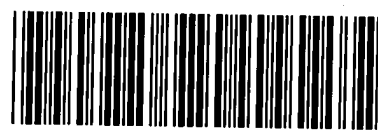


**STRATEGIC REPORT, DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017  
FOR  
FRIARY INTERMEDIATE LIMITED**

TUESDAY



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**FRIARY INTERMEDIATE LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2017**

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**FRIARY INTERMEDIATE LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**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 2017**

The Directors present their Strategic Report for the year ended 31 December 2017.

#### **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 2017 are set out in these financial statements on pages 7 to 16.

For the year ended 31 December 2017 the Company has recorded a loss before tax of £22,414k compared to the loss of £66,637k in 2016. The loss in 2017 was attributable to interest payable on formal loans with fellow members of the Group. The loss in 2016 was driven by interest payable and the impairment of investments due to the reorganisation and restructuring of the Group.

#### **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, price risk, liquidity and interest rates. The Group's Board of Directors are responsible for setting the 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 Group maintains a risk framework, through which the key risks affecting the Group are identified, assessed and monitored.

The 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 Company 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.

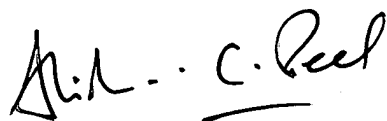
##### **Interest rate risk**

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.

##### **Operational risk**

The Group has identified the key operational risks to which it is exposed, principal among which are errors or omissions arising from the acquisitions of subsidiaries, the prevention of cyber crime and financial crime. An appropriate control frame work has been deployed to manage and mitigate these key operational risks.

**BY ORDER OF THE BOARD:**



.....  
A Peel - Secretary

Date: 17 September 2018

## **FRIARY INTERMEDIATE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2017. The results for the Company for the year ended 31 December 2017 and future developments are discussed in the Strategic Report.

#### **DIRECTORS OF THE COMPANY**

Changes in Directors holding office are as follows:

T Gallagher - resigned 28 February 2017  
M Pike - resigned 28 February 2017  
M Rea - appointed 28 February 2017  
C Richmond - appointed 28 February 2017  
C Scott - appointed 30 June 2018  
I Story - resigned 30 June 2018

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2017 (2016: £nil).

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

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

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 2017**

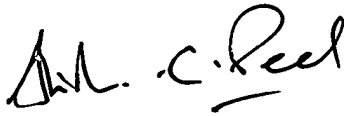
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR**

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:**



.....  
A Peel - Secretary

Date: 17 September 2018

## **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 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 15, 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 state of the Company's affairs as at 31 December 2017 and of its loss 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.

### **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 3, 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: 21/09/18



**FRIARY INTERMEDIATE LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<b>Notes</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Administrative expenses		(1,133)	(45,178)
Other operating income	2	<u>1,579</u>	<u>-</u>
<b>OPERATING PROFIT/(LOSS)</b>	4	446	(45,178)
Interest payable and similar expenses	5	<u>(22,860)</u>	<u>(21,459)</u>
<b>LOSS BEFORE TAXATION</b>		(22,414)	(66,637)
Tax on loss	6	<u>3,326</u>	<u>4,537</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		(19,088)	(62,100)
<b>OTHER COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u>(19,088)</u>	<u>(62,100)</u>

The notes form part of these financial statements


**FRIARY INTERMEDIATE LIMITED (REGISTERED NUMBER: 04404202)**

**STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2017**

	Notes	£'000	2017 £'000	£'000	2016 £'000
<b>FIXED ASSETS</b>					
Investments	7		646,894		646,894
<b>CURRENT ASSETS</b>					
Debtors	8	16,206		61,620	
Cash at bank		<u>411</u>		<u>48</u>	
		16,617		61,668	
<b>CREDITORS</b>					
Amounts falling due within one year	9	<u>361,036</u>		<u>387,634</u>	
<b>NET CURRENT LIABILITIES</b>			(344,419)		(325,966)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			302,475		320,928
<b>PROVISIONS FOR LIABILITIES</b>	10		<u>2,005</u>		<u>1,370</u>
<b>NET ASSETS</b>			<u>300,470</u>		<u>319,558</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	11		348,923		348,923
Retained earnings	12		<u>(48,453)</u>		<u>(29,365)</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>300,470</u>		<u>319,558</u>

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

17 September 2018



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 2017**

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 January 2016</b>	348,923	32,735	381,658
<b>Changes in equity</b>			
Total comprehensive loss for the year	-	(62,100)	(62,100)
<b>Balance at 31 December 2016</b>	<u>348,923</u>	<u>(29,365)</u>	<u>319,558</u>
<b>Changes in equity</b>			
Total comprehensive loss for the year	-	(19,088)	(19,088)
<b>Balance at 31 December 2017</b>	<u>348,923</u>	<u>(48,453)</u>	<u>300,470</u>

The notes form part of these financial statements

## **FRIARY INTERMEDIATE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **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 financial statements have been prepared on a going concern basis, under the historical cost convention.

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 compensations, 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.

##### **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 10.

##### **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 difference that have originated but not reversed at the Statement of Financial Position date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax in future periods.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax assets and liabilities are not discounted.

##### **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.

## FRIARY INTERMEDIATE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2017

#### 1. ACCOUNTING POLICIES – continued

##### 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

	2017 £'000	2016 £'000
Write back of contingent bonus	569	-
Foreign exchange difference	1,010	-
	<u>1,579</u>	<u>-</u>

During the year a contingent bonus in relation to a previous acquisition was written back to the Statement of Comprehensive Income as it was agreed between the various parties that no sums was payable.

#### 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 the Directors received any remuneration during the year in respect of their services as a Director of the Company (2016: £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 remuneration of these Directors (2016: £nil).

#### 4. OPERATING PROFIT/(LOSS)

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

	2017 £'000	2016 £'000
Impairment of investments	-	41,113
Foreign exchange differences	(1,010)	2,252
Auditor's remuneration – statutory audit	<u>-</u>	<u>2</u>

Auditor's remuneration in the current year of £2k has been borne by a fellow group undertaking and has not been recharged to the Company.

#### 5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £'000	2016 £'000
Interest on loans from group undertakings	<u>22,860</u>	<u>21,459</u>

# FRIARY INTERMEDIATE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2017

### 6. TAXATION

#### Analysis of the tax credit

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

	2017 £'000	2016 £'000
<b>Current tax:</b>		
UK corporation tax	(3,749)	(4,764)
Adjustment in respect of previous periods	<u>423</u>	<u>227</u>
Tax on loss	<u>(3,326)</u>	<u>(4,537)</u>

The tax credit for the year can be reconciled to the loss per the income statement as follows:

	2017 £'000	2016 £'000
Loss before tax – continuing operations	<u>(22,414)</u>	<u>(66,637)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 – 20.00%)	(4,314)	(13,327)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	701	8,563
Income not taxable	(490)	-
Transfer pricing adjustments	353	-
Effects of group relief/other reliefs	1	-
Adjustments to tax charge in respect of previous periods	<u>423</u>	<u>227</u>
Total tax credit	<u>(3,326)</u>	<u>(4,537)</u>

The Company profits are taxable in the UK under the standard rate of corporation tax being 19.25% (2016: 20.00%). 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.

### 7. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
<b>COST</b>	
At 1 January 2017 and 31 December 2017	<u>688,007</u>
<b>PROVISION FOR IMPAIRMENT</b>	
At 1 January 2017 and 31 December 2017	<u>41,113</u>
<b>NET BOOK VALUE</b>	
At 31 December 2016 and 31 December 2017	<u>646,894</u>

A full listing of the Company's investments is detailed within note 14.

### 8. DEBTORS

	2017 £'000	2016 £'000
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	11,962	56,749
Other debtors	413	-
Group relief debtor	3,749	4,764
Prepayments and accrued income	<u>25</u>	<u>25</u>
	<u>16,149</u>	<u>61,538</u>
<b>Amounts falling due after more than one year:</b>		
Prepayments and accrued income	<u>57</u>	<u>82</u>
Aggregate amounts	<u>16,206</u>	<u>61,620</u>

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

**FRIARY INTERMEDIATE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings	360,976	387,062
Accruals and deferred income	<u>60</u>	<u>572</u>
	<b><u>361,036</u></b>	<b><u>387,634</u></b>

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
£272,043k	6.75%	Compounded annually. Interest charge up to 31 Dec 2017. Thereafter from 1 Jan 2018 interest at 0%	10 years from commencement (2022-24) but can be recalled on demand of the lender.	£330,057k
£11,382k	3%	Compounded annually	10 years from commencement (2022) but can be recalled on demand of the lender.	£12,917k

**10. PROVISIONS FOR LIABILITIES**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Other provisions	<u>2,005</u>	<u>1,370</u>
		<b>Errors and omissions</b>
		<b>£'000</b>
At 1 January 2017		1,370
Incurred during the year		3,558
Utilised during the year		(2,928)
Transferred during the year		<u>5</u>
		<b><u>2,005</u></b>

**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.

**11. CALLED UP SHARE CAPITAL**

**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	<b>2017</b>	<b>2016</b>
			<b>£'000</b>	<b>£'000</b>
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 winding up) rights. They do not confer any rights of redemption.

**12. 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 2017

### 13. 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.

### 14. 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 Shares A & B	100.00%
Arthur J. Gallagher Housing Limited**	The Walbrook Building	Ordinary Shares A, B & C	100.00%
Acumus Limited ***	The Walbrook Building	Ordinary Shares	100.00%
Belmont Insurance Holdings Limited	The Walbrook Building	Ordinary Shares A, B & C	100.00%
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%
Cadogan Keelan Westall 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%
Farr Risk Services Limited ***	The Walbrook Building	Ordinary Shares	100.00%
Gallagher Holdings Four (UK) Limited	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) Limited	The Walbrook Building	Ordinary Shares	100.00%
Insurance Dialogue Limited*	The Walbrook Building	Ordinary Shares A, B, E & F	100.00%
Fenchurch Trustees Limited	The Walbrook Building	Ordinary Shares	100.00%
Heath Insurance Broking 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%
Lambert Fenchurch Overseas Limited*	The Walbrook Building	Ordinary Shares	100.00%
Keelan Westall Limited ***	The Walbrook Building	Ordinary Shares	100.00%
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%
Phillips (Insurance And Finance Services) Limited*	Metropolitan Building	Ordinary Shares	100.00%
FMW Risk Services Limited*	The Walbrook Building	Ordinary Shares	100.00%
Futurity Limited*	Spectrum Building	Ordinary Shares	100.00%
Griffin Commercial Insurance Brokers Limited*	The Walbrook Building	Ordinary Shares	100.00%
Halkett Associates Limited*	The Walbrook Building	Ordinary Shares	100.00%
J.L. Fisher & Company Limited*	The Walbrook Building	Ordinary Shares	100.00%
W.J. Bond (Hereford) Limited*	The Walbrook Building	Ordinary Shares	100.00%
John Eke And Partners Limited*	The Walbrook Building	Ordinary Shares	100.00%
Turners Insurance Brokers 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%
Bland Bankart (UK) Limited*	Spectrum Building	Ordinary Shares	100.00%



**FRIARY INTERMEDIATE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**14. INVESTMENT IN SUBSIDIARIES - continued**

<b>Name of Company</b>	<b>Registered office</b>	<b>Holding</b>	<b>Proportion of shares held</b>
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%
Powell Insurance Brokers Holdings Limited*	The Walbrook Building	Ordinary Shares	100.00%
Powell Insurance Brokers Limited*	The Walbrook Building	Ordinary Shares	100.00%
R. P. Hodson (Holdings) Limited*	The Walbrook Building	Ordinary Shares	100.00%
The Ward Mitchell Partnership Limited*	The Walbrook Building	Ordinary Shares A & B	100.00%
Ward Mitchell Holdings Limited*	South Parade	Ordinary Shares	100.00%
Wharfside Holdings Limited*	The Walbrook Building	Ordinary Shares A, B & C	100.00%
Williamson Moore Limited*	The Walbrook Building	Ordinary Shares A, B, C, D & E	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%
Dallas Kirkland (Professions) Limited*	The Walbrook Building	Ordinary Shares	100.00%
Giles Holdings Limited*	Spectrum Building	Ordinary Shares	100.00%
R. A. Rossborough Limited*	La Motte Street	Ordinary Shares	100.00%
R. A. Rossborough (Guernsey) Limited*	Rossborough House	Ordinary Shares	100.00%
R.A. Rossborough (Insurance Brokers) Limited*	La Motte Street	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*	La Motte Street	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%
Westinsure Group Limited*	The Walbrook Building	Ordinary Shares	100.00%
Westinsure Online 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%
Flysure Limited*	The Walbrook Building	Ordinary Shares	100.00%
Marcus Hearn & Co (Travel & Aviation) Limited*	The Walbrook Building	Ordinary Shares	100.00%
Crosbie & Jack Insurance Services Limited*	Spectrum Building	Ordinary Shares A, B & C	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

\*\*\* Company was dissolved on 12 June 2018

<b>Registered Office</b>	<b>Street Address</b>
The Walbrook Building	25, Walbrook, London EC2N 8AW
La Motte Street	41 La Motte Street, St. Helier, Channel Islands, Jersey, JE4 8NS
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
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 Blythswood 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

**FRIARY INTERMEDIATE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**15. EVENTS AFTER THE REPORTING PERIOD**

During 2018 agreement was reached between the various parties that a contingent bonus in relation to a previous acquisition was no longer payable by the Company. This is an adjusting event and the impact on the financial statements is an increase in profit before tax of £566k in the Statement of Comprehensive Income and a decrease in accruals and deferred income in the Statement of Financial Position.

On 20 July 2018 the Company received £1,200k as a settlement relating to a legal dispute. This is a non-adjusting event and as such has no impact on the financial statements.

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