

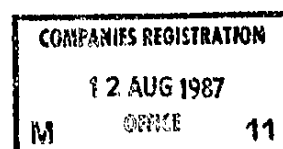
GALLAGHER PLUMER LIMITED

1A3013.

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 1986

NEVILLE RUSSELL  
Chartered Accountants  
246 Bishopsgate  
LONDON EC2M 4PB



DIRECTORS AND OFFICERS

DIRECTORS:

C R Formby	Chairman
T L W Evans	Managing
R N L Helman	Managing
C J Carter	
John P Gallagher	
J Patrick Gallagher	
J Hewett-Hicks	
G D S Jones	
J J Lloyd	
R S W Oyston	
D E Parker	
D C J Pexton	
J W Plumer	
T A Robertson	
J T Walden	
I M Whistondale	

SECRETARY:

G D S Jones

REGISTERED OFFICE:

Cutlers Gardens  
6 Devonshire Square  
LONDON EC2M 4YE

AUDITORS:

Neville Russell  
246 Bishopsgate  
LONDON EC2M 4AP

SOLICITORS:

Clyde & Co  
30 Mincing lane  
LONDON EC3R 7BR

Freshfield  
Grindall House  
25 Newgate Street  
LONDON EC1A 7LH

BANKERS:

Barclays Bank Plc  
P & O Building  
122 Leadenhall Street  
LONDON EC3V 4DQ

Citibank N.A  
P O Box 78  
336 Strand  
LONDON WC2R 1HB

National Westminster Bank Plc  
27 St Mary Axe  
LONDON EC3A 8AE

## REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December 1986.

## REVIEW OF THE BUSINESS

The principal activity of the company continued to be that of insurance broking.

Following the acquisition of John Plumer & Company Limited by Arthur J Gallagher & Co. on 19 August 1986 the company acquired the issued share capital of John Plumer & Company Limited on 21 August 1986 by the issue of 425,476 shares of £1 each at par to Arthur J Gallagher Investments Inc, its immediate holding company.

For a consideration of £677,292, by means of an inter-company interest-free loan the company acquired from other group companies, on 22 August 1986, the issued share capitals of the following companies:

John Plumer & Partners Limited  
J P Leasing Limited  
Lutine Insurance Services Limited  
Gallagher Plumer Construction & UK Limited  
Gallagher Plumer Marine Reinsurance Brokers Limited  
Gallagher Plumer Aviation Limited

The company acquired the majority of the assets and liabilities and certain business of John Plumer & Partners Limited on 22 August 1986 for a consideration of £629,543 by means of an inter-company interest-free loan.

The company acquired the assets, liabilities and business of Gallagher Plumer International Limited with effect from 1 October 1986 for a consideration of £200,058 by means of an inter-company interest-free loan account.

The result for the year was satisfactory. 1987 will be a year of consolidation and development of the integrated and enlarged operation.

On 20 August 1986 the name of the company was changed from Arthur J Gallagher & Co (U.K.) Limited to Gallagher Plumer Limited.

## FIXED ASSETS

Details of changes in fixed assets are set out in notes 9 to 11 to the financial statements.

## RESULTS AND DIVIDENDS

The results of the company for the year ended 31 December, 1986 are set out in the financial statements. The directors propose a dividend of 5.48p per share for the year.

REPORT OF THE DIRECTORS  
(continued)

DIRECTORS

The following directors served from 1 January 1986 to the date of this report, unless otherwise stated:-

C R Formby	
John P Gallagher	
J Patrick Gallagher	appointed 17 February 1986
G D S Jones	
D C J Pexton	
I M Whistondale	
T L W Evans	appointed 19 August 1986
R N L Helman	appointed 19 August 1986
C J Carter	appointed 19 August 1986
J J Lloyd	appointed 19 August 1986
R S W Oyston	appointed 19 August 1986
D E Parker	appointed 19 August 1986
T A Robertson	appointed 19 August 1986
J T Walden	appointed 19 August 1986
J W Plumer	appointed 19 August 1986
J Hewett-Hicks	appointed 19 August 1986
R B Owles	resigned 27 February 1987
R G Alldis	resigned 13 January 1986
C A Heneage	resigned 13 January 1986

Mr H J Whitlock was appointed a director on 19 August 1986 and resigned on 31 December 1986. None of the directors had a beneficial interest in shares of group companies which are required to be disclosed in this report.

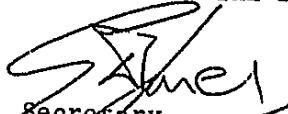
DONATIONS

During the year the Group made charitable donations amounting to £780.

AUDITORS

Neville Russell, Chartered Accountants, have signified their willingness to continue in office and their re-appointment as auditors will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

  
Secretary

Cutlers Gardens  
6 Devonshire Square  
LONDON EC2M 4YE

25 June 1987

GALLAGHER PLUMER LIMITED

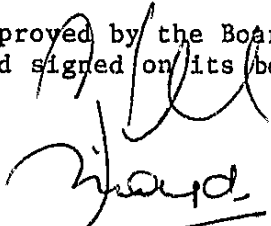
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the year ended 31 December 1986

	<u>Notes</u>	<u>1986</u> £	<u>1985</u> £
TURNOVER	2	8,467,781	6,600,002
Other operating income	3	2,356,894	1,753,165
Trading expenses	4	(7,073,991)	(5,825,888)
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION		3,750,684	2,527,279
Taxation	7	1,596,641	1,079,445
PROFIT FROM ORDINARY ACTIVITIES AFTER TAXATION		2,154,043	1,447,834
Minority interest in subsidiaries		(73,482)	3,944
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		2,080,561	1,451,778
Dividends	8	2,540,312	333,312
RETAINED (LOSS)/PROFIT FOR THE YEAR	20	£(459,751)	£1,118,466

CONSOLIDATED BALANCE SHEET AT 31 December 1986

	<u>Notes</u>	<u>1986</u> £	<u>1985</u> £
<b>FIXED ASSETS</b>			
Tangible assets	9	688,040	709,459
Investments	10	87,048	89,048
		<hr/>	<hr/>
		775,088	798,507
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Net investment in finance leases	12	324,511	429,813
Debtors	13	27,061,419	20,103,758
Investments	14	758,000	-
Cash	15	24,046,568	24,367,016
		<hr/>	<hr/>
		52,190,498	44,900,587
<b>CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
	16	(47,420,927)	(39,705,624)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>			
		4,769,571	5,194,963
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		5,544,659	5,993,470
<b>CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR</b>			
	17	(380,779)	(195,039)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
	18	(214,300)	(461,069)
<b>MINORITY INTEREST IN SUBSIDIARIES</b>			
		(73,638)	(1,669)
		<hr/>	<hr/>
<b>NET ASSETS</b>			
		£4,875,942	£5,335,693
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	675,476	675,476
Profit and loss account	20	4,200,466	4,660,217
		<hr/>	<hr/>
		£4,875,942	£5,335,693
		<hr/>	<hr/>

Approved by the Board on 25 June 1987  
and signed on its behalf by:

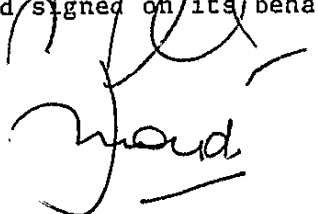

 } Directors

## GALLAGHER PLUMER LIMITED

## BALANCE SHEET AT 31 DECEMBER 1986

	<u>Notes</u>	<u>1986</u> £	<u>1985</u> £
FIXED ASSETS			
Tangible assets	9	688,040	257,158
Investments	10	69,000	21,000
Subsidiary companies	11	1,118,817	16,050
		<hr/>	<hr/>
		1,875,857	294,208
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	13	32,721,896	5,850,525
Investments	14	758,000	-
Cash	15	7,739,909	8,016,250
		<hr/>	<hr/>
		41,219,805	13,866,775
		<hr/>	<hr/>
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(38,640,811)	(11,340,871)
		<hr/>	<hr/>
NET CURRENT ASSETS		2,578,994	2,525,904
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,454,851	2,820,112
		<hr/>	<hr/>
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(380,779)	(154,963)
		<hr/>	<hr/>
PROVISIONS FOR LIABILITIES AND CHARGES	18	(82,300)	(20,000)
		<hr/>	<hr/>
NET ASSETS		£3,991,772	£2,645,149
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	20	675,476	250,000
Profit and loss account	21	3,316,296	2,395,149
		<hr/>	<hr/>
		£3,991,772	£2,645,149
		<hr/>	<hr/>

Approved by the Board on 25 June 1987  
and signed on its behalf by:

 )  
 ) Directors

## GALLAGHER PLUMER LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
for the year ended 31 December 1986

	<u>1986</u> £
<b>SOURCE OF FUNDS</b>	
Profit before taxation after minority interest	3,677,202
Adjustments for items not involving the movement of funds:	
Creditors - amounts falling due after more than one year	185,740
(Loss) on disposal of tangible fixed assets	(20,104)
Depreciation	351,076
Written off fixed asset investments	2,000
Provision for doubtful debts	(30,831)
Provision for liabilities	(400,000)
Minority interest	73,482
	<u>161,363</u>
<b>FUNDS GENERATED FROM OPERATIONS</b>	<b>3,838,565</b>
<b>FUNDS FROM OTHER SOURCES</b>	
Proceeds on disposal of tangible fixed assets	98,208
	<u>3,936,773</u>
<b>APPLICATION OF FUNDS</b>	
Dividends paid	2,503,312
Taxation paid	1,054,610
Purchase of tangible fixed assets	407,761
Purchase of minority interest in subsidiary	1,513
	<u>3,967,196</u>
	<u>£(30,423)</u>
<b>MOVEMENTS IN WORKING CAPITAL</b>	
Assets purchased for finance leases less rentals received excluding interest	(105,302)
Increase in debtors	6,931,039
(Increase) in creditors	(7,293,712)
	<u>(467,975)</u>
<b>Movements in net liquid funds:</b>	
Increase in current investments	758,000
(Decrease) in bank and cash balances	(320,448)
	<u>£(30,423)</u>



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986

1. ACCOUNTING POLICIES

(a) Basis of Consolidation

The financial statements have been prepared under the historical cost convention. They include the financial statements of the company and its subsidiary companies made up to 31 December except as stated in note 11.

The issue of shares as consideration for the John Plumer & Company Limited group of companies was completed on 21 August 1986. This transaction is accounted for as a merger. Accordingly the consolidated financial statements of Gallagher Plumer Limited and John Plumer & Company Limited have been aggregated and presented as if the two groups have always been together. The full year's results of the two groups are reflected in the consolidated financial statements for the current year and the corresponding amounts have been restated on the same basis.

(b) Revenue and Expense Recognition

(i) Turnover

Brokerage is taken to credit when debit notes are processed irrespective of the inception date or period of insurance with the exceptions of reinsurance business which is credited following receipts of declarations, and certain business covering more than one year which is credited over the period of the policy.

(ii) Interest

Interest is credited on an accruals basis.

(iii) Expenses

Costs are written off as incurred.

(c) Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets on a straight line basis over their estimated useful lives.

(d) Taxation

The charge for taxation is based on the profit for the year at current rates of tax, and takes into account deferred taxation arising from timing differences between the treatment of certain items for accounts purposes and their treatment for corporation tax purposes.

(e) Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated into Sterling at the rate of exchange ruling at the balance sheet date. Revenue and costs expressed in foreign currency are translated into Sterling at rates of exchange ruling at the date on which the transactions occur. Profits and losses on exchange are dealt with in arriving at the profit before taxation.

(f) Equipment on lease

Equipment on finance leases is stated at the amount of the net investment in the lease after deducting the capital value of the lease repaid by the lessees.

Income from finance leases, being the sum of the lease rentals receivable less original cost, is apportioned over the period of the lease using a method calculated to give a constant periodic rate of return on the net investment before tax in the lease.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986  
(continued)

2. TURNOVER

The group's turnover and profit before taxation is all derived from its activity of insurance broking.

The geographical analysis of turnover is as follows:

	<u>1986</u> £	<u>1985</u> £
United Kingdom & Europe	2,808,303	2,222,191
North America	4,870,234	3,906,935
Other countries	789,244	470,876
	<u>£8,467,781</u>	<u>£6,600,002</u>

3. OTHER OPERATING INCOME

	<u>1986</u> £	<u>1985</u> £
Included in other operating income are:		
Interest receivable	2,137,691	2,136,310
Income from listed investments	346	341
Profit on sale of fixed assets	20,104	12,542
Profits/(losses) on foreign exchange	<u>181,023</u>	<u>(419,505)</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986  
(continued)

## 4. TRADING EXPENSES

	<u>1986</u> £	<u>1985</u> £
Included in trading expenses are:		
Staff costs	4,234,950	2,999,368
Depreciation	351,076	259,250
Auditors' remuneration	74,333	72,844
Provision for costs, charges and liabilities arising out of contested legal proceedings in which a subsidiary is engaged	(400,000)	400,000
Doubtful debts provision	(100,000)	-
	<u><u>          </u></u>	<u><u>          </u></u>

## 5. STAFF COSTS

	<u>1986</u> £	<u>1985</u> £
The information in (a) and (b) includes Directors (note 6)		
(a) Staff costs		
Salaries	3,476,364	2,230,072
Social security costs	349,176	186,865
Other pension costs	409,410	582,431
	<u>          </u>	<u>          </u>
	£4,234,950	£2,999,368
	<u><u>          </u></u>	<u><u>          </u></u>

(b) The average number of persons employed  
by the company during the year was as  
follows:

	<u>1986</u>	<u>1985</u>
Broking and Technical	138	112
Administration	43	50
	<u>          </u>	<u>          </u>
	181	162
	<u><u>          </u></u>	<u><u>          </u></u>

## GALLAGHER PLUMER LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986  
(continued)

## 6. DIRECTORS

	<u>1986</u> £	<u>1985</u> £
(a) Emoluments		
Management services	£635,843	£474,120
	<u>          </u>	<u>          </u>
The emoluments of directors, excluding pension contributions, included amounts paid to:		
The chairman	£85,694	£27,264
The highest paid director	£-	£63,849
	<u>          </u>	<u>          </u>

The number of other directors who received emoluments (excluding pension contributions) in the following ranges were:

	<u>Number</u>	<u>Number</u>
Up to £5,000	4	-
£10,001 - £15,000	3	1
£15,001 - £20,000	4	-
£20,001 - £25,000	-	1
£25,001 - £30,000	-	1
£30,001 - £35,000	3	3
£35,001 - £40,000	2	-
£40,001 - £45,000	2	-
£45,001 - £50,000	1	-

## (b) Transactions

As far as the directors are aware, other than as disclosed below, no transaction or arrangement involving a director of the company requires disclosure in these financial statements under the Companies Act 1985.

All of the directors who are underwriting members of Lloyd's participate in syndicates on similar terms which govern all other members of the syndicates in which they participate. In the normal course of business the company may place risks with the syndicates at Lloyd's in which the directors participate as members; any such business is placed on a normal commercial basis. Save as aforesaid, no director is connected with any insurance underwriter other than as an insignificant shareholder in an insurance company which is listed on the London Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986  
(continued)

## 7. TAXATION

	<u>1986</u> £	<u>1985</u> £
Based on the profit for the year		
Corporation Tax at 36.25% (1985 41.25%)	1,415,608	1,191,018
Deferred taxation	153,231	(115,150)
Adjustments in respect of previous years	27,802	3,577
	<u>£1,596,641</u>	<u>£1,079,445</u>

## 8. DIVIDENDS

	<u>1986</u> £	<u>1985</u> £
Proposed final dividend of 5.48p (1985 17p) per share	37,000	30,000
Dividends paid by subsidiary	<u>2,503,312</u>	<u>303,312</u>
	<u>£2,540,312</u>	<u>£333,312</u>

## 9. TANGIBLE FIXED ASSETS

	<u>Computer Equipment</u> £	<u>Leasehold Premises Short Term</u> £	<u>Furniture and Equipment</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
THE GROUP					
COST					
1 January 1986	72,434	62,073	275,431	188,506	598,444
Subsidiaries acquired during year	169,312	-	161,800	406,614	737,726
Restated balance 1 January 1986	241,746	62,073	437,231	595,120	1,336,170
Additions	57,287	-	64,800	285,674	407,761
Disposals	-	-	(714)	(198,837)	(199,551)
At 31 December 1986	<u>299,033</u>	<u>62,073</u>	<u>501,317</u>	<u>681,957</u>	<u>1,544,380</u>
ACCUMULATED DEPRECIATION					
1 January 1986	70,152	53,073	130,880	75,252	329,357
Subsidiaries acquired during year	60,365	-	122,066	114,923	297,354
Restated balance 1 January 1986	130,517	53,073	252,946	190,175	626,711
Charge for the year	99,528	9,000	76,792	165,756	351,076
Eliminated on disposals	-	-	(714)	(120,733)	(121,447)
	<u>230,045</u>	<u>62,073</u>	<u>329,024</u>	<u>235,198</u>	<u>856,340</u>
NET BOOK VALUES					
31 December 1986	<u>£68,988</u>	£ -	£172,293	£446,759	£688,040
31 December 1985	<u>£111,229</u>	£9,000	£184,285	£404,945	£709,459
Depreciation rates	33 1/3%	Next rent review	20%	25%	

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986  
(continued)

## 9. TANGIBLE FIXED ASSETS (continued)

	<u>Computer Equipment</u> £	<u>Leasehold Premises Short Term</u> £	<u>Furniture and Equipment</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
THE COMPANY					
COST					
1 January 1986	72,434	62,073	269,525	162,248	566,280
Additions	14,970	-	38,385	190,193	243,548
Disposals	-	-	(714)	(124,459)	(125,173)
Transferred from group company	211,629	-	194,121	453,975	859,725
At 31 December 1986	£299,033	£62,073	£501,317	£681,957	£1,544,380
ACCUMULATED DEPRECIATION					
1 January 1986	70,152	53,073	125,213	59,684	309,122
Charge for the year	60,368	9,000	60,876	95,370	225,614
Eliminated on disposals	-	-	(714)	(76,834)	(77,548)
Transferred from group company	99,525	-	142,649	156,978	399,152
At 31 December 1986	£230,045	£62,073	£329,024	£235,198	£856,340
NET BOOK VALUES					
31 December 1986	£68,988	-	£172,293	£446,759	£688,040
31 December 1985	£2,282	£9,000	£143,312	£102,564	£257,158
Depreciation rates	33 1/3%	Next rent review	20%	25%	

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986  
(continued)

## 10. INVESTMENTS

	The Group		The Company	
	1986 £	1985 £	1986 £	1985 £
Listed investments at cost	10,000	10,000	10,000	10,000
Unlisted investment at book value	77,043	79,048	59,000	11,000
	<u>£87,043</u>	<u>£89,048</u>	<u>£69,000</u>	<u>£21,000</u>
Market value of listed investments	<u>£15,078</u>	<u>£14,265</u>	<u>£15,078</u>	<u>£14,265</u>

In the opinion of the directors the value of unlisted investments is not less than the book value. The Group's unlisted investments include a 12.5% holding in Anglo French Underwriters incorporated in France.

## 11. INVESTMENTS IN SUBSIDIARY COMPANIES

	1986 £	1985 £
Shares at cost:		
1 January 1986	16,050	16,050
Additions	<u>1,102,767</u>	<u>-</u>
31 December 1986	<u>£1,118,817</u>	<u>£16,050</u>

Details of the company's subsidiaries at 31 December 1986 were as follows:

Name	Activity	Incorporated	Class of Shares Held	Percentage Held
John Plumer & Partners Limited	Lloyd's Broker	Great Britain	Ordinary	100%
J. P. Leasing Limited	Leasing	Great Britain	Ordinary	100%
Lutine Insurance Services Limited	Insurance Agent	Guernsey	Ordinary	100%
John Plumer & Partners Marine Limited	Introductory Agent	Great Britain	A Ordinary B Ordinary Participating Preference	100%* NIL 100%
Gallagher Plumer Construction & UK Limited	Dormant	Great Britain	Ordinary	100%
Gallagher Plumer Aviation Limited	Dormant	Great Britain	Ordinary	100%
Gallagher Plumer Marine Reinsurance Brokers Limited	Dormant	Great Britain	Ordinary	100%
Gallagher Plumer International Limited	Insurance Broker	Great Britain	Ordinary	100%
Gallagher Plumer North America Limited	Dormant	Great Britain	Ordinary	100%
John Plumer & Company Ltd.	Service	Great Britain	Ordinary	100%

The financial statements of Lutine Insurance Services Limited and John Plumer & Partners Marine Limited are made up for the years ended 30 September and 30 April respectively. The directors are advised that it would currently not be in the best interests of the group to change the year ends to 31 December. Results included in these financial statements for these subsidiaries in respect of periods subsequent to their last audited financial statements are taken from management accounts.

\*held by a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986  
(continued)

## 12. NET INVESTMENT IN FINANCE LEASES

	<u>1986</u> £	<u>1985</u> £
The net investment in finance leases comprises:		
Total minimum lease payments receivable:		
At 1 January 1986	480,901	605,175
New leases	-	1,761
Gross rentals receivable	(125,929)	(98,346)
Adjustment for amended leases	-	(27,639)
	<hr/>	<hr/>
At 31 December 1986	354,972	480,901
Less: Finance charges allocated to future periods	30,461	51,088
	<hr/>	<hr/>
Net investment in finance leases	£324,511	£429,813
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Amounts due within 12 months	97,435	124,326
Amounts due after 12 months	227,076	305,487
	<hr/>	<hr/>
	£324,511	£429,813
	<hr/> <hr/>	<hr/> <hr/>

## 13. DEBTORS

	<u>The Group</u>		<u>The Company</u>	
	<u>1986</u> £	<u>1985</u> £	<u>1986</u> £	<u>1985</u> £
Insurance debtors	20,731,755	15,104,175	11,464,608	1,492,110
Insurance balances due from fellow group companies	4,733,129	4,009,670	4,733,129	3,987,503
Other debtors	152,156	105,665	95,609	37,559
Prepayments & accrued income	1,444,379	884,248	1,075,096	310,016
Insurance balances due from subsidiary company	-	-	15,353,454	-
Amounts due from subsidiary companies	-	-	-	23,337
	<hr/>	<hr/>	<hr/>	<hr/>
	£27,061,419	£20,103,758	£32,721,896	£5,850,525
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All debtors fall due within one year.



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986  
(continued)

## 14 INVESTMENTS - UNLISTED

	<u>The Group</u>		<u>The Company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	£	£	£	£
The investment is a certificate of tax deposit	758,000	-	758,000	-

## 15. CASH

	<u>The Group</u>		<u>The Company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	£	£	£	£
Lloyd's American Trust Fund	15,403,119	6,999,566	6,986,744	5,779,287
Short term deposits	4,892,079	11,210,552	743,979	2,132,425
Current call accounts	3,751,370	6,156,898	9,186	104,538
	<u>£24,046,568</u>	<u>£24,367,016</u>	<u>£7,739,909</u>	<u>£8,016,250</u>

In connection with certain U.S.dollar business deposits and other cash balances amounting to £15,403,119 (1985 £6,986,744) are in compliance with the requirements of the Corporation of Lloyd's, subject to a charge in favour of a trustee for Lloyd's and other insurance broking creditors.

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

	<u>The Group</u>		<u>The Company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	£	£	£	£
Bank overdrafts	-	11,198	-	-
Insurance creditors	42,288,304	36,054,340	32,337,034	10,043,153
Insurance balances due to group companies	1,517,956	284,403	1,517,956	161,882
Corporation tax/group relief	2,678,810	2,290,010	2,278,286	1,015,541
Social security costs	197,051	98,754	197,051	9,057
Other creditors	738,806	966,919	654,746	111,238
Amounts due to subsidiary companies	-	-	1,655,738	-
	<u>£47,420,927</u>	<u>£39,705,624</u>	<u>£38,640,811</u>	<u>£11,340,871</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	£	£	£	£
Shareholders' loan arising on the acquisition of the minority interest in the subsidiary Gallagher Plumer International Limited	154,963	154,963	154,963	154,963
Deferred brokerage	225,816	40,076	225,816	-
	<u>£380,779</u>	<u>£195,039</u>	<u>£380,779</u>	<u>£154,963</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986  
(continued)

18. PROVISIONS FOR LIABILITIES  
AND CHARGES

	Deferred Taxation (Note 19) £	Other Provision £	Total £
GROUP			
At 1 January 1986	(61,069)	(400,000)	(461,069)
(Charge) credit for the year	(153,231)	400,000	246,769
At 31 December 1986	£(214,300)	-	£214,300
COMPANY			
At 1 January 1986	(20,000)	-	(20,000)
(Charge) for the year	(62,300)	-	(62,300)
At 31 December 1986	£(82,300)	-	£(82,300)

The other provision was for costs, charges and liabilities arising out of contested legal proceedings in which a subsidiary is engaged.

19. DEFERRED TAXATION

	1986 £	Group 1985 £	Company 1986 £	1985 £
Provison for deferred taxation is made in respect of the following:				
Excess of tax allowances over depreciation	(46,700)	(130,035)	(46,700)	(20,000)
Excess of tax allowances over lease repayments	(89,500)	(136,000)	-	-
Short term timing differences arising on interest receivable and pension payments	(78,100)	64,966	(35,600)	-
Provisions	-	140,000	-	-
	£(214,300)	£(61,069)	£(82,300)	£(20,000)

The provision, which represents the total potential liability, is based on the rates of corporation tax which it is anticipated will apply.

## GALLAGHER PLUMER LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986  
(continued)

## 20. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS FUNDS

	Called up Share Capital £	Consolidation Deficit £	Profit & Loss Account £	Total £
1 January 1985 as reported	250,000	-	2,023,073	2,273,073
Shares issued at par to effect the merger with the John Plumer & Company Limited Group on 21 August 1986	425,476	-	-	425,476
Net assets of the John Plumer & Company Limited Group at 1 January 1985	-	322,642	1,623,995	1,946,637
Less consideration for the John Plumer & Company Limited Group being shares issued at nominal value	-	(425,476)	-	(425,476)
Deficit on consolidation written off	-	102,834	(102,834)	-
1 January 1985 restated	675,476	-	3,544,234	4,219,710
Deficit on consolidation on capitalisation issue made by John Plumer & Company Limited Group written off	-	-	(2,483)	(2,483)
Retained profit for year	-	-	1,118,466	1,118,466
31 December 1985 restated as comparative figures	675,476	-	4,660,217	5,335,693
Retained loss for the year	-	-	(459,751)	(459,751)
31 December 1986	£675,476	£-	£4,200,466	£4,875,942

The authorised share capital of the company was increased from £250,000 to £1,250,000 by the creation of a further 1,000,000 ordinary shares of £1 each on 4 August 1986.

## GALLAGHER PLUMER LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986  
(continued)

## 21. RESERVES

	<u>Company</u> £
Profit and loss account at 1 January 1986	2,395,149
Retained profit for the year	921,147
	<hr/>
	£3,316,296
	<hr/> <hr/>

22. RESTATEMENT OF PROFIT ON ORDINARY  
ACTIVITIES BEFORE TAXATION

The effect of the restatement for the merger with the  
John Plumer & Company Limited Group is set out below:

Year ended 31 December 1985

	£
Gallagher Plumer Limited, as previously reported	846,352
John Plumer & Company Limited Group	1,680,927
	<hr/>
	£2,527,279
	<hr/> <hr/>

The analysis of profit on ordinary activities before taxation  
for the periods before and after the merger is set out below:

	<u>1986</u> £	<u>1985</u> £
Period 1 January to 21 August		
Gallagher Plumer Limited	1,569,077	734,619
John Plumer & Company Limited Group	1,282,110	1,187,787
	<hr/>	<hr/>
	2,851,187	1,922,406
Period 22 August to 31 December	899,497	604,873
	<hr/>	<hr/>
	£3,750,684	£2,527,279
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 1986  
(continued)

## 23. FUTURE CAPITAL EXPENDITURE

	<u>Group</u>		<u>Company</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	£	£	£	£
Authorised by directors but not contracted for	<u>NIL</u>	<u>34,483</u>	<u>NIL</u>	<u>34,483</u>

## 24. PENSION SCHEME

The group has a non-contributory pension scheme covering the majority of its permanent employees. The scheme is administered by trustees and contributions are paid in accordance with the recommendations of independent actuaries. An actuarial report on the scheme, prepared as at 31 October 1986, stated that the scheme was solvent on the basis of accrued benefits and current salaries. Actuarial reports are prepared at least every three years.

## 25. CHANGE OF NAME

On 20 August 1986 the company's name was changed from Arthur J Gallagher & Co (U.K.) Limited to Gallagher Plumer Limited.

## 26. STATEMENT OF SOURCE AND APPLICATION OF FUNDS

No comparative figures have been prepared for the consolidated statement of source and application of funds for the year ended 31 December 1985 because, in the opinion of the directors, these would serve no useful purpose.

## 27. CONTINGENT LIABILITIES

The company has counter-guaranteed the liabilities, up to £30,000 of an employee to the company's bankers who have given a guarantee in respect of that employee's liabilities at Lloyd's.

## 28. ULTIMATE HOLDING COMPANY

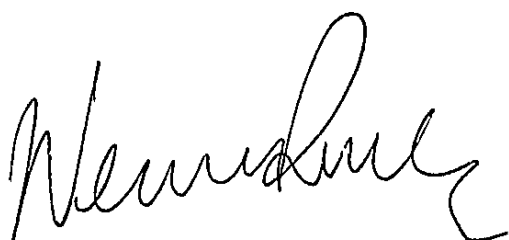
The ultimate holding company is Arthur J Gallagher & Co incorporated in the United States of America.

REPORT OF THE AUDITORS TO THE MEMBERS OF

GALLAGHER PLUMER LIMITED

We have audited the financial statements set out on pages 3 to 19 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company and the group as at 31 December 1986 and of the results and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.



Chartered Accountants

246 Bishopsgate  
LONDON EC2M 4PB

25 June 1987