

Arthur J. Gallagher (UK) Limited

Report and Accounts

31 December 2000



Company Number: 1193013

Arthur J. Gallagher (UK) Limited

DIRECTORS

D E McGurn (Chairman) (USA)
B A King
G M Cavazzi
W J Bushell
T L W Evans (Resigned 30/5/2000)
J Patrick Gallagher (USA)
J D Stancik (USA)
J A Leslie
P A Nastri
J E Sparkes
K J Hubbard
D J R Sibree
D C Ross
A Wham

SECRETARY

G M Cavazzi

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London
EC4A 1NH

BANKERS

Barclays Bank PLC
54 Lombard Street
London
EC3V 9EX

SOLICITORS

Clyde & Co.
51 Eastcheap
London
EC3M 1JP

REGISTERED OFFICE

9 Alie Street
London
E1 8DE

Arthur J. Gallagher (UK) Limited

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2000.

DIRECTORS' RESPONSIBILITIES WITH RESPECT TO THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Group's principal activities continue to be that of insurance and reinsurance broking.

During the year the Company opened an office in Singapore through its new subsidiary Arthur J Gallagher Asia Pte Ltd. The directors aim to continue to extend the servicing capabilities of the Company through the acquisition of professional businesses and personnel.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2000 are set out in the accounts on pages 6 to 20. The retained profit for the year of £2,156,214 (1999: deficit £967,555) was transferred to reserves.

No interim dividend was paid during the year. The directors do not recommend the payment of a final dividend.

DIRECTORS AND THEIR INTERESTS

The directors serving during the year ended 31 December 2000 are shown on page 2. No director had any interest in the shares of the Company.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the Company made charitable contributions totalling £4,400 (1999: £1,510)

Arthur J. Gallagher (UK) Limited

REPORT OF THE DIRECTORS

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting. Ernst & Young has stated that, subject to the approval of its partners, it is intending to transfer its business to a limited liability partnership during the year. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the board.



Gary M. Cavazzi
Secretary
15 June 2001

Arthur J. Gallagher (UK) Limited

REPORT OF THE AUDITORS

to the members of Arthur J. Gallagher (UK) Limited

We have audited the accounts on pages 6 to 20, which have been prepared under the historical cost convention, and on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom laws and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board, and our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London
June 2001

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Arthur J. Gallagher (UK) Limited

GROUP PROFIT & LOSS ACCOUNT for the year ended 31 December 2000 (In Pounds Sterling)

	Notes	2000	1999
TURNOVER	2	18,752,394	16,300,030
Other operating income	3	2,342,732	1,536,432
Other operating charges		(18,586,337)	(17,609,196)
Share of profits/(losses) of associated undertakings	10	469,501	400,747
		<hr/>	<hr/>
OPERATING PROFIT	4	2,978,290	628,013
Loss on disposal of subsidiaries		-	(1,446,515)
		<hr/>	<hr/>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		2,978,290	(818,502)
Tax on profit on ordinary activities	7	(865,500)	(149,053)
		<hr/>	<hr/>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		2,112,790	(967,555)
Minority Interests		43,424	-
		<hr/>	<hr/>
TRANSFER TO RESERVES		2,156,214	(967,555)
		<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF RECOGNISED GAINS AND LOSSES

There have been no recognised gains and losses other than the profit for the period shown above.

Arthur J. Gallagher (UK) Limited

GROUP BALANCE SHEET

as at 31 December 2000

(In Pounds Sterling)

	Notes	2000	1999
FIXED ASSETS			
Intangible assets	8	347,651	981,951
Tangible assets	9	2,492,958	2,157,354
Investments	10	869,469	399,968
		<u>3,710,078</u>	<u>3,539,273</u>
CURRENT ASSETS			
Debtors	11	85,184,982	108,464,415
Cash at bank and in hand		44,398,758	33,281,812
		<u>129,583,740</u>	<u>141,746,227</u>
CREDITORS: Amounts falling due within one year	13	(121,707,431)	(135,356,127)
		<u>7,876,309</u>	<u>6,390,100</u>
NET CURRENT ASSETS			
		<u>11,586,387</u>	<u>9,929,373</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>11,586,387</u>	<u>9,929,373</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14	(867,238)	(1,382,270)
MINORITY INTERESTS		(15,832)	-
		<u>10,703,317</u>	<u>8,547,103</u>
CAPITAL AND RESERVES			
Called up shared capital		744,476	744,476
Share premium account		564,000	564,000
Profit and loss account		9,394,841	7,238,627
		<u>10,703,317</u>	<u>8,547,103</u>
	16	<u>10,703,317</u>	<u>8,547,103</u>

Approved by the board 15 June 2001
and signed on its behalf by:


Gary M Cavazzi
Director

Arthur J. Gallagher (UK) Limited

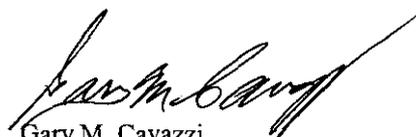
COMPANY BALANCE SHEET

as at 31 December 2000

(In Pounds Sterling)

	Notes	2000	1999
FIXED ASSETS			
Intangible assets	8	347,651	981,951
Tangible Assets	9	2,392,344	2,157,354
Investments	10	<u>269,762</u>	<u>131,499</u>
		3,009,757	3,270,804
CURRENT ASSETS			
Debtors	11	83,649,805	108,464,415
Cash at bank and in hand		<u>43,127,819</u>	<u>33,281,812</u>
		126,777,624	141,746,227
CREDITORS: Amounts falling due within one year	13	<u>(118,863,475)</u>	<u>(135,366,129)</u>
NET CURRENT ASSETS		<u>7,914,149</u>	<u>6,380,098</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,923,906	9,150,902
PROVISIONS FOR LIABILITIES AND CHARGES	14	(867,238)	(1,382,270)
		<u>10,056,668</u>	<u>8,268,632</u>
CAPITAL AND RESERVE			
Called up share capital		744,476	744,476
Share premium account		564,000	564,000
Profit and loss account		8,748,192	6,960,156
	16	<u>10,056,668</u>	<u>8,268,632</u>

Approved by the board on 15 June 2001
and signed on its behalf by:



Gary M. Cavazzi
Director

Arthur J. Gallagher (UK) Limited

NOTES TO THE ACCOUNTS

as at 31 December 2000

(In Pounds Sterling)

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared on the going concern basis under the historical cost convention and comply with accounting standards applicable in the United Kingdom.

As permitted by Financial Reporting Standard 1 (revised) the Company, being a wholly owned subsidiary of another company, is not required to prepare a cash flow statement.

Basis of consolidation

The group accounts consolidate the accounts of Arthur J. Gallagher (UK) Limited and all its subsidiary and joint venture undertakings drawn up to 31 December each year. No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985.

The acquisition method of accounting is used for the inclusion of all subsidiary undertakings into the group accounts. Consequently, the group accounts include the appropriate share of these undertakings' results from the date of acquisition.

Joint venture undertakings are treated using the equity method of accounting. The group accounts include the appropriate share of these undertaking's results and reserves based on unaudited management accounts to 31 December 2000.

Revenue recognition

Turnover comprises net retained brokerage. Brokerage is included in revenue at inception except for instalment business which is credited on the instalment due date and reinsurance business which is credited following receipt of declarations.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold property	-	to lease expiration
Furniture and equipment	-	over 10 years
Computer equipment and software	-	over 3 years or 10 years
Motor vehicles	-	over 5 years

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

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 rate of exchange ruling at the balance sheet date. All rate of exchange differences are taken to the profit and loss account.

Pensions

All group employees may become members of the Gallagher (UK) Pension Plan, a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

NOTES TO THE ACCOUNTS

as at 31 December 2000

(In Pounds Sterling)

1. *accounting policies (continued)*

Insurance broking debtors and creditors

Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers. As such they are generally not liable as principals for the amounts arising from these transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities. This recognises that the insurance broker is entitled to retain the investment income on any cash flows arising from these transactions.

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

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

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

The legal status of this practice of net settlement is uncertain and in the event of an insolvency it is generally abandoned. Financial Reporting Standard 5, 'Reporting the substance of transactions', requires that offset of assets and liabilities should be recognised in financial statements where, and only where, the offset would survive the insolvency of the other party. Accordingly, only such offsets have been recognised in calculating insurance broking debtors and creditors.

Arthur J. Gallagher (UK) Limited

NOTES TO THE ACCOUNTS

as at 31 December 2000

(In Pounds Sterling)

2. TURNOVER

Turnover is attributable to one activity, which is and will continue to be, that of insurance broking. An analysis of turnover by geographical market is given below:

	2000	1999
United Kingdom and Europe	7,490,246	6,900,428
North America	9,047,926	7,064,821
Other Countries	<u>2,214,222</u>	<u>2,334,781</u>
	<u>18,752,394</u>	<u>16,300,030</u>

3. OTHER OPERATING INCOME

	2000	1999
Investment income	2,325,751	1,517,237
Profit on sale of fixed assets	13,772	10,794
Other Income	<u>3,209</u>	<u>8,401</u>
	<u>2,342,732</u>	<u>1,536,432</u>

4. OPERATING PROFIT

This is stated after charging/(crediting):

	2000	1999
Staff costs (note 6)	11,174,266	10,058,759
Auditors' remuneration	55,569	54,900
Depreciation of fixed assets	597,496	546,337
Operating lease rentals	1,246,546	1,558,911
Provision for doubtful debts	-	20,917
Profit on foreign exchange	(242,334)	(88,521)

Arthur J. Gallagher (UK) Limited

NOTES TO THE ACCOUNTS

as at 31 December 2000

(In Pounds Sterling)

5. DIRECTORS' REMUNERATION

	2000	1999
Emoluments	<u>2,585,168</u>	<u>2,287,151</u>
Company contributions paid to money purchase schemes	<u>178,767</u>	<u>216,043</u>
Members of money purchase schemes	<u>11</u>	<u>16</u>

The amounts in respect of the highest paid director are as follows:

	2000	1999
Emoluments	<u>523,289</u>	<u>289,044</u>
Company contributions paid to money purchase schemes	<u>89,709</u>	<u>21,266</u>

6. STAFF COSTS

	2000	1999
Salaries	8,766,904	7,912,159
Social security costs	1,029,466	867,142
Other pension costs	<u>1,377,896</u>	<u>1,279,458</u>
	<u>11,174,266</u>	<u>10,058,759</u>

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

	2000 No.	1999 No.
Broking and technical	154	139
Administration	<u>46</u>	<u>44</u>
	<u>200</u>	<u>183</u>

Arthur J. Gallagher (UK) Limited

NOTES TO THE ACCOUNTS

as at 31 December 2000

(In Pounds Sterling)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
Based on the profit for the year:		
Corporation tax	1,178,500	586,126
Deferred taxation	<u>(313,000)</u>	<u>(437,073)</u>
	<u>865,500</u>	<u>149,053</u>

8. INTANGIBLE FIXED ASSETS

	Restrictive Covenants
Group and Company	
Cost at 1 January and 31 December 2000	<u>2,635,510</u>
Amortisation:	
At 1 January 2000	(1,653,559)
Increase during the year	<u>(634,300)</u>
At 31 December 2000	<u>(2,287,859)</u>
Net book value:	
At 31 December 2000	<u>347,651</u>
At 1 January 2000	<u>981,951</u>

Restrictive covenants represent agreements by employees not to compete with the Company following termination of their employment. Until activated, they are amortised on a straight-line basis over ten years. Any remaining balance at the date a restrictive covenant becomes activated is written off over the period of the agreed covenant, generally 12 – 24 months.

Arthur J. Gallagher (UK) Limited

NOTES TO THE ACCOUNTS

as at 31 December 2000

(In Pounds Sterling)

9. TANGIBLE FIXED ASSETS

	<i>Computer Equipment and Software</i>	<i>Leasehold Property</i>	<i>Furniture & Equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
Group					
<i>Cost or valuation:</i>					
At 1 January 2000	2,867,654	1,204,821	2,725,481	1,122,977	7,920,933
Additions	1,265,516	333,608	37,143	260,145	1,896,412
Disposals	(2,681,515)	(464,961)	(2,086,784)	(316,181)	(5,549,441)
at 31 December 2000	<u>1,451,655</u>	<u>1,073,468</u>	<u>675,840</u>	<u>1,066,941</u>	<u>4,267,904</u>
<i>Depreciation:</i>					
at 1 January 2000	2,376,798	605,823	2,417,173	363,785	5,763,579
Charge for the year	282,062	62,869	44,556	208,009	597,496
Disposals	(1,838,303)	(464,961)	(2,086,786)	(196,079)	(4,586,129)
At 31 December 2000	<u>820,557</u>	<u>203,731</u>	<u>374,943</u>	<u>375,715</u>	<u>1,774,946</u>
<i>Net book value:</i>					
At December 2000	<u>631,098</u>	<u>869,737</u>	<u>300,897</u>	<u>691,226</u>	<u>2,492,958</u>
At 1 January 2000	<u>490,856</u>	<u>598,998</u>	<u>308,308</u>	<u>759,192</u>	<u>2,157,354</u>
Company					
<i>Cost or valuation:</i>					
At 1 January 2000	2,867,654	1,204,821	2,725,481	1,122,977	7,920,933
Additions	1,231,164	311,660	35,413	212,998	1,791,235
Disposals	(2,681,515)	(464,961)	(2,086,784)	(316,181)	(5,549,441)
At 31 December 2000	<u>1,417,303</u>	<u>1,051,520</u>	<u>674,110</u>	<u>1,019,794</u>	<u>4,162,727</u>
<i>Depreciation:</i>					
At 1 January 2000	2,376,798	605,823	2,417,173	363,785	5,763,579
Charge for the year	281,108	61,790	44,383	205,652	592,933
Disposals	(1,838,303)	(464,961)	(2,086,786)	(196,079)	(4,586,129)
At 31 December 2000	<u>819,603</u>	<u>202,652</u>	<u>374,770</u>	<u>373,358</u>	<u>1,770,383</u>
<i>Net book value:</i>					
At 31 December 2000	<u>597,700</u>	<u>848,868</u>	<u>299,340</u>	<u>646,436</u>	<u>2,392,344</u>
At 1 January 2000	<u>490,856</u>	<u>598,998</u>	<u>308,308</u>	<u>759,192</u>	<u>2,157,354</u>

Arthur J. Gallagher (UK) Limited

NOTES TO THE ACCOUNTS

as at 31 December 2000

(In Pounds Sterling)

10. INVESTMENTS

Group

	2000	1999
Joint venture	757,972	288,471
Other investments	111,497	111,497
	<u>869,469</u>	<u>399,968</u>

The Group has a 50% share in a joint venture, Risk Management Partners Ltd (RMP). Details of the Group's share of the results of this entity are:

	2000	1999
Turnover	<u>1,306,546</u>	<u>968,781</u>
Total assets	948,772	477,176
Total liabilities	<u>(190,800)</u>	<u>(188,708)</u>
Net assets	<u>757,972</u>	<u>288,471</u>

The Group's after tax share of profits in RMP amounted to £469,501 (1999 - £400,747) and is included within other operating income. The Group's share of retained profit in RMP amounted to £747,972 (1999 - £278,471) at 31 December 2000 and is included within net current assets.

Company

	Other investments	Subsidiary undertakings	Joint venture	Total
Cost:				
At 1 January 2000	111,497	10,002	10,000	131,499
Additions	-	138,263	-	138,263
Disposals	-	-	-	-
At 31 December 2000	<u>111,497</u>	<u>148,265</u>	<u>10,000</u>	<u>269,762</u>

During the year the Group established a new subsidiary Arthur J Gallagher Asia Pte Ltd in Singapore. All investments in subsidiaries are stated at cost less any permanent diminution in value.

Arthur J. Gallagher (UK) Limited

NOTES TO THE ACCOUNTS

as at 31 December 2000

(In Pounds Sterling)

10. INVESTMENTS (continued)

Details of the investments in which the Group or the Company holds more than 10% of the nominal value of any class of share capital are as follows (all held by the Company unless indicated):

Name of company	Country of registration (or incorporation) and operation	Holding	Proportion of voting rights and shares held	Nature of Business
Subsidiary undertakings				
Morgan Insurance Services Limited	England & Wales	Ordinary	100%	Dormant
John Plumer & Company Limited	England & Wales	Ordinary	100%	Dormant
Arthur J. Gallagher Asia Pte Ltd	Singapore	Ordinary	70%	Insurance Broking
Associated undertakings				
Risk Management Partners Limited	England & Wales	Ordinary	50%	Risk Management
Other investments				
Marine, Aviation & General (London) Limited	England & Wales	Ordinary	20%	Insurance Broker

11. DEBTORS

	Group		Company	
	2000	1999	2000	1999
Insurance debtors	81,836,396	104,275,483	80,318,005	104,275,483
Errors & omissions claims recoverable (note 23)	350,936	500,000	350,936	500,000
Other claims recoverable	2,400	-	2,400	-
Other debtors	1,542,051	1,104,065	1,542,051	1,104,065
Prepaid pension	1,186,786	1,783,475	1,186,786	1,783,475
Other prepayments and accrued income	266,413	790,826	249,627	790,826
	<u>85,184,982</u>	<u>108,464,415</u>	<u>83,649,805</u>	<u>108,464,415</u>

Other debtors includes loans of £600,000 (1999 - £600,000) receivable after more than one year. The loans are subordinated to the rights of other creditors.

Arthur J. Gallagher (UK) Limited

NOTES TO THE ACCOUNTS

as at 31 December 2000

(In Pounds Sterling)

12. LLOYD'S BROKERS SECURITY AND TRUST DEED

With effect from 3 July 2000 the regulation of Lloyd's Brokers became the responsibility of the General Insurance Standards Council. Therefore the trust deeds previously entered into by the Company under which all insurance broking account assets were subject to floating charges held on trust by the Society of Lloyd's for the benefit of insurance creditors were cancelled.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2000	1999	2000	1999
Insurance creditors	119,365,447	133,391,092	116,620,792	133,391,092
Parent and fellow subsidiaries	455,056	-	455,056	604,519
Subsidiary and associated undertakings	(35,238)	-	(76,373)	10,002
Current corporation tax	601,729	575,127	601,729	575,127
Other taxes and social security costs	361,042	368,977	358,411	368,977
Other creditors	312,267	358,771	258,663	358,771
Accruals	647,128	57,641	645,197	57,641
	<u>121,707,431</u>	<u>135,356,127</u>	<u>118,863,475</u>	<u>135,366,129</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

The movements are as follows:

	Group		Company	
	2000	1999	2000	1999
At 1 January	1,382,270	1,089,073	1,382,270	1,083,313
Reclassification and acquisition of assets	-	-	-	5,760
Errors & omissions claims (note 23)	(149,064)	500,000	(149,064)	500,000
Onerous lease provision (note 22)	(52,968)	230,270	(52,968)	230,270
Deferred taxation provision for the year	<u>(313,000)</u>	<u>(437,073)</u>	<u>(313,000)</u>	<u>(437,073)</u>
	<u>867,238</u>	<u>1,382,270</u>	<u>867,238</u>	<u>1,382,270</u>

Arthur J. Gallagher (UK) Limited

NOTES TO THE ACCOUNTS

as at 31 December 2000

(In Pounds Sterling)

15. DEFERRED TAXATION

	Group		Company	
	2000	1999	2000	1999
Capital allowances in advance of depreciation	(30,577)	(38,698)	(30,577)	(38,698)
Timing differences on pension payments	280,553	391,275	280,553	391,275
Restrictive covenants	88,834	299,423	88,834	299,423
	<u>339,000</u>	<u>652,000</u>	<u>339,000</u>	<u>652,000</u>

There is no unprovided deferred taxation.

16. SHARE CAPITAL AND MOVEMENT ON RESERVES

	Called up share capital	Share premium account	Profit and loss account	Total
Group				
At 1 January 2000	744,476	564,000	7,238,627	8,547,103
Transfer to reserves	-	-	2,156,214	2,156,214
At 31 December 2000	<u>744,476</u>	<u>564,000</u>	<u>9,394,841</u>	<u>10,703,317</u>
Company				
At 1 January 2000	744,476	564,000	6,960,156	8,268,632
Transfer to reserves	-	-	1,788,036	1,788,036
At 31 December 2000	<u>744,476</u>	<u>564,000</u>	<u>8,748,192</u>	<u>10,056,668</u>

The authorised share capital of the company consists of 1,250,000 ordinary shares of £1 each (1999: 1,250,000). At 31 December 2000 the allotted, called up and fully paid share capital of the company amounted to £744,476 (1999: £744,476).

17. POST BALANCE SHEET EVENTS

The directors are not aware of any significant events arising after the balance sheet date that require disclosure or adjustment to any amount included within the financial statements.

18. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Arthur J. Gallagher (UK) Limited

NOTES TO THE ACCOUNTS

as at 31 December 2000

(In Pounds Sterling)

19. TRANSACTIONS WITH DIRECTORS

All of the directors who are underwriting members of Lloyd's participate in syndicates on similar terms which govern all other members of the syndicates in which they participate. In the normal course of business, the Company may place risks with the syndicates at Lloyd's in which the directors participate as members. Any such business is placed on a normal commercial basis. Other than as noted above, no director is connected with any insurance underwriter other than as an insignificant shareholder in an insurance company listed on a recognised stock exchange.

As far as the directors are aware, other than as discussed above, no transaction or arrangement involving a director of the Company requires disclosure in these accounts under the Companies Act 1985.

20. OTHER FINANCIAL COMMITMENTS

At 31 December 2000 the group had annual commitments under non-cancellable operating leases comprising:

	2000	1999
Land and buildings		
- Expiring within 1 year	19,000	19,000
- Expiring after more than 5 years	1,555,310	1,537,135
Other assets		
- Expiring within 1 year	7,122	-
- Expiring between 2 to 5 years	1,980	11,316

Whilst the above is the annual commitment, the Group has entered into arrangements with other occupants of the office premises as to rent payable. Note 4 sets out the charge for the year.

The Company has agreed to provide financial support for the foreseeable future to Risk Management Partners Ltd, a joint venture in which the Company has a 50% stake.

21. RELATED PARTY TRANSACTIONS

Financial Reporting Standard 8 "Related Party Disclosures" exempts the reporting of transactions between group companies. The Company has taken advantage of this exemption.

22. LEASE PROVISIONS

On 1 December 1999 the company sub-let office premises for a period of 5 years at a rent below those being paid by the company on its head lease. In accordance with the requirements of Financial Reporting Standard 12 "Provisions, Contingent Liabilities and Contingent Assets", a provision of £230,270 representing the discounted value of the differential between the rent paid and that received on the sub-lease, was charged to profit in 1999. This provision is being released to profit over the duration of the lease at the discounted value relating to each year. The amount released during the year was £52,968 (1999: £Nil)

NOTES TO THE ACCOUNTS

as at 31 December 2000

(In Pounds Sterling)

23. ERRORS & OMISSIONS CLAIMS

As a normal consequence of the Company's operations, a number of errors and omissions claims have been made against the Company. Most of the claims are covered by professional indemnity insurance with many of the defences of these claims being conducted by the Company's insurers. The directors do not expect the outcome of these claims, either individually or in aggregate, to have a material effect upon the Company's operations or financial position

In accordance with FRS 12, the directors' current best estimate of the amount required to settle certain claims has been included within provisions for liabilities and charges in the balance sheet. The gross amount of this estimate is £350,935 (1999: £500,000). The related amount recoverable from the Company's professional indemnity insurers of £350,935 (1999: £500,000) has been included within debtors. As allowed by FRS 12, further detailed disclosure has not been given as to do so may seriously prejudice the outcome of any legal proceedings

24. ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary of Arthur J. Gallagher & Co., incorporated in the United States of America, which the directors regard as the ultimate holding company. A copy of the holding company's accounts can be obtained from its Chief Financial Officer at The Gallagher Centre, Two Pierce Place, Itasca, Illinois, 60143-3141, USA.