

GALLAGHER HOLDINGS TWO (UK) LIMITED

Annual Report and Financial Statements

For the period ended 31 December 2010

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COMPANIES HOUSE

Company Number: 06578719

Gallagher Holdings Two (UK) Limited

DIRECTORS

M Mugge
D C Ross

SECRETARY

A Pfitzner

REGISTERED OFFICE

9 Ahe Street
London
E1 8DE

Gallagher Holdings Two (UK) Limited

DIRECTORS' REPORT

The directors present their report and the financial statements for the period ended 31 December 2010

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENT

The company's principal activity is that of acting as a holding company. On 12 May 2011 the company entered into a share purchase agreement relating to the sale and purchase of the entire issued share capital of HLG Holdings Limited.

RESULTS AND DIVIDENDS

The company has loan relationships with its parent company on which it pays interest. Interest charges in the period were £207,834 (year to 30 April 2010: £175,295). The retained loss for the period of £507,641 (year to 30 April 2010: loss of £126,212) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors serving during the period ended 31 December 2010 are shown below:

M K Barton (resigned on 31 August 2011)

D C Ross

M Mugge was appointed on 31 August 2011. No director had any interest in the shares of the company.

CHANGE OF ACCOUNTING DATE

On 20 December 2010 the directors approved the change of the accounting reference date from 30 April to 31 December and accordingly the accounting period was shortened to 31 December 2010.

SHARE CAPITAL

On 20 December 2010 the directors approved a new set of Articles of the company in replacement of the existing Memorandum and Articles. The directors also approved the disapplication of the pre-exemption rights in section 561 of the Companies Act 2006 in relation to the proposed issue of shares. On the same date the company allotted 5,760,466 ordinary shares of £1 each. This increased the allotted, issued and fully paid share capital to 5,760,467 ordinary shares of £1 each.

AUDITORS


The company is exempt from appointing an auditor under section 477 of the Companies Act 2006.

Members have not required the company to obtain an audit for the period in question in accordance with section 476.

The directors acknowledge their responsibility for complying with the 2006 Act requirements in relation to accounting records and preparation of accounts.

The accounts have been prepared in accordance with the special provisions in the 2006 Act relating to small companies (sections 475(2) to (4) and 450(3)).

By order of the board


M Mugge
Director

Date 28 September 2011

Gallagher Holdings Two (UK) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year. Under that law directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for the period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Gallagher Holdings Two (UK) Limited

PROFIT AND LOSS ACCOUNT

for the period ended 31 December 2010

		Period ended 31 December 2010 £	Year ended 30 April 2010 £
	Notes		
Other operating income - dividends received	2	650,000	-
Other operating charges - loan interest payable	3	(207,834)	(175,295)
Other operating charges - bad debt provision		(1,400,000)	-
OPERATING LOSS		(957,834)	(175,295)
Tax credit on loss on ordinary activities	4	450,193	49,083
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(507,641)	(126,212)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses in the period other than as stated above

The notes on pages 6 to 9 are an integral part of these financial statements

Gallagher Holdings Two (UK) Limited

BALANCE SHEET

as at 31 December 2010

	Notes	31 December 2010 £	30 April 2010 £
NON-CURRENT ASSETS			
Investments	5	12,147,532	7,381,925
CURRENT ASSETS			
Debtors	6	499,276	75,209
CREDITORS: amounts falling due within one year	7	(7,585,740)	(7,648,891)
NET CURRENT LIABILITIES		(7,086,464)	(7,573,682)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,061,068	(191,757)
NET ASSET / (LIABILITIES)		5,061,068	(191,757)
CAPITAL AND RESERVES			
Called-up share capital	8	5,760,467	1
Profit and loss account deficit	9	(699,399)	(191,758)
SHAREHOLDERS' FUNDS		5,061,068	(191,757)

For the year ending 31 December 2010 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies

Director's responsibilities

- The members have not required the company to obtain an audit of its accounts for the period in question in accordance with section 476,
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime

The financial statements on pages 4 to 9 were approved by the board of directors on 28 September 2011 and were signed on its behalf by



M Mugge
Director

Gallagher Holdings Two (UK) Limited

NOTES TO THE ACCOUNTS

For the period ended 31 December 2010

1. ACCOUNTING POLICIES

Accounting convention

These financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and comply with accounting standards applicable in the United Kingdom. These accounting policies have been applied consistently during the period

The company is a wholly-owned subsidiary of Arthur J Gallagher & Co and is included in the consolidated financial statements of Arthur J Gallagher & Co which are publicly available. These financial statements therefore do not include consolidated financial statements

As permitted by Financial Reporting Standard 1 "Cash Flow Statements" (revised) the Company, being a wholly-owned subsidiary, is not required to prepare a cash flow statement

Financial Reporting Standard 8 "Related Party Disclosures" exempts the reporting of transactions between group companies. As a wholly-owned subsidiary, the Company has taken advantage of this exemption

Taxation

Provision is made at current rates for taxation. In accordance with FRS 19, deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax

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 differences can be deducted

	Period ended 31 December 2010 £	Year ended 30 April 2010 £
2. OTHER OPERATING INCOME		
Dividends received	650,000	-

	Period ended 31 December 2010 £	Year ended 30 April 2010 £
3. OTHER OPERATING CHARGES		
Loan interest payable	207,834	175,295

On 10 September 2008 Gallagher Holdings Two (UK) Limited entered into a loan agreement with its parent company, Arthur J Gallagher & Co for the principal amount of £2,506,977. Further loan agreements in the principal sum of £1,000,000 and £1,930,138 were entered into between the company and its parent company on 1 December 2009 and 27 May 2010 respectively. Interest is charged at a rate of 6% per annum and payable on an annual basis. The principal amount is repayable on demand.

Gallagher Holdings Two (UK) Limited

NOTES TO THE ACCOUNTS

For the period ended 31 December 2010

	Period ended 31 December 2010 £	Year ended 30 April 2010 £
4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES		
The credit for taxation comprises		
<i>Current tax</i>		
UK Corporation tax	450,193	49,083
Tax credit on loss on ordinary activities	450,193	49,083

Effective Tax Rate

The tax rate for the year is the standard rate of tax in the UK (28%) (2009 28.5%) There is no difference from the reported tax rate and the standard rate of tax in the UK for the period

5. INVESTMENTS	Subsidiary undertakings £
Cost:	
At 30 April 2010	7,381,925
Additions (Note 10)	4,765,607
At 31 December 2010	12,147,532
Net Book Value:	
At 30 April 2010	7,381,925
At 31 December 2010	12,147,532

Details of the investment in which the company holds more than 10% of the nominal value of any class of share capital are as follows (all held by the Company unless indicated)

Name of company	Country of registration (or incorporation and operation)	Holding	Proportion of voting rights and shares held	Nature of business
OIM Underwriting Limited	England & Wales	Ordinary	100%	Insurance Managing General Agent
Risk & Reward Group (Holdings) Limited	England & Wales	Ordinary	100%	Holding Company
Risk & Reward Consulting Limited **	England & Wales	Ordinary	100%	Employee Benefits

** held by Risk & Reward Group (Holdings) Limited

Gallagher Holdings Two (UK) Limited

NOTES TO THE ACCOUNTS

For the period ended 31 December 2010

6. DEBTORS	31 December 2010 £	30 April 2010 £
Corporation tax recoverable	499,276	75,209

7. CREDITORS: amounts falling due within one year	31 December 2010 £	30 April 2010 £
Due to fellow group undertaking	2,032,321	262,561
Due to ultimate parent company	-	3,760,465
Due to ultimate parent company - loan agreement and interest	5,553,419	3,625,865
	<u>7,585,740</u>	<u>7,648,891</u>

Gallagher Holdings Two (UK) Limited has entered into loan agreements with its parent company, Arthur J Gallagher & Co for the principal amount totalling £5,437,115. Interest is charged at a rate of 6% per annum and payable on an annual basis. The principal amount is repayable on demand.

A further loan agreement in the principal sum of £835,469 was entered into between the company and its subsidiary, Risk & Reward Consulting Limited on 19 August 2010. An amount of £650,000 has been repaid against this loan. No interest is charged on this loan.

8. CALLED UP SHARE CAPITAL

	31 December 2010 Number	30 April 2010 Number	31 December 2010 £	30 April 2010 £
Authorised				
Ordinary share of £1 each	<u>5,760,467</u>	<u>10,000</u>	<u>5,760,467</u>	<u>10,000</u>
Allotted, issued and fully paid				
Ordinary share of £1 each	<u>5,760,467</u>	<u>1</u>	<u>5,760,467</u>	<u>1</u>

On 20 December 2010 the directors approved a new set of Articles of the company in replacement of the existing Memorandum and Articles. The directors also approved the disapplication of the pre-exemption rights in section 561 of the Companies Act 2006 in relation to the proposed issue of shares. On the same date the company allotted 5,760,466 ordinary shares of £1 each. This increased the allotted, issued and fully paid share capital to 5,760,467 ordinary shares of £1 each.

Gallagher Holdings Two (UK) Limited

NOTES TO THE ACCOUNTS

For the period ended 31 December 2010

9. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Called up share capital £	Profit and loss account £	2010 Total £	2010 Total £
At 30 April 2010	1	(191,758)	(191,757)	(65,545)
Issue of shares	5,760,466	-	5,760,466	-
Loss for the year	-	(507,641)	(507,641)	(126,212)
At 31 December 2010	5,760,467	(699,399)	5,061,068	(191,757)

The authorised share capital of the Company consists of 10,000 ordinary shares of £1 each. At 30 April 2010 the allotted, called up and fully paid share capital of the Company amounted to 1 ordinary share of £1 each.

10. CONTINGENT LIABILITY

On 15 September 2008, the company entered into a share purchase agreement with Oxygen Holdings plc for the entire issued share capital of OIM Underwriting Limited (formerly Oxygen Insurance Managers Limited). The initial consideration and costs were £6,381,925. In accordance with the share purchase agreement, deferred consideration up to a maximum of £7,500,000 is payable. The 2008 deferred consideration payment of £1,000,000 was paid on 10 December 2009. The final deferred consideration is calculated in relation to the average relevant profits for the 3 financial years 2009, 2010 and 2011. The maximum final deferred consideration payment is £6,500,000. On 2 December 2010 the company entered into an agreement with Oxygen Holdings plc to advance an amount of £1,400,000 of the estimated final deferred consideration amount of £6,500,000.

On 28 May 2010, the company entered into a share purchase agreement with the shareholders of Risk & Reward Group (Holdings) Limited for the entire issued share capital of the company. The initial consideration and costs were £4,765,607. In accordance with the share purchase agreement, deferred consideration is payable based on future EBITDA with the maximum total amount payable for the entire share capital not exceeding £7,000,000.

11. ULTIMATE PARENT COMPANY

The immediate parent company is Arthur J. Gallagher & Co (AJG & Co), a company incorporated in the United States of America. The largest group of undertakings of which the company is a member and for which financial statements are prepared, is headed up by AJG & Co, which is the ultimate parent undertaking. A copy of the consolidated financial statements is available from the registered office of Gallagher Holdings Two (UK) Limited.