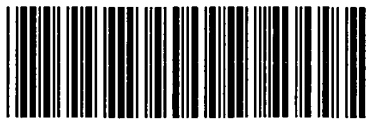


**STRATEGIC REPORT, DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021  
FOR  
ARTHUR J. GALLAGHER (UK) LIMITED**

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

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FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**DIRECTORS:**

J Drummond-Smith (Non-Executive)  
E Jenkin (Non-Executive)  
L Patten (Non-Executive)  
M Belton  
D Cousins  
J Turner  
T Wakefield  
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 2021**

The Directors present their Strategic Report for the year ended 31 December 2021.

#### **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 2021 are set out in the financial statements on pages 11 to 25.

The Company performed exceptionally well in the year to 31 December 2021, with turnover increasing 20% to £319,960k (2020: £266,611k). As with 2020, in 2021 only a minority of the Company's trading units were impacted negatively by the COVID-19 pandemic with any revenue reductions largely offset by reduced travel & entertainment expenditure as well as a programme of targeted cost control.

Insurance premium rates continued to harden across a number of classes of business. Rate increases have stabilised in some areas but rate softening has so far been very limited as insurers continue to address an extended period of weak profitability and wrestle with some large loss events. Retention and new business were both strong in 2021 with neither showing any adverse effects of the pandemic. Furthermore investment in both new and existing broking talent as well as product development continue to drive growth.

Comparisons between 2021 and 2020 are impacted by the full year impact of two factors both dated 1 October 2020. Firstly the Brexit related sale of European Assets to another Group subsidiary, transferring related clients to that subsidiary; and the integration and hive up of various Capsicum Reinsurance LLPs (now rebranded Gallagher Re) into the Company.

Profit before tax for the year was £110,391k (2020: £99,681k). The increase in profitability of £10,710k is depressed somewhat by the one-off non Gallagher Re profit distribution in 2020 of £39,756k. Absent that distribution the underlying increase in profitability compares very well to the increase in turnover of £53,349k.

Looking ahead, we aim to become a market leader in all our chosen areas of specialty and reinsurance 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 Inclusion & Diversity initiatives.

Given the external developments and geopolitical disruption in relation to the ongoing COVID-19 pandemic and more recently the conflict in Ukraine, future forecasts and projections have taken these conditions into account. The Company has not been impacted materially by either the pandemic or conflict noting secondary impacts from economic uncertainty, supply chain issues and inflationary pressures are complex and therefore also being monitored very closely. The Company has adequate resources to continue in operational existence for a period of at least to 30 September 2023, and no material uncertainties related to going concern have been identified.

#### **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, the environment and the wider community. 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 2021 with details of the stakeholder engagement process undertaken in arriving at them, and how it influenced the decisions taken.

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

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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

##### **Acquisition of Willis Re UK assets**

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

Arthur J. Gallagher & Co. agreed to acquire the treaty reinsurance brokerage operations of Willis Towers Watson in August 2021. Although the to-be-acquired business was global, a significant proportion of its assets were located in the UK. It was agreed that the majority of these UK assets would eventually be integrated into Arthur J. Gallagher (UK) Limited.

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

The Board met in November 2021 to consider the proposed acquisition of the UK assets of Willis Re. Directors were briefed on the background to the proposal, financial information relating to the target business, and key risks relating to the transaction. The Board also considered the interests of stakeholders impacted by the transaction. This included employees of Willis Re, who would transition to Gallagher employment by way of a TUPE transfer. Particularly careful attention was paid to the needs of employees transferring into the Gallagher Group from Willis Re. The Board considered the positive engagement which had taken place with the Financial Conduct Authority in the run-up to the acquisition. The Board was also careful to understand the implications of the transaction for clients, and to ensure that appropriate transitional arrangements were made to ensure that Willis Re clients would be supported through the transition process.

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

The Gallagher Group completed its acquisition of Willis Re on 1 December 2021. This resulted in Gallagher Re becoming the world's third largest reinsurance broker, with more than 70 offices across 31 countries and around 2,400 staff. Arthur J. Gallagher (UK) Limited took on the majority of the UK assets of Willis Re, and then began a successful process of integration.

##### **Deposit Unlock**

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

In May 2021, the Board was briefed on a new product devised by Gallagher Re, Deposit Unlock. Deposit Unlock is a 5% deposit scheme for homebuyers, in collaboration with mortgage lenders and the housebuilding industry. It enables first time buyers and existing homeowners to purchase a new-build home with a 5% deposit, and provides customers with competitively priced mortgage products, making buying a new home more affordable.

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

Deposit Unlock enables both those buying their first home, and existing homeowners, to purchase a new-build home with just a 5% deposit mortgage at competitive interest rates issued by mortgage lenders. This is achieved via an innovative insurance-led solution that was collaboratively built with lenders and the housebuilding industry, and led by the Home Builders Federation (England and Wales), and Homes for Scotland.

The Board was briefed on the structure of the product, and the market for it, and noted that this was an example of the Company serving a social purpose by increasing access to new-build home ownership, backed by reinsurance and supported by mortgage providers.

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

After a successful pilot scheme, low-deposit mortgages through Deposit Unlock are now available through Newcastle Building Society and Nationwide Building Society.

##### **Employee Engagement Survey (November 2021)**

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

Employees are a key stakeholder group for the Company, being its key producers of revenue. The Company is responsible for a large workforce, and the wellbeing and development of our employees is a key priority for the Board.

###### **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 the third quarter of 2021, led by the HR function and facilitated by an external provider, Ixia. A high proportion of the Company's employees responded to the 2021 survey, which gave the Board confidence in both the integrity of the results and also the fact that colleagues feel able to express their views. A high Engagement score of 83% Favourable was achieved by both the Specialty and Reinsurance businesses, including particularly strong scores for trust and manager effectiveness.

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

The Board noted the excellent results of the 2021 Engagement Survey of its Specialty and Reinsurance divisions, which also provided clear areas of focus for 2022. Following the Board's review of the results, an action plan was drawn up to ensure that employee feedback could be acted upon.

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

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

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

##### **Environmental, Social and Governance (ESG)**

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

It is clear that there is an increased level of interest in ESG and social value from all of our stakeholders, including clients, peers, insurance partners and the media. For example, clients are now frequently attributing an increased weighting to ESG matters in the tenders in which we participate. Current and prospective employees, and partner organisations, and our regulator, the Financial Conduct Authority, are eager to understand our position on a range of ESG matters.

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

In April 2021, an ESG Committee was established for Gallagher in the UK, chaired by the Chief Risk and Compliance Officer, and benefitting from the involvement of one of our Non-Executive Directors. August 2021 saw the appointment of a dedicated Head of ESG Inclusion & Diversity for Gallagher in the UK who, since then, has reported progress on ESG initiatives.

Overseen by the Board of Arthur J. Gallagher Holdings (UK) Limited, the ESG Committee continues to drive progress in each of its focus areas. These include a Communications workstream, which has engaged with Gallagher employees about the meaning of ESG, what the Company is doing to address ESG issues within our business and what opportunities this presents for growth. The Environment & Sustainability workstream has focussed on managing the environmental impact of our directly controlled office spaces, reducing our impact through plastics reductions and building on the results of our first Streamlined Energy and Carbon Report (SECR) from 2020. Our real estate team are now engaging with landlords across our property portfolio to better understand the efficiency of our estate, and will work on driving improvements in these areas (such as confirming that the landlord controlled electricity supply is renewable, and on in-office efficiencies such as sensor LED lighting and reducing the percentage of waste going to landfill). In addition, a new Supplier Code of Conduct has been produced to challenge suppliers on their own approaches and ensure our supply chain is operating in line with Gallagher's ESG ambitions. A Corporate Social Responsibility & Community workstream promotes engagement by Gallagher colleagues with our Matched Giving and Community Fund programmes. This workstream has reinvigorated our volunteering programme and network of charity champions, who encourage and drive local support for grass roots charities in the communities in which we operate. The Governance workstream has considered our ESG communications and disclosures, and how best to frame our already robust governance structure through an ESG lens. A 'Commercial Specialty' workstream, in which the Company's employees have played an active part, was also included. The Governance workstream has also reviewed risk appetite statements and how these might be influenced by ESG, for example how we look at climate change through our risk processes.

In 2021, the Board has taken an active involvement in promoting inclusion and diversity (I&D) within the organisation, and considers I&D in the context of recruitment, succession planning, and remuneration and reward. The Board receives data on the progress of the Company's I&D initiatives, to which it is firmly committed. The Company's employees continue to play an active role in the Inclusion & Diversity Committee, as well as in the working groups assisting in the design of the activities covering the specific work-streams, namely Mental Health, Disability, Gender, Social Mobility & the Multi-Ethnicity Racial Alliance (MERA).

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

Our ESG workstreams and initiatives impact all of the Company's stakeholders. The Board's involvement in, and strong commitment to, this area is driving change throughout the business, with a growing awareness of ESG issues across our workforce, and increasingly active engagement with our clients, suppliers, partner organisations and other bodies, such as charities and our regulator. The ESG programme has already produced tangible benefits, such as the removal of single use plastics from our offices, transitioning our electricity supplies to renewable sources. The Board will seek to ensure continued progress in delivering our ESG agenda.

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.

##### **STREAMLINED ENERGY AND CARBON REPORTING (SECR)**

The UK government's SECR policy was implemented on 1 April 2019 when "The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018" came into force. The legislation requires that large (as defined in sections 465 and 466 of the Companies Act 2006), unquoted companies report on UK energy use and associated greenhouse gas emissions relating to gas, electricity and transport fuel as well as an intensity ratio and information relating to energy efficiency action, through its annual report.

For GGB UK companies, the Directors decided to aggregate the report and consolidate the energy and carbon information under SECR. Detailed disclosures can be found within the Strategic Report of Arthur J Gallagher Holdings (UK) Limited year ended 31 December 2021 financial statements.

## ARTHUR J. GALLAGHER (UK) LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

#### 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 the most material risks. To facilitate this, the UK Group maintains a risk framework, through which the key risks affecting the UK Group are identified, assessed and monitored. Each business entity also undertakes a similar process and these risk profiles help inform the overall risk profile of the UK business. This is reviewed by each business division's risk and conduct committee and in turn the combined risk profile is overseen by the GGB –UK Risk Committee, which is chaired and attended by independent non-executive members, and reports to the Board of Directors.

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 most material risks facing the business 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. Regular assessments by this function, are undertaken within the business, to gain assurance on compliance and monitoring of the compliance and regulatory requirements. The outcomes of these reviews are regularly reported to the Risk Committee and Board of Directors. 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, principal among which are incorrect underwriting, the protection of client information, the prevention of cyber and financial crime, suppliers, facilities and IT resilience, M&A, compliance with regulations and not least employees. This also takes into account areas such as ESG. An appropriate control framework has been deployed to manage and mitigate these key operational risks. A broader Operational Resilience Programme is underway to meet the FCA's operational resilience requirements and builds on the existing measures in place in this respect. There is a defined risk framework for the assessment of the risks through the acquisition of organisations and their integration into the Gallagher organisation. The assessment of risks also includes a regular programme of stress testing and assessments of both the operational and financial resilience of the business.

#### BY ORDER OF THE BOARD:

*Alistair C. Peel*

.....  
A Peel - Secretary

Date: 30 August 2022  
.....

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

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2021. The results for the Company for the year ended 31 December 2021 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 2021 to the date of this report are as follows:

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

Other changes in Directors holding office are as follows:

D Cousins – appointed 21 June 2021  
E Jenkin (Non-Executive) – appointed 1 December 2021  
C Richmond - resigned 1 January 2021  
C Scott - resigned 1 January 2021  
T Wakefield – appointed 17 February 2022

#### **DIVIDENDS**

No final dividend will be distributed for the year ended 31 December 2021 (2020: Nil). Interim dividends totalling £2,119k were paid during the year (2020: Nil).

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

Information relating to events after the reporting period is given in note 24 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 in accordance with Section 10 of FRS 102, Accounting Policies, Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides, relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- 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 2021**

**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 C. Peel*

.....  
A Peel - Secretary

Date: 30 August 2022  
.....

## **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 2021 ("the company") which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income 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 2021 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. 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.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

**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 are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

**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 pages 6 and 7, 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.

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

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are direct laws and regulations related to the financial reporting framework (UK GAAP and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. Our considerations of other laws and regulations that may have a material effect on the company included the permissions and supervisory requirements of the Financial Conduct Authority ('FCA').
- We understood how the company is complying with the legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the company. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the company and regulatory bodies. We reviewed minutes of the Board to identify any areas of non-compliance with laws and regulations. We also obtained an understanding of the company's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the company and senior management for their awareness of any noncompliance of laws or regulations; enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees; enquiring about the company's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with the FCA.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has implemented to address risks identified by the company, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher in areas such as the valuation of intangible assets and revenue recognition, we performed audit procedures to address each identified fraud risk. Our procedures also included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

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.

DocuSigned by:

**Ernst & Young LLP**

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Benjamin Gregory, Senior Statutory Auditor  
For and on behalf of Ernst & Young LLP  
London

Date: 31 August 2022

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

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>Notes</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
<b>TURNOVER</b>	2	319,960	266,611
Administrative expenses		(232,679)	(221,460)
Other Income	3	<u>20,850</u>	<u>13,673</u>
<b>GROSS PROFIT</b>	6	108,131	58,824
Investment income	7	-	39,756
Interest receivable and similar income	8	<u>2,260</u>	<u>1,101</u>
<b>PROFIT BEFORE TAXATION</b>		110,391	99,681
Tax on profit	9	<u>(21,976)</u>	<u>(16,152)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>88,415</u></u>	<u><u>83,529</u></u>

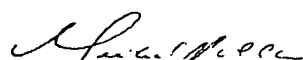
The notes form part of these financial statements

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

STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2021

	Notes	£'000	2021 £'000	£'000	2020 £'000
<b>FIXED ASSETS</b>					
Intangible assets	10		99,223		112,542
Tangible assets	11		15,763		15,319
Investments	12		<u>14,766</u>		<u>16,693</u>
			129,752		144,554
<b>CURRENT ASSETS</b>					
Debtors	13	1,183,285		1,055,815	
Cash at bank	14	<u>495,324</u>		<u>419,171</u>	
		1,678,609		1,474,986	
<b>CREDITORS</b>					
Amounts falling due within one year	15	<u>1,340,268</u>		<u>1,237,372</u>	
<b>NET CURRENT ASSETS</b>			<u>338,341</u>		<u>237,614</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			468,093		382,168
<b>CREDITORS</b>					
Amounts falling due after more than one year	16		304		804
<b>PROVISIONS FOR LIABILITIES</b>	19		<u>10,637</u>		<u>10,508</u>
<b>NET ASSETS</b>			<u>457,152</u>		<u>370,856</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		149,026		149,026
Share premium	21		3,606		3,606
Retained earnings	21		<u>304,520</u>		<u>218,224</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>457,152</u>		<u>370,856</u>

The financial statements were approved and authorised for issue by the Board of Directors on 30th August 2022 and were signed on its behalf by:



Mike Belton - Director

The notes form part of these financial statements

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<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 2020</b>	149,026	3,606	134,695	287,327
<b>Changes in equity</b>				
Shares Issued	-	-	-	-
Profit for the financial year	-	-	83,529	83,529
<b>Balance at 31 December 2020</b>	<u>149,026</u>	<u>3,606</u>	<u>218,224</u>	<u>370,856</u>
<b>Changes in equity</b>				
Dividends paid	-	-	(2,119)	(2,119)
Profit for the financial year	-	-	88,415	88,415
<b>Balance at 31 December 2021</b>	<u>149,026</u>	<u>3,606</u>	<u>304,520</u>	<u>457,152</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 2021

#### 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.

Arthur J. Gallagher (UK) Limited is a private company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page. The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates and the accounts are presented in £'000s.

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 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 Company has also taken advantage of the exemptions available under paragraph 33.1A of FRS 102 Related Party Disclosures, not to disclose transactions that have taken place between members of the Group where the party to the transaction is a wholly owned member.

The financial statements have been prepared on a going concern basis, under the historical cost basis. Given the external developments and geopolitical disruption in relation to the ongoing COVID-19 pandemic, future forecasts and projections have taken these conditions into account. The disruption caused by the COVID-19 pandemic has reduced since the prior year and no additional risk is expected. The Company is fully operational, has deployed continuity protocols and has not been materially impacted by the COVID-19 pandemic. The business is not impacted materially by the conflict in Ukraine. The Company has adequate resources to continue in operational existence for a period of at least to 30 September 2023, and no material uncertainties related to going concern have been identified. 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.



## ARTHUR J. GALLAGHER (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1. ACCOUNTING POLICIES - continued

##### Significant judgements and estimates – continued

##### 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.

##### 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 19.

##### Turnover

Turnover represents brokerage and fees associated with placing insurance and reinsurance contracts. It is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. 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.

Turnover is split into 3 classifications which are defined as follows:

Net Brokerage: Commission less brokerage expense (payaway; introducer etc.)

Fees: Fees and other income

Commission: Supplemental (ISA, override) and contingent income (profit share)

##### Investment income

Investment income represents share of profits from the Gallagher Reinsurance Brokers Group LLPs of which this entity is a Member. The profit shares are allocated on an annual basis in line with the individual Members' agreements of each LLP. The LLPs hived their business to AJGUK in 2020 and were subsequently eliminated in January 2022 therefore no investment income was received in 2021.

##### Interest receivable

Interest receivable 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.

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

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**1. ACCOUNTING POLICIES – continued**

**Goodwill and intangible fixed assets - continued**

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

**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.

## ARTHUR J. GALLAGHER (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1. ACCOUNTING POLICIES – continued

##### 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.

##### Dividends

Dividends are recognised when declared and paid during the financial year and no longer at the discretion of the Company.

#### 2. TURNOVER

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

	2021 £'000	2020 £'000
<b>An analysis of turnover by class of business is given below:</b>		
Net Brokerage*	262,847	225,508
Fees	26,998	15,308
Commission	30,115	25,795
	<u>319,960</u>	<u>266,611</u>

\*Offsetting items within net brokerage as described in note 1 is £14,082k.

	2021 £'000	2020 £'000
<b>An analysis of turnover by geographical market is given below:</b>		
United Kingdom	153,058	101,794
Europe	-	32,223
United States of America	66,460	49,936
Other countries	100,442	82,658
	<u>319,960</u>	<u>266,611</u>

#### 3. OTHER INCOME

	2021 £'000	2020 £'000
Realised hedge gains	2,520	1,164
Other income	451	232
Gain on sale of business to fellow group subsidiary	17,879	12,277
	<u>20,850</u>	<u>13,673</u>

#### 4. STAFF COSTS

The amounts relating to staff costs were incurred by Arthur J. Gallagher Services (UK) Limited. An amount of £143,471k (2020: £129,584k) was recharged back to the Company, and is accounted for in administrative expenses.

**ARTHUR J. GALLAGHER (UK) LIMITED****NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021****5. DIRECTORS' REMUNERATION**

	2021 £'000	2020 £'000
Directors' remuneration	1,491	1,648
Directors' pension contributions to money purchase schemes	21	19
	<u>1,512</u>	<u>1,667</u>

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

Money purchase schemes	<u>2</u>	<u>3</u>
------------------------	----------	----------

Information regarding the highest paid Director is as follows:

	2021 £'000	2020 £'000
Director's remuneration	<u>673</u>	<u>566</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.

**6. GROSS PROFIT**

The gross profit is stated after charging:

	2021 £'000	2020 £'000
Goodwill amortisation	8,890	8,936
Expiration lists amortisation	5,718	9,198
Computer software amortisation	187	97
Depreciation - owned assets	4,118	2,335
Auditors' remuneration		
- statutory audit	237	202
- audit related assurance services	174	153
Land and building operating leases	5,983	7,681
Foreign exchange differences	110	8,951
Unrealised loss on derivatives	<u>4,549</u>	<u>1,626</u>

**7. INVESTMENT INCOME**

	2021 £'000	2020 £'000
Share of profits of group undertakings	<u>-</u>	<u>39,756</u>

In 2020 the Company received a profit share from its investment in its subsidiaries Gallagher Reinsurance Brokers Group LLPs. The Gallagher Reinsurance Brokers Group LLPs were then eliminated in 2021, therefore the Company no longer receives a profit share.

**8. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2021 £'000	2020 £'000
Bank interest	92	375
Interest on loans to group undertakings	<u>2,168</u>	<u>726</u>
	<u>2,260</u>	<u>1,101</u>

# ARTHUR J. GALLAGHER (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

### 9. TAXATION

#### Analysis of the tax charge

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

	2021 £'000	2020 £'000
<b>Current tax:</b>		
UK corporation tax	23,659	14,709
Adjustments in respect of previous periods	<u>(385)</u>	<u>1,695</u>
Total current tax	<u>23,274</u>	<u>16,404</u>
	2021 £'000	2020 £'000
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(857)	(141)
Adjustment in respect of prior periods	156	-
Effects of changes in tax rates	<u>(597)</u>	<u>(111)</u>
Total deferred tax	<u>(1,298)</u>	<u>(252)</u>
Tax on profit	<u>21,976</u>	<u>16,152</u>

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

	2021 £'000	2020 £'000
Profit before tax	<u>110,391</u>	<u>99,681</u>
Tax on profit at the standard UK rate of corporation tax of 19% (2020 - 19%)	20,974	18,939
<b>Effects of:</b>		
Adjustments in respect of previous periods	(229)	1,695
Expenses not deductible for tax purposes	3,493	4,418
Non-taxable gain on sale of business to fellow group subsidiary	-	(2,420)
Investment income non-taxable	(3,431)	(7,553)
Transfer pricing adjustments	1,766	1,184
Tax rate changes	<u>(597)</u>	<u>(111)</u>
Total tax charge	<u>21,976</u>	<u>16,152</u>

The Company profits are taxable in the UK under the standard rate of corporation tax being 19% (2020: 19%). The Company is expected to continue to attract the standard rate of UK corporation tax. On 10 June the UK Government legislated to increase the main rate of corporation tax to 25% as of 1 April 2023. This increase has been reflected in the 2021 closing deferred tax asset.

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

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**10. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £'000</b>	<b>Expiration lists £'000</b>	<b>Computer software £'000</b>	<b>Totals £'000</b>
<b>COST</b>				
At 1 January 2021	89,079	74,954	2,292	166,325
Additions	-	1,137	339	1,476
At 31 December 2021	<u>89,079</u>	<u>76,091</u>	<u>2,631</u>	<u>167,801</u>
<b>AMORTISATION</b>				
At 1 January 2021	14,271	37,415	2,097	53,783
Amortisation for year	8,890	5,718	187	14,795
At 31 December 2021	<u>23,161</u>	<u>43,133</u>	<u>2,284</u>	<u>68,578</u>
<b>NET BOOK VALUE</b>				
At 31 December 2021	<u>65,918</u>	<u>32,958</u>	<u>347</u>	<u>99,223</u>
At 31 December 2020	<u>74,808</u>	<u>37,539</u>	<u>195</u>	<u>112,542</u>

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

<b>Category</b>	<b>Asset</b>	<b>Carrying value</b>	<b>Remaining amortisation period</b>
Goodwill	JLT Aerospace	£65,918k	7 years
Expiration Lists	JLT Aerospace	£29,028k	6 years

**11. TANGIBLE FIXED ASSETS**

	<b>Leasehold improvements £'000</b>	<b>Furniture and equipment £'000</b>	<b>Motor vehicles £'000</b>	<b>Computer equipment £'000</b>	<b>Totals £'000</b>
<b>COST</b>					
At 1 January 2021	27,840	2,636	65	2,895	33,436
Additions	3,350	1,123	-	125	4,598
Disposals	(1,471)	(40)	-	-	(1,511)
At 31 December 2021	<u>29,719</u>	<u>3,719</u>	<u>65</u>	<u>3,020</u>	<u>36,523</u>
<b>DEPRECIATION</b>					
At 1 January 2021	14,775	1,604	65	1,673	18,117
Charge for year	3,425	192	-	501	4,118
Released on disposal	(1,471)	(4)	-	-	(1,475)
At 31 December 2021	<u>16,729</u>	<u>1,792</u>	<u>65</u>	<u>2,174</u>	<u>20,760</u>
<b>NET BOOK VALUE</b>					
At 31 December 2021	<u>12,990</u>	<u>1,927</u>	<u>-</u>	<u>846</u>	<u>15,763</u>
At 31 December 2020	<u>13,065</u>	<u>1,032</u>	<u>-</u>	<u>1,222</u>	<u>15,319</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**12. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £'000
<b>COST</b>	
At 1 January 2021	16,693
Disposals	<u>(1,927)</u>
At 31 December 2021	14,766
<b>NET BOOK VALUE</b>	
At 31 December 2021	<u>14,766</u>
At 31 December 2020	<u>16,693</u>

During the year, the Company disposed 100% of its investment in Gallagher Re Brasil Participacoes Ltda and Gallagher Re Miami Inc.

A full listing of the Company's investments at the year-end is detailed within note 25.

**13. DEBTORS**

	2021 £'000	2020 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	779,875	700,766
Amounts owed by group undertakings	327,305	273,198
Other debtors	14,666	18,121
Deferred tax asset	2,490	1,192
Prepayments and accrued income	<u>3,683</u>	<u>4,426</u>
	<u>1,128,019</u>	<u>997,703</u>
<b>Amounts falling due after more than one year:</b>		
Other debtors	-	313
Amounts owed by group undertakings	<u>55,266</u>	<u>57,799</u>
	<u>55,266</u>	<u>58,112</u>
<b>Aggregate amounts</b>	<u>1,183,285</u>	<u>1,055,815</u>

Amounts owed by group undertakings due within one year 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
£17,879k	1.5%	Non-compounding.	Repayable on demand	£17,879k

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

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**13. DEBTORS - continued**

Amounts owed by group undertakings falling due after more than one year are unsecured and have the following terms and conditions:

Aggregate loan value	Interest rate	Interest terms	Repayment period	Aggregate carrying value
£43,017k	4%	Compounded annually.	10 years from commencement (2030)	£45,362k
£9,392k	4%	Compounded annually.	10 years from commencement (2030)	£9,904k

**Deferred tax**

	<b>£'000</b>
Balance at 1 January 2021	1,192
Deferred tax charge to income statement for the period	<u>1,298</u>
Balance at 31 December 2021	<u>2,490</u>

**Deferred tax**

The above deferred tax asset represents £2,490k in relation to timing differences (2020: £1,192k). The amount of deferred tax that will unwind in the following accounting period is uncertain at this stage and therefore not quantifiable.

**14. CASH AT BANK**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Restricted cash	468,037	401,856
Other cash and cash equivalents	<u>27,287</u>	<u>17,315</u>
	<u>495,324</u>	<u>419,171</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.

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	1,256,924	1,069,670
Amounts owed to group undertakings	43,592	71,371
Corporation tax	19,704	14,708
Group relief creditor	3,954	-
Other creditors	4,042	65,974
Accruals and deferred income	<u>12,052</u>	<u>15,649</u>
	<u>1,340,268</u>	<u>1,237,372</u>

Contained within other creditors is £1,562k (2020: £58,486k) relating to short-term Purchase Price Obligations transferred from provisions. 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
£18,240k	0%	Interest at 0%.	Repayable on demand	£18,240k

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Accruals and deferred income	<u>304</u>	<u>804</u>



# ARTHUR J. GALLAGHER (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

### 17. OPERATING LEASE COMMITMENTS

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

	2021 £'000	2020 £'000
Within one year	7,767	8,840
Between one and five years	27,886	32,829
In more than five years	9,779	15,294
	<u>45,432</u>	<u>56,963</u>

### 18. FINANCIAL INSTRUMENTS

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

	2021 £'000	2020 £'000
Derivative financial instruments	<u>(599)</u>	<u>5,117</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 2021 the outstanding contracts all mature within 34 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 (£599k) (2020: £5,117k), both of which are contained in other creditors within note 15.

### 19. PROVISIONS FOR LIABILITIES

			2021 £'000	2020 £'000
Provisions			<u>10,637</u>	<u>10,508</u>
	Errors and omissions provision	Future servicing and claims handling costs	Property dilapidation provision	Total
	£'000	£'000	£'000	£'000
At 1 January 2021	1,324	6,293	2,891	10,508
Incurred during year	186	2,486	203	2,875
Released during year	(21)	-	-	(21)
Utilised during year	<u>(411)</u>	<u>(1,814)</u>	<u>(500)</u>	<u>(2,725)</u>
At 31 December 2021	1,078	6,965	2,594	10,637

#### Errors and omissions provision

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.

## ARTHUR J. GALLAGHER (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

#### 19. PROVISIONS - continued

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

##### Property dilapidation provision

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 periods.

#### 20. CALLED UP SHARE CAPITAL

##### Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021 £'000	2020 £'000
149,025,800	Ordinary	£1	<u>149,026</u>	<u>149,026</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.

#### 21. 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.

#### 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 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.

#### 23. 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 2021 £'000
Related parties not 100% owned by Group	25,096	(28,238)	5,397*

\*The individual balances within this net balance are included within amounts owed by group undertakings and amounts owed to group undertakings in notes 13 and 15 respectively.

The Company has taken advantage of the exemptions available under paragraph 33.1A of FRS 102 Related Party Disclosures, not to disclose transactions that have taken place between members of the Group where the party to the transaction is a wholly owned member.

#### 24. EVENTS AFTER THE REPORTING PERIOD

The trade and assets of fellow Group subsidiary, Stormclose Limited, transferred to the Company on 1 March 2022. This is considered to be a non-adjusting event after the reporting period.

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

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

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**25. INVESTMENT IN SUBSIDIARIES**

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

<b>Name of Company</b>	<b>Registered Address</b>	<b>Holding</b>	<b>Proportion of shares held</b>
Risk Management Partners Ltd.	The Walbrook Building	Ordinary Shares	100.00%
Alesco Risk Management Services Limited	The Walbrook Building	Ordinary Shares A & B	100.00%
Capsicum Reinsurance Brokers LLP	The Walbrook Building	Partnership	99.99%
Capsicum Reinsurance Brokers No.1 LLP*	The Walbrook Building	Partnership	40.00%
Capsicum Reinsurance Brokers No.2 LLP*	The Walbrook Building	Partnership	40.00%
Capsicum Reinsurance Brokers No.3 LLP*	The Walbrook Building	Partnership	40.00%
Capsicum Reinsurance Brokers Bermuda Limited	Bermuda	Ordinary Shares	100.00%
Capsicum Reinsurance Brokers No.4 LLP*	The Walbrook Building	Partnership	40.00%
Capsicum Reinsurance Brokers No.5 LLP*	The Walbrook Building	Partnership	40.00%
Capsicum Reinsurance Brokers No.6 LLP*	The Walbrook Building	Partnership	40.00%
Capsicum Reinsurance Brokers No.7 LLP*	The Walbrook Building	Partnership	40.00%
Capsicum Reinsurance Brokers No.9 LLP*	The Walbrook Building	Partnership	40.00%
Capsicum Reinsurance Brokers No.11 LLP*	The Walbrook Building	Partnership	40.00%
Alize Limited	Cumberland House	Ordinary Shares	100.00%

\* Dissolved January 2022

<b>Registered Address</b>	<b>Street Address</b>
The Walbrook Building	25 Walbrook, London, EC4N 8AW
Bermuda	Overbay 106 Pitts Bay Road, Pembroke, Bermuda, HM08
Cumberland House	1 Victoria Street, Hamilton, Bermuda