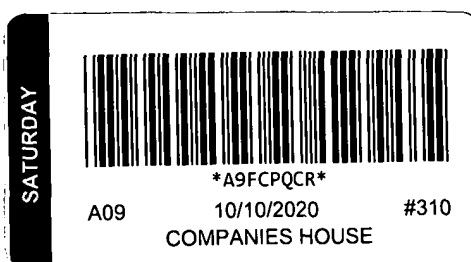


STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
FOR
FRIARY INTERMEDIATE LIMITED



FRIARY INTERMEDIATE LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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FRIARY INTERMEDIATE LIMITED

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

DIRECTORS:

M Rea
C Richmond
C Scott

SECRETARY:

A Peel

REGISTERED OFFICE:

The Walbrook Building
25 Walbrook
London
EC4N 8AW

REGISTERED NUMBER:

04404202 (England and Wales)

INDEPENDENT AUDITOR:

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

FRIARY INTERMEDIATE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

REVIEW OF BUSINESS

The principal activity of the Company in the period under review was that of a holding company whose subsidiaries carried on the business of insurance broking. It is expected that there will be no significant change to the nature of the Company's activities in the foreseeable future.

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

The results of the Company for the year ended 31 December 2019 are set out in these financial statements on pages 9 to 19.

For the year ended 31 December 2019 the Company has recorded a profit before tax of £5,747k compared to the profit of £663k in 2018. The increase in profit in 2019 was attributable to the dividend received in 2019 from Heath Insurance Broking Limited which was formally struck off on 16 April 2019.

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

SECTION 172 STATEMENT

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

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

Employee Engagement Survey (Nov 2019)

Context:

Employees are a key stakeholder group for the Company, being the key producers of revenue for the Company's trading subsidiaries.

How the Directors engaged with stakeholders:

One of the key tools used in understanding employee sentiment is the annual Employee Engagement Survey, conducted in September 2019, led by the HR function and facilitated by an external provider, Ixia. Areas covered by the survey included Manager Effectiveness, Communication, and Diversity. The response rate to the survey was high, and the responses were overwhelmingly positive across the employee population. Acting through the Company's subsidiary, Arthur J Gallagher Insurance Brokers Limited, the Directors actively challenged management on the findings of the survey.

Outcomes:

It was agreed that, based on employee feedback, an action plan for employee engagement would be created and brought back to the Board of Arthur J Gallagher Insurance Brokers Limited for review.

COVID-19 (Post year-end)

Context:

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

FRIARY INTERMEDIATE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

SECTION 172 STATEMENT - continued

How the directors engaged with stakeholders:

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

Outcomes:

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

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

The Company and its Directors 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.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Borrowing facilities and liquidity risk

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

Foreign Currency risk

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

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.

FRIARY INTERMEDIATE LIMITED

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

PRINCIPAL RISKS AND UNCERTAINTIES - continued

Operational risk

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

BY ORDER OF THE BOARD:

Alistair C. Peel

Alistair C. Peel (Sep 30, 2020 04:46 GMT+1)

A Peel - Secretary

Date: 30 September 2020

FRIARY INTERMEDIATE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

DIRECTORS OF THE COMPANY

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

M Rea
C Richmond
C Scott

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2019 (2018: £nil).

EVENTS AFTER THE REPORTING PERIOD

Information relating to events after the reporting period is given in note 15 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.

DIRECTORS' INDEMNITY PROVISIONS

The Directors have benefited from qualifying third party indemnity provisions 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.

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.

FRIARY INTERMEDIATE LIMITED

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

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 (Sep 30, 2020 04:46 GMT+1)

A Peel - Secretary

Date: 30 September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRIARY INTERMEDIATE LIMITED

Opinion

We have audited the financial statements of Friary Intermediate Limited for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

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

Emphasis of matter – Effects of COVID-19

We draw attention to note 1 and note 15 in the financial statements which describe the economic consequences the Company is facing as a result of COVID-19 which is impacting financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRIARY INTERMEDIATE LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Vinood Ramabhai (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London

Date: 30 September 2020

FRIARY INTERMEDIATE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
Administrative expenses		(87)	(196)
Other operating income	2	<u>-</u>	<u>1,200</u>
OPERATING (LOSS)/PROFIT	4	(87)	1,004
Investment Income	5	5,834	-
Interest payable and similar expenses	6	<u>-</u>	<u>(341)</u>
PROFIT BEFORE TAXATION		5,747	663
Tax on profit	7	<u>4,008</u>	<u>4,188</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>9,755</u></u>	<u><u>4,851</u></u>

The notes form part of these financial statements

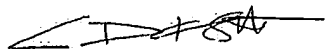
FRIARY INTERMEDIATE LIMITED (REGISTERED NUMBER: 04404202)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019**

	Notes	£'000	2019 £'000	£'000	2018 £'000
FIXED ASSETS					
Investments	8		646,894		646,894
CURRENT ASSETS					
Debtors	9	9,904		4,274	
Cash at bank		<u>11</u>		<u>11</u>	
		9,915		4,285	
CREDITORS					
Amounts falling due within one year	10	<u>341,394</u>		<u>344,821</u>	
NET CURRENT LIABILITIES			(331,479)		(340,536)
TOTAL ASSETS LESS CURRENT LIABILITIES			315,415		306,358
PROVISIONS FOR LIABILITIES	11		<u>339</u>		<u>1,037</u>
NET ASSETS			<u>315,076</u>		<u>305,321</u>
CAPITAL AND RESERVES					
Called up share capital	12		348,923		348,923
Retained earnings	13		<u>(33,847)</u>		<u>(43,602)</u>
SHAREHOLDERS' FUNDS			<u>315,076</u>		<u>305,321</u>

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

30 September 2020



C Scott - Director

The notes form part of these financial statements

FRIARY INTERMEDIATE LIMITED

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

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018	348,923	(48,453)	300,470
Changes in equity			
Profit for the financial year	-	4,851	4,851
Balance at 31 December 2018	<u>348,923</u>	<u>(43,602)</u>	<u>305,321</u>
Changes in equity			
Profit for the financial year	-	9,755	9,755
Balance at 31 December 2019	<u>348,923</u>	<u>(33,847)</u>	<u>315,076</u>

The notes form part of these financial statements

FRIARY INTERMEDIATE LIMITED

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

1. ACCOUNTING POLICIES

Accounting convention

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

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

Basis of preparation

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

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

The financial statements have been prepared on a going concern basis, under the historical cost basis. Given recent external developments and geopolitical disruption in relation to the ongoing COVID-19 pandemic, future forecasts and projections have been re-performed by the Company as at the time of signing. The potential stress on future profitability of the Company was also considered by Management as described in Note 15. This exercise concluded that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the signing of the Financial Statements. The Company is fully operational, has deployed continuity protocols and based on information available at the date of approval of the Financial Statements, the Company is not expected to be materially impacted by the COVID-19 pandemic. The Directors therefore continue to prepare the accounts on a going concern basis.

Significant judgements and estimates

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

i. 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.

ii. 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 11.

Interest payable

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

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 differences can be deducted.

Deferred tax assets and liabilities are not discounted.

FRIARY INTERMEDIATE LIMITED

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

Fixed asset investments

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

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 income statement 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 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.

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. OTHER OPERATING INCOME

	2019 £'000	2018 £'000
Insurance claim settlements	-	1,200

3. DIRECTORS' REMUNERATION

The Directors were remunerated during the year by a fellow subsidiary within the Group and Arthur J. Gallagher & Co., the ultimate holding company. None of these Directors received any remuneration during the year in respect of their services as a Director of the Company (2018: £nil) and it would not be practicable to apportion their remuneration between their services as Directors of the Company and their services for other Group companies. The Company has not been recharged any amount for the emoluments of these Directors (2018: £nil).

4. OPERATING PROFIT

The operating profit is stated after charging:

	2019 £'000	2018 £'000
Foreign exchange differences	-	547

Auditor's remuneration in the current year of £3k (2018: £3k) has been borne by a fellow group undertaking and has not been recharged to the Company.

FRIARY INTERMEDIATE LIMITED

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

5. INVESTMENT INCOME

	2019 £'000	2018 £'000
Dividends from investments in group undertakings	<u>5,834</u>	<u>-</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019 £'000	2018 £'000
Interest on loans to group undertakings	<u>-</u>	<u>341</u>

7. TAXATION

Analysis of the tax credit

The tax credit on the profit for the year was as follows:

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax	(4,008)	(4,187)
Adjustment in respect of previous periods	<u>-</u>	<u>(1)</u>
Tax on profit	<u>(4,008)</u>	<u>(4,188)</u>

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

	2019 £'000	2018 £'000
Profit before tax – continuing operations	<u>5,747</u>	<u>663</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 – 19%)	1,092	126
Effects of:		
Expenses not deductible for tax purposes	12	(70)
Income not taxable	(1,109)	(228)
Transfer pricing adjustments	(4,003)	(4,015)
Adjustments to tax charge in respect of previous periods	<u>-</u>	<u>(1)</u>
Total tax credit	<u>(4,008)</u>	<u>(4,188)</u>

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

FRIARY INTERMEDIATE LIMITED

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

8. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2019 and 31 December 2019	<u>688,007</u>
PROVISION FOR IMPAIRMENT	
At 1 January 2019	41,113
Provision for year	<u>-</u>
At 31 December 2019	<u>41,113</u>
NET BOOK VALUE	
At 31 December 2019	<u>646,894</u>
At 31 December 2018	<u>646,894</u>

A full listing of the Company's investments at the year end is detailed within note 16.

9. DEBTORS

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	5,865	30
Group relief debtor	4,008	4,187
Prepayments and accrued income	<u>25</u>	<u>25</u>
	<u>9,898</u>	<u>4,242</u>
Amounts falling due after more than one year:		
Prepayments and accrued income	<u>6</u>	<u>32</u>
Aggregate amounts	<u>9,904</u>	<u>4,274</u>

Amounts owed by group undertakings are unsecured, repayable on demand and are on an interest free basis.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Amounts owed to group undertakings	<u>341,394</u>	<u>344,821</u>

FRIARY INTERMEDIATE LIMITED

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

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Amounts owed to group undertakings are unsecured, repayable on demand and are on an interest free basis, with the exception of the following loans. These loans are unsecured and have the following terms and conditions:

Aggregate loan value	Interest rate	Interest terms	Repayment period	Aggregate carrying value
£239,178k	0%	Compounded annually. Interest charge up to 31 Dec 2017. Thereafter from 1 Jan 2018 interest at 0%.	Repayable on demand	£311,331k

11. PROVISIONS FOR LIABILITIES

	2019 £'000	2018 £'000
Provisions	<u>339</u>	<u>1,037</u>
		Errors and omissions
		£'000
At 1 January 2019		1,037
Incurred during the year		44
Utilised during the year		<u>(742)</u>
At 31 December 2019		<u>339</u>

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.

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £'000	2018 £'000
348,923,485	Ordinary	£1	<u>348,923</u>	<u>348,923</u>

The shares have attached to them full voting, dividend and capital distribution (including on wind up) rights. They do not confer any rights of redemption.

13. RESERVES

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

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

FRIARY INTERMEDIATE LIMITED

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

14. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The immediate parent company is HLG Holdings 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.

15. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

16. INVESTMENT IN SUBSIDIARIES

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

Name of Company	Registered office	Holding	Proportion of shares held
Acumus Interco Limited	The Walbrook Building	Ordinary Shares	100.00%
Acumus Holdings Limited*	The Walbrook Building	Ordinary Share	100.00%
		A & B	
Arthur J. Gallagher Housing Limited**	The Walbrook Building	Ordinary Shares	100.00%
		A, B & C	
Belmont Insurance Holdings Limited	The Walbrook Building	Ordinary Shares	100.00%
		A, B & C	
Belmont International Limited*	The Walbrook Building	Ordinary Shares	100.00%
Blenheim Park Limited	The Walbrook Building	Ordinary Shares	100.00%
Blenheim Park Services Limited	The Walbrook Building	Ordinary Shares	100.00%
Deacon Insurance Services Limited	The Walbrook Building	Ordinary Shares	100.00%
Evolution Underwriting Group Limited	West End	Ordinary Shares	100.00%
Evolution Underwriting Limited*	West End	Ordinary Shares	100.00%
Evolution Risk Services Limited*	West End	Ordinary Shares	100.00%
Evolution Technology Services Limited*	West End	Ordinary Shares	100.00%
Gallagher Holdings Four (UK) Ltd	The Walbrook Building	Ordinary Shares	100.00%
Oamps (UK) Limited*	The Walbrook Building	Ordinary Shares	100.00%
Oamps Special Risks Limited*	The Walbrook Building	Ordinary Shares	100.00%
Gallagher Holdings Three (UK) Ltd	The Walbrook Building	Ordinary Shares	100.00%
Insurance Dialogue Limited*	The Walbrook Building	Ordinary Shares	100.00%
		A, B, E & F	
Fenchurch Trustees Limited	The Walbrook Building	Ordinary Shares	100.00%
Heath Lambert Limited	The Walbrook Building	Ordinary Shares	100.00%
Gallagher Benefits Consulting Limited*	The Walbrook Building	Ordinary Shares	100.00%
Heath Lambert Overseas Limited*	The Walbrook Building	Ordinary Shares	100.00%
Fenchurch Faris Limited*	Jordan	Ordinary Shares	10.00%
Fenchurch Faris Limited*	Saudi Arabia	Ordinary Shares	14.00%

FRIARY INTERMEDIATE LIMITED

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

16. INVESTMENT IN SUBSIDIARIES – continued

Oval Limited	South Parade	Ordinary & Deferred Shares	100.00%
Bartholomew & James (Properties) Limited*	Metropolitan Building	Ordinary Shares A & B	100.00%
Bartholomew & James Limited*	Metropolitan Building	Ordinary Shares	100.00%
FMV Risk Services Limited*	The Walbrook Building	Ordinary Shares	100.00%
Griffin Commercial Insurance Brokers Limited*	The Walbrook Building	Ordinary Shares	100.00%
John Eke And Partners Limited*	The Walbrook Building	Ordinary Shares	100.00%
Martin & Pethard Insurance Brokers Limited*	The Walbrook Building	Ordinary Shares	100.00%
Oval EBT Trustees Limited*	The Walbrook Building	Ordinary Shares	100.00%
Oval Financial Limited*	Spectrum Building	Ordinary Shares	100.00%
Oval Healthcare Limited*	South Parade	Ordinary Shares	100.00%
Oval Management Services Limited*	South Parade	Ordinary Shares	100.00%
Cuthbert Service & Jackson Limited*	Spectrum Building	Ordinary Shares	100.00%
Oval Insurance Broking Limited*	South Parade	Ordinary Shares	100.00%
The Ward Mitchell Partnership Limited*	The Walbrook Building	Ordinary Shares A & B	100.00%
Property & Commercial Limited	The Walbrook Building	Ordinary Shares	100.00%
RIBA Insurance Agency Limited	The Walbrook Building	Ordinary Shares	100.00%
Rio 587 Limited	The Walbrook Building	Ordinary Shares	100.00%
Rio 588 Limited*	The Walbrook Building	Ordinary Shares	100.00%
Quillco 226 Limited*	Spectrum Building	Ordinary Shares A & B	100.00%
Quillco 227 Limited*	Spectrum Building	Ordinary Shares	100.00%
Giles Holdings Limited*	Spectrum Building	Ordinary Shares	100.00%
R. A. Rossborough Limited*	Liberation House	Ordinary Shares	100.00%
R. A. Rossborough (Guernsey) Limited*	Rossborough House	Ordinary Shares	100.00%
R.A. Rossborough (Insurance Brokers) Limited*	Liberation House	Ordinary Shares	100.00%
Rossborough Healthcare International Limited*	Rossborough House	Ordinary Shares	100.00%
Rossborough Insurance (IOM) Limited*	Victory House	Ordinary Shares	100.00%
Rossborough Insurance Services Limited*	Liberation house	Ordinary Shares	100.00%
Rossborough Insurance Brokers Limited*	The Walbrook Building	Ordinary Shares	100.00%
Ink Underwriting Agencies Limited*	The Walbrook Building	Ordinary Shares	100.00%
Arthur J. Gallagher Insurance Brokers Limited*	Spectrum Building	Ordinary Shares	100.00%
Carrick Neill & Co. Limited*	Spectrum Building	Ordinary Shares	100.00%
CBG Group Limited*	The Walbrook Building	Ordinary Shares	100.00%
CBG Insurance Brokers Limited*	The Walbrook Building	Ordinary Shares	100.00%
Flysire Limited*	The Walbrook Building	Ordinary Shares	100.00%
Dickson Insurance Brokers Limited*	The Walbrook Building	Ordinary Shares	100.00%
Robinson Leslie Limited*	The Walbrook Building	Ordinary Shares	100.00%
Igloo Insurance PCC Limited*	Heritage Hall	Ordinary Shares	100.00%

* Held indirectly

** 22.5% held directly, 77.5% held indirectly

FRIARY INTERMEDIATE LIMITED

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

16. INVESTMENT IN SUBSIDIARIES – continued

Registered Office	Street Address
The Walbrook Building	25, Walbrook, London EC2N 8AW
South Parade	9 South Parade, Wakefield, West Yorkshire, WF1 1LR
Heritage Hall	Heritage Hall, PO Box 230, Le Marchant Street, St. Peter Port, Guernsey, GY1 4JH
Liberation House	Ground Floor, Liberation House, Castle Street, St Helier, Jersey JE2 3BT
Jordan	Jordan Insurance Company Building No. B, 5th Floor, Office No. 4, third Circle, Prince Mohammad Street, PO Box 840371, Jabal Amman 11181, Amman, Jordan
Metropolitan Building	Metropolitan Building, 29-31 Alfred Street, Belfast, BT2 8ED
Victory House	New Wing, Victory House, Prospect Hill, Douglas, Isle of Man, IM1 1EQ
Rossborough House	Rossborough House, Bulwer Avenue, St. Sampsons, Guernsey, GY2 4LF
Spectrum Building	Spectrum Building, 7th Floor, 55 Blythwood Street, Glasgow, G2 7AT
West End	Suite 2, 9 West End, Kemsing, Sevenoaks, Kent, TN15 6PX
Saudi Arabia	164 Al Ahsa Street, Riyadh, Riyadh Province, Saudi Arabia