension costs (note 18)	2,323	2,284
	<u>52,011</u>	<u>53,212</u>

The average number of employees during the year was

Broking and technical	334	296
Administration	149	117
	<u>483</u>	<u>413</u>

NOTES TO THE FINANCIAL STATEMENTS

8 TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES	2012 £'000	2011 £'000
The charge for taxation comprises		
<i>Current tax</i>		
UK corporation tax at 24.5% (2011: 26.5%)	114	449
Group Relief claimed/(surrendered) for payment	2,735	403
Prior year adjustments	(591)	(731)
Total current tax	2,258	121
<i>Deferred tax</i> (note 16)		
Current year origination and reversal of timing differences	(254)	(576)
Effect of change in tax rate	102	95
Prior year adjustments	247	(374)
Tax (credit)/charge on profit on ordinary activities	2,353	(734)

Effective Tax Rate

The effective tax rate for the year is lower than the standard rate of tax in the UK (24.5%). The differences are explained below:

Profit on ordinary activities before tax	13,158	(267)
Corporation tax at standard rate of 24.5% (2011: 26.5%)	3,224	(71)
<i>Effect of</i>		
Non-taxable dividend income	(429)	(662)
Depreciation in excess of capital allowances	162	82
Origination of timing differences	92	485
Non-deductible share option expense	-	4
Expenses not deductible for tax purposes	1,255	966
Transfer pricing adjustments	280	48
Group relief claimed for nil payment	(1,735)	-
Prior year adjustments	(591)	(731)
Current tax charge for the year	2,258	121

	2012 £'000	2011 £'000
Provision for deferred tax		
Deferred tax asset at start of the year	1,571	436
Depreciation in excess of capital allowances	162	91
Origination of timing differences	92	485
Unrealised loss/gain on hedge options in the STRGL	(278)	294
Prior year adjustments	(247)	374
Effect of change in tax rate	(102)	(109)
Deferred tax asset at end of the year	1,198	1,571

The above deferred tax net asset represents £703,795 in relation to short-term timing differences (2011: £925,825), £534,508 of accelerated capital allowances (2011: £408,156), and a deferred tax liability in respect of hedge options - £40,815 (2011: £236,869 deferred tax asset).

NOTES TO THE FINANCIAL STATEMENTS

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 24.5% (2011: 26.5%). The Company is expected to continue to attract the standard rate of UK corporation tax. The UK government legislated during 2012 to reduce the main rate of corporation tax to 23%, applicable from 1 April 2013, which has been reflected in the closing deferred tax position on the balance sheet. Furthermore, the Government announced in March 2013 as part of the Budget a further reduction of 2% to 21% to apply from 1 April 2014, with an additional reduction of 1% to 20% with effect from 1 April 2015. These reductions have not been reflected in the closing deferred tax asset 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 is £156,194.

9. INTANGIBLE ASSETS

	Expiration Lists £'000
Cost	
At 1 January 2012	26,584
Additions during the year	-
At 31 December 2012	<u>26,584</u>
Amortisation	
At 1 January 2012	11,466
Charge for the year	5,145
At 31 December 2012	<u>16,611</u>
Net book value.	
At 31 December 2012	<u>9,973</u>
At 1 January 2012	<u>15,118</u>

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.

Arthur J. Gallagher (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

10 TANGIBLE ASSETS	Leasehold improvements £'000	Computer equipment £'000	Furniture & equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2012	1,971	8,859	1,088	129	12,047
Additions	144	2,525	3	-	2,672
Disposals	-	(15)	(3)	-	(18)
At 31 December 2012	2,115	11,369	1,088	129	14,701
Depreciation					
At 1 January 2012	1,441	6,044	777	105	8,367
Charge for the year	259	1,730	74	17	2,080
Disposals	-	(11)	(3)	-	(14)
At 31 December 2012	1,700	7,763	848	122	10,433
Net Book Value					
At 31 December 2012	415	3,606	240	7	4,268
At 1 January 2012	530	2,816	311	24	3,680
11 INVESTMENTS				Subsidiary undertakings 2012 £'000	
Cost					
At 1 January 2012					2,681
Additions					-
At 31 December 2012					2,681
Permanent diminution in value					
At 1 January 2012					-
Charge for the year					-
At 31 December 2012					-
Net Book Value					
At 31 December 2012					2,681
At 1 January 2012					2,681

Arthur J. Gallagher (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

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 Pty 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
Gallagher International Reinsurance Broking Limited	England & Wales	Ordinary	75.68%	Reinsurance

12 DEBTORS

	2012 £'000	2011 £'000
Insurance debtors	163,479	136,845
Corporation tax	703	706
Amounts owed by fellow group undertakings	41,927	-
Deferred corporation tax (note 16)	1,198	1,571
Other debtors	3,409	2,551
Other prepayments	5,661	7,957
	216,377	149,630

13 DIRECTORS LOANS

Arthur J. Gallagher (UK) Limited issued the following loan in the year to a director of the company for general purposes at the HMRC base rate of 4%. No subsequent repayments, additional loans or interest accrued in this reporting period

	2012 £'000	2011 £'000
D Ross	1,502	-
	1,502	-

14 CREDITORS amounts falling due within one year

	2012 £'000	2011 £'000
Insurance creditors	229,774	184,746
Amounts owed to fellow group undertakings	39,930	15,340
Other taxes and social security costs	2,890	1,865
Other creditors	2,508	1,432
Accruals and deferred income	11,170	10,314
	286,272	213,697

Included in "Amounts owed to fellow group undertakings" there is group relief of £2,734,958 (2011: £408,440) in relation to corporation tax

NOTES TO THE FINANCIAL STATEMENTS

15 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 2012	2,000	1,556	6,498	10,054
Amounts incurred during period	(845)	15	(2,629)	(3,459)
At 31 December 2012	<u>1,155</u>	<u>1,571</u>	<u>3,869</u>	<u>6,595</u>

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 purchase price obligation 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.

16 DEFERRED TAXATION

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

	2012 £'000	2011 £'000
Opening deferred tax asset	1,571	436
<i>Amounts charged to profit and loss account and the statement of recognised gains and losses including</i>		
Accelerated capital allowances	162	91
Timing differences	92	485
Unrealised gain on hedge option in the STRGL	(278)	294
Prior year adjustments	(247)	374
Effect of change in tax rate, including in the STRGL	(102)	(109)
Closing deferred tax asset	<u>1,198</u>	<u>1,571</u>

There is no unprovided deferred taxation

NOTES TO THE FINANCIAL STATEMENTS

17 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	2012 Total £'000	2011 Total £'000
Company					
At 1 January	5,000	3,606	21,122	29,728	30,095
Unrealised gain on hedge options	-	-	405	405	(834)
Issue of shares	4,000	-	-	4,000	-
Transfer to reserves	-	-	10,805	10,805	467
At 31 December	9,000	3,606	32,332	44,938	29,728

No interim or final dividend was paid during the year (2011 £ nil) At 31 December 2012 the allotted, called up and fully paid share capital of the company amounted to £9m (2011 £5m)

	2012 Number	2011 Number	2012 £'000	2011 £'000
18 SHARE CAPITAL				
Ordinary shares of £1 each	9,000,000	5,000,000	9,000	5,000
Authorised, allotted, issued and fully paid				
Ordinary shares of £1 each	9,000,000	5,000,000	9,000	5,000

During the year the Company has authorised, issued and fully paid 4 million ordinary shares of £1 each issued at par This capital was issued in relation to the purchase of a book of business at the end of 2011 with the share issue being in 2012

19 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 £2,323,239 (2011 £2,284,892)

20 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 in note 13, no transaction or arrangement involving a director of the Company requires disclosure in these accounts under the Companies Act 2006

NOTES TO THE FINANCIAL STATEMENTS

21 OTHER FINANCIAL COMMITMENTS

At 31 December 2012 the company had annual commitments under non-cancellable operating leases comprising

	2012	2011
<i>Land and Buildings</i>	£'000	£'000
- Expiring within 1 year	812	-
- Expiring between 1 and 4 years	1,051	2,138
- Expiring after more than 5 years	-	-
	<u>1,863</u>	<u>2,138</u>

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.

22 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.

23 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.

24 ULTIMATE PARENT UNDERTAKING

The immediate parent company is Gallagher Holdings (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.