

**STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
FOR
CONTEGO UNDERWRITING LIMITED**

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CONTEGO UNDERWRITING LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2015**

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CONTEGO UNDERWRITING LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015**

DIRECTORS:

C Parmenter
A Willsher

SECRETARY:

W McGowan

REGISTERED OFFICE:

The Walbrook Building
25 Walbrook
London
EC4N 8AW

REGISTERED NUMBER:

05883728 (England and Wales)

INDEPENDENT AUDITOR:

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

CONTEGO UNDERWRITING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their strategic report for the year ended 31 December 2015.

REVIEW OF BUSINESS

The principal activity in the period under review was that of providing insurance and reinsurance intermediary services to the construction and engineering markets. 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 2015 are set out in these financial statements on pages 6 to 14.

For the year ended 31 December 2015 the Company recorded a profit before tax of £542k compared to £444k for the year ended 31 December 2014. The principal driver of this increase in profit is a reduction of costs proportionately greater than the reduction of revenue caused by increased market competition.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's international operations and debt profile expose it to a variety of financial risks including the effects of change in foreign currency exchange rates, counterparty credit risks, price risk, compliance risks, 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 this 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 assessing the Group are identified, assessed and monitored.

The Company 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 risk 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 Company. Forward looking cash flow projections are prepared on a regular basis to assess funding requirements.

Foreign currency risk

The Company has significant operations outside the UK and as such the Company's major currency transaction exposure arises from foreign currency revenue earned in the UK. As a consequence, the Company's results are sensitive to changes in foreign exchange rates.

Counterparty credit risk

The Company is exposed to credit related losses in the event of non-performance by counterparties to financial assets but mitigates such risk through its policy of selecting only counterparties with high credit ratings or arranging beneficial credit terms in accordance with the Group's investment and counterparty policy.

Compliance Risk

The Group is exposed to regulatory risk from the potential failure to comply with the relevant laws and regulations for insurance intermediaries. To mitigate this, the Group has a risk and compliance function and a control framework that has been rolled out and embedded within the culture throughout the Group to reduce the risk of non-compliance. This includes regular assessment and monitoring of the compliance and regulatory requirements, with regular reporting to the Risk Committee and Board of Directors, and the Group has a proactive, open relationship with the regulator.

BY ORDER OF THE BOARD:


W McGowan - Secretary

Date:

27 September 2016

CONTEGO UNDERWRITING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their report with the financial statements of the Company for the year ended 31 December 2015. The results for the Company for the year ended 31 December 2015 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 2015 to the date of this report are as follows:

C Parmenter
A Willsher

Other changes in Directors holding office are as follows:

M Mugge - resigned 26 January 2015
D Ross - resigned 9 February 2015
S Dalgarno - resigned 17 March 2015

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2015 (2014: £nil).

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 PROVISION

The Directors benefitted 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
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 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.

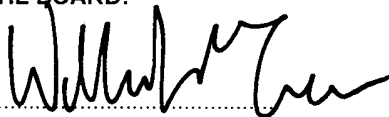
CONTEGO UNDERWRITING LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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:


.....
W McGowan - Secretary

Date: 27 September 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONTEGO UNDERWRITING LIMITED

We have audited the financial statements of Contego Underwriting Limited for the year ended 31 December 2015, 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. The financial reporting framework that has been applied in their preparation is 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".

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.

Respective responsibilities of Directors and auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 account 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.

Ernst & Young LLP

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

Date: 27 September 2016

CONTEGO UNDERWRITING LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £'000	2014 £'000
TURNOVER	2	1,611	2,294
Administrative expenses		<u>(1,069)</u>	<u>(1,850)</u>
OPERATING PROFIT	5	542	444
Interest receivable and similar income	6	<u>-</u>	<u>3</u>
		542	447
Interest payable and similar charges	7	<u>-</u>	<u>(3)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		542	444
Tax on profit on ordinary activities	8	<u>(51)</u>	<u>(117)</u>
PROFIT FOR THE FINANCIAL YEAR		491	327
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>491</u>	<u>327</u>

The notes form part of these financial statements

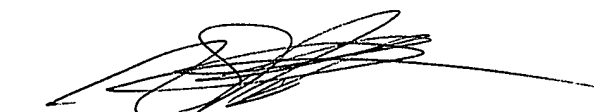
CONTEGO UNDERWRITING LIMITED (REGISTERED NUMBER: 05883728)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2015

		2015 £'000	(Restated) 2014 £'000
CURRENT ASSETS	Notes		
Debtors	9	3,269	3,867
Cash at bank		<u>1,295</u>	<u>1,367</u>
		4,564	5,234
CREDITORS			
Amounts falling due within one year	10	<u>2,503</u>	<u>3,754</u>
NET CURRENT ASSETS		<u>2,061</u>	<u>1,480</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,061	1,480
PROVISIONS FOR LIABILITIES	11	<u>105</u>	<u>15</u>
NET ASSETS		<u><u>1,956</u></u>	<u><u>1,465</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Retained earnings	13	<u>1,956</u>	<u>1,465</u>
SHAREHOLDERS' FUNDS		<u><u>1,956</u></u>	<u><u>1,465</u></u>

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

27 September 2016



C Parmenter - Director

The notes form part of these financial statements

CONTEGO UNDERWRITING LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital £'000	(Restated) Retained earnings £'000	Total equity £'000
Balance at 1 January 2014	-	1,138	1,138
Changes in equity			
Total comprehensive income	-	327	327
Balance at 31 December 2014	-	1,465	1,465
Changes in equity			
Total comprehensive income	-	491	491
Balance at 31 December 2015	-	1,956	1,956

The notes form part of these financial statements

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 periods presented, unless otherwise stated. This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 16 for an explanation of the transition.

Basis of preparation

The Company has 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.

Significant judgements and estimates

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

i. 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.

Turnover

Turnover represents commission on business placed with insurers during the year and is recognised at the later of inception date and the date the placement is completed and confirmed.

Interest receivable/payable

Interest receivable/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 s 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.

Insurance intermediary debtors and creditors

Insurance intermediaries usually act as agents in the placement of insurable risks and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities in the Statement of Financial Position. This recognises that the intermediary is entitled to retain the investment income on any cash flows arising from these transactions.

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES - continued

Insurance intermediary debtors and creditors - continued

The position of the insurance intermediary as agent means that generally the credit risk is borne by the principals. There can be circumstances where the insurance intermediary acquires the credit risk - through statute, or through the act of omission of the insurance intermediary or one of the principals. There is much legal uncertainty surrounding the extent of such exposures and consequently they cannot be evaluated. The total of insurance broking debtors appearing in the Statement of Financial Position is therefore not an indication of credit risk.

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.

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.

Pension costs

The Company participates in a defined contribution pension scheme covering the pension arrangements of all eligible employees. The assets of the scheme are invested with an insurance company. The pension cost charged in the Statement of Comprehensive Income represents the contributions payable and is disclosed in note 3.

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 Statement of Financial Position date. All rate of exchange differences are taken to the Statement of Comprehensive Income.

2. TURNOVER

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

	2015 £'000	2014 £'000
Commission income	<u>1,611</u>	<u>2,294</u>

An analysis of turnover by geographical market is given below:

	2015 £'000	2014 £'000
South America	986	1,541
Other countries	<u>625</u>	<u>753</u>
	<u>1,611</u>	<u>2,294</u>

3. STAFF COSTS

	2015 £'000	2014 £'000
Wages and salaries	-	99
Social security costs	-	11
Other pension costs	<u>-</u>	<u>10</u>
	<u>-</u>	<u>120</u>

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

	2015	2014
Broking and technical	-	2
Management	<u>-</u>	<u>1</u>
	<u>-</u>	<u>3</u>

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 31 DECEMBER 2015**

3. STAFF COSTS - continued

The amounts associated with staff costs are to 6 April 2014 after which the costs were incurred by Arthur J. Gallagher Services (UK) Ltd. An amount of £632k (2014: £336k) was recharged back to the Company and is accounted for in administrative expenses.

4. DIRECTORS' EMOLUMENTS

	2015	2014
	£'000	£'000
Directors' remuneration	772	548
Other pension costs	<u>35</u>	<u>38</u>
	<u><u>807</u></u>	<u><u>586</u></u>

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

Money purchase schemes	<u><u>4</u></u>	<u><u>2</u></u>
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Information regarding the highest paid Director is as follows:

	2015	2014
	£'000	£'000
Directors' remuneration	384	232
Other pension costs	<u>17</u>	<u>19</u>
	<u><u>401</u></u>	<u><u>251</u></u>

The above amounts represent remuneration allocated to the Directors based on their directorships of entities within the Group. This is on a different basis to which Directors emoluments are recharged to the Company and accounted for in administrative expenses.

5. OPERATING PROFIT

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

	2015	2014
	£'000	£'000
Land and building operating leases	27	78
Auditor's remuneration	8	7
Foreign exchange differences	<u>(171)</u>	<u>(322)</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	£'000	£'000
Deposit account interest	<u>-</u>	<u>3</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£'000	£'000
Interest payable	<u>-</u>	<u>3</u>

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

8. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2015 £'000	2014 £'000
Current tax:		
UK corporation tax on profits for the period	50	112
Adjustments in respect of previous periods	-	(14)
Total current tax	<u>50</u>	<u>98</u>
Deferred tax:		
Origination and reversal of timing differences	1	6
Adjustments in respect of previous periods	-	13
Total deferred tax	<u>1</u>	<u>19</u>
Total tax per income statement	<u>51</u>	<u>117</u>

The charge for the year can be reconciled to the profit per the income tax statement as follows:

	2015 £'000	2014 £'000
Profit for the period	<u>542</u>	<u>444</u>
Tax on profit at standard UK tax rate of 20.25% (2014 - 21.5%)	110	95
Effects of:		
Expenses not deductible	2	2
Adjustments from previous periods	-	(1)
Transfer pricing adjustments	21	21
Income not taxable	(82)	-
Tax charge for the period	<u>51</u>	<u>117</u>

The Company profits are taxable in the UK under the standard rate of corporation tax being 20.25% (2014 21.5%). The Company is expected to continue to attract the standard rate of UK corporation tax. The UK government legislated during 2015 to reduce the main rate of corporation tax to 19%, applicable from 1 April 2017 with a further reduction of 1% to 18% to apply from 1 April 2020. These reductions have been reflected in the closing deferred tax asset, as they were enacted at the balance sheet date.

Further legislation has been announced to reduce the corporation tax rate to 17% from 1 April 2020. The impact of this change is not quantifiable at this time.

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Trade debtors	-	45
Amounts owed by group undertakings	3,227	3,782
Other debtors	40	37
Deferred tax asset	<u>2</u>	<u>3</u>
	<u>3,269</u>	<u>3,867</u>

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

	Deferred tax £'000
Balance at 1 January 2015	3
Deferred tax change to income statement for the period	<u>(1)</u>
Balance at 31 December 2015	<u>2</u>

The deferred tax net asset represents fixed asset timing differences of £2k (2014: £3k). The amount of deferred tax that will unwind in the following accounting period is uncertain and therefore unquantifiable.

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

	2015 £'000	(Restated) 2014 £'000
Trade creditors	1,229	1,390
Amounts owed to group undertakings	719	2,259
Corporation tax	50	-
Social security and other taxes	-	6
Accruals and deferred income	<u>505</u>	<u>99</u>
	<u>2,503</u>	<u>3,754</u>

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

Contained within trade creditors is £86k relating to trading with group entities.

11. PROVISIONS FOR LIABILITIES

	2015 £'000	2014 £'000
Other provisions	<u>105</u>	<u>15</u>

Other provisions:

	Future servicing and claims handling costs £'000	E&O provision £'000	Total £'000
At 1 January 2015	-	15	15
Incurred during year	<u>90</u>	<u>-</u>	<u>90</u>
At 31 December 2015	<u>90</u>	<u>15</u>	<u>105</u>

Future servicing and claims handling costs

The provision for future servicing and claims handling costs is an estimate of the cost to run-off claims on policies previously placed by the Company. The provision is based on a projection of future claims applying a trend extrapolated from historical data. The timing of outflows relating to these liabilities is uncertain as at the end of the reporting period.

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

11. PROVISIONS FOR LIABILITIES - continued

Errors & 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. It is not practical to specifically indicate the likely timing of claim settlements.

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2015	2014
			£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. The Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or member. In addition, the shares carry pre-emption rights.

13. RESERVES

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

Called up share capital - represents the nominal value of shares that have been issued.

14. ULTIMATE PARENT UNDERTAKING

The immediate parent company is Pen Underwriting 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, and which is the ultimate parent undertaking. A copy of these consolidated financial statements is available from the registered office of the Company.

15. EVENTS AFTER THE REPORTING PERIOD

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

16. TRANSITION TO FRS 102

The Company transitioned to FRS 102 from previously extant UK Accounting Standards as at 1 January 2014.

Note	Equity as at 31/12/2013 £'000	Total changes in equity year ended 31/12/2014 £'000	Equity as at 31/12/2014 £'000
As previously stated under UK GAAP	1,546	327	1,873
Prior year adjustment			
Intercompany release	a (408)	-	(408)
As restated under former UK GAAP and as stated in accordance with FRS 102	<u>1,138</u>	<u>327</u>	<u>1,465</u>

Prior year adjustment

a. Intercompany release

Prior year opening reserves have been adjusted to correct a historic group relief balance that should have been written off during year ended 31 December 2013.

Adjustments arising on transition to FRS 102

There is no financial impact from the transition to FRS 102 in the financial statements. There were no changes in accounting policies arising from the transition to FRS 102.