

**STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017
FOR
ALESCO RISK MANAGEMENT SERVICES LIMITED**

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ALESCO RISK MANAGEMENT SERVICES LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2017**

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ALESCO RISK MANAGEMENT SERVICES LIMITED

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

DIRECTORS: P Hanson
S Matson

SECRETARY: A Peel

REGISTERED OFFICE: The Walbrook Building
25 Walbrook
London
EC4N 8AW

REGISTERED NUMBER: 06518638 (England and Wales)

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

ALESCO RISK MANAGEMENT SERVICES 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 Company's principal business is that of insurance broking, primarily in the energy and construction sector. The Company aims to be a market leader in its chosen specialist markets. It is expected that there will be no significant change to the nature of the Company's activity in the foreseeable future

The results of the Company for the year ended 31 December 2017 are set out in the financial statements on pages 8 to 17.

For the year ended 31 December 2017 the Company's turnover was £31,480k (2016: £22,937k), an increase of 37% over prior year. Profit before tax was £2,906k (2016: £1,475k) representing an increase of 97% over prior year. This rise in profits is as a result of investments made in the attracting and hiring of new individuals consistent with the Company's strategy of building and developing specialisms in the broking industry.

Looking ahead, the Company will continue with its strategy of delivering innovative services and products to its clients. The Company aims to drive organic growth through expansion into other speciality lines and geographies and to maintain its strong relationships with insurers and clients. The Company will continue to invest in its systems and processes to provide industry leading levels of service.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Company has in place a risk management programme and policies 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 Company are financed by a mixture of shareholders' funds, 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's major currency transaction exposure arises in respect of transactions with fellow group undertakings and foreign currency revenue earned in the UK. As a consequence, the Company's results are sensitive to changes in foreign currency exchange rates.

In the management of its exchange rate exposures the Company utilises currency derivatives on a non-speculative basis to hedge future transactions and cash flows and is therefore party to a number of forward foreign currency contracts.

Interest rate risk

Interest rates on the Company's formal intra-group loans are fixed in nature and set in accordance with treasury and transfer pricing policies.

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 Company's investment and counterparty policy.

ALESCO RISK MANAGEMENT SERVICES LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

PRINCIPAL RISKS AND UNCERTAINTIES - continued

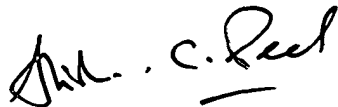
Compliance risk

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

Operational Risk

The Company has identified the key operational risks to which it is exposed, principle among which are errors or omission, leading to the incorrect placement of client insurances, the protection of client information, the prevention of cyber crime and financial crime, and compliance with regulations. An appropriate control framework has been deployed to manage and mitigate these key operational risks.

BY ORDER OF THE BOARD:



.....
A Peel - Secretary

Date: 17 September 2018

ALESCO RISK MANAGEMENT SERVICES 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

The Director who has held office during the whole of the period from 1 January 2017 to the date of this report is as follows;

S Matson

Other changes in Directors holding office are as follows:

P Hanson - appointed 28 November 2017

C Scott - resigned 28 November 2017

DIVIDENDS

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

The Directors have benefited from qualifying third party indemnity provisions in place 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.

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.

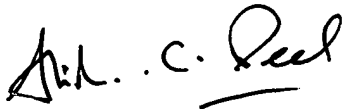
ALESCO RISK MANAGEMENT SERVICES LIMITED

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

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 ALESKO RISK MANAGEMENT SERVICES LIMITED

Opinion

We have audited the financial statements of Alesko Risk Management Services 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 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ALESKO RISK MANAGEMENT SERVICES LIMITED - continued**

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.

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' remunerations 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 4, 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.

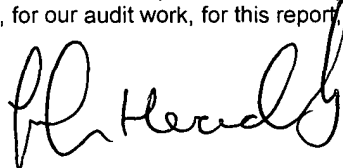
Auditor's responsibilities for the audit of the financial statements

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.



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

Date: 19 September 2018

ALESCO RISK MANAGEMENT SERVICES LIMITED

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

	Notes	2017 £'000	2016 £'000
TURNOVER	2	31,480	22,937
Administrative expenses		<u>(28,335)</u>	<u>(20,953)</u>
OPERATING PROFIT	5	3,145	1,984
Interest receivable and similar income	6	317	41
Interest payable and similar expenses	7	<u>(556)</u>	<u>(550)</u>
PROFIT BEFORE TAXATION		2,906	1,475
Tax on profit	8	<u>(1,026)</u>	<u>21</u>
PROFIT FOR THE FINANCIAL YEAR		1,880	1,496
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,880</u></u>	<u><u>1,496</u></u>

The notes form part of these financial statements

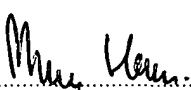
ALESCO RISK MANAGEMENT SERVICES LIMITED (REGISTERED NUMBER: 06518638)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2017**

	Notes	£'000	2017 £'000	£'000	2016 £'000
FIXED ASSETS					
Intangible assets	9		359		467
Tangible assets	10		<u>3</u>		<u>1</u>
			362		468
CURRENT ASSETS					
Debtors	11	43,536		29,514	
Cash at bank		<u>681</u>		<u>2,696</u>	
		44,217		32,210	
CREDITORS					
Amounts falling due within one year	12	<u>33,676</u>		<u>13,411</u>	
NET CURRENT ASSETS			<u>10,541</u>		<u>18,799</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			10,903		19,267
CREDITORS					
Amounts falling due after more than one year	13		<u>-</u>		<u>10,244</u>
NET ASSETS			<u>10,903</u>		<u>9,023</u>
CAPITAL AND RESERVES					
Called up share capital	15		1		1
Share premium	16		297		297
Retained earnings	16		<u>10,605</u>		<u>8,725</u>
SHAREHOLDERS' FUNDS			<u>10,903</u>		<u>9,023</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


P Hanson - Director

The notes form part of these financial statements

ALESCO RISK MANAGEMENT SERVICES LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016	1	297	7,229	7,527
Changes in equity				
Total comprehensive income	-	-	1,496	1,496
Balance at 31 December 2016	1	297	8,725	9,023
Changes in equity				
Total comprehensive income	-	-	1,880	1,880
Balance at 31 December 2017	1	297	10,605	10,903

The notes form part of these financial statements

ALESCO RISK MANAGEMENT SERVICES 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 also taken advantage of the exemptions, under FRS 102 paragraph 1.12(b), (c), & (e) respectively, from preparing a Statement of Cash Flows, extended disclosure relating to derivatives and disclosure of key management compensation, on the basis that it is a qualifying entity and its ultimate parent company, Arthur J. Gallagher & Co. ("the Group"), 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. Goodwill and intangible fixed assets

The Group establishes a reliable estimate of the useful lives of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

ii. Impairment of debtors

The Group makes an estimate of the recoverable value of trade debtors. When assessing impairment of trade debtors, management have considered an appropriate formula for calculating the bad debt provision based on the ageing of the trade debtors.

iii. Supplemental commission accrual

The Group calculates an estimate at the year end to ascertain the accrued supplemental commission income not yet billed. Supplemental commission is recognised when an agreement is in place with a panel of insurance carriers. Management have considered appropriate formulae for calculating the year end accrual based on analysis of transactions subject to the insurance service agreements, which are amended when necessary to reflect previous experience with the estimate.

Turnover

Turnover represents brokerage and fees associated with placing insurance and reinsurance contracts. It is recognised net of commission payable and allowable discounts. It is recognised at the later of inception date and the date the placement is completed and confirmed. Where there is an expectation of future servicing requirements, a proportion of income relating to the policy is deferred to cover the associated obligations under the policy contract.

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.

ALESCO RISK MANAGEMENT SERVICES LIMITED

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

1. ACCOUNTING POLICIES - continued

Taxation

Provision is made at current enacted rates for taxation. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax in future periods.

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

Deferred tax assets and liabilities are not discounted.

Goodwill and intangible fixed assets

Intangible fixed assets arising on the acquisition of teams, other business and software have been capitalised, classified as assets in the Statement of Financial Position and amortised over their useful economic lives. They are reviewed for impairment if events or changes in circumstances indicate that the carrying values may not be recoverable.

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Expiration lists - over a maximum of 5 years

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated using the straight-line method based on the assets' useful lives.

The useful lives of the following tangible fixed assets are:

Computer equipment - over 3 years

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 Statement of Comprehensive Income in other operating expenses.

Loans to/from group undertakings

Loans to/from other group undertakings are initially recognised at transaction price, less any transactional costs unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future payments discounted at a market rate of interest. In subsequent years the loans are carried at amortised cost, using the effective interest rate method.

Where loans are repayable on demand they are classified as short term debtors/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.

Financial derivatives

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date at which a derivative contract is entered into and are subsequently measured at fair value through the Statement of Comprehensive Income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

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.

ALESCO RISK MANAGEMENT SERVICES LIMITED

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

2. TURNOVER

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

	2017 £'000	2016 £'000
An analysis of turnover by class of business is given below:		
Net brokerage	26,259	18,367
Fees	1,126	1,649
Commissions	<u>4,095</u>	<u>2,921</u>
	<u>31,480</u>	<u>22,937</u>
 An analysis of turnover by geographical market is given below:		
UK	6,409	6,939
Europe	2,316	1,529
North America	6,414	8,762
Other Countries	<u>16,341</u>	<u>5,707</u>
	<u>31,480</u>	<u>22,937</u>

3. STAFF COSTS

The amounts relating to staff costs were incurred by Arthur J. Gallagher Services (UK) Limited. An amount of £20,011k (2016: £17,128k) was recharged back to the Company, and is accounted for in administrative expenses.

4. DIRECTORS' REMUNERATION

	2017 £'000	2016 £'000
Directors' remuneration	422	395
Directors' pension contributions to money purchase schemes	<u>5</u>	<u>12</u>
	<u>427</u>	<u>407</u>

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

Money purchase schemes	<u>2</u>	<u>1</u>
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Information regarding the highest paid Director is as follows:

	2017 £'000	2016 £'000
Director's remuneration	356	201
Director's pension contributions to money purchase schemes	<u>-</u>	<u>12</u>
	<u>356</u>	<u>213</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 remunerations are recharged to the Company and accounted for in administrative expenses.

ALESCO RISK MANAGEMENT SERVICES LIMITED

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

5. OPERATING PROFIT

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

	2017	2016
	£'000	£'000
Expiration lists amortisation	108	74
Depreciation - owned assets	1	-
Auditors' remuneration		
- statutory audit	51	19
- audit related assurance services	44	-
Land and building operating leases	1,169	882
Foreign exchange differences	832	(3,074)
Unrealised (gain)/loss on derivatives	<u>(1,035)</u>	<u>-</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£'000	£'000
Bank interest	144	41
Interest on loans to group undertakings	<u>173</u>	<u>-</u>
	<u>317</u>	<u>41</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

Interest on loans from group undertakings	522	515
Loan note interest	<u>34</u>	<u>35</u>
	<u>556</u>	<u>550</u>

8. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit for the year was as follows:

	2017	2016
	£'000	£'000
Current tax:		
UK corporation tax	883	60
Adjustments in respect of prior years	<u>143</u>	<u>(79)</u>
Total current tax	1,026	(19)
Deferred tax:		
Timing differences	<u>-</u>	<u>(2)</u>
Tax on profit	<u>1,026</u>	<u>(21)</u>

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

	2017	2016
	£'000	£'000
Profit before tax	<u>2,906</u>	<u>1,475</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	559	295
Effects of:		
Expenses not deductible for tax purposes	146	155
Adjustments to tax charge in respect of previous periods	143	(79)
Transfer pricing adjustments	178	7
Effects of group relief/ other reliefs	<u>-</u>	<u>(399)</u>
Total tax charge/(credit)	<u>1,026</u>	<u>(21)</u>

ALESCO RISK MANAGEMENT SERVICES LIMITED

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

8. TAXATION - continued

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 legislated to reduce the main rate of corporation tax to 17%, to apply from 1 April 2020. These reductions have been reflected in the closing deferred tax asset, as they were enacted at the date of the Statement of Financial Position.

9. INTANGIBLE FIXED ASSETS

	Expiration lists £'000
COST	
At 1 January 2017 and 31 December 2017	<u>541</u>
AMORTISATION	
At 1 January 2017	74
Amortisation for year	<u>108</u>
At 31 December 2017	<u>182</u>
NET BOOK VALUE	
At 31 December 2017	<u>359</u>
At 31 December 2016	<u>467</u>

10. TANGIBLE FIXED ASSETS

	Computer equipment £'000
COST	
At 1 January 2017	1
Additions	<u>3</u>
At 31 December 2017	<u>4</u>
DEPRECIATION	
Charge for year	<u>1</u>
At 31 December 2017	<u>1</u>
NET BOOK VALUE	
At 31 December 2017	<u>3</u>
At 31 December 2016	<u>1</u>

11. DEBTORS

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	30,635	15,669
Other debtors	1,020	298
Deferred tax asset	3	3
Prepayments and accrued income	<u>1,705</u>	<u>3,982</u>
	<u>33,363</u>	<u>19,952</u>

ALESCO RISK MANAGEMENT SERVICES LIMITED

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

11. DEBTORS - continued

	2017 £'000	2016 £'000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	10,173	-
Prepayments and accrued income	<u>-</u>	<u>9,562</u>
	<u>10,173</u>	<u>9,562</u>
 Aggregate amounts	 <u>43,536</u>	 <u>29,514</u>

Amounts owed by group undertakings are unsecured, repayable on demand and are on an interest free basis, with the exception of the following loan. This loan is unsecured and has the following terms and conditions:

Aggregate loan value	Interest rate	Interest terms	Repayment period	Aggregate carrying value
£10,000k	6.19%	Non-compounding. Interest charge up to 31 Dec 2017. Thereafter from 1 Jan 2018 interest at 0%	10 years from commencement (2027)	£10,173k

	Deferred tax £'000
Balance at 1 January 2017	3
Deferred tax utilised during the year	<u>-</u>
Balance at 31 December 2017	<u>3</u>

Deferred tax

The deferred tax asset represents fixed asset timing differences of £3k (2016: £3k). The amount of deferred tax that will unwind in the following accounting period is uncertain at this stage and therefore not quantifiable.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Amounts owed to group undertakings	23,379	6,822
Group relief creditor	883	60
Other creditors	90	50
Accruals and deferred income	<u>9,324</u>	<u>6,479</u>
	<u>33,676</u>	<u>13,411</u>

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

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £'000	2016 £'000
Amounts owed to group undertakings	<u>-</u>	<u>10,244</u>

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

14. FINANCIAL INSTRUMENTS

The Company has the following financial instruments:

Financial liabilities measured at fair value through the Statement of Comprehensive Income:

	2017 £'000
Derivative financial instruments	<u>1,016</u>

ALESCO RISK MANAGEMENT SERVICES LIMITED

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

14. FINANCIAL INSTRUMENTS - continued

Fair value through the Statement of Comprehensive Income has been calculated by comparing the USD:GBP equivalent forward/option rate at the period end to the rate as set out in the forward/option contract.

The Company entered into forward currency contracts and foreign currency options to mitigate the exchange rate risk for certain foreign currency revenues. The Group is committed to and has the option to buy Pound Sterling and pay a fixed US Dollar amount. As at 31 December 2017 the outstanding contracts all mature within 24 months of the period end.

The forward currency contracts and foreign currency options are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward/option exchange rates for USD:GBP. The fair value of the forward foreign currency contracts is £nil (2016: £nil) and the fair value of the foreign currency options is £1,016k (2016: £nil), both of which are contained in other debtors within note 11.

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2017 £	2016 £
6,500	A Ordinary	£0.10	650	650
3,500	B Ordinary	£0.10	<u>350</u>	<u>350</u>
			<u>1,000</u>	<u>1,000</u>

The 'A' Ordinary Shares and 'B' Ordinary Shares shall rank pari passu in all respect save voting rights. 'A' Ordinary Shares shall confer on each holder thereof the right to receive notice of and to attend, speak and vote on all matters at all general meetings of the Company. 'B' Ordinary Shares shall not confer on each holder thereof any right to receive notice of or attend, speak at or vote at general meetings of the Company.

16. RESERVES

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

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

Share Premium Account - this reserve records the amount above the nominal value received for shares issued, less transaction costs.

17. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The immediate parent company is Arthur J. Gallagher (UK) 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.

18. EVENTS AFTER THE REPORTING PERIOD

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