

**STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
FOR
GILES HOLDINGS LIMITED**

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GILES HOLDINGS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2016**

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GILES HOLDINGS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

DIRECTORS:

M Rea
C Richmond
I Story

SECRETARY:

J Wade

REGISTERED OFFICE:

Spectrum Building 7th Floor
55 Blythswood Street
Glasgow
G2 7AT

REGISTERED NUMBER:

SC246391 (Scotland)

AUDITOR:

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

GILES HOLDINGS LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Directors present their Strategic Report for the year ended 31 December 2016.

REVIEW OF BUSINESS

The principal activity of the Company in the period under review was that of an holding company. It is expected that there will be no significant change to the nature of the Company's activities 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 2016 are set out in the financial statements on pages 6 to 13.

For the year ended 31 December 2016 the Company has recorded a loss before tax of £350k compared to a loss before tax of £351k in 2015.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's international operations and debt profile expose it to a variety of financial risks including the effects of change in foreign currency exchange rates, counterparty credit risks, compliance risks, liquidity and interest rates. The Group's Board of Directors are responsible for setting the Group's risk appetite and ensuring that it has an appropriate and effective risk management framework and monitors the on going process for identifying, evaluating, managing, and reporting significant risks faced. To facilitate this, the Group maintains a risk framework, through which the key risks affecting the Group are identified, assessed and monitored.

The 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.

Interest rate risk

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

BY ORDER OF THE BOARD:



J Wade - Secretary

Date: 20 September 2017

GILES HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2016. The results for the Company for the year ended 31 December 2016 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 2016 to the date of this report is as follows:

M Pike - resigned 28 February 2017
T Gallagher - resigned 28 February 2017
M Rea - appointed 28 February 2017
C Richmond - appointed 28 February 2017
I Story - appointed 28 February 2017

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2016 (2015: £nil).

EMPLOYEES

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

DIRECTORS' INDEMNITY PROVISIONS

The Directors have benefited from qualifying third party indemnity provisions during the financial year and to the date of this report.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.


GILES HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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:


.....
J Wade - Secretary

Date: 20 September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GILES HOLDINGS LIMITED

We have audited the financial statements of Giles Holdings Limited for the year ended 31 December 2016, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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



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

Date: 20.9.17

GILES HOLDINGS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 £'000	2015 £'000
Administrative expenses		<u>(2)</u>	<u>(3)</u>
OPERATING LOSS	3	(2)	(3)
Interest receivable and similar income	4	<u>1</u>	<u>-</u>
		(1)	(3)
Interest payable and similar expenses	5	<u>(349)</u>	<u>(348)</u>
LOSS BEFORE TAXATION		(350)	(351)
Tax on loss	6	<u>(151)</u>	<u>760</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(501)	409
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS) /INCOME FOR THE YEAR		<u>(501)</u>	<u>409</u>

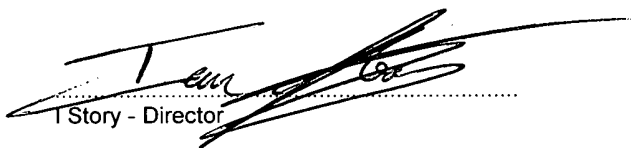
The notes form part of these financial statements

GILES HOLDINGS LIMITED (REGISTERED NUMBER: SC246391)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2016**

	Notes	£'000	2016 £'000	£'000	2015 £'000
FIXED ASSETS					
Investments	7		84,748		84,748
CURRENT ASSETS					
Debtors	8	692		1,680	
CREDITORS					
Amounts falling due within one year	9	<u>78,296</u>		<u>78,783</u>	
NET CURRENT LIABILITIES			<u>(77,604)</u>		<u>(77,103)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>7,144</u>		<u>7,645</u>
CAPITAL AND RESERVES					
Called up share capital	10		1		1
Share premium	11		5,081		5,081
Retained earnings	11		<u>2,062</u>		<u>2,563</u>
SHAREHOLDERS' FUNDS			<u>7,144</u>		<u>7,645</u>

The financial statements were approved and authorised for issue by the Board of Directors on 20.9.2017 and were signed on its behalf by:


I Story - Director

GILES HOLDINGS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £'000	Share premium £'000	Retained Earnings £'000	Total equity £'000
Balance at 1 January 2015	1	5,081	2,154	7,236
Changes in equity				
Total comprehensive income	-	-	409	409
Balance at 31 December 2015	<u>1</u>	<u>5,081</u>	<u>2,563</u>	<u>7,645</u>
Changes in equity				
Total comprehensive loss	-	-	(501)	(501)
Balance at 31 December 2016	<u>1</u>	<u>5,081</u>	<u>2,062</u>	<u>7,144</u>

The notes form part of these financial statements

GILES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

Accounting convention

These financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", and with the Companies Act 2006. The financial statements have been prepared on a going concern basis, under the historical cost convention.

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

Basis of preparation

The Company has 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) & (e) respectively, from preparing a Statement of Cash Flows 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.

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. 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 permitted 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.

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.

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.

GILES HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES - continued

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.

2. DIRECTORS' EMOLUMENTS

The Directors were remunerated during the year by a fellow subsidiary within the Group and Arthur J. Gallagher & Co., the ultimate parent undertaking. None of the Directors received any emoluments during the year in respect of their services as a Director of the Company (2015: £nil) and it would not be practicable to apportion their emoluments between their services as Directors of the Company and their services as Directors of other Group companies. The Company has not been recharged any amount for the emoluments of the Directors (2015: £nil).

3. OPERATING LOSS

The operating loss stated after charging:

	2016 £'000	2015 £'000
Auditor's remuneration	<u>1</u>	<u>2</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Interest on corporation tax repayment	<u>1</u>	<u>-</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016 £'000	2015 £'000
Interest on loans from group undertaking	<u>349</u>	<u>348</u>

6. TAXATION

Analysis of the tax charge/(credit)

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

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax	(70)	(1,043)
Adjustment in respect of previous periods	<u>221</u>	<u>283</u>
Total current tax charge/(credit)	151	(760)
Deferred tax	<u>-</u>	<u>-</u>
Total tax charge/(credit) on loss	<u>151</u>	<u>(760)</u>

GILES HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. TAXATION - continued

The charge/(credit) for the year can be reconciled to the loss per income statement as follows:

	2016	2015
	£'000	£'000
Loss before tax	<u>(350)</u>	<u>(351)</u>
Loss multiplied at standard UK tax rate of 20% (2015: 20.25%)	(70)	(71)
Effects of:		
Transfer pricing adjustments	-	(972)
Adjustments to tax in respect of previous periods	<u>221</u>	<u>283</u>
Total tax charge/(credit)	<u>151</u>	<u>(760)</u>

The Company profits are taxable in the UK under the standard rate of corporation tax being 20% (2015: 20.25%). The Company is expected to continue to attract the standard rate of UK corporation tax. The UK government legislated during 2016 to reduce the main rate of corporation tax to 19%, applicable from 1 April 2017 with a further reduction of 2% to 17% to apply from 1 April 2020.

7. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2016 and 31 December 2016	<u>84,748</u>
NET BOOK VALUE	
At 31 December 2016	<u>84,748</u>
At 31 December 2015	<u>84,748</u>

A full listing of the Company's investments at the year end is detailed within note 14.

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Amounts owed by group undertakings	622	637
Corporation tax	<u>70</u>	<u>1,043</u>
	<u>692</u>	<u>1,680</u>

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

GILES HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Amounts owed to group undertakings	78,295	78,783
Accruals and deferred income	<u>1</u>	<u>-</u>
	<u>78,296</u>	<u>78,783</u>

Amounts owed to 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
£13,917k	2% above bank base rate	Non-compounding	Can be recalled on demand of the Lender.	£15,441k

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016	2015
		£0.001	£'000	£'000
1,000,000	Ordinary shares		<u>1</u>	<u>1</u>

All shares rank equally in terms of voting rights - one vote for each share and rights to participate in all approved dividend distribution for that class of share.

11. 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 retained profits and losses.

12. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The immediate parent company is Quillco 227 Limited, a company registered in Scotland. 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 parent undertaking. 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.

13. EVENTS AFTER THE REPORTING PERIOD

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

GILES HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. INVESTMENTS

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
R.A. Rossborough Limited	PO BOX 28	Ordinary Shares	100%
R. A. Rossborough (Guernsey) Limited*	Rossborough House	Ordinary Shares	100%
R.A. Rossborough (Insurance Brokers) Limited*	PO BOX 28	Ordinary Shares	100%
Rossborough Healthcare International Limited*	Rossborough House	Ordinary Shares	100%
Rossborough Insurance (IOM) Limited*	Victory House	Ordinary Shares	100%
Rossborough Insurance Services Limited*	PO BOX 28	Ordinary Shares	100%
Rossborough Insurance Brokers Limited*	The Walbrook Building	Ordinary Shares	100%
Arthur J. Gallagher Insurance Brokers Limited*	Spectrum Building	Ordinary Shares	48.78%
Carrick Neill & Co. Limited*	Spectrum Building	Ordinary Shares	48.78%
CBG Group Limited*	The Walbrook Building	Ordinary Shares	48.78%
CBG Insurance Brokers Limited*	The Walbrook Building	Ordinary Shares	48.78%
Flysure Limited*	The Walbrook Building	Ordinary Shares	48.78%
Marcus Hearn & Co (Travel & Aviation) Limited*	The Walbrook Building	Ordinary Shares	48.78%
Crosbie & Jack Insurance Services Limited*	Spectrum Building	Ordinary Shares & C Shares	48.78%
Dickson Insurance Brokers Limited*	The Walbrook Building	Ordinary Shares	48.78%
Robinson Leslie Limited*	The Walbrook Building	Ordinary Shares	48.78%

* Held indirectly

Registered Address	Street Address
The Walbrook Building	25 Walbrook, London, EC4N 8AW
PO BOX 28	41 La Motte Street, St Heller, Jersey, Channel Islands, JE4 8NS
Spectrum Building	7 th Floor 55 Blythswood Street, Glasgow, G2 7AT
Victory House	Prospect Hill, Douglas, Isle of Man, IM1 1EQ
Rossborough House	Bulwer Avenue, St Sampsons, GY2 4LF