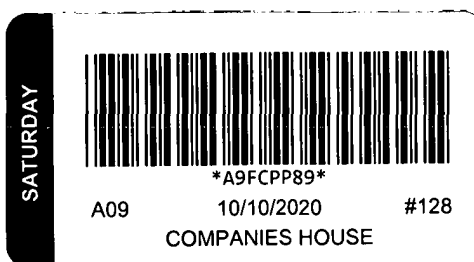


STRATEGIC REPORT, DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019  
FOR  
ARTHUR J. GALLAGHER (UK) LIMITED



**ARTHUR J. GALLAGHER (UK) LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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**ARTHUR J. GALLAGHER (UK) LIMITED**

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

**DIRECTORS:**

J Drummond-Smith (Non-Executive)  
L Patten (Non-Executive)  
M Belton  
C Richmond  
C Scott  
J Turner  
N Williams-Walker

**SECRETARY:**

A Peel

**REGISTERED OFFICE:**

The Walbrook Building  
25 Walbrook  
London  
EC4N 8AW

**REGISTERED NUMBER:**

01193013 (England and Wales)

**INDEPENDENT AUDITOR:**

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

## **ARTHUR J. GALLAGHER (UK) LIMITED**

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

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

#### **REVIEW OF BUSINESS**

The principal activity of the Company in the year under review was that of insurance broking. It is expected that there will be no significant change to the nature of the Company's activities in the foreseeable future.

The Company is a wholly owned subsidiary of Arthur J. Gallagher & Co., a company incorporated in the United States of America and is included in the publicly available consolidated financial statements of Arthur J. Gallagher & Co. ("the Group"). The Group's strategic focus continues to be on the organic growth of existing core business and the acquisition of businesses to enhance future turnover and profitability.

The results of the Company for the year ended 31 December 2019 are set out in the financial statements on pages 9 to 23.

It was a transformational year for the Company with turnover for the year ended 31 December 2019 being £230,556k (2018: £145,483k) representing an increase of 58.5%. This increase was driven by the three main elements. Firstly the purchase of the ex JLT Aerospace business from Marsh in June 2019. Secondly our continued ability to attract and hire the best individuals in the industry, allowing us to develop new specialisms and new services to our clients. Thirdly our ability to attract new clients as well as providing existing clients with more of our products and services. The Company continues to receive a large percentage of its turnover in US Dollars and therefore we have also benefited from favourable FX rates in 2019.

Profit before tax for the year was £73,335k (2018: £22,162k). The primary driver of this large increase was the growth in the turnover commented on above.

During the year the Company issued ordinary shares for a total cash consideration of £120,176k.

Looking ahead, we aim to become a market leader in all our chosen areas of specialty and to drive organic growth through client retention, creation of new products and investment in talent. We will continue to incorporate best practices in processes and invest in technology solutions to provide industry leading levels of service for our clients. Culturally we aim to create a workplace environment that nurtures and provides structured development for all our colleagues, with a particular focus on Diversity and Inclusion initiatives.

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

#### **SECTION 172 STATEMENT**

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

The Directors recognise their responsibility to act in good faith to promote the success of the Company for the benefit of its shareholder, the Gallagher Group, while also considering the impact of their decisions on other stakeholders. These stakeholders include clients, strategic partners (for example, insurance companies), employees, suppliers, our regulator and the wider community including any impact on the environment. Engagement with these stakeholders, to understand the issues and factors which are most important to them, is an important aspect of our decision-making process. In making key decisions, the Directors consider the outcomes of engagement with the relevant stakeholders. Set out below are four key decisions taken by the Directors during 2019, with details of the stakeholder engagement process undertaken in arriving at them, and how it influenced the decisions taken.

#### **Strategic Review (April 2019)**

##### **Context:**

In April 2019, the Board reviewed the Company's overall business strategy, processes and operating model.

##### **How the Directors engaged with stakeholders:**

With a view to the long-term success of the Company, the Directors engaged with management to review key aspects of the Company's strategy and operations. The Board's review included analysis of the systems and suppliers on which the Company was operationally reliant, and the way in which they interfaced. The Company's relationship with its sister company in India, a key service provider, was also considered.

##### **Outcomes:**

The review highlighted the need for continued investment in the business and its systems. The Board supported management's efforts to create an updated target operating model to serve the needs of the Company and its clients into the future, and approved initial expenditure on planning activity on the new model.

## **ARTHUR J. GALLAGHER (UK) LIMITED**

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

#### **SECTION 172 STATEMENT- continued**

##### **Acquisition of JLT Aviation (April 2019)**

###### **Context:**

In the first quarter of 2019, the Board considered a strategic investment in the aviation insurance market.

###### **How the Directors engaged with stakeholders:**

Following the merger of Marsh and Jardine Lloyd Thompson (JLT), Gallagher was presented with the opportunity to acquire JLT's global aerospace retail and wholesale insurance broking operations. The Directors considered the proposed acquisition, on the basis that it would significantly expand Gallagher's existing aerospace team and establish Gallagher as one of the largest aviation brokers in the world.

###### **Outcomes:**

In consultation with other parts of the Gallagher Group, the Board concluded that the purchase of the JLT Aviation business was in the Company's strategic interests. The acquisition was announced in March 2019. The onboarding of new clients and employees was overseen by the Board as part of the process of integrating the new business.

##### **Employee Engagement Survey (Nov 2019)**

###### **Context:**

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

###### **How the Directors engaged with stakeholders:**

One of the key tools used by the Board in understanding employee sentiment is the annual Employee Engagement Survey, conducted in September 2019, led by the HR function and facilitated by an external provider, Ixia. Areas covered by the survey included Manager Effectiveness, Communication, and Diversity. The response rate to the survey was high, and the responses were overwhelmingly positive across the employee population. The Board considered that the very high engagement score suggested a strong and positive culture with the business. Questions on trust and culture also received strongly favourable responses. The Directors actively challenged management on the findings of the survey.

###### **Outcomes:**

It was agreed that, based on employee feedback, an action plan for employee engagement would be created and brought back to the Board for review. The Employee Engagement Survey has also proved useful as a source of insight into organisational culture, and has enabled the Board to monitor important aspects of the Company's culture, such as awareness of Inclusion and Diversity.

##### **COVID-19 (Post year-end)**

###### **Context:**

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

###### **How the directors engaged with stakeholders:**

The COVID-19 pandemic affected all of our stakeholders, from employees, who were obliged to adapt quickly to home-working, to clients, who needed our support throughout the crisis, and our regulator, who relied on Gallagher to respond quickly to requests for information. The Board of our UK parent company, Arthur J. Gallagher Holdings (UK) Limited, held a series of extraordinary conference calls, to monitor the Company's financial and operational status throughout this period, and reviewed data provided by management on employee well-being, customer feedback, the position of key suppliers, and interaction with the FCA. The Board was briefed on claims made by customers and on any complaints received from them. All of this was done in close consultation with our shareholder, the Gallagher group. Throughout the COVID-19 lockdown in the UK in 2020 the Board and management understood that clear and regular communication with employees was vital, and a range of regular briefings and updates kept the Board and management in contact with the workforce throughout this difficult period.

###### **Outcomes:**

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

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

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

## ARTHUR J. GALLAGHER (UK) LIMITED

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

#### PRINCIPAL RISKS AND UNCERTAINTIES

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

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

##### **Borrowing facilities and liquidity risk**

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

##### **Foreign currency risk**

The Group's major currency transaction exposure arises in respect of transactions with fellow group undertakings and foreign currency revenue earned in the UK. As a consequence, the Group's results are sensitive to changes in foreign currency exchange rates.

In the management of its exchange rate exposures the Group utilises currency derivatives on a non-speculative basis to hedge future transactions and cash flows and is therefore party to a number of forward foreign currency contracts.

##### **Interest rate risk**

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

##### **Counterparty credit risk**

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

##### **Compliance risk**

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

##### **Operational Risk**

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

BY ORDER OF THE BOARD:

*Alistair Peel*

Alistair Peel (Aug 5, 2020 11:31 GMT+1)

A Peel - Secretary

Date: 5 August 2020

## **ARTHUR J. GALLAGHER (UK) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

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

#### **DIRECTORS OF THE COMPANY**

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

J Drummond-Smith (Non-Executive)  
L Patten (Non-Executive)  
C Richmond  
C Scott

Other changes in Directors holding office are as follows:

M Belton – appointed 17 January 2020  
P Hanson - resigned 9 September 2019  
E Ibeson - resigned 9 September 2019  
M Rea - resigned 1 January 2019  
J Thompson - resigned 1 March 2020  
J Turner – appointed 21 May 2020  
J Wallers - resigned 1 April 2019  
N Williams-Walker – appointed 7 February 2020

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2019 (2018: £10,300k).

#### **EVENTS AFTER THE REPORTING PERIOD**

Information relating to events after the reporting period is given in the note 25 to the financial statements.

#### **EMPLOYEES**

The Company is an equal opportunities employer and bases all decisions on individual ability regardless of race, religion, gender, age or disability. The s172 statement on page 3 in the Strategic Report provides further details on employee engagement.

#### **DIRECTORS' INDEMNITY PROVISIONS**

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

#### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

**ARTHUR J. GALLAGHER (UK) LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**DIRECTORS' RESPONSIBILITIES STATEMENT- continued**

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 AUDITOR**

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

**AUDITOR**

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

**BY ORDER OF THE BOARD:**

*Alistair Peel*

Alistair Peel (Aug 5, 2020 11:31 GMT+1)

A Peel - Secretary

Date: 5 August 2020



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ARTHUR J. GALLAGHER (UK) LIMITED**

**Opinion**

We have audited the financial statements of Arthur J. Gallagher (UK) Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

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

**Emphasis of matter – Effects of COVID-19**

We draw attention to note 1 and note 25 in the accounts which describe the economic and social consequences the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

**Conclusions relating to going concern**

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

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

**Other information**

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

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
ARTHUR J. GALLAGHER (UK) LIMITED - continued**

**Matters on which we are required to report by exception**

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

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

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

**Responsibilities of Directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of our report**

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

*Ernst & Young LLP*

John Headley (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP  
Statutory Auditor  
London

Date: *10 August 2020*

**ARTHUR J. GALLAGHER (UK) LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
<b>TURNOVER</b>	2	230,556	145,483
Administrative expenses		(159,428)	(124,011)
Other operating income	3	<u>713</u>	<u>-</u>
<b>OPERATING PROFIT</b>	6	71,841	21,472
Interest receivable and similar income	7	1,494	854
Interest payable and similar expenses	8	<u>-</u>	<u>(164)</u>
<b>PROFIT BEFORE TAXATION</b>		73,335	22,162
Tax on profit	9	<u>(15,763)</u>	<u>(799)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>57,572</u></u>	<u><u>21,363</u></u>

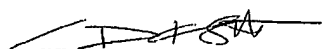
The notes form part of these financial statements

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

**STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2019**

	Notes	£'000	2019 £'000	2018 £'000
<b>FIXED ASSETS</b>				
Intangible assets	11		162,679	4,773
Tangible assets	12		11,425	12,997
Investments	13		<u>14,766</u>	<u>14,766</u>
			188,870	32,536
<b>CURRENT ASSETS</b>				
Debtors	14	887,401		627,046
Cash at bank	15	<u>289,206</u>		<u>274,822</u>
		1,176,607		901,868
<b>CREDITORS</b>				
Amounts falling due within one year	16	<u>1,013,438</u>		<u>815,508</u>
<b>NET CURRENT ASSETS</b>			<u>163,169</u>	<u>86,360</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			352,039	118,896
<b>CREDITORS</b>				
Amounts falling due after more than one year	17		135	323
<b>PROVISIONS FOR LIABILITIES</b>	20		<u>64,577</u>	<u>8,994</u>
<b>NET ASSETS</b>			<u>287,327</u>	<u>109,579</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	21		149,026	28,850
Share premium	22		3,606	3,606
Retained earnings	22		<u>134,695</u>	<u>77,123</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>287,327</u>	<u>109,579</u>

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



.....  
C Scott - Director

07/08/2020

The notes form part of these financial statements

**ARTHUR J. GALLAGHER (UK) LIMITED**

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

	<b>Called up share capital £'000</b>	<b>Share premium £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 January 2018</b>	28,850	3,606	66,060	98,516
<b>Changes in equity</b>				
Dividends paid	-	-	(10,300)	(10,300)
Profit for the financial year	-	-	21,363	21,363
<b>Balance at 31 December 2018</b>	<u>28,850</u>	<u>3,606</u>	<u>77,123</u>	<u>109,579</u>
<b>Changes in equity</b>				
Shares Issued	120,176	-	-	120,176
Profit for the financial year	-	-	57,572	57,572
<b>Balance at 31 December 2019</b>	<u>149,026</u>	<u>3,606</u>	<u>134,695</u>	<u>287,327</u>

The notes form part of these financial statements

## ARTHUR J. GALLAGHER (UK) LIMITED

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

#### 1. ACCOUNTING POLICIES

##### **Accounting convention**

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

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

##### **Basis of preparation**

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

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

The financial statements have been prepared on a going concern basis, under the historical cost basis. Given recent external developments and geopolitical disruption in relation to the ongoing COVID-19 pandemic, future forecasts and projections have been re-performed by the Company as at the time of signing. The potential stress on future profitability of the Company was also considered by Management as described in Note 25. This exercise concluded that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the signing of the Financial Statements. The Company is fully operational, has deployed continuity protocols and based on information available at the date of approval of the Financial Statements, the Company is not expected to be materially impacted by the COVID-19 pandemic. The Directors therefore continue to prepare the accounts on a going concern basis.

##### **Significant judgements and estimates**

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

##### **i. Goodwill and intangible fixed assets**

The Group establishes a reliable estimate of the useful lives of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

##### **ii Useful economic lives of tangible fixed assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

##### **iii. Impairment of investments**

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

##### **iv. Impairment of debtors**

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

## ARTHUR J. GALLAGHER (UK) LIMITED

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

#### 1. ACCOUNTING POLICIES - continued

##### Significant judgements and estimates – continued

##### v. Supplemental commission accrual

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

##### vi. Provisions

Where a provision is required the Group will perform calculations based on a policy regarding each individual category of provision. Each of these policies will be based on a degree of estimate and judgements. These policies are included within note 20.

##### Turnover

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

##### Interest receivable/payable

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

##### Operating leases

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

##### Taxation

Provision is made at current enacted rates for taxation. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax in future periods.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax assets and liabilities are not discounted.

##### Goodwill and intangible fixed assets

Intangible fixed assets arising on the acquisition of teams, other business and software have been capitalised, classified as assets in the Statement of Financial Position and amortised over their useful economic lives. They are reviewed for impairment if events or changes in circumstances indicate that the carrying values may not be recoverable.

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

Goodwill	- over a maximum of 10 years
Expiration lists	- over a maximum of 10 years
Computer software	- over 3 to 5 years

##### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated using the straight-line method based on the assets' useful lives.

The useful lives of the following tangible fixed assets are:

Leasehold improvements	- to lease expiration
Furniture and equipment	- over 3 to 10 years
Computer equipment	- over 3 to 5 years

## ARTHUR J. GALLAGHER (UK) LIMITED

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

#### 1. ACCOUNTING POLICIES - continued

##### **Fixed asset investments**

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

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

The position of the insurance broker as agent means that generally the credit risk is borne by the principals. However, there may be circumstances where the insurance broker acquires credit risk, through statute, or through the act or omission of the insurance broker or one of the principals. There is much legal uncertainty surrounding the circumstances and the extent of such exposure which, consequently, cannot be evaluated. The total of insurance broking debtors and creditors appearing in the Statement of Financial Position is therefore not an indication of credit risk.

It is normal practice for insurance brokers to settle accounts with other intermediaries, clients, insurers and market settlement bureaux on a net basis. Thus, large changes in insurance broking debtors and creditors can result from comparatively small cash settlements. For this reason, the totals of insurance broking debtors and creditors give no indication of future cash flows.

The legal status of this practice of net settlement is uncertain and in the event of insolvency it is generally abandoned. Offset of assets and liabilities should be recognised in financial statements where, and only where, the offset would survive the insolvency of the other party. Accordingly, only such offsets have been recognised in calculating insurance broking debtors and creditors.

##### **Short term debtors and creditors**

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

##### **Loans to/from group undertakings**

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

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

##### **Financial derivatives**

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date at which a derivative contract is entered into and are subsequently measured at fair value through the Statement of Comprehensive Income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

##### **Provisions**

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and that the economic benefit can be reliably measured.

##### **Foreign currencies**

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



# ARTHUR J. GALLAGHER (UK) LIMITED

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

### 2. TURNOVER

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

	2019 £'000	2018 £'000
<b>An analysis of turnover by class of business is given below:</b>		
Net Brokerage	197,714	123,889
Fees	11,350	8,598
Commission	<u>21,492</u>	<u>12,996</u>
	<u>230,556</u>	<u>145,483</u>

	2019 £'000	2018 £'000
<b>An analysis of turnover by geographical market is given below:</b>		
United Kingdom	81,599	59,615
Europe	41,526	22,352
United States of America	39,614	29,730
Other countries	<u>67,817</u>	<u>33,786</u>
	<u>230,556</u>	<u>145,483</u>

### 3. OTHER OPERATING INCOME

	2019 £'000	2018 £'000
Realised hedge gains/(losses)	375	-
Other income	<u>338</u>	<u>-</u>
	<u>713</u>	<u>-</u>

### 4. STAFF COSTS

The amounts relating to staff costs were incurred by Arthur J. Gallagher Services (UK) Limited. An amount of £112,971k (2018: £83,317k) was recharged back to the Company, and is accounted for in administrative expenses.

### 5. DIRECTORS' REMUNERATION

	2019 £'000	2018 £'000
Directors' remuneration	2,114	6,641
Directors' pension contributions to money purchase schemes	<u>8</u>	<u>15</u>
	<u>2,122</u>	<u>6,656</u>

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

Money purchase schemes	<u>2</u>	<u>3</u>
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Information regarding the highest paid Director is as follows:

	2019 £'000	2018 £'000
Director's remuneration	<u>540</u>	<u>3,791</u>

The above amounts represent remuneration allocated to the Directors based on their directorships of entities within the Group. This is on a different basis to which Directors remunerations are recharged to the Company and accounted for in administrative expenses.

**ARTHUR J. GALLAGHER (UK) LIMITED**

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

**6. OPERATING PROFIT**

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Goodwill amortisation	5,021	79
Expiration lists amortisation	6,324	288
Computer software amortisation	70	70
Depreciation - owned assets	1,707	1,783
Auditors' remuneration		
- statutory audit	224	182
- audit related assurance services	165	131
Land and building operating leases	5,894	4,427
Foreign exchange differences	722	196
Unrealised (gain)/loss on derivatives	<u>(8,359)</u>	<u>1,509</u>

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	<u>1,494</u>	<u>854</u>

**8. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Interest on loans from group undertakings	<u>-</u>	<u>164</u>

**9. TAXATION**

**Analysis of the tax charge**

The tax charge on the Statement of Comprehensive Income for the year was as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
UK corporation tax	14,756	740
Adjustments in respect of previous periods	<u>(740)</u>	<u>(14)</u>
Total current tax	<u>14,016</u>	<u>754</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	1,875	110
Adjustments in respect of previous periods	-	(15)
Effects of changes in tax rates	<u>(128)</u>	<u>(50)</u>
Total deferred tax	<u>1,747</u>	<u>45</u>
Tax on profit	<u>15,763</u>	<u>799</u>

# ARTHUR J. GALLAGHER (UK) LIMITED

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

### 9. TAXATION - continued

The tax charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	2019 £'000	2018 £'000
Profit before tax	<u>73,335</u>	<u>22,162</u>
Tax on profit at the standard UK rate of corporation tax of 19% (2018 - 19%)	13,934	4,211
<b>Effects of:</b>		
Adjustments in respect of previous periods	(740)	-
Expenses not deductible for tax purposes	3,464	614
Transfer pricing adjustments	923	755
Tax rate changes	(128)	(51)
Effects of group relief/other relief	<u>(1,690)</u>	<u>(4,730)</u>
Total tax charge	<u>15,763</u>	<u>799</u>

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

### 10. DIVIDENDS

	2019 £'000	2018 £'000
No dividends will be distributed for the year ended 31 December 2019 (2018: £10,300k).	<u>-</u>	<u>10,300</u>

### 11. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Expiration lists £'000	Computer software £'000	Totals £'000
<b>COST</b>				
At 1 January 2019	504	31,864	2,113	34,481
Additions	<u>88,575</u>	<u>80,746</u>	<u>-</u>	<u>169,321</u>
At 31 December 2019	<u>89,079</u>	<u>112,610</u>	<u>2,113</u>	<u>203,802</u>
<b>AMORTISATION</b>				
At 1 January 2019	314	27,464	1,930	29,708
Amortisation for year	<u>5,021</u>	<u>6,324</u>	<u>70</u>	<u>11,415</u>
At 31 December 2019	<u>5,335</u>	<u>33,788</u>	<u>2,000</u>	<u>41,123</u>
<b>NET BOOK VALUE</b>				
At 31 December 2019	<u>83,744</u>	<u>78,822</u>	<u>113</u>	<u>162,679</u>
At 31 December 2018	<u>190</u>	<u>4,400</u>	<u>183</u>	<u>4,773</u>

**ARTHUR J. GALLAGHER (UK) LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2019**
**11. INTANGIBLE FIXED ASSETS – continued**

Individual intangible assets that are deemed material to the financial statements by the Directors comprise:

Category	Asset	Carrying value	Remaining amortisation period
Goodwill	JLT Aerospace	£83,633k	9 years
Expiration Lists	JLT Aerospace	£74,649k	8 years

**12. TANGIBLE FIXED ASSETS**

	Leasehold improvements £'000	Furniture and equipment £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
<b>COST</b>					
At 1 January 2019	23,771	1,875	65	1,361	27,072
Additions	38	-	-	97	135
At 31 December 2019	23,809	1,875	65	1,458	27,207
<b>DEPRECIATION</b>					
At 1 January 2019	11,350	1,399	65	1,261	14,075
Charge for year	1,566	88	-	53	1,707
At 31 December 2019	12,916	1,487	65	1,314	15,782
<b>NET BOOK VALUE</b>					
At 31 December 2019	10,893	388	-	144	11,425
At 31 December 2018	12,421	476	-	100	12,997

**13. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £'000
<b>COST</b>	
At 1 January 2019 and 31 December 2019	14,766
<b>NET BOOK VALUE</b>	
At 31 December 2019	14,766
At 31 December 2018	14,766

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

Name of Company	Registered Address	Holding	Proportion of shares held
Alesco Risk Management Services Limited	The Walbrook Building	Ordinary Shares	100.00%
Risk Management Partners Limited	The Walbrook Building	Ordinary Shares	100.00%

Registered Address	Street Address
The Walbrook Building	25, Walbrook, London EC4N 8AW

**ARTHUR J. GALLAGHER (UK) LIMITED**

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

**14. DEBTORS**

	2019 £'000	2018 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	689,173	502,222
Amounts owed by group undertakings	172,472	113,258
Other debtors	17,480	6,521
Deferred tax asset	940	2,687
Prepayments and accrued income	5,845	2,358
	<u>885,910</u>	<u>627,046</u>
<b>Amounts falling due after more than one year:</b>		
Other debtors	<u>1,491</u>	<u>-</u>
<b>Aggregate amounts</b>	<u>887,401</u>	<u>627,046</u>

Contained within trade debtors is £63,137k (2018: £63,144k) relating to trading with group entities. Amounts owed by group undertakings are unsecured and repayable on demand. All loans are interest free with the exception of:

Aggregate loan value	Interest rate	Interest terms	Repayment period	Aggregate carrying value
£11,420k	0%	Compounded annually. Interest charge up to 31 Dec 2017. Thereafter from 1 Jan 2018 interest at 0%.	Repayable on demand	£15,251k
£10,093k	0%	Non-compounding. Interest charge up to 31 Dec 2017. Thereafter from 1 Jan 2018 interest at 0%.	Repayable on demand	£10,735k

	<b>Deferred tax</b> £'000
Balance at 1 January 2019	2,687
Deferred tax adjustment	<u>(1,747)</u>
Balance at 31 December 2019	<u>940</u>

**Deferred tax**

The above deferred tax asset represents £940k in relation to timing differences (2018: £2,687k). The amount of deferred tax that will unwind in the following accounting period is uncertain at this stage and therefore not quantifiable.

**15. CASH AT BANK**

	2019 £'000	2018 £'000
Restricted cash	274,949	239,751
Other cash and cash equivalents	<u>14,257</u>	<u>35,071</u>
	<u>289,206</u>	<u>274,822</u>

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

**16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019 £'000	2018 £'000
Trade creditors	926,406	742,725
Amounts owed to group undertakings	49,701	50,332
Corporation tax	14,757	740
Other creditors	6,751	6,621
Accruals and deferred income	<u>15,823</u>	<u>15,090</u>
	<u>1,013,438</u>	<u>815,508</u>

# ARTHUR J. GALLAGHER (UK) LIMITED

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

### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Contained within trade creditors is £7,512k (2018:£7,605k) relating to trading with group entities.

Amounts owed to group undertakings are unsecured and repayable on demand. All loans are interest free with the exception of:

Aggregate loan value	Interest rate	Interest terms	Repayment period	Aggregate carrying value
£3,000k	0%	Compounded annually. Interest charge up to 31 Dec 2017. Thereafter from 1 Jan 2018 interest at 0%.	Repayable on demand	£3,775k
£1,000k	0%	Non-compounding. Interest charge up to 31 Dec 2017. Thereafter from 1 Jan 2018 interest at 0%.	Repayable on demand	£1,137k

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Accruals and deferred income	<u>135</u>	<u>323</u>

### 18. OPERATING LEASE COMMITMENTS

Minimum lease payments under non-cancellable operating leases in the name of the Company fall due as follows:

	2019 £'000	2018 £'000
Within one year	8,767	8,649
Between one and five years	33,810	33,542
In more than five years	<u>22,752</u>	<u>30,447</u>
	<u>65,329</u>	<u>72,638</u>

### 19. FINANCIAL INSTRUMENTS

The Company has the following financial instruments:

Financial assets measured at fair value through the Statement of Comprehensive Income:

	2019 £'000	2018 £'000
Derivative financial instruments	<u>6,761</u>	<u>(1,584)</u>

Fair value through the Statement of Comprehensive Income has been calculated by comparing the USD:GBP equivalent option rate at the period end to the rate as set out in the option contract.

The Company entered into forward foreign currency options to mitigate the exchange rate risk for certain foreign currency revenues. The Group is committed to and has the option to buy Pound Sterling and pay a fixed US Dollar amount. As at 31 December 2019 the outstanding contracts all mature within 30 months of the period end.

The forward foreign currency options are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the option exchange rates for USD:GBP. The fair value of the forward foreign currency options is £6,761k (2018: (£1,584k)), both of which are contained in other debtors within note 14 and other creditors with note 16 respectively.

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

				2019	2018
				£'000	£'000
Provisions				64,577	8,994
	Errors and omissions provision	Future servicing and claims handling costs	Property dilapidation provision	Purchase price obligation provision	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2019	1,157	4,871	1,916	1,050	8,994
Incurred during year	572	2,185	404	55,572	58,733
Released during year	(2)	-	(1)	-	(3)
Utilised during year	(151)	(1,943)	-	-	(2,094)
Transferred during the year	-	-	-	(1,053)	(1,053)
At 31 December 2019	1,576	5,113	2,319	55,569	64,577

The Company faces a number of litigation and other claims, the resolution of which is uncertain, which have arisen in the ordinary course of business. Having taken appropriate legal advice and having regards to the Group's errors and omissions insurance arrangements, the Directors have provided amounts which they consider to be a realistic appraisal of the ultimate likely cost of these various claims against the Company. The provision is subject to regular review by the Group's legal department, external legal advisers and the Directors. The timing of outflows relating to these liabilities is uncertain as at the end of the reporting period.

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 timing of outflows relating to these liabilities is uncertain as at the end of the reporting period.

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

In 2019 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.

# ARTHUR J. GALLAGHER (UK) LIMITED

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

### 21. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £'000	2018 £'000
149,025,800	Ordinary	£1	<u>149,026</u>	<u>28,850</u>

The ordinary shares rank equally in terms of voting rights, one vote for each share, and in the rights to participate in all approved dividend distribution for that class of share.

Reconciliation of movements during the period:	No. Of Shares	Value at Par £'000
At 1 January 2019	28,850,000	28,850
Issue of fully paid shares	<u>120,175,800</u>	<u>120,176</u>
At 31 December 2019	<u>149,025,800</u>	<u>149,026</u>

113,441,500 £1 ordinary shares were issued on 31 May 2019 for a total cash consideration of £113,442k. 6,734,300 £1 ordinary shares were then issued on 7 October 2019 for a total cash consideration of £6,734k.

### 22. RESERVES

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

Share Premium - this reserve records the amount above the nominal value received for shares issued, less transaction costs.

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

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

### 24. RELATED PARTY DISCLOSURES

During the year the following transactions took place within the Group on behalf of the Company.

	Amounts paid on behalf of related party £'000	Amounts received on behalf of related party £'000	Balance at 31 December 2019 £'000
Other related parties	286,782	(289,095)	(7,727)*

\*The individual balances within this net balance are included within amounts owed by group undertakings and amounts owed to group undertakings in notes 14 and 16 respectively.

### 25. EVENTS AFTER THE REPORTING PERIOD

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

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

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



**ARTHUR J. GALLAGHER (UK) LIMITED**

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

**25. EVENTS AFTER THE REPORTING PERIOD - continued**

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

The potential impairment of acquired JLT Aviation intangible assets and earn out liabilities recognised in FY19 have been reassessed by Management as at the date of approval of the financial statements. Due to the ongoing uncertainty on any potential reduction in the related contractual earn outs and future revenues on the related book of business given the current global aviation uncertainty, no adjustment to the intangible assets or earn out has occurred in the post balance sheet period

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