

**STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
FOR
ALESCO RISK MANAGEMENT SERVICES LIMITED**

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ALESCO RISK MANAGEMENT SERVICES LIMITED

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Page
Company Information	1
Strategic Report	2
Directors' Report	5
Independent Auditor's Report	7
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13

ALESCO RISK MANAGEMENT SERVICES LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021**

DIRECTORS: M Belton
J Turner
N Williams-Walker

SECRETARY: A Peel

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

REGISTERED NUMBER: 06518638 (England and Wales)

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

ALESCO RISK MANAGEMENT SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their Strategic Report for the year ended 31 December 2021.

REVIEW OF THE 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 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 2021 are set out in the financial statements on pages 10 to 22.

In the year to 31 December 2021 Company turnover fell slightly to £35,978k (2020: £36,911k). The reduction in turnover is primarily due to the full year impact of the Brexit related sale of European Assets to another Group subsidiary from 1 October 2020. New business and renewals on the whole have been strong and the Impacts of the COVID-19 pandemic have been relatively minor however the stronger competitiveness of domestic insurers has impacted turnover negatively to some degree.

Profit before tax for the year was £10,433k (2020: £9,848k). The increase in profitability despite the reduction in turnover is driven by cost efficiencies as well as reduced travel & entertainment expenditure as a result of the pandemic, the Company being focused towards International clients.

Looking ahead, we aim to become a market leader in all our chosen areas of specialty and to drive organic growth through client retention, creation of new products and investment in talent. We will continue to incorporate best practices in processes and invest in technology solutions to provide industry leading levels of service for our clients. Culturally we aim to create a workplace environment that nurtures and provides structured development for all our colleagues, with a particular focus on Inclusion & Diversity initiatives.

Given the external developments and geopolitical disruption in relation to the ongoing COVID-19 pandemic and more recently the conflict in Ukraine, future forecasts and projections have taken these conditions into account. The Company has not been impacted materially by either the pandemic or conflict noting secondary Impacts from economic uncertainty, supply chain issues and inflationary pressures are complex and therefore also being monitored very closely. The Company has adequate resources to continue in operational existence for a period of at least to 30 September 2023, and no material uncertainties related to going concern have been identified.

SECTION 172 STATEMENT

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

The Directors recognise their responsibility to act in good faith to promote the success of the Company for the benefit of its shareholder, the Gallagher Group, while also considering the impact of their decisions on other stakeholders. These stakeholders include clients, strategic partners (for example, insurance companies), employees, suppliers, our regulator, the environment and the wider community. Engagement with these stakeholders, to understand the issues and factors which are most important to them, is an important aspect of our decision-making process. In making key decisions, the Directors consider the outcomes of engagement with the relevant stakeholders. Set out below is a key decision taken by the Directors during 2021 with details of the stakeholder engagement process undertaken in arriving at them, and how it influenced the decisions taken.

1. Return to Office Working

Context:

The COVID pandemic resulted in an increase in remote working by Alesco Risk Management Services Limited staff during 2020 and 2021. 2022 saw a gradual return of the workforce to the office environment, when it was considered safe for them to do so. The Board oversaw this process, and ensured that employee wellbeing was properly safeguarded throughout this period of change.

ALESCO RISK MANAGEMENT SERVICES LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

SECTION 172 STATEMENT- continued

How the Directors engaged with stakeholders:

One of the key tools for engagement with the workforce is the annual Employee Engagement Survey which, in 2021, showed a very high level of engagement between the Company and its workforce, despite the challenges of the previous twelve months. Staff welfare continued to be monitored closely throughout the year, with a focus on mental health initiatives around the business. Thought was given to office space requirements, and in many of our offices, employees returned to a refurbished and improved working environment.

Outcomes:

The Board has a duty of care towards Alesco Risk Management Services' workforce, and exercises this duty diligently, and with regard to the best interests of employees. The careful return to the office environment was a success, in that by November 2021 offices were fully opened, with no restrictions in place.

This decision underlines the importance of consideration of a range of stakeholder interests to the Company's decision-making.

The Company, its Directors and its management remain fully committed to engaging effectively with the Company's key stakeholders as part of their decision-making process, and will continue to do so in future.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The UK government's SECR policy was implemented on 1 April 2019 when "The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018" came into force. The legislation requires that large (as defined in sections 465 and 466 of the Companies Act 2006), unquoted companies report on UK energy use and associated greenhouse gas emissions relating to gas, electricity and transport fuel as well as an intensity ratio and information relating to energy efficiency action, through its annual report.

For GGB UK companies, the Directors decided to aggregate the report and consolidate the energy and carbon information under SECR. Detailed disclosures can be found within the Strategic Report of Arthur J Gallagher Holdings (UK) Limited year ended 31 December 2021 financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's international operations and debt profile expose it to a variety of financial and operational risks including the effects of change in foreign currency exchange rates, counterparty credit risks, compliance risk, liquidity and interest rates. The UK Group's Board of Directors are responsible for setting the UK Group's risk appetite and ensuring that it has an appropriate and effective risk management framework and monitors the ongoing process for identifying, evaluating, managing, and reporting the most material risks. To facilitate this, the UK Group maintains a risk framework, through which the key risks affecting the UK Group are identified, assessed and monitored. Each business entity also undertakes a similar process and these risk profiles help inform the overall risk profile of the UK business. This is reviewed by each business division's risk and conduct committee and in turn the combined risk profile is overseen by the GGB -UK Risk Committee, which is chaired and attended by independent non-executive members, and reports to the Board of Directors.

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

Borrowing facilities and liquidity risk

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

Foreign currency risk

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

In the management of its exchange rate exposures the Group 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.

ALESCO RISK MANAGEMENT SERVICES LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

PRINCIPAL RISKS AND UNCERTAINTIES – continued

Interest rate risk

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

Counterparty credit risk

The Group 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, comprising members with experience of working at regulators, insurers, brokers and other financial institutions and has a control framework that has been rolled out and embedded within the culture throughout the Group to reduce the risk of non-compliance. Regular assessments by this function, are undertaken within the business, to gain assurance on compliance and monitoring of the compliance and regulatory requirements. The outcomes of these reviews are regularly reported to the Risk Committee and Board of Directors. The Group has a proactive, open relationship with the regulator.

Operational Risk

The Group has identified the key operational risks to which it is exposed, principal among which are incorrect underwriting, the protection of client information, the prevention of cyber and financial crime, suppliers, facilities and IT resilience, M&A, compliance with regulations and not least employees. This also takes into account areas such as ESG. An appropriate control framework has been deployed to manage and mitigate these key operational risks. A broader Operational Resilience Programme is underway to meet the FCA's operational resilience requirements and builds on the existing measures in place in this respect. There is a defined risk framework for the assessment of the risks through the acquisition of organisations and their integration into the Gallagher organisation. The assessment of risks also includes a regular programme of stress testing and assessments of both the operational and financial resilience of the business.

BY ORDER OF THE BOARD:

Alistair C. Peel

.....
A Peel - Director

31 August 2022

Date:

ALESCO RISK MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2021. The results for the Company for the year ended 31 December 2021 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 2021 to the date of this report are as follows:

M Belton
J Turner
N Williams-Walker

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2021 (2020: £nil).

EVENTS AFTER THE REPORTING PERIOD

Information relating to events after the reporting period is given in note 22 to the financial statements.

EMPLOYEES

The Company is an equal opportunities employer and bases all decisions on individual ability regardless of race, religion, gender, age or disability. The s172 statement on page 2 in the Strategic Report provides further details on employee engagement.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations. The s172 statement on page 2 of the Strategic Report provides further details of Directors responsibilities.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102, Accounting Policies, Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides, relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- 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.

ALESCO RISK MANAGEMENT SERVICES LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

AUDITOR

The auditor, Ernst & Young LLP, will be proposed for re-appointment in accordance with section 487(2) of the Companies Act 2006.

BY ORDER OF THE BOARD:

Alistair C. Peel

.....
A Peel - Secretary

Date: **31 August 2022**
.....

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALESCO RISK MANAGEMENT SERVICES LIMITED

Opinion

We have audited the financial statements of Alesco Risk Management Services Limited for the year ended 31 December 2021 ("the company") which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 22, 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 2021 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 ALESCO RISK MANAGEMENT SERVICES LIMITED

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' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALESCO RISK MANAGEMENT SERVICES LIMITED

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are direct laws and regulations related to the financial reporting framework (UK GAAP and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. Our considerations of other laws and regulations that may have a material effect on the company included the permissions and supervisory requirements of the Financial Conduct Authority ('FCA').
- We understood how the company is complying with the legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the company. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the company and regulatory bodies. We reviewed minutes of the Board to identify any areas of non-compliance with laws and regulations. We also obtained an understanding of the company's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the company and senior management for their awareness of any noncompliance of laws or regulations; enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees; enquiring about the company's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with the FCA.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has implemented to address risks identified by the company, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher in areas such as the valuation of intangible assets and revenue recognition, we performed audit procedures to address each identified fraud risk. Our procedures also included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

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.

DocuSigned by:

Ernst & Young LLP

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Benjamin Gregory, Senior Statutory Auditor
For and on behalf of Ernst & Young LLP
London

Date: 2 September 2022

ALESCO RISK MANAGEMENT SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £'000	2020 £'000
TURNOVER	2	35,978	36,911
Administrative expenses		(25,653)	(28,369)
Other income	3	<u>47</u>	<u>1,177</u>
GROSS PROFIT	6	10,372	9,719
Investment income	7	-	21
Interest receivable and similar income	8	<u>61</u>	<u>108</u>
PROFIT BEFORE TAXATION		10,433	9,848
Tax on profit	9	<u>(2,246)</u>	<u>(1,851)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>8,187</u>	<u>7,997</u>

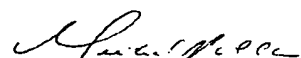
The notes form part of these financial statements

ALESCO RISK MANAGEMENT SERVICES LIMITED (REGISTERED NUMBER: 06518638)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2021**

	Notes	£'000	2021 £'000	£'000	2020 £'000
FIXED ASSETS					
Intangible assets	10		-		34
Tangible assets	11		73		113
Investments	12		-		6
			<u>73</u>		<u>153</u>
CURRENT ASSETS					
Debtors	13	54,589		40,649	
Cash at bank		<u>10</u>		<u>13</u>	
		54,599		40,662	
CREDITORS					
Amounts falling due within one year	14	<u>10,411</u>		<u>4,400</u>	
NET CURRENT ASSETS			<u>44,188</u>		<u>36,262</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			44,261		36,415
CREDITORS					
Amounts falling due after more than one year	15		322		642
PROVISIONS FOR LIABILITIES	17		-		21
NET ASSETS			<u>43,939</u>		<u>35,752</u>
CAPITAL AND RESERVES					
Called up share capital	18		1		1
Share premium	19		297		297
Retained earnings	19		<u>43,641</u>		<u>35,454</u>
SHAREHOLDERS' FUNDS			<u>43,939</u>		<u>35,752</u>

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 31 August 2022..... and were signed on its behalf by:



M Belton - 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 2021.**

	Called up share capital £'000	Shared premium £'000	Retained Earnings £'000	Total equity £'000
Balance at 1 January 2020	1	297	27,457	27,755
Changes in equity				
Profit for the financial year	-	-	7,997	7,997
Balance at 31 December 2020	<u>1</u>	<u>297</u>	<u>35,454</u>	<u>35,752</u>
Changes in equity				
Profit for the financial year	-	-	8,187	8,187
Balance at 31 December 2021	<u><u>1</u></u>	<u><u>297</u></u>	<u><u>43,641</u></u>	<u><u>43,939</u></u>

The notes form part of these financial statements

ALESCO RISK MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Alesco Risk Management Services Limited is a private company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page. The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates and the accounts are presented in £'000s.

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

Basis of preparation

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

The Company has 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., includes such disclosures in its own consolidated financial statements. The Company has also taken advantage of the exemptions available under paragraph 33.1A of FRS 102 Related Party Disclosures, not to disclose transactions that have taken place between members of the Group where the party to the transaction is a wholly owned member.

The financial statements have been prepared on a going concern basis, under the historical cost basis. Given the external developments and geopolitical disruption in relation to the ongoing COVID-19 pandemic, future forecasts and projections have taken these conditions into account. The disruption caused by the COVID-19 pandemic has reduced since the prior year and no additional risk is expected. The Company is fully operational, has deployed continuity protocols and has not been materially impacted by the COVID-19 pandemic. The business is not impacted materially by the conflict in Ukraine. The Company has adequate resources to continue in operational existence for a period of at least to 30 September 2023, and no material uncertainties related to going concern have been identified. The Directors therefore continue to prepare the accounts on a going concern basis.

Significant judgements and estimates

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

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on a value in use calculation. The value in use calculation is based on a net asset or revenue multiple basis. Both methods are derived from the financial statements and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The multiple rate used is in line with recent acquisitions.

iii. 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.

ALESCO RISK MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES – continued

Significant judgements and estimates – continued

iv. 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.

v. 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 17.

Turnover

Turnover represents brokerage and fees associated with placing insurance and reinsurance contracts. It is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. 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.

Turnover is split into 3 classifications which are defined as follows:

Net Brokerage: Commission less brokerage expense (payaway; introducer etc.)

Fees: Fees and other income

Commission: Supplemental (ISA, override) and contingent income (profit share)

Investment income

Investment income represents share of profits from the Gallagher Reinsurance Brokers Group LLPs of which this entity is a Member. The profit shares are allocated on an annual basis in line with the individual Members' agreements of each LLP. The LLPs hived their business to AJGUK, a fellow group subsidiary, in 2020 and were subsequently eliminated in January 2022 therefore no investment income was received in 2021.

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 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.

ALESCO RISK MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

1. ACCOUNTING POLICIES - continued

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

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

Fixed asset investments

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

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the 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 2021**

2. TURNOVER

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

	2021 £'000	2020 £'000
An analysis of turnover by class of business is given below:		
Net brokerage*	30,183	30,164
Fees	3,227	4,162
Commissions	<u>2,568</u>	<u>2,585</u>
	<u>35,978</u>	<u>36,911</u>

*Offsetting items within net brokerage as described in note 1 is £9,029k.

	2021 £'000	2020 £'000
An analysis of turnover by geographical market is given below:		
UK	7,954	8,827
Europe	-	1,348
United States of America	12,333	13,587
Rest of World	<u>15,691</u>	<u>13,149</u>
	<u>35,978</u>	<u>36,911</u>

3. OTHER INCOME

	2021 £'000	2020 £'000
Gain on sale of business to fellow group subsidiary	-	1,177
Realised foreign exchange hedge	<u>47</u>	<u>-</u>
	<u>47</u>	<u>1,177</u>

4. STAFF COSTS

The amounts relating to staff costs were incurred by Arthur J. Gallagher Services (UK) Limited. An amount of £21,827k (2020: £21,477k) was recharged back to the Company, and is accounted for in administrative expenses.

5. DIRECTORS' REMUNERATION

	2021 £'000	2020 £'000
Directors' remuneration	142	152
Directors' pension contributions to money purchase schemes	<u>2</u>	<u>2</u>
	<u>144</u>	<u>154</u>

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

Money purchase schemes	<u>1</u>	<u>2</u>
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ALESCO RISK MANAGEMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

5. DIRECTORS' REMUNERATION - continued

Information regarding the highest paid Director is as follows:

	2021 £'000	2020 £'000
Director's remuneration	<u>76</u>	<u>81</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.

6. GROSS PROFIT

The gross profit is stated after charging:

	2021 £'000	2020 £'000
Expiration lists amortisation	34	109
Depreciation - owned assets	40	43
Auditors' remuneration		
- statutory audit	27	29
- audit related assurance services	19	22
Impairment of fixed asset investment	6	-
Land and building operating leases	768	855
Foreign exchange differences	487	901
Unrealised loss/(gain) on derivatives	<u>456</u>	<u>47</u>

7. INVESTMENT INCOME

	2021 £'000	2020 £'000
Share of profits of group undertakings	<u>-</u>	<u>21</u>

In 2020 the Company received a profit share from its investment in its subsidiaries Gallagher Reinsurance Brokers Group LLPs. The Gallagher Reinsurance Brokers Group LLPs were then eliminated in 2021, therefore the Company no longer receives a profit share.

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £'000	2020 £'000
Bank interest	16	92
Interest on loans to group undertakings	<u>45</u>	<u>16</u>
	<u>61</u>	<u>108</u>

9. TAXATION

Analysis of the tax charge

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

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax	2,251	1,855
Deferred tax	<u>(5)</u>	<u>(4)</u>
Tax on profit	<u>2,246</u>	<u>1,851</u>

ALESCO RISK MANAGEMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. TAXATION - continued

	2021	2020
	£'000	£'000
Profit before tax	<u>10,433</u>	<u>9,848</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	1,982	1,871
Effects of:		
Expenses not deductible for tax purposes	43	65
Non-taxable gain on sale of business to fellow group subsidiary	-	(224)
Transfer pricing adjustments	224	143
Tax rate changes	(3)	-
Partnership profits	<u>-</u>	<u>(4)</u>
Total tax charge	<u>2,246</u>	<u>1,851</u>

The Company profits are taxable in the UK under the standard rate of corporation tax being 19% (2020: 19%). The Company is expected to continue to attract the standard rate of UK corporation tax. On 10 June the UK Government legislated to increase the main rate of corporation tax to 25% as of 1 April 2023. This increase has been reflected in the 2021 closing deferred tax asset.

10. INTANGIBLE FIXED ASSETS

	Expiration lists £'000
COST	
At 1 January 2021	
and 31 December 2021	<u>541</u>
AMORTISATION	
At 1 January 2021	507
Amortisation for year	<u>34</u>
At 31 December 2021	<u>541</u>
NET BOOK VALUE	
At 31 December 2021	<u>-</u>
At 31 December 2020	<u>34</u>

11. TANGIBLE FIXED ASSETS

	Computer equipment £'000
COST	
At 1 January 2021	
and 31 December 2021	<u>164</u>
DEPRECIATION	
At 1 January 2021	51
Charge for year	<u>40</u>
At 31 December 2021	<u>91</u>
NET BOOK VALUE	
At 31 December 2021	<u>73</u>
At 31 December 2020	<u>113</u>

ALESCO RISK MANAGEMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2021	
and 31 December 2021	6
PROVISION FOR IMPAIRMENT	
At 1 January 2021	-
Provision for year	6
At 31 December 2021	-
NET BOOK VALUE	
At 31 December 2021	-
At 31 December 2020	6

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

Name of Company	Registered Address	Holding	Proportion of shares held
Capsicum Reinsurance Brokers LLP	The Walbrook Building	Partnership	0.01%

Registered Address	Street Address
The Walbrook Building	25, Walbrook, London EC4N 8AW

13. DEBTORS

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	51,937	37,127
Other debtors	-	579
Deferred tax asset	13	8
Prepayments and accrued income	1,499	1,743
	<u>53,449</u>	<u>39,457</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>1,140</u>	<u>1,192</u>
Aggregate amounts	<u>54,589</u>	<u>40,649</u>

Amounts owed by group undertakings are unsecured and repayable on demand. All loans are interest free with the exception of:

Aggregate loan value	Interest Rate	Interest Terms	Repayment Period	Aggregate carrying value
£10,000k	0%	Compounded annually. Interest charge up to 31 Dec 2017. Thereafter from 1 Jan 2018 interest at 0%.	10 years from commencement (2027) but the Company can recall on demand.)	£10,173k

ALESCO RISK MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

13. DEBTORS - continued

Amounts owed by group undertakings falling due after more than one year are unsecured and have the following terms and conditions:

Aggregate loan value	Interest rate	Interest terms	Repayment period	Aggregate carrying value
£1,081k	4%	Compounded annually. Interest charge up to 2 Sept 2030	10 years from commencement (2030)	£1,140k

	Deferred tax £'000
Balance at 1 January 2021	8
Deferred tax utilised during the year	<u>5</u>
Balance at 31 December 2021	<u><u>13</u></u>

Deferred tax

The deferred tax asset represents fixed asset timing differences of £13k (2020: £8k). The amount of deferred tax that will unwind in the following accounting period is uncertain at this stage and therefore not quantifiable

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £'000	2020 £'000
Amounts owed to group undertakings	7,680	2,089
Corporation tax	-	1,856
Group relief creditor	2,251	-
Other creditors	25	-
Accruals and deferred income	<u>455</u>	<u>455</u>
	<u><u>10,411</u></u>	<u><u>4,400</u></u>

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

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

	2021 £'000	2020 £'000
Accruals and deferred income	<u>322</u>	<u>642</u>

16. FINANCIAL INSTRUMENTS

The Company has the following financial instruments:

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

	2021 £'000	2020 £'000
Derivative financial instruments	<u>(25)</u>	<u>551</u>

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

The Company entered into forward 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 2021 the outstanding contracts all mature within 34 months of the period end.

The forward 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 option exchange rates for USD:GBP. The fair value of the forward foreign currency options is £25k (2020: 551k), which are contained in other creditors within note 14 in 2021 (2020 other debtors).

ALESCO RISK MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

17. PROVISIONS FOR LIABILITIES

	2021 £'000	2020 £'000
Provisions	<u>-</u>	<u>21</u>
		Errors and omissions provision £'000
At 1 January 2021		21
Utilised during the year		(13)
Released during the year		<u>(8)</u>
At 31 December 2021		<u>-</u>

The Company faces a number of litigation and other claims, the resolution of which is uncertain, which have arisen in the ordinary course of business. Having taken appropriate legal advice and having regards to the Group's errors and omissions insurance arrangements, the Directors have provided amounts which they consider to be a realistic appraisal of the ultimate likely cost of these various claims against the Company. The provision is subject to regular review by the Group's legal department, external legal advisers and the Directors. The timing of outflows relating to these liabilities is uncertain as at the end of the reporting period.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2021	2020
Number:	Class:		£	£
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.

19. RESERVES

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

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

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

20. 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.

ALESCO RISK MANAGEMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. RELATED PARTY DISCLOSURES

During the year the following transactions took place within the Group on behalf of the Company.

	Amounts paid on behalf of related party £'000	Amounts received on behalf of related party £'000	Balance at 31 December 2021 £'000
Related parties not 100% owned by Group	14,135	13,769	7,667*

*The individual balances within this net balance are included within amounts owed by group undertakings and amounts owed to group undertakings in notes 13 and 14 respectively.

The Company has taken advantage of the exemptions available under paragraph 33.1A of FRS 102 Related Party Disclosures, not to disclose transactions that have taken place between members of the Group where the party to the transaction is a wholly owned member.

22. EVENTS AFTER THE REPORTING PERIOD

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