

STRATEGIC REPORT, DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020  
FOR  
ALESCO RISK MANAGEMENT SERVICES LIMITED



**ALESCO RISK MANAGEMENT SERVICES LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2020**

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**ALESCO RISK MANAGEMENT SERVICES LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**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  
Statutory Auditor  
25 Churchill Place  
Canary Wharf  
London  
E14 5EY

## **ALESCO RISK MANAGEMENT SERVICES LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors present their Strategic Report for the year ended 31 December 2020.

#### **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 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.

For the year ended 31 December 2020 the Company's turnover was £36,911k (2019: £39,380), a decrease of 6% over prior year. Profit before tax was £9,848k (2019: £9,210k).

The reduction in turnover resulted from the full year impact of a single client lost before 2020. Excluding this loss underlying turnover has continued to grow despite also being impacted negatively by the COVID-19 pandemic. Turnover reductions have been largely offset by a significant reduction in travel & entertainment expenditure as well as a programme of targeted cost control.

Insurance premium rates also hardened in 2020 and insurer capacity reduced significantly across a large number of classes in 2020 following an extended period of weak insurer profitability. Furthermore retention was exceptionally strong in 2020 and although new business slowed as a result of the pandemic, it generally held up very well as a result of earlier broking and product investments.

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.

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 Company is fully operational, has deployed continuity protocols and has not been materially impacted by the COVID-19 pandemic. The Company has adequate resources to continue in operational existence for a period to 30 September 2022, 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 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 are three key decisions taken by the Directors during 2020 with details of the stakeholder engagement process undertaken in arriving at them and how it influenced the decisions taken.

#### **Brexit**

##### **Context:**

The UK's departure from the European Union in January 2020 had an impact on Alesco Risk Management Services Limited, as the Company has a global footprint, including significant European business. In order to be able to continue to service its clients in the European Union, the company transferred that part of its business to our sister company, Nordic Forsäkring & Riskhantering ('Nordic'), based in Sweden. The Company's Aviation business was transferred to the Belgian branch of Nordic.

##### **How the Directors engaged with stakeholders:**

The Board approved and oversaw the transfer of the Company's EU business to Nordic, pursuant to a Business Transfer Agreement. The Board was briefed on the governance arrangements which were in place to ensure proper oversight by Nordic, and was at pains to protect the interests of clients throughout the transfer process.

## **ALESCO RISK MANAGEMENT SERVICES LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **SECTION 172 STATEMENT- continued**

##### **Brexit- continued**

###### **Outcomes:**

The transfer of the European business to Nordic in 2020 proceeded smoothly, and has enabled us to continue to service clients' business in the European Union, including aviation business, within a sound and sustainable governance framework.

##### **Employee Engagement Survey (November 2020)**

###### **Context:**

Employees are a key stakeholder group for the Company, being the key producers of revenue for the Company.

###### **How the Directors engaged with stakeholders:**

One of the key tools used by the Board in understanding employee sentiment is the annual Employee Engagement Survey, conducted in the third quarter of 2020, led by the HR function and facilitated by an external provider, Ixia. The response rate was 81%, and the overall engagement score 82% favourable, high even by Gallagher standards. The survey also highlighted a number of areas, within our Specialty and Reinsurance businesses, where further work was needed, but the Board valued the feedback from the workforce, an important stakeholder group.

###### **Outcomes:**

In response to the survey, it was decided that a forum would be created, and volunteers sought from across the business, to identify actions to be taken. It would be important to demonstrate to colleagues throughout the company that their feedback was being heeded at Board level, and that action would result.

##### **COVID-19**

###### **Context:**

During the 2020 financial year, the COVID-19 pandemic had far-reaching consequences for UK businesses, including Alesco Risk Management Services Limited. Throughout the year, the Board considered how the pandemic, and the resultant lockdowns, would impact the business, and each of its stakeholders, including clients, suppliers, our regulator, and the Company's employees. Decisions taken by the Company's board took into account the impacts of the pandemic on these groups, and sought to ensure that the Company could continue to act in all stakeholders' best interests.

###### **How the Directors engaged with stakeholders:**

The COVID-19 pandemic affected all our stakeholders. Employees are a key stakeholder group for the Company and, early in the year, the Board was quick to consider the potential impacts on employee well-being. Decisions were taken swiftly to assist the workforce in the move to home-working and this proved to be successful, with the whole business home-working by Q2 2020.

The Board identified potential challenges of engagement and motivation among employees, and actions were taken to address them, with regular weekly contact from line managers and teams through a number of social interactions such as quizzes, virtual team meetings and lunches, which helped our employees to maintain social contact as well as a sense of belonging. The Directors were aware of the need for regular communications with the workforce, and took a particular interest in supporting any staff who might be considered vulnerable. Flexible hours were offered to employees with childcare responsibilities. The aim of these initiatives was to keep our employees engaged and productive, communicating and assisting clients.

The Board was also interested to understand the position of key suppliers, one of which was the Gallagher Service Centre (GSC) based in India. The Board took an interest in the welfare of GSC employees, and was briefed on services levels, which remained high throughout 2020. Efforts were also made to keep our regulator updated, and an increased volume of data was requested by, and provided to, the FCA during the lockdown periods.

###### **Outcomes:**

The team remained resilient throughout 2020 and maintained a high level of service to our clients. Staff turnover at the end of the year was low and staff morale remained high, in the circumstances. Careful consideration of our stakeholders, including our valued employee base, and suppliers such as GSC, contributed to a strong performance by Alesco Risk Management Services Limited in 2020, in spite of the many challenges resulting from COVID-19.

These decisions underline 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.

## **ALESCO RISK MANAGEMENT SERVICES LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **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 2020 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 significant risks is noted below:

##### **Borrowing facilities and liquidity risk**

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

##### **Foreign currency risk**

The Group's major currency transaction exposure arises in respect of transactions with fellow group undertakings 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.

##### **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. This includes regular assessments within the business to gain assurance on compliance and monitoring of the compliance and regulatory requirements, with regular reporting to the Risk Committee and Board of Directors, and the Group has a proactive, open relationship with the regulator.

## ALESCO RISK MANAGEMENT SERVICES LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

#### PRINCIPAL RISKS AND UNCERTAINTIES - continued

##### Operational Risk

The Group 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 and financial crime, suppliers, facilities and IT resilience, M&A, compliance with regulations and not least employees. An appropriate control framework has been deployed to manage and mitigate these key operational risks. The overall operational resilience of the Group was demonstrated by managing a significant test in 2020, the Covid 19 pandemic. 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 elements of stress testing and assessments of operational and financial resilience.

BY ORDER OF THE BOARD:

*Alistair C. Peel*

Alistair C. Peel (Aug 6, 2021 13:01 GMT+1)

A Peel - Secretary

Date: 6 August 2021

## **ALESCO RISK MANAGEMENT SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2020. The results for the Company for the year ended 31 December 2020 and future developments are discussed in the Strategic Report.

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

Changes in Directors holding office are as follows:

M Belton - appointed 4 May 2020  
J Thompson - resigned 1 March 2020  
J Turner - appointed 25 March 2020  
N Williams-Walker - appointed 24 February 2020

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2020 (2019: £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 3 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.

#### **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. 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 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 2020**

**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*

Alistair C. Peel (Aug 6, 2021 13:01 GMT+1)

A Peel - Secretary

Date: 6 August 2021

## **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 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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 2020 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 to 30 September 2022 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 there is 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.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 6, 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 those that relate to the reporting framework (FRS 102) and the elements of the Companies Act 2006 and tax legislation. Our consideration of other laws and regulations that may have material effect on financial statement included permission and supervisory requirement of the Financial Authority Conduct;
- We understood how the Company is complying with those frameworks by making inquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and the regulatory bodies; reviewed minutes of the Board; and gained an understanding of the Company's approach to governance;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering controls the Company has established to address the risks identified by the entity, or that otherwise seek to prevent, detect, or deter fraud. These procedures included testing manual journals related to revenue and were design to provide reasonable assurance that the financial statement are free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. 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 statements items. For both direct and other laws and regulations, our procedures involved: making inquiry of those charged with governance and the senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Regulators.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young LLP*

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

Date: *6 August 2021*

**ALESCO RISK MANAGEMENT SERVICES LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>Notes</b>	<b>2020 £'000</b>	<b>2019 £'000</b>
<b>TURNOVER</b>	2	36,911	39,380
Administrative expenses		(28,369)	(30,632)
Other operating income	3	<u>1,177</u>	<u>-</u>
<b>OPERATING PROFIT</b>	6	9,719	8,748
Investment income	7	21	-
Interest receivable and similar income	8	<u>108</u>	<u>462</u>
<b>PROFIT BEFORE TAXATION</b>		9,848	9,210
Tax on profit	9	<u>(1,851)</u>	<u>557</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>7,997</u></u>	<u><u>9,767</u></u>

The notes form part of these financial statements

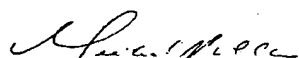
**ALESCO RISK MANAGEMENT SERVICES LIMITED (REGISTERED NUMBER: 06518638)**

**STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2020**

	Notes	£'000	2020 £'000	£'000	2019 £'000
<b>FIXED ASSETS</b>					
Intangible assets	10		34		143
Tangible assets	11		113		10
Investments	12		<u>6</u>		<u>-</u>
			153		153
<b>CURRENT ASSETS</b>					
Debtors	13	40,649		31,164	
Cash at bank		<u>13</u>		<u>-</u>	
		40,662		31,164	
<b>CREDITORS</b>					
Amounts falling due within one year	14	<u>4,400</u>		<u>2,623</u>	
<b>NET CURRENT ASSETS</b>			<u>36,262</u>		<u>28,541</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			36,415		28,694
<b>CREDITORS</b>					
Amounts falling due after more than one year	15		642		915
<b>PROVISIONS FOR LIABILITIES</b>	17		<u>21</u>		<u>24</u>
<b>NET ASSETS</b>			<u>35,752</u>		<u>27,755</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		1		1
Share premium	19		297		297
Retained earnings	19		<u>35,454</u>		<u>27,457</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>35,752</u>		<u>27,755</u>

4 August 2021

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



M Belton - Director

6 August 2021

The notes form part of these financial statements

**ALESCO RISK MANAGEMENT SERVICES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2019</b>	1	297	17,690	17,988
<b>Changes in equity</b>				
Profit for the financial year	-	-	9,767	9,767
<b>Balance at 31 December 2019</b>	<u>1</u>	<u>297</u>	<u>27,457</u>	<u>27,755</u>
<b>Changes in equity</b>				
Profit for the financial year	-	-	7,997	7,997
<b>Balance at 31 December 2020</b>	<u><u>1</u></u>	<u><u>297</u></u>	<u><u>35,454</u></u>	<u><u>35,752</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 2020

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

##### **Basis of preparation**

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

The Company has also taken advantage of the exemptions, under FRS 102 paragraph 1.12(b), (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 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 Company has adequate resources to continue in operational existence for a period to 30 September 2022, and no material uncertainties related to going concern have been identified. The Company is fully operational, has deployed continuity protocols and has not been materially impacted by the COVID-19 pandemic. 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.

##### **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 net of commission payable and allowable discounts.



## ALESCO RISK MANAGEMENT SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1. ACCOUNTING POLICIES - continued

##### Turnover

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.

##### 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

##### 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.

##### Provisions

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and that the economic benefit can be reliably measured.

##### 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.

# ALESCO RISK MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2020

### 1. ACCOUNTING POLICIES - continued

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the date of the Statement of Financial Position. All exchange rate differences are taken to the Statement of Comprehensive Income.

### 2. TURNOVER

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

	2020 £'000	2019 £'000
<b>An analysis of turnover by class of business is given below:</b>		
Net brokerage	30,164	31,774
Fees	4,162	4,510
Commissions	<u>2,585</u>	<u>3,096</u>
	<u>36,911</u>	<u>39,380</u>
	2020 £'000	2019 £'000
<b>An analysis of turnover by geographical market is given below:</b>		
UK	8,827	12,838
Europe	1,348	767
United States of America	13,587	13,228
Rest of World	<u>13,149</u>	<u>12,547</u>
	<u>36,911</u>	<u>39,380</u>

### 3. OTHER OPERATING INCOME

	2020 £'000	2019 £'000
Gain on sale of business to fellow group subsidiary	<u>1,177</u>	<u>-</u>

### 4. STAFF COSTS

The amounts relating to staff costs were incurred by Arthur J. Gallagher Services (UK) Limited. An amount of £21,477k (2019: £20,622k) was recharged back to the Company, and is accounted for in administrative expenses.

### 5. DIRECTORS' REMUNERATION

	2020 £'000	2019 £'000
Directors' remuneration	152	208
Directors' pension contributions to money purchase schemes	<u>2</u>	<u>1</u>
	<u>154</u>	<u>209</u>

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

Money purchase schemes	<u>2</u>	<u>1</u>
------------------------	----------	----------

Information regarding the highest paid Director is as follows:

	2020 £'000	2019 £'000
Director's remuneration	<u>81</u>	<u>92</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 2020**

**6. OPERATING PROFIT**

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Expiration lists amortisation	109	108
Depreciation - owned assets	43	5
Auditor's remuneration		
- statutory audit	29	38
- audit related assurance services	22	28
Land and building operating leases	855	1,151
Foreign exchange differences	901	(243)
Unrealised (gain)/loss on derivatives	47	(904)
	<u>          </u>	<u>          </u>

**7. INVESTMENT INCOME**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Share of profits of group undertakings	21	-
	<u>          </u>	<u>          </u>

**8. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	92	462
Interest on loans to group undertakings	16	-
	<u>          </u>	<u>          </u>
	<u>108</u>	<u>462</u>

# ALESCO RISK MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2020

### 9. TAXATION

#### Analysis of the tax charge/(credit)

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

	2020 £'000	2019 £'000
<b>Current tax:</b>		
UK corporation tax	1,855	-
Adjustment in respect of prior years	-	(556)
Total current tax	<u>1,855</u>	<u>(556)</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(4)	(1)
Total deferred tax	<u>(4)</u>	<u>(1)</u>
Total tax charge/(credit) on profit	<u>1,851</u>	<u>(557)</u>

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

	2020 £'000	2019 £'000
Profit before tax	<u>9,848</u>	<u>9,210</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	1,871	1,750
<b>Effects of:</b>		
Expenses not deductible for tax purposes	65	144
Non-taxable gain on sale of business to fellow group subsidiary	(224)	-
Effects of group relief/other reliefs	-	(2,106)
Transfer pricing adjustments	143	211
Adjustment from previous periods	-	(556)
Partnership profits	(4)	-
Total tax charge/(credit)	<u>1,851</u>	<u>(557)</u>

The Company profits are taxable in the UK under the standard rate of corporation tax being 19% (2019: 19%). The Company is expected to continue to attract the standard rate of UK corporation tax. During 2020 the UK Government cancelled a previously legislated reduction in the main rate of corporation tax to 17% which had been reflected in the prior year closing deferred tax balance. The restatement of the 19% rate has been reflected in the closing deferred tax balance. Subsequent to the balance sheet date the UK Government legislated to increase the main rate of corporation tax to 25% as of 1 April 2023. This increase has not been reflected in the 2020 closing deferred tax asset, as it was not enacted until 11 June 2021, after the balance sheet date.

**ALESCO RISK MANAGEMENT SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**10. INTANGIBLE FIXED ASSETS**

	<b>Expiration lists £'000</b>
<b>COST</b>	
At 1 January 2020	
and 31 December 2020	<u>541</u>
<b>AMORTISATION</b>	
At 1 January 2020	398
Amortisation for year	<u>109</u>
At 31 December 2020	<u>507</u>
<b>NET BOOK VALUE</b>	
At 31 December 2020	<u>34</u>
At 31 December 2019	<u>143</u>

**11. TANGIBLE FIXED ASSETS**

	<b>Computer equipment £'000</b>
<b>COST</b>	
At 1 January 2020	18
Additions	<u>146</u>
At 31 December 2020	<u>164</u>
<b>DEPRECIATION</b>	
At 1 January 2020	8
Charge for year	<u>43</u>
At 31 December 2020	<u>51</u>
<b>NET BOOK VALUE</b>	
At 31 December 2020	<u>113</u>
At 31 December 2019	<u>10</u>

**12. FIXED ASSET INVESTMENTS**

	<b>Shares in group undertakings £'000</b>
<b>COST</b>	
At 1 January 2020	-
Additions	<u>6</u>
At 31 December 2020	6
<b>NET BOOK VALUE</b>	
At 31 December 2020	<u>6</u>
At 31 December 2019	<u>-</u>

# ALESCO RISK MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2020

### 12. FIXED ASSET INVESTMENTS - continued

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

	2020 £'000	2019 £'000
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	37,127	27,964
Other debtors	579	620
Corporation tax	-	249
Deferred tax asset	8	4
Prepayments and accrued income	1,743	2,327
	<u>39,547</u>	<u>31,164</u>
<b>Amounts falling due after more than one year:</b>		
Amounts owed by group undertakings	1,192	-
<b>Aggregate amounts</b>	<u>40,649</u>	<u>31,164</u>

Amounts owed by group undertakings due within one year 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

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
£1,177k	4%	Compounded annually. Interest charge up to 2 Sept 2030	10 years from commencement (2030)	£1,192k

	<b>Deferred tax</b> <b>£'000</b>
Balance at 1 January 2020	4
Deferred tax utilised during the year	4
Balance at 31 December 2020	<u>8</u>

#### Deferred tax

The deferred tax asset represents fixed asset timing differences of £8k (2019: £4k). The amount of deferred tax that will unwind in the following accounting period is uncertain at this stage and therefore not quantifiable.

# ALESCO RISK MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2020

### 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Amounts owed to group undertakings	2,089	1,862
Corporation tax	1,856	-
Accruals and deferred income	455	761
	<u>4,440</u>	<u>2,623</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

	2020 £'000	2019 £'000
Accruals and deferred income	<u>642</u>	<u>915</u>

### 16. FINANCIAL INSTRUMENTS

The Company has the following financial instruments:

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

	2020 £'000	2019 £'000
Derivative financial instruments	<u>551</u>	<u>548</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 2020 the outstanding contracts all mature within 35 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 £551k (2019: 548k), which are contained in other debtors within note 13 in 2020.

# ALESCO RISK MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2020

### 17. PROVISIONS FOR LIABILITIES

	2020 £'000	2019 £'000
Provisions	<u>21</u>	<u>24</u>
		<b>Errors and omissions provision</b>
		£'000
At 1 January 2020		24
Incurred during year		6
Utilised during year		<u>(9)</u>
At 31 December 2020		<u>21</u>

#### Errors and omissions provision

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

### 18. CALLED UP SHARE CAPITAL

#### Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £	2019 £
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 2020**

**21. RELATED PARTY DISCLOSURES**

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

	<b>Amounts paid on behalf of related party £'000</b>	<b>Amounts received on behalf of related party £'000</b>	<b>Balance at 31 December 2020 £'000</b>
Other related parties	10,321	5,260	6,149*

\*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.

**22. EVENTS AFTER THE REPORTING PERIOD**

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