

**STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013
FOR
ARTHUR J. GALLAGHER (UK) LIMITED**

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ARTHUR J. GALLAGHER (UK) LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2013**

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ARTHUR J. GALLAGHER (UK) LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS:	S Dalgarno	
	N D Eckert	(Non-Executive)
	T Gallagher	
	M W Cooper Mitchell	(Non-Executive)
	M Mugge	
	T O'Neill	(Non-Executive)
	M Pike	
	D Ross	
	J Drummond-Smith	(Non-Executive)
SECRETARY:	W McGowan	
REGISTERED OFFICE:	The Walbrook Building 25 Walbrook London EC4N 8AW	
REGISTERED NUMBER:	01193013 (England and Wales)	
AUDITOR:	Ernst & Young LLP Statutory Auditor 1 More London Place London SE1 2AF	
BANKERS:	Barclays Bank PLC 1 Churchill Place London E14 2AF	

ARTHUR J. GALLAGHER (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their Strategic Report for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company's principal business is that of insurance broking. Revenues are geographically diversified with operations in the United Kingdom, Europe, North America and other countries.

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.

REVIEW OF BUSINESS AND FUTURE ACTIVITIES

For the year ended 31 December 2013, Arthur J. Gallagher (UK) Limited recorded a profit before tax of £15.3 million, compared to £13.2 million for the year ended 31 December 2012. The profit was attributable to the retention of key clients and successfully winning new business during 2013.

Turnover increased by 25% to £92.4 million compared to £73.9 million in 2012. This is due to strong performance in all business and geographical areas, and the acquisition of insurance policies from another Group company, Heath Lambert Limited. Customers of Heath Lambert Limited were incentivised to renew insurance policies with the Company. The associated revenue attached to these policies amounted to £11.0 million during the year.

Going forward, the Company will continue to expand its servicing capabilities through a strategy of acquisition of professional businesses and personnel when opportunities arise.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2013 are set out in these financial statements on pages 7 to 19. The total recognised profit for the year of £12.0 million (2012:£10.8 million) was transferred to reserves. No dividends were paid during the year (2012:£nil). The Directors have not recommended the payment of a final dividend (2012:£nil).

PRINCIPAL RISKS AND UNCERTAINTIES

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, counterparty credit risks, price risk, 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 use of financial instruments to fix currency rates.

Borrowing facilities and liquidity risk

The Company maintains facilities to ensure it has adequate funds available to finance operations and the growth of the business.

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.

ARTHUR J. GALLAGHER (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 - continued

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. 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.

Risk management

The Company's immediate parent is Gallagher Holdings (UK) Limited and its ultimate parent is Arthur J. Gallagher & Co. Robust risk management is fundamental to the achievement of the Group's objectives. The Group's Board of Directors are responsible for setting the Group's risk appetite and ensuring that it has an appropriate and effective risk management framework and monitors the ongoing process for identifying, evaluating, managing and reporting significant risks faced. To facilitate this, the group maintains a risk framework, through which the key risks affecting the Group are identified, assessed and monitored.

EMPLOYEES

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

ON BEHALF OF THE BOARD:



W McGowan
Company Secretary
Date: 23/9/14

ARTHUR J. GALLAGHER (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their report with the financial statements of the Company for the year ended 31 December 2013.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2013 (2012:£nil).

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report.

S Dalgarno
T Gallagher
M W Cooper Mitchell (Non-Executive)
M Mugge
T O'Neill (Non-Executive)
M Pike
D Ross

Other changes in Directors holding office are as follows:

N D Eckert (Non-Executive) - appointed 13 February 2013
J P Gallagher - resigned 19 June 2013
J Drummond-Smith (Non-Executive) - appointed 12 February 2014.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law 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 of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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


STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Ernst & Young LLP are deemed to be reappointed as the Company's auditors in accordance with section 487(2) of the Companies Act 2006

ON BEHALF OF THE BOARD:


W McGowan
Company Secretary
Date: 23/9/14

INDEPENDENT AUDITOR'S 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 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 25. The financial reporting framework that has been applied 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 Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

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

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
Statutory Auditor
London

Date: 23 September 2014

ARTHUR J. GALLAGHER (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £'000	2012 £'000
TURNOVER	2	92,427	73,908
Administrative expenses		<u>(81,917)</u>	<u>(63,359)</u>
		10,510	10,549
Other operating income	3	<u>501</u>	<u>689</u>
OPERATING PROFIT	6	11,011	11,238
Exceptional items	7	<u>-</u>	<u>457</u>
		11,011	11,695
Income from shares in Group undertakings		4,000	1,750
Interest receivable and similar income	8	<u>682</u>	<u>272</u>
		15,693	13,717
Interest payable and similar charges	9	<u>(444)</u>	<u>(559)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,249	13,158
Tax on profit on ordinary activities	10	<u>(3,253)</u>	<u>(2,353)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>11,996</u>	<u>10,805</u>

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the current year or previous year.

ARTHUR J. GALLAGHER (UK) LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2013**

	2013	2012
	£'000	£'000
PROFIT FOR THE FINANCIAL YEAR	11,996	10,805
Unrealised gain/ (loss) on hedge options	1,481	683
Deferred tax provided in the STRGL	<u>(300)</u>	<u>(278)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>13,177</u>	<u>11,210</u>

The notes on pages 9 to 19 form part of these financial statements

ARTHUR J. GALLAGHER (UK) LIMITED (REGISTERED NUMBER: 01193013)

BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	£'000	2013 £'000	£'000	2012 £'000
FIXED ASSETS					
Intangible assets	11		5,357		9,973
Tangible assets	12		16,018		4,268
Investments	13		<u>3,411</u>		<u>2,681</u>
			24,786		16,922
CURRENT ASSETS					
Debtors	14	327,025		216,377	
Cash at bank		<u>101,818</u>		<u>104,506</u>	
		428,843		320,883	
CREDITORS					
Amounts falling due within one year	15	<u>377,025</u>		<u>278,732</u>	
NET CURRENT ASSETS			<u>51,818</u>		<u>42,151</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			76,604		59,073
CREDITORS					
Amounts falling due after more than one year	16		(7,930)		(7,540)
PROVISIONS FOR LIABILITIES	18		<u>(4,709)</u>		<u>(6,595)</u>
NET ASSETS			<u>63,965</u>		<u>44,938</u>
CAPITAL AND RESERVES					
Called up share capital	19		14,850		9,000
Share premium	20		3,606		3,606
Profit and loss account	20		<u>45,509</u>		<u>32,332</u>
SHAREHOLDERS' FUNDS	24		<u>63,965</u>		<u>44,938</u>

The financial statements were approved by the Board of Directors on 23/9/14 and were signed on its behalf by:



M Mugge
Director

The notes on pages 9 to 19 form part of these financial statements

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 Directors have taken advantage of Section 401 of the Companies Act 2006 in not preparing consolidated financial statements on the basis that the results of the Company are included within the consolidated financial statements of Arthur J. Gallagher & Co., a company incorporated in the United States of America and for which results are publically available for the Company's registered office in the United States of America.

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.

Taxation

Provision is made at current rates for taxation. In accordance with FRS19, 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.

Provision for liabilities and charges

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation. Provisions are made in accordance with the requirements of FRS 12. The basis of each class of provision is described in note 18.

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.

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.

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.

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES - continued

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 insolvency it is generally abandoned. FRS 5 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.

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	- over 3 years
Motor vehicles	- between 2 and 4 years

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 their useful economic life as shown below. They are 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

Hedge accounting

The Company has applied the principles of FRS 26 'Financial Instruments: Recognition and Measurement'. The Company can enter into derivative instruments to mitigate its exposure to movements in foreign exchange rates and evaluates its exposures to fluctuations in foreign exchange rates on a regular basis.

For cash flow hedges, financial instruments are initially recognised and measured at fair value. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised immediately in the statement of total recognised gains and losses. The gain or loss relating to the ineffective portion is recognised immediately in the Profit and Loss Account. When the hedged transaction affects profit and loss, amounts recorded in the statement of total recognised gains and losses will be transferred to the Profit and Loss Account.

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2013

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the Company.

An analysis of turnover by geographical market is given below:

	2013 £'000	2012 £'000
UK & Europe	54,428	36,329
North America	20,028	18,722
Other countries	17,971	18,857
	<u>92,427</u>	<u>73,908</u>

	2013 £'000	2012 £'000
Net Brokerage	76,459	64,140
Fees	10,178	5,004
Commission	5,790	4,764
	<u>92,427</u>	<u>73,908</u>

All operating activities of the Company are attributable to insurance broking.

3. OTHER OPERATING INCOME

	2013 £'000	2012 £'000
Investment income	501	433
Other income	-	460
Credit write backs	-	256
	<u>501</u>	<u>1,149</u>

During 2012, 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 to the Profit and Loss Account.

4. STAFF COSTS

	2013 £'000	2012 £'000
Wages and salaries	47,946	43,325
Social security costs	6,909	6,363
Other pension costs	2,512	2,323
	<u>57,367</u>	<u>52,011</u>

The average monthly number of employees during the year was as follows:

	2013	2012
Broking and technical	360	334
Administration	176	149
	<u>536</u>	<u>483</u>

ARTHUR J. GALLAGHER (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

5. DIRECTORS' EMOLUMENTS

Directors' emoluments

	2013 £'000	2012 £'000
Aggregate emoluments	1,062	1,938
Company contributions paid to money purchase schemes	<u>25</u>	<u>32</u>
	<u>1,087</u>	<u>1,970</u>

Members of money purchase schemes	<u>3</u>	<u>3</u>
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The amounts in respect of the highest paid Director are:

Aggregate emoluments	515	736
Company contributions paid to money purchase schemes	<u>8</u>	<u>18</u>
	<u>523</u>	<u>754</u>

6. OPERATING PROFIT

The operating profit is stated after charging:

	2013 £'000	2012 £'000
Rent and utilities	5,233	2,657
Depreciation - owned assets	3,408	2,080
Expiration lists amortisation	4,616	5,145
Auditors remuneration:		
Statutory audit	53	53
Group reporting	97	103
Other services	<u>35</u>	<u>10</u>

7. EXCEPTIONAL ITEMS

	2013 £'000	2012 £'000
Profit /(loss) on disposal of fixed assets	<u>-</u>	<u>(3)</u>

The Company disposed of fixed assets resulting in a realised gain of £457 (2012 loss £2,516) which has been disclosed in accordance with FRS3 as an exceptional item in the Profit and Loss Account.

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £'000	2012 £'000
Interest receivable	<u>682</u>	<u>272</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Other interest	<u>444</u>	<u>559</u>

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2013

10. TAXATION

Analysis of the tax charge

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

	2013 £'000	2012 £'000
Current tax:		
UK corporation tax	2,926	114
Group relief claimed from fellow Group companies	-	2,735
Prior year adjustments	<u>891</u>	<u>(591)</u>
Total current tax	<u>3,817</u>	<u>2,258</u>
Deferred tax:		
Timing differences	(165)	(254)
Impact of tax rate change	272	102
Prior year adjustments	<u>(671)</u>	<u>247</u>
Total deferred tax	<u>(564)</u>	<u>95</u>
Tax on profit on ordinary activities	<u>3,253</u>	<u>2,353</u>

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	<u>15,249</u>	<u>13,158</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012 - 24.50%)	3,545	3,224
Effects of:		
Expenses not deductible for tax purposes	672	1,255
Capital allowances in excess of depreciation	(185)	-
Depreciation in excess of capital allowances	-	162
Non taxable dividend income	(930)	(429)
Intangible asset timing differences	386	-
Movement in short term timing differences	(36)	92
Adjustments in respect of transfer pricing	404	280
Group relief claimed for nil payment	(930)	(1,735)
Prior year adjustments	<u>891</u>	<u>(591)</u>
Current tax charge	<u>3,817</u>	<u>2,258</u>

ARTHUR J. GALLAGHER (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

11. INTANGIBLE FIXED ASSETS

	Expiration lists £'000
COST	
At 1 January 2013	
and 31 December 2013	<u>26,584</u>
AMORTISATION	
At 1 January 2013	16,611
Amortisation for year	<u>4,616</u>
At 31 December 2013	<u>21,227</u>
NET BOOK VALUE	
At 31 December 2013	<u>5,357</u>
At 31 December 2012	<u>9,973</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.

12. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Furniture and equipment £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST					
At 1 January 2013	2,115	1,088	129	11,369	14,701
Additions	9,818	1,415	53	3,892	15,178
Disposals	<u>(691)</u>	<u>(500)</u>	<u>(28)</u>	<u>(1,002)</u>	<u>(2,221)</u>
At 31 December 2013	<u>11,242</u>	<u>2,003</u>	<u>154</u>	<u>14,259</u>	<u>27,658</u>
DEPRECIATION					
At 1 January 2013	1,700	848	122	7,763	10,433
Charge for year	578	119	23	2,688	3,408
Eliminated on disposal	<u>(691)</u>	<u>(500)</u>	<u>(28)</u>	<u>(982)</u>	<u>(2,201)</u>
At 31 December 2013	<u>1,587</u>	<u>467</u>	<u>117</u>	<u>9,469</u>	<u>11,640</u>
NET BOOK VALUE					
At 31 December 2013	<u>9,655</u>	<u>1,536</u>	<u>37</u>	<u>4,790</u>	<u>16,018</u>
At 31 December 2012	<u>415</u>	<u>240</u>	<u>7</u>	<u>3,606</u>	<u>4,268</u>

13. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2013	2,681
Additions	<u>730</u>
At 31 December 2013	<u>3,411</u>
NET BOOK VALUE	
At 31 December 2013	<u>3,411</u>
At 31 December 2012	<u>2,681</u>

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2013

13. FIXED ASSET INVESTMENTS - continued

The Company's investments at the balance sheet date comprised:

Arthur J. Gallagher Asia Pty Limited

Country of incorporation: Hong Kong

Nature of business: Non-Trading

Class of shares:	%
Ordinary	holding 100.00

Risk Management Partners Limited

Country of incorporation: England & Wales

Nature of business: Risk Management

Class of shares:	%
Ordinary	holding 100.00

Alesco Risk Management Services Limited

Country of incorporation: England & Wales

Nature of business: Insurance Broking

Class of shares:	%
Ordinary	holding 65.00

Gallagher International Reinsurance Broking Limited

Country of incorporation: England & Wales

Nature of business: Reinsurance

Class of shares:	%
Ordinary	holding 86.00
Deferred	100.00

The addition relates to the Company increasing its investment in Gallagher International Reinsurance Broking Limited by purchasing the shares of a minority interest shareholder on 31 December 2013.

14. DEBTORS

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Trade debtors	245,706	163,479
Amounts owed by Group undertakings	35,243	40,255
Other debtors	23,133	1,906
Corporation tax	-	703
Deferred tax asset	1,462	1,198
Prepayments and accrued income	5,816	5,661
	<u>311,360</u>	<u>213,202</u>
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	14,162	1,672
Other debtors	1,503	1,503
	<u>15,665</u>	<u>3,175</u>
Aggregate amounts	<u>327,025</u>	<u>216,377</u>

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2013

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Insurance creditors	326,508	229,774
Amounts owed to Group undertakings	30,600	32,390
Corporation tax	1,183	-
Social security and other taxes	4,702	2,890
Other creditors	1,060	2,508
Accruals and deferred income	<u>12,972</u>	<u>11,170</u>
	<u>377,025</u>	<u>278,732</u>

Included in "Amounts owed to fellow Group undertakings" there is Group relief of £184,275 (2012: £2,734,958) in relation to corporation tax.

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £'000	2012 £'000
Amounts owed to Group undertakings	<u>7,930</u>	<u>7,540</u>

In May 2010, the Company received a loan from its ultimate parent, Arthur J. Gallagher & Co, for £6,500,000. The loan accrues interest at a rate of 6% per annum and is due for repayment on the 30 April 2029.

17. OPERATING LEASE COMMITMENTS

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases comprising:

	Land and buildings	
	2013 £'000	2012 £'000
Expiring:		
Within one year	233	812
Between one and five years	<u>2,996</u>	<u>1,051</u>
	<u>3,229</u>	<u>1,863</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.

18. PROVISIONS FOR LIABILITIES

	2013 £'000	2012 £'000
Other provisions	<u>4,709</u>	<u>6,595</u>
	Deferred tax £'000	Other provisions £'000
Balance at 1 January 2013	(1,198)	6,596
Utilised during year	-	(1,887)
Accelerated capital allowances	185	-
Intangible assets	(387)	-
Timing differences	37	-
Unrealised loss hedge options	300	-
Impact of tax rate change	272	-
Prior year adjustments	<u>(671)</u>	<u>-</u>
Balance at 31 December 2013	<u>(1,462)</u>	<u>4,709</u>

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2013

18. PROVISIONS FOR LIABILITIES - continued

The above deferred tax net asset represents: £526,788 in relation to short term timings differences (2012: £703,795); £304,843 of accelerated capital allowances (2012:£534,508); intangible asset timing differences £970,859 (2012:£nil); and a deferred tax liability in respect of hedge options £341,080 (2012:£40,815).

The Company profits are taxable in the UK under the standard rate of corporation tax being 23.25% (2012: 24.50%). The Company is expected to continue to attract the standard rate of UK corporation tax. The UK government legislated during 2013 to reduce the main rate of corporation tax to 21%, applicable from 1 April 2014 with a further reduction of 1% to 20% to apply from 1 April 2015. These reductions have been reflected in the closing deferred tax asset, as they were enacted at the balance sheet date.

Other provisions:

	Purchase price obligation £'000	Vacant property provision £'000	Future servicing and claims handling costs £'000	Total £'000
At 1 January 2013	1,155	1,571	3,869	6,595
Incurred/released during period	(1,155)	(622)	(109)	(1,886)
At 31 December 2013	-	949	3,760	4,709

Purchase Price Obligation

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. The obligations were settled during the year.

Vacant Property Provision

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.

Future servicing and claims handling costs

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.

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2013 £'000	2012 £'000
14,850,000	Ordinary	£1	<u>14,850</u>	<u>9,000</u>

During the year the Company has authorised, issued and fully paid 5,850,000 ordinary shares of £1 each issued at par.

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2013

20. RESERVES

	Profit and loss account £'000	Share premium £'000	Totals £'000
At 1 January 2013	32,332	3,606	35,938
Profit for the year	11,996		11,996
Unrealised gain/ (loss) on hedge options	1,481	-	1,481
Deferred tax provided in the STRGL	(300)	-	(300)
At 31 December 2013	<u>45,509</u>	<u>3,606</u>	<u>49,115</u>

No interim or final dividend was paid during the year (2012:£nil). At 31 December 2013 the allotted, called up and fully paid share capital of the Company amounted to £14,850,000 (2012:£9,000,000).

21. 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 £2,511,754 (2012: £2,323,239).

22. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

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.

23. 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.

In 2012, Arthur J. Gallagher (UK) Limited issued the following loans to a Director of the Company for general purposes.

	2013 £'000	2012 £'000
D Ross	-	1,502

As far as the Directors are aware, no other transaction or arrangement involving a Director of the Company requires disclosure in these accounts under the Companies Act 2006.

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £'000	2012 £'000
Profit for the financial year	11,996	10,805
Other recognised gains and losses relating to the year (net)	1,181	405
New share capital subscribed	<u>5,850</u>	<u>4,000</u>
Net addition to shareholders' funds	19,027	15,210
Opening shareholders' funds	<u>44,938</u>	<u>29,728</u>
Closing shareholders' funds	<u>63,965</u>	<u>44,938</u>

ARTHUR J. GALLAGHER (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

25. CONTINGENT LIABILITIES

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.