

**STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014
FOR
CONTEGO UNDERWRITING LIMITED**

WEDNESDAY



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COMPANIES HOUSE

CONTEGO UNDERWRITING LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2014**

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CONTEGO UNDERWRITING LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2014**

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
1 More London Place
London
SE1 2AF

CONTEGO UNDERWRITING LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors present the strategic report of the Company for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company's principal activity is to provide insurance and reinsurance intermediary services to the construction and engineering markets.

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 consolidated financial statements of Arthur J. Gallagher & Co. ("the Group") which are publicly available.

REVIEW OF BUSINESS AND FUTURE ACTIVITIES

The Company specialises in the provision of bespoke insurance and reinsurance contractors' plant and machinery products to their numerous production sources which, in all cases, are registered at both Lloyd's and the Financial Conduct Authority.

These products are available worldwide other than the USA and territories where the Company is not licensed to trade.

For the year ended 31 December 2014 the Company recorded a profit before tax of £444k compared to £553k for the year ended 31 December 2013. Profit has decreased due to a decline in revenue when compared against past performance.

Turnover for the year ended 31 December 2014 was £2,294k compared to £2,585k for the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2014 are set out in these financial statements on pages 6 to 14. The total recognised profit for the year of £327k (2013: £419k) was transferred to reserves. No interim dividends were paid during the year (2013: £nil). The Directors have not recommended the payment of a final dividend (2013: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's international operations and debt profile expose it to a variety of financial risks including the effects of changes in foreign currency exchange rates and, liquidity and interest rates. The Company has in place a risk management programme and policies that seek to limit the adverse impact upon the Company by use of financial instruments to fix currency rates.

Borrowing facilities and liquidity risk

The Group maintains facilities to ensure it has adequate funds available to finance operations and the growth of the business.

Foreign currency risk

The Company has significant operations outside the UK and as such is exposed to movements in exchange rates. Where forward foreign exchange contracts have been entered into to manage currency risk, they are designated as hedges of currency risk on specific future cash flows, which qualify as highly probable transactions for which hedge accounting has been used.

Operational risk

Operational risk is the risk of loss due to factors such as inadequate systems, management failure, inadequate internal controls, fraud and human error. The Company mitigates these risks through a key risks and controls framework, systems of internal controls, compliance function and other measures such as back-up procedures.

Risk management

The company's immediate parent is OIM Underwriting Limited and its ultimate parent is Arthur J. Gallagher & Co. Robust risk management is fundamental to the achievement of the group's objectives. The group's board of directors is 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.

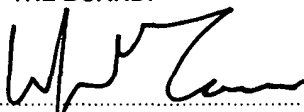
CONTEGO UNDERWRITING LIMITED

**STRATEGIC REPORT - continued
FOR THE YEAR ENDED 31 DECEMBER 2014**

EMPLOYEES

The Company is an equal opportunities employer and bases all decisions on individual ability regardless of race, religion, gender, age or disability.

BY ORDER OF THE BOARD:


.....
W McGowan - Secretary

Date: 28/9/15

CONTEGO UNDERWRITING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors present their report with the financial statements of the Company for the year ended 31 December 2014.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2014.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in note 17 to the financial statements.

DIRECTORS

The Directors shown below have held office during the whole of the period from 1 January 2014 to the date of this report.

C Parmenter
A Willsher

Other changes in Directors holding office are as follows:

S Fisher - resigned 10 October 2014
M Mugge - resigned 26 January 2015
D Ross - resigned 9 February 2015
S Dalgarno - resigned 17 March 2015

DIRECTOR'S INDEMNITY PROVISIONS

The Directors have benefited from qualifying third party indemnity provisions in place during the period and to the date of this report.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' Report, Strategic 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Ernst & Young LLP are deemed to be re-appointed as the Company's auditors, in accordance with section 487(2) of the Companies Act 2006

BY ORDER OF THE BOARD:


W McGowan - Secretary

Date: 28/9/15

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 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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).

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 4, 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 and the Directors' Report 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 2014 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.

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 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.

Ernst & Young LLP

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

Date: *28 September 2015*

CONTEGO UNDERWRITING LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Notes | 2014 £'000 | 2013 £'000 |
|--|-------|----------------|----------------|
| TURNOVER | 2 | 2,294 | 2,585 |
| Administrative expenses | | <u>(1,850)</u> | <u>(2,022)</u> |
| OPERATING PROFIT | 5 | 444 | 553 |
| Exceptional items | 6 | <u>-</u> | <u>(10)</u> |
| | | 444 | 553 |
| Interest receivable and similar income | 7 | <u>3</u> | <u>-</u> |
| | | 447 | 553 |
| Interest payable and similar charges | 8 | <u>(3)</u> | <u>-</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 444 | 553 |
| Tax on profit on ordinary activities | 9 | <u>(117)</u> | <u>(134)</u> |
| PROFIT FOR THE FINANCIAL YEAR | | <u>327</u> | <u>419</u> |

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the profits for the current year or previous year.

The notes form part of these financial statements

CONTEGO UNDERWRITING LIMITED (REGISTERED NUMBER: 05883728)

**BALANCE SHEET
31 DECEMBER 2014**

| | Notes | 2014 £'000 | 2013 £'000 |
|--|-------|---------------|---------------|
| CURRENT ASSETS | | | |
| Debtors | 10 | 3,867 | 2,413 |
| Cash at bank | 11 | <u>1,367</u> | <u>1,565</u> |
| | | 5,234 | 3,978 |
| CREDITORS | | | |
| Amounts falling due within one year | 12 | <u>3,346</u> | <u>2,422</u> |
| NET CURRENT ASSETS | | <u>1,888</u> | <u>1,556</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,888 | 1,556 |
| PROVISIONS FOR LIABILITIES | 13 | <u>15</u> | <u>10</u> |
| NET ASSETS | | <u>1,873</u> | <u>1,546</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | - | - |
| Profit and loss account | 15 | <u>1,873</u> | <u>1,546</u> |
| SHAREHOLDERS' FUNDS | 18 | <u>1,873</u> | <u>1,546</u> |

The financial statements were approved by the Board of Directors on its behalf by:

28 September 2015

and were signed on



C Parmenter - Director

The notes form part of these financial statements

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and in compliance with UK GAAP. These accounting policies have been applied consistently during the year.

The Directors have taken advantage of Section 401 of the Companies Act 2006 in not preparing consolidated financial statements on the basis that the Company is a wholly-owned subsidiary of OIM Underwriting Limited, and 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 taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Arthur J. Gallagher & Co. Group.

Turnover

Turnover arises from three main sources of income, commission of gross written premium for acting as a managing agent between the brokers and Brit Insurance Limited; commissions of gross written premiums for acting as a managing agent between brokers and a variety of Lloyds syndicates, and profit commissions of the net profit calculated for each underwriting year according to the binding agreement with the underwriters.

Brokerage commission is recognised at the later of inception date and the date the placement is completed and confirmed.

Managing agent commission is earned when the insurance/reinsurance contract is accepted by the managing agent on behalf of the subscribing underwriters to the binding authority and the right to consideration is obtained.

Profit commission is based on the overall profit of the business placed with the underwriters during the year and is determined after the contractual period. The profit commission is recognised as revenue when the data necessary to reasonably determine such amounts have been obtained by the company from the underwriters.

Taxation

Provision is made at current rates for taxation. In accordance with FRS19, deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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 that 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.

Provision for liabilities and charges

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 a reasonable estimate can be made of the amount of the obligation. Provisions are made in accordance with the requirements of FRS 12. The basis of each class of provision is described in note 13.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance Sheet date. All rate of exchange differences are taken to the Profit and Loss Account.

Pensions

All Company employees may become members of the Gallagher (UK) Pension Plan, a defined contribution scheme. Contributions are charged to the Profit and Loss Account as they become payable in accordance with the rules of the scheme. Under the rules of the defined pension scheme, the pension charges represent the contributions payable by the Company up to 6 April 2014 at which point all employees were transferred to the Company.

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES - continued

Insurance broking debtors and creditors

Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers. As such they are generally not liable as principals for the amounts arising from these transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities, respectively.

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

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

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

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

2. TURNOVER

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

An analysis of turnover by geographical market is given below:

| | 2014 £'000 | 2013 £'000 |
|---------------------------|---------------|---------------|
| South America | 1,541 | 1,565 |
| United Kingdom and Europe | - | 10 |
| Other countries | <u>753</u> | <u>1,010</u> |
| | <u>2,294</u> | <u>2,585</u> |

The table above analyses turnover by the address of the client from whom the business is derived. This does not necessarily reflect the original source or location of the business.

3. STAFF COSTS

| | 2014 £'000 | 2013 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 99 | 939 |
| Social security costs | 11 | 66 |
| Other pension costs | <u>10</u> | <u>61</u> |
| | <u>120</u> | <u>1,066</u> |

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

| | 2014 | 2013 |
|-----------------------|----------|----------|
| Broking and technical | 2 | 2 |
| Management | <u>1</u> | <u>2</u> |
| | <u>3</u> | <u>4</u> |

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2014

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) Limited. An amount of £336k was recharged back to the Company and is accounted for in administrative expenses.

4. DIRECTORS' EMOLUMENTS

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Directors' remuneration | 548 | 477 |
| Directors' pension contributions to money purchase schemes | <u>38</u> | <u>35</u> |

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

| | | |
|------------------------|----------|----------|
| Money purchase schemes | <u>2</u> | <u>4</u> |
|------------------------|----------|----------|

Information regarding the highest paid director is as follows:

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Emoluments etc | 232 | 233 |
| Pension contributions to money purchase schemes | <u>19</u> | <u>18</u> |

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

5. OPERATING PROFIT

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

| | 2014 £'000 | 2013 £'000 |
|------------------------|---------------|---------------|
| Other operating leases | 78 | 51 |
| Auditors' remuneration | <u>7</u> | <u>8</u> |

6. EXCEPTIONAL ITEMS

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Loss on disposal of tangible fixed asset | <u>-</u> | <u>10</u> |

The Company disposed of tangible fixed assets resulting in a realised loss of £nil (2013: £10k) which has been disclosed in accordance with Financial Reporting Standard 3 'Reporting Financial Performance' as an exceptional item in the profit and loss account.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2014 £'000 | 2013 £'000 |
|---------------------|---------------|---------------|
| Interest receivable | <u>3</u> | <u>-</u> |

8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2014 £'000 | 2013 £'000 |
|------------------|---------------|---------------|
| Interest payable | <u>3</u> | <u>-</u> |

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2014

9. TAXATION

Analysis of the tax charge

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

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Current tax: | | |
| UK corporation tax | - | 137 |
| Group Relief claimed from fellow group companies | 112 | - |
| Adjustments in respect of prior years | (13) | (6) |
| Total current tax | <u>98</u> | <u>131</u> |
| Deferred tax: | | |
| Timing differences | 6 | (6) |
| Impact of tax rate change | - | 3 |
| Adjustments in respect of prior years | <u>13</u> | <u>6</u> |
| Total deferred tax | <u>19</u> | <u>3</u> |
| Tax on profit on ordinary activities | <u>117</u> | <u>134</u> |

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax | <u>444</u> | <u>553</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.50% (2013 - 23.25%) | 95 | 129 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1 | 4 |
| Capital allowances in excess of depreciation | (1) | (1) |
| Adjustments in respect of prior years | (13) | (6) |
| Short term timing differences | (6) | 7 |
| Transfer pricing adjustments | <u>22</u> | <u>(1)</u> |
| Current tax charge | <u>98</u> | <u>132</u> |

The Company profits are taxable in the UK under the standard rate of corporation tax being 21.50% (2013: 23.25%). The Company is expected to continue to attract the standard rate of UK corporation tax. The UK government legislated during 2013 to reduce the main rate of corporation tax to 21%, applicable from 1 April 2014, with a further reduction of 1% to 20% with effect from 1 April 2015. 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, due to be enacted post September 2015, to reduce the corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020. The impact of these changes is not quantifiable at this time.

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2014 £'000 | 2013 £'000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 45 | 842 |
| Amounts owed by group undertakings | 3,782 | 1,511 |
| Other debtors | 37 | 38 |
| Deferred tax asset (see note 13) | <u>3</u> | <u>22</u> |
| | <u>3,867</u> | <u>2,413</u> |

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2014

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

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

11. CASH AT BANK

| | 2014 | 2013 |
|------------------------|--------------|--------------|
| | £'000 | £'000 |
| Insurance balances | 1,361 | 1,122 |
| Non-insurance balances | 6 | 443 |
| | <u>1,367</u> | <u>1,565</u> |

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2014 | 2013 |
|------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Trade creditors | 1,365 | 609 |
| Insurance creditors | 25 | - |
| Amounts owed to group undertakings | 1,851 | 844 |
| Corporation tax | - | 79 |
| Social security and other taxes | 6 | 21 |
| Other creditors | - | 731 |
| Accruals and deferred income | 99 | 138 |
| | <u>3,346</u> | <u>2,422</u> |

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

13. PROVISIONS FOR LIABILITIES

| | 2014 | 2013 |
|------------------|-----------|-----------|
| | £'000 | £'000 |
| Other provisions | <u>15</u> | <u>10</u> |

| | Deferred tax £'000 | Other provisions £'000 |
|--------------------------------|--------------------------|------------------------------|
| Balance at 1 January 2014 | (22) | 10 |
| Provided for during the year | - | 15 |
| Released for during the year | - | (10) |
| Accelerated capital allowances | 1 | - |
| Timing differences | 6 | - |
| Impact of tax rate change | (1) | - |
| Prior year adjustments | <u>13</u> | <u>-</u> |
| Balance at 31 December 2014 | <u>(3)</u> | <u>15</u> |

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2014

13. PROVISIONS FOR LIABILITIES - continued

The Company defers a portion of its revenue based on an estimation of the revenue booked in the current financial period that will be reversed in the next financial period. This is done through establishing a policy cancellation provision and this provision is calculated by reference to historical trends in policy cancellations.

The deferred tax net asset represents: £nil in relation to short term timing differences (2013: £18k); and fixed asset timing differences of £3k (2013: £3k).

Other provisions:

| | E&O provision £'000 | Policy cancellation provision £'000 | Total £'000 |
|-----------------------------------|--|--|------------------------|
| At 1 January 2014 | - | 10 | 10 |
| Provided/(released) during period | 15 | (10) | 5 |
| At 31 December 2014 | <u>15</u> | <u>-</u> | <u>15</u> |

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.

Policy cancellation provision

The provision for policy cancellation is based on a calculation in which the percentage of cancelled policies, relative to the previous year, is applied to current year income as a projection of likely cancellations in the future. For the current financial year, the Company's retail activities were not significant enough to require a provision for policy cancellation.

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2014 £ | 2013 £ |
|----------------|---------------|---------------------------|-------------------|-------------------|
| 100 | Ordinary | £1 | <u>100</u> | <u>100</u> |

15. RESERVES

| | Profit and loss account £'000 |
|---------------------|--|
| At 1 January 2014 | 1,546 |
| Profit for the year | <u>327</u> |
| At 31 December 2014 | <u>1,873</u> |

CONTEGO UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2014

16. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The immediate parent Company is OIM 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 Contego Underwriting Limited.

17. POST BALANCE SHEET EVENTS

The Directors agree that there are no post balance sheet events to disclose.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Profit for the financial year | <u>327</u> | <u>419</u> |
| Net addition to shareholders' funds | 327 | 419 |
| Opening shareholders' funds | <u>1,546</u> | <u>1,127</u> |
| Closing shareholders' funds | <u>1,873</u> | <u>1,546</u> |