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**STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
FOR
ARTHUR J. GALLAGHER (UK) LIMITED**



ARTHUR J. GALLAGHER (UK) LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2020**

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ARTHUR J. GALLAGHER (UK) LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020**

DIRECTORS:

J Drummond-Smith (Non-Executive)
L Patten (Non-Executive)
M Belton
D Cousins
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 2020

The Directors present their Strategic Report for the year ended 31 December 2020.

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 2020 are set out in the financial statements on pages 11 to 26.

The Company performed exceptionally well in the year to 31 December 2020, with turnover increasing 15.6% to £266,611k (2019: £230,556k). A minority of the Company's trading units were impacted negatively by the COVID-19 pandemic however any revenue reductions were largely offset by a significant reduction in travel & entertainment expenditure as well as a programme of targeted cost control.

Insurance premium rates hardened and insurer capacity reduced significantly across a large number of classes in 2020 following an extended period of weak insurer profitability. Furthermore retention was exceptionally strong in 2020 and although new business slowed as a result of the pandemic, it generally held up very well as a result of earlier broking and product investments.

Comparisons between 2020 and 2019 are impacted by three factors: the full year impact of ex JLT Aerospace assets purchased 1 June 2019; the Brexit related sale of European Assets to another Group subsidiary, transferring related clients to that subsidiary from 1 October 2020; and the integration and hive up of various Capsicum Reinsurance LLPs (now rebranded Gallagher Re) into the Company. Underlying turnover growth adjusting for these events is around 11%.

Profit before tax for the year was £99,681k (2019: £73,335k) with the increase in profitability of £26,346k comparing well to the increase in turnover of £36,055k. Profitability did benefit from a gain on sale of the aforementioned European assets as well as from one-off Gallagher Re purchase related distributions however the strong underlying growth in the business significantly contributed to this result despite some headwinds including Sterling strengthening against the US Dollar, and adverse seasonality impacts for the Aerospace acquisition and Gallagher Re hive ups.

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 Inclusion & Diversity initiatives.

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 Company is fully operational, has deployed continuity protocols and has not been materially impacted by the COVID-19 pandemic. The Company has adequate resources to continue in operational existence for a period to 30 September 2022, 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 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 2020 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 2020

SECTION 172 STATEMENT- continued

Acquisition and rebranding of Capsicum Re

Context:

In January 2020, the Board of Arthur J. Gallagher (UK) Limited approved the decision to purchase the outstanding interests in Capsicum Re, the leading reinsurance business in which Gallagher already held a 33% stake. Capsicum Re is the world's fifth largest reinsurance broker and was originally launched through a strategic partnership with the Gallagher group in December 2013. It now has more than 150 employees, with offices in the US, UK, Bermuda and South America. In September, a decision was taken to re-brand Capsicum Re as Gallagher Re.

How the Directors engaged with stakeholders:

The Board understood that the acquisition of the outstanding interests in Capsicum Re was attractive to Gallagher, as it would immediately provide a significant reinsurance presence. The Board also noted that the culture within Capsicum Re was strongly aligned to Gallagher's, because of its historical connection to Gallagher. The strong relationships with Capsicum Re's clients were also important, and the Board believed that clients would benefit from the deeper integration of Capsicum Re into the Gallagher group, with the wide range of services it is able to provide. The Board was briefed regularly on the integration process, and sought reassurance from management that the relationship with both employees and clients of Capsicum Re was well managed throughout.

Outcomes:

The acquisition, and subsequent integration of, Capsicum Re was successfully executed, and has proved to be in the interests of key stakeholders, including Capsicum Re's employees and clients. The re-branding of the business as Gallagher Re, in September 2020, served to emphasise the success of the integration into the Gallagher group.

Brexit

Context:

The UK's departure from the European Union in January 2020 had an impact on Arthur J. Gallagher (UK) Limited, as the company has a global footprint, including significant European business. In order to be able to continue to service its clients in the European Union, the company transferred that part of its business to our sister company, Nordic Forsäkring & Riskhantering ('Nordic'), based in Sweden.

How the Directors engaged with stakeholders:

The Board approved and oversaw the transfer of the company's EU business to Nordic, pursuant to a Business Transfer Agreement. The Board was briefed on the governance arrangements which were in place to ensure proper oversight by Nordic, and was at pains to protect the interests of clients throughout the transfer process.

Outcomes:

The transfer of the European business to Nordic in 2020 proceeded smoothly, and has enabled us to continue to service clients' business in the European Union, including aviation business, within a sound and sustainable governance framework.

Employee Engagement Survey (November 2020)

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 the third quarter of 2020, led by the HR function and facilitated by an external provider, bia. The response rate was 81%, and the overall engagement score 82% favourable, high even by Gallagher standards. The survey also highlighted a number of areas, within our Specialty and Reinsurance businesses, where further work was needed, but the Board valued the feedback from the workforce, an important stakeholder group.

Outcomes:

In response to the survey, it was decided that a forum would be created, and volunteers sought from across the business, to identify actions to be taken. It would be important to demonstrate to colleagues throughout the company that their feedback was being heeded at Board level, and that action would result.

ARTHUR J. GALLAGHER (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

COVID-19

Context:

During the 2020 financial year, the COVID-19 pandemic had far-reaching consequences for UK businesses, including Arthur J. Gallagher (UK) Limited. Throughout the year, the Board considered how the pandemic, and the resultant lockdowns, would impact the business, and each of its stakeholders, including clients, suppliers, our regulator, and the Company's employees. Decisions taken by the Company's board took into account the impacts of the pandemic on these groups, and sought to ensure that the Company could continue to act in all stakeholders' best interests.

How the directors engaged with stakeholders:

The COVID-19 pandemic affected all our stakeholders. Employees are a key stakeholder group for the Company and, early in the year, the Board was quick to consider the potential impacts on employee well-being. Decisions were taken swiftly to assist the workforce in the move to home-working and this proved to be successful, with the whole business home-working by Q2 2020.

The Board identified potential challenges of engagement and motivation among employees, and actions were taken to address them, with regular weekly contact from line managers and teams through a number of social interactions such as quizzes, virtual team meetings and lunches, which helped our employees to maintain social contact as well as a sense of belonging. The directors were aware of the need for regular communications with the workforce, and took a particular interest in supporting any staff who might be considered vulnerable. Flexible hours were offered to employees with childcare responsibilities. The aim of these initiatives was to keep our employees engaged and productive, communicating and assisting clients.

The Board was also interested to understand the position of key suppliers, one of which was the Gallagher Service Centre (GSC) based in India. The Board took an interest in the welfare of GSC employees, and was briefed on services levels, which remained high throughout 2020. Efforts were also made to keep our regulator updated, and an increased volume of data was requested by, and provided to, the FCA during the lockdown periods.

Outcomes:

The team remained resilient throughout 2020 and maintained a high level of service to our clients. Staff turnover at the end of the year was low and staff morale remained high, in the circumstances. Careful consideration of our stakeholders, including our valued employee base, and suppliers such as GSC, contributed to a strong performance by Arthur J Gallagher (UK) Limited in 2020, in spite of the many challenges resulting from COVID-19.

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 2020 financial statements.

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.

ARTHUR J. GALLAGHER (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

PRINCIPAL RISKS AND UNCERTAINTIES - continued

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 assessments within the business to gain assurance on compliance and monitoring of the compliance and regulatory requirements, with regular reporting to the 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 errors or omission leading to the incorrect placement of client insurances, 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. An appropriate control framework has been deployed to manage and mitigate these key operational risks. The overall operational resilience of the Group was demonstrated by managing a significant test in 2020, the Covid 19 pandemic. 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 elements of stress testing and assessments of operational and financial resilience.

BY ORDER OF THE BOARD:

Alistair C. Peel

Alistair C. Peel (Aug 6, 2021 12:02 GMT+1)

A Peel - Secretary

Date: 6 August 2021

ARTHUR J. GALLAGHER (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2020. The results for the Company for the year ended 31 December 2020 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 2020 to the date of this report are as follows:

J Drummond-Smith (Non-Executive)
L Patten (Non-Executive)

Other changes in Directors holding office are as follows:

M Belton – appointed 17 January 2020
D Cousins – appointed 21 June 2021
C Richmond - resigned 1 January 2021
C Scott - resigned 1 January 2021
J Thompson - resigned 1 March 2020
J Turner – appointed 21 May 2020
N Williams-Walker – appointed 7 February 2020

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2020 (2019: Nil).

EVENTS AFTER THE REPORTING PERIOD

Information relating to events after the reporting period is given in the 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 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 2020**

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

Alistair C. Peel (Aug 6, 2021 12:02 GMT+1)

.....
A Peel - Secretary

Date: 6 August 2021

.....

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 2020 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 2020 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 to 30 September 2022 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 there is 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.

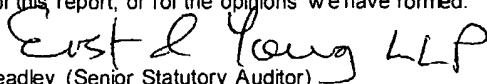
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102) and the elements of the Companies Act 2006 and tax legislation. Our consideration of other laws and regulations that may have material effect on financial statement included permission and supervisory requirement of the Financial Authority Conduct;
- We understood how the Company is complying with those frameworks by making inquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and the regulatory bodies; reviewed minutes of the Board; and gained an understanding of the Company's approach to governance;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering controls the Company has established to address the risks identified by the entity, or that otherwise seek to prevent, detect, or deter fraud. These procedures included testing manual journals related to revenue and were design to provide reasonable assurance that the financial statement are free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. 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 statements items. For both direct and other laws and regulations, our procedures involved: making inquiry of those charged with governance and the senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Regulators.

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.


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

Date: 6 August 2021

ARTHUR J. GALLAGHER (UK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 Continuing £'000	2020 Discontinued £'000	2020 Total £'000
TURNOVER	2	221,739	44,872	266,611
Administrative expenses		(189,152)	(32,308)	(221,460)
Other operating income	3	<u>13,673</u>	<u>-</u>	<u>13,673</u>
OPERATING PROFIT	6	46,260	12,564	58,824
Investment income	7	39,756	-	39,756
Interest receivable and similar income	8	<u>1,101</u>	<u>-</u>	<u>1,101</u>
PROFIT BEFORE TAXATION		87,117	12,564	99,681
Tax on profit	9	<u>(13,765)</u>	<u>(2,387)</u>	<u>(16,152)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>73,352</u>	<u>10,177</u>	<u>83,529</u>

DISCONTINUED OPERATIONS

As a result of Brexit, EU customers/trade previously booked in AJGUK will now be recognised within the fellow Group subsidiary Nordic Forsäkring & Riskhantering ('Nordic') from 1 October 2020. As a result, this has been identified as a significant discontinued stream of revenue. The above represents the discontinued revenue from 1 January 2020 to 30 September 2020.

The prior year Statement of Comprehensive Income has been restated to show the businesses as discontinued on page 12.

The notes form part of these financial statements

ARTHUR J. GALLAGHER (UK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2019 Continuing £'000	2019 Discontinued £'000	2019 Total £'000
TURNOVER	2	183,004	47,552	230,556
Administrative expenses		(125,191)	(34,237)	(159,428)
Other operating income	3	<u>713</u>	<u>-</u>	<u>713</u>
OPERATING PROFIT	6	58,526	13,315	71,841
Interest receivable and similar income	8	<u>1,494</u>	<u>-</u>	<u>1,494</u>
PROFIT BEFORE TAXATION		60,020	13,315	73,335
Tax on profit	9	<u>(13,233)</u>	<u>(2,530)</u>	<u>(15,763)</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>46,787</u></u>	<u><u>10,785</u></u>	<u><u>57,572</u></u>

DISCONTINUED OPERATIONS

As a result of Brexit, EU customers/trade previously booked in AJGUK will now be recognised within the fellow Group subsidiary Nordic Forsäkring & Riskhantering ('Nordic'). As a result, this has been identified as a significant discontinued stream of revenue.

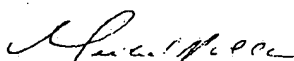
The notes form part of these financial statements

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

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2020

	Notes	£'000	2020 £'000	2019 £'000
FIXED ASSETS				
Intangible assets	10		112,542	162,679
Tangible assets	11		15,319	11,425
Investments	12		<u>16,693</u>	<u>14,766</u>
			144,554	188,870
CURRENT ASSETS				
Debtors	13	1,055,815		887,401
Cash at bank	14	<u>419,171</u>		<u>289,206</u>
		1,474,986		1,176,607
CREDITORS				
Amounts falling due within one year	15	<u>1,237,372</u>		<u>1,013,438</u>
NET CURRENT ASSETS			<u>237,614</u>	<u>163,169</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			382,168	352,039
CREDITORS				
Amounts falling due after more than one year	16		804	135
PROVISIONS FOR LIABILITIES	19		<u>10,508</u>	<u>64,577</u>
NET ASSETS			<u>370,856</u>	<u>287,327</u>
CAPITAL AND RESERVES				
Called up share capital	20		149,026	149,026
Share premium	21		3,606	3,606
Retained earnings	21		<u>218,224</u>	<u>134,695</u>
SHAREHOLDERS' FUNDS			<u>370,856</u>	<u>287,327</u>

The financial statements were approved and authorised for issue by the Board of Directors on 4 August 2021
and were signed on its behalf by:



Mike Belton - Director

6 August 2021

The notes form part of these financial statements

ARTHUR J. GALLAGHER (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	28,850	3,606	77,123	109,579
Changes in equity				
Shares Issued	120,176	-	-	120,176
Profit for the financial year	-	-	57,572	57,572
Balance at 31 December 2019	<u>149,026</u>	<u>3,606</u>	<u>134,695</u>	<u>287,327</u>
Changes in equity				
Profit for the financial year	-	-	83,529	83,529
Balance at 31 December 2020	<u>149,026</u>	<u>3,606</u>	<u>218,224</u>	<u>370,856</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 2020

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 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 Company has adequate resources to continue in operational existence for a period to 30 September 2022, and no material uncertainties related to going concern have been identified. The Company is fully operational, has deployed continuity protocols and has not been 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 2020

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 19.

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.

Investment income

Investment income represents share of profits from the Capsicum Reinsurance Brokers Group entities 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.

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.

Discontinued operations

The Group recognises as discontinued operations components which have been disposed of which represent a separate major line of business or geographical area of operation, which were part of a single coordinated plan to restructure the business as part of Brexit planning.

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES – continued

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.

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.

ARTHUR J. GALLAGHER (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020****1. ACCOUNTING POLICIES – continued****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.

2. TURNOVER

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

	2020 £'000	2019 £'000
An analysis of turnover by class of business is given below:		
Net Brokerage	225,508	197,714
Fees	15,308	11,350
Commission	25,795	21,492
	<u>266,611</u>	<u>230,556</u>

	2020 £'000	2019 £'000
An analysis of turnover by geographical market is given below:		
United Kingdom	101,794	81,599
Europe	32,223	41,526
United States of America	49,936	39,614
Other countries	82,658	67,817
	<u>266,611</u>	<u>230,556</u>

3. OTHER OPERATING INCOME

	2020 £'000	2019 £'000
Realised hedge gains	1,164	375
Other income	232	338
Gain on sale of business to fellow group subsidiary	12,277	-
	<u>13,673</u>	<u>713</u>

4. STAFF COSTS

The amounts relating to staff costs were incurred by Arthur J. Gallagher Services (UK) Limited. An amount of £129,584k (2019: £112,971k) was recharged back to the Company, and is accounted for in administrative expenses.

5. DIRECTORS' REMUNERATION

	2020 £'000	2019 £'000
Directors' remuneration	1,648	2,114
Directors' pension contributions to money purchase schemes	19	8
	<u>1,667</u>	<u>2,122</u>

ARTHUR J. GALLAGHER (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. DIRECTORS' REMUNERATION- continued

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

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

Information regarding the highest paid Director is as follows:

	2020 £'000	2019 £'000
Director's remuneration	<u>566</u>	<u>540</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. OPERATING PROFIT

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

	2020 £'000	2019 £'000
Goodwill amortisation	8,936	5,021
Expiration lists amortisation	9,198	6,324
Computer software amortisation	97	70
Depreciation - owned assets	2,335	1,707
Auditors' remuneration		
- statutory audit	202	224
- audit related assurance services	153	165
Land and building operating leases	7,681	5,894
Foreign exchange differences	8,951	722
Unrealised (gain)/loss on derivatives	<u>1,626</u>	<u>(8,359)</u>

7. INVESTMENT INCOME

	2020 £'000	2019 £'000
Share of profits of group undertakings	<u>39,756</u>	<u>-</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £'000	2019 £'000
Bank interest	375	1,494
Interest on loans to group undertakings	<u>726</u>	<u>-</u>
	<u>1,101</u>	<u>1,494</u>

9. TAXATION

Analysis of the tax charge

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

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax	14,709	14,756
Adjustments in respect of previous periods	<u>1,695</u>	<u>(740)</u>
Total current tax	<u>16,404</u>	<u>14,016</u>

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2020

9. TAXATION – continued

Deferred tax:

Origination and reversal of timing differences	(141)	1,875
Effects of changes in tax rates	<u>(111)</u>	<u>(128)</u>
Total deferred tax	<u>(252)</u>	<u>1,747</u>
Tax on profit	<u>16,152</u>	<u>15,763</u>

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

	2020 £'000	2019 £'000
Profit before tax	<u>99,681</u>	<u>73,335</u>
Tax on profit at the standard UK rate of corporation tax of 19% (2019 - 19%)	18,939	13,934
Effects of:		
Adjustments in respect of previous periods	1,695	(740)
Expenses not deductible for tax purposes	4,418	3,464
Non-taxable gain on sale of business to fellow group subsidiary	(2,420)	-
Investment income non-taxable	(7,553)	-
Transfer pricing adjustments	1,184	923
Tax rate changes	(111)	(128)
Effects of group relief/other relief	<u>-</u>	<u>(1,690)</u>
Total tax charge	<u>16,152</u>	<u>15,763</u>

The Company profits are taxable in the UK under the standard rate of corporation tax being 19% (2019: 19%). The Company is expected to continue to attract the standard rate of UK corporation tax. During 2020 the UK Government cancelled a previously legislated reduction in the main rate of corporation tax to 17% which had been reflected in the prior year closing deferred tax balance. The restatement of the 19% rate has been reflected in the closing deferred tax balance. Subsequent to the balance sheet date the UK Government legislated to increase the main rate of corporation tax to 25% as of 1 April 2023. This increase has not been reflected in the 2020 closing deferred tax asset, as it was not enacted until 11 June 2021, after the balance sheet date.

10. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Expiration lists £'000	Computer software £'000	Totals £'000
COST				
At 1 January 2020	89,079	112,610	2,113	203,802
Additions	-	2,455	179	2,634
Disposals	<u>-</u>	<u>(40,111)</u>	<u>-</u>	<u>(40,111)</u>
At 31 December 2020	<u>89,079</u>	<u>74,954</u>	<u>2,292</u>	<u>166,325</u>
AMORTISATION				
At 1 January 2020	5,335	33,788	2,000	41,123
Amortisation for year	8,936	9,198	97	18,231
Release on disposal	<u>-</u>	<u>(5,571)</u>	<u>-</u>	<u>(5,571)</u>
At 31 December 2020	<u>14,271</u>	<u>37,415</u>	<u>2,097</u>	<u>53,783</u>
NET BOOK VALUE				
At 31 December 2020	<u>74,808</u>	<u>37,539</u>	<u>195</u>	<u>112,542</u>
At 31 December 2019	<u>83,744</u>	<u>78,822</u>	<u>113</u>	<u>162,679</u>

ARTHUR J. GALLAGHER (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. 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	£74,653k	8 years
Expiration Lists	JLT Aerospace	£33,002k	7 years

11. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Furniture and equipment £'000	Motor vehicles £'000	Computer equipment £'000	Totals £'000
COST					
At 1 January 2020	23,809	1,875	65	1,458	27,207
Additions	3,858	761	-	1,437	6,056
Transfers	173	-	-	-	173
At 31 December 2020	<u>27,840</u>	<u>2,636</u>	<u>65</u>	<u>2,895</u>	<u>33,436</u>
DEPRECIATION					
At 1 January 2020	12,916	1,487	65	1,314	15,782
Charge for year	1,845	117	-	359	2,321
Transfers	14	-	-	-	14
At 31 December 2020	<u>14,775</u>	<u>1,604</u>	<u>65</u>	<u>1,673</u>	<u>18,117</u>
NET BOOK VALUE					
At 31 December 2020	<u>13,065</u>	<u>1,032</u>	<u>-</u>	<u>1,222</u>	<u>15,319</u>
At 31 December 2019	<u>10,893</u>	<u>388</u>	<u>-</u>	<u>144</u>	<u>11,425</u>

12. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2020	14,766
Additions	1,927
At 31 December 2020	16,693
NET BOOK VALUE	
At 31 December 2020	<u>16,693</u>
At 31 December 2019	<u>14,766</u>

During the year, the Company acquired 100% of Gallagher Re Brasil Participacoes Ltda. for an intercompany consideration of £1,927k.

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

ARTHUR J. GALLAGHER (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. DEBTORS

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	700,766	689,173
Amounts owed by group undertakings	273,198	172,472
Other debtors	18,121	17,480
Deferred tax asset	1,192	940
Prepayments and accrued income	4,426	5,845
	<u>997,703</u>	<u>885,910</u>
Amounts falling due after more than one year:		
Other debtors	313	1,491
Amounts owed by group undertakings	57,799	-
	<u>58,112</u>	<u>1,491</u>
Aggregate amounts	<u>1,055,815</u>	<u>887,401</u>

Contained within trade debtors is £67,338k (2019: £63,137k) relating to trading with group entities. 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

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
£46,817k	4%	Compounded annually	10 years from commencement (2030)	£47,441k
£10,222k	4%	Compounded annually	10 years from commencement (2030)	£10,358k

	Deferred tax
	£'000
Balance at 1 January 2020	940
Deferred tax charge to income statement for the period	252
Balance at 31 December 2020	<u>1,192</u>

Deferred tax

The above deferred tax asset represents £1,192k in relation to timing differences (2019: £940k). The amount of deferred tax that will unwind in the following accounting period is uncertain at this stage and therefore not quantifiable

ARTHUR J. GALLAGHER (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. CASH AT BANK

	2020 £'000	2019 £'000
Restricted cash	401,856	274,949
Other cash and cash equivalents	<u>17,315</u>	<u>14,257</u>
	<u>419,171</u>	<u>289,206</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

	2020 £'000	2019 £'000
Trade creditors	1,069,670	926,406
Amounts owed to group undertakings	71,371	49,701
Corporation tax	14,708	14,757
Other creditors	65,974	6,751
Accruals and deferred income	<u>15,649</u>	<u>15,823</u>
	<u>1,237,372</u>	<u>1,013,438</u>

Contained within trade creditors is £11,507k (2019: £7,512k) relating to trading with group entities.

Contained within other creditors is £58,486k (2019: £nil) 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
£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
£18,240k	0%	Interest at 0%	Repayable on demand	£18,240k

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

	2020 £'000	2019 £'000
Accruals and deferred income	<u>804</u>	<u>135</u>

17. OPERATING LEASE COMMITMENTS

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

	2020 £'000	2019 £'000
Within one year	8,840	8,767
Between one and five years	32,829	33,810
In more than five years	<u>15,294</u>	<u>22,752</u>
	<u>56,963</u>	<u>65,329</u>

18. FINANCIAL INSTRUMENTS

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

	2020 £'000	2019 £'000
Derivative financial instruments	<u>5,117</u>	<u>6,761</u>

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2020

18. FINANCIAL INSTRUMENTS- continued

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 2020 the outstanding contracts all mature within 35 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 £5,117k (2019: £6,761k), both of which are contained in other debtors within note 13.

19. PROVISIONS FOR LIABILITIES

	2020 £'000	2019 £'000
Provisions	10,508	64,577

	Errors and omissions provision £'000	Future servicing and claims handling costs £'000	Property dilapidation provision £'000	Purchase price obligation provision £'000	Total £'000
At 1 January 2020	1,576	5,113	2,319	55,569	64,577
Incurred during year	852	3,066	572	2,917	7,407
Released during year	(20)	-	-	-	(20)
Utilised during year	(1,084)	(1,886)	-	-	(2,970)
Transferred during the year	-	-	-	(58,486)	(58,486)
At 31 December 2020	1,324	6,293	2,891	-	10,508

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.

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 period.

Purchase price obligation provision

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. During the year, £58,486k relating to JLT Aerospace, was transferred to Other Creditors, as the obligation is payable in May 2021.

ARTHUR J. GALLAGHER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2020

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £'000	2019 £'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 2020 £'000
Other related parties	32,182	(25,742)	8,523*

*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.

24. EVENTS AFTER THE REPORTING PERIOD

The Directors confirm that there are no 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 2020

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:

Name of Company	Registered Address	Holding	Proportion of shares held
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 Re Latin America Corretora De Ressuguros Ltda	Rua Surubim	Ordinary Shares	100.00%
Capsicum Reinsurance Brokers Miami Inc	Corporation Trust Center	Ordinary Shares	100.00%
Capsicum CRLA LLP	The Walbrook Building	Partnership	100.00%
Capsicum Re Brasil Participacoes LTDA	Rua Surubim	Ordinary Shares	100.00%
Capsicum Reinsurance Brokers No.9 LLP	The Walbrook Building	Partnership	40.00%
Capsicum Reinsurance Brokers No.10 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 6 April 2021

Registered Address	Street Address
The Walbrook Building	25 Walbrook, London, EC4N 8AW
Bermuda	Overbay 106 Pitts Bay Road, Pembroke, Bermuda, HM08
Rua Surubim	Rua Surubim, 577, 21 st Floor, Sao Paulo, 04571-050
Corporation Trust Center	1209 Orange Street, Wilmington, New Castle County, Delaware 19801
Cumberland House	1 Victoria Street, Hamilton, Bermuda