

**STRATEGIC REPORT, DIRECTORS' REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014
FOR
INK UNDERWRITING AGENCIES LIMITED**

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INK UNDERWRITING AGENCIES LIMITED

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FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

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INK UNDERWRITING AGENCIES LIMITED

**COMPANY INFORMATION
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

| | |
|-----------------------------|--|
| DIRECTORS: | M Pike I G Story |
| SECRETARY: | W McGowan |
| REGISTERED OFFICE: | The Walbrook Building 25 Walbrook London EC4N 8AW |
| REGISTERED NUMBER: | 03110970 (England and Wales) |
| INDEPENDENT AUDITOR: | Ernst & Young LLP Statutory Auditor 1 More London Place London SE1 2AF |

INK UNDERWRITING AGENCIES LIMITED

**STRATEGIC REPORT
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

The Directors present their Strategic Report for the period from 1 September 2013 to 31 December 2014.

PRINCIPAL ACTIVITY

The principal activity of the Company in the period under review was that of wholesale insurance and managing general agent. 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 consolidated financial statements of Arthur J. Gallagher & Co. ("the Group") which are publicly available.

REVIEW OF BUSINESS

The Company made a profit before tax for the period of £1,654k (2013: £6,614k). On 14 November 2013 Arthur J. Gallagher & Co. became the ultimate parent undertaking of the Company.

RESULTS AND DIVIDENDS

The results of the Company for the period 1 September 2013 to 31 December 2014 are set out in the financial statements on pages 6 to 18. The total recognised profit for the period of £1,100k (2013: £6,706k) was transferred to reserves. The Directors have not recommended the payment of a final dividend (2013: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company'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, price risk, liquidity and interest rates. The Company has in place a risk management programme and policies that seek to limit the adverse impact upon the Company of these financial risks.

Borrowing facilities and liquidity risk

The Group maintains facilities to ensure it has adequate funds available to finance operations and the growth of the business.

Foreign currency risk

The Company's major currency transaction exposure arises in respect of US dollar revenue earned in the UK. As a consequence, the Company's results are sensitive to changes in the sterling/US dollar exchange rate.

Counterparty credit risk

The Company manages its cash and investment balances in the form of deposits with prime banks and other short term money market instruments, in accordance with the Group's investment and counterparty policy.

Price risk

The Company does not have a material exposure to equity securities price risk or commodity price risk.

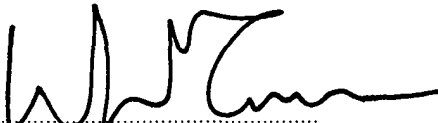
Risk management

The Company's immediate parent is Quillco 227 Limited and its ultimate parent is Arthur J. Gallagher & Co. Robust risk management is fundamental to the achievement of the Group's objectives. 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 ongoing 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.

EMPLOYEES

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

BY ORDER OF THE BOARD:


.....
W McGowan - Secretary

Date: 29/9/15

INK UNDERWRITING AGENCIES LIMITED

DIRECTORS' REPORT FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014

The Directors present their report with the audited financial statements of the Company for the period 1 September 2013 to 31 December 2014.

DIVIDENDS

No dividends will be distributed for the period ended 31 December 2014.

EVENTS SINCE THE END OF THE PERIOD

Information relating to events since the end of the period is given in note 19 to the financial statements.

DIRECTORS

Changes in Directors holding office are as follows:

M Pike - appointed 14 November 2013
M Mugge - appointed 14 November 2013, resigned 26 January 2015
D Ross - appointed 14 November 2013, resigned 9 February 2015
S Dalgarno - appointed 14 November 2013, resigned 17 March 2015
G Prescott - resigned 5 December 2013
J Arden - resigned 5 December 2013
M Scales - resigned 5 December 2013
P Matson - resigned 31 January 2014
B McManus - resigned 30 June 2014
J Lincoln - resigned 4 September 2014
I Story - appointed 29 April 2015

DIRECTORS INDEMNITY PROVISIONS

The Directors benefited from qualifying third party indemnity provisions in place during the period and to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report, Strategic 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and 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 maintaining 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 AUDITORS

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 he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

INK UNDERWRITING AGENCIES LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

AUDITOR

Ernst & Young LLP are appointed as the Company's auditor in accordance with section 485 of the Companies Act 2006.

BY ORDER OF THE BOARD


.....
W McGowan - Secretary

Date: 29/9/15
.....

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INK UNDERWRITING AGENCIES LIMITED

We have audited the financial statements of Ink Underwriting Agencies Limited for the period ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 21. 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).

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 auditors

As explained more fully in the Statement of Directors' Responsibilities 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 for the period 1 September 2013 to 31 December 2014 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 2014 and of its profit for the period 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.

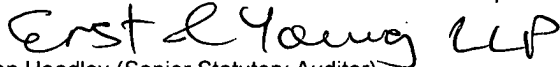
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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: 29 September 2015

INK UNDERWRITING AGENCIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

| | Notes | Period 1.9.13 to 31.12.14 £'000 | Year Ended 31.8.13 as restated £'000 |
|--|--------------|--|---|
| TURNOVER | | 16,246 | 14,432 |
| Administrative expenses | | <u>(14,896)</u> | <u>(8,201)</u> |
| OPERATING PROFIT | 4 | 1,350 | 6,231 |
| Interest receivable and similar income | 5 | <u>304</u> | <u>387</u> |
| | | 1,654 | 6,618 |
| Interest payable and similar charges | 6 | <u>-</u> | <u>(4)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,654 | 6,614 |
| Tax on profit on ordinary activities | 7 | <u>(554)</u> | <u>92</u> |
| PROFIT FOR THE FINANCIAL PERIOD | | <u>1,100</u> | <u>6,706</u> |

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the current period or previous year.

INK UNDERWRITING AGENCIES LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

| | Period 1.9.13 to 31.12.14 £'000 | Year Ended 31.8.13 as restated £'000 |
|---|--|---|
| PROFIT FOR THE FINANCIAL PERIOD | 1,100 | 6,706 |
| TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD | 1,100 | <u>6,706</u> |
| Prior year adjustment | Note 21 <u>(549)</u> | |
| TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT | <u>551</u> | |

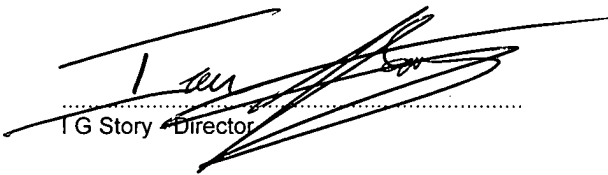
The notes form part of these financial statements

INK UNDERWRITING AGENCIES LIMITED (REGISTERED NUMBER: 03110970)

**BALANCE SHEET
31 DECEMBER 2014**

| | Notes | £'000 | 31 Dec 2014 £'000 | 31 Aug 2013 as restated £'000 |
|--|-------|---------------|-------------------------|--|
| FIXED ASSETS | | | | |
| Intangible assets | 8 | | 4,297 | 4,928 |
| Tangible assets | 9 | | 1 | 1 |
| Investments | 10 | | <u>6,570</u> | <u>6,570</u> |
| | | | 10,868 | 11,499 |
| CURRENT ASSETS | | | | |
| Debtors | 11 | 49,537 | | 45,809 |
| Cash at bank | 12 | <u>8,763</u> | | <u>12,922</u> |
| | | 58,300 | | 58,731 |
| CREDITORS | | | | |
| Amounts falling due within one year | 13 | <u>34,740</u> | | <u>36,965</u> |
| | | | <u>23,560</u> | <u>21,766</u> |
| NET CURRENT ASSETS | | | | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 34,428 | 33,265 |
| PROVISIONS FOR LIABILITIES | 15 | | <u>151</u> | <u>88</u> |
| NET ASSETS | | | <u>34,277</u> | <u>33,177</u> |
| CAPITAL AND RESERVES | | | | |
| Called up share capital | 16 | | - | - |
| Profit and loss account | 17 | | <u>34,277</u> | <u>33,177</u> |
| SHAREHOLDERS' FUNDS | | | <u>34,277</u> | <u>33,177</u> |

The financial statements were approved by the Board of Directors on 29 SEPTEMBER, 2015 and were signed on its behalf by:


I G Story Director

The notes form part of these financial statements

INK UNDERWRITING AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014

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 UK GAAP. These accounting policies have been consistently applied during the period.

The Directors have 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 accounts are publicly available from the company's registered office in the United States of America.

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Arthur J. Gallagher & Co. Group.

Turnover

Turnover represents brokerage and fees earned for placing and servicing risks on behalf of clients and income from business placed with financing companies. The Company recognises this income when earned. Brokerage is recognised at policy inception date with a proportion of income deferred over the period of the underlying contracts to recognise the ongoing contractual obligations of maintaining and servicing the contracts over that period.

Taxation

Provision is made at current rates for taxation. In accordance with FRS 19, deferred tax is recognised in respect of all timing difference 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 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.

Provision for liabilities and charges

A provision is recognised when 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 a reasonable estimate can be made of the amount of the obligation. Provisions are made in accordance with the requirements of FRS 12. The basis of each class of provision is described in note 15.

Foreign currency transactions

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 rate of exchange ruling at the Balance Sheet date. All rate of exchange differences are taken to the Profit and Loss account.

Claims handling obligations

The Company provides for the expected cost of providing future claims handling services in respect of its insurance and reinsurance broking activities by reference to the estimated number of claims and expected costs. The provision is made in accordance with the requirements of FRS 12.

Pensions

All Company employees may become members of the Gallagher (UK) Pension Plan, a defined contribution scheme. Contributions are charged to the Profit and Loss account as they become payable in accordance with the rules of the scheme. Under the rules of the defined contribution pension scheme, the pension charges represent the contributions payable by the Company up to 6 April 2014 at which point all employees were transferred to Arthur J. Gallagher Services (UK) Limited.

INK UNDERWRITING AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014

Insurance broking debtors and creditors

Insurance brokers normally act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding such legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities in recognition of the fact that the insurance broker is entitled to retain investment income on any cash flows arising from such transactions and accordingly such investment income is included in operating profits. Such cash is held in a client account separate from the general funds of the Company. The Company has applied FRS 5 "Reporting the Substance of Transactions" and offsets debtors and creditors from insurance transactions only when to do so is legally enforceable.

Goodwill

Goodwill arising on the acquisition of teams and other business have been capitalised, classified as assets on the balance sheet and amortised over their useful economic life as shown below. They are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Amortisation is provided on all intangible assets at rates calculated to write off the cost of each asset evenly over its expected useful life of 12 years at straight line

Tangible fixed assets

Tangible fixed assets are recorded at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation

Depreciation is calculated so as to write off the cost or valuation less estimated residual value, over the estimated useful life of that asset as follows:

| | |
|-----------------------|-------------------------|
| Fixtures and fittings | - 3 years straight line |
| Computer equipment | - 5 years straight line |

Fixed asset investments

Fixed asset investments are recorded at cost less any provision for impairment. Impairment reviews are performed by the Directors where there has been an indication of impairment.

Interest receivable / payable

Interest receivable / payable is recognised in the Profit and Loss Account as earned based on the terms of the underlying contracts or agreements.

Accrued income

Income is accrued when it has been earned in the year but will be received in a future accounting period, and when the amount earned can be estimated with reasonable certainty.

Deferred income

Income is deferred when it has been received in the year but will be earned in a future accounting period.

Deferred consideration

The total consideration payable by the company when acquiring businesses often includes a deferred element which is based on the future trading performance of the acquired business. The company provides for the deferred consideration where there is a reasonable expectation that the acquired business will meet the targets specified in the acquisition agreement.

INK UNDERWRITING AGENCIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

2. STAFF COSTS

| | Period 1.9.13 to 31.12.14 £'000 | Year Ended 31.8.13 £'000 |
|-----------------------|---|--------------------------------|
| Wages and salaries | 1,797 | 5,162 |
| Social security costs | 142 | 788 |
| Other pension costs | <u>60</u> | <u>225</u> |
| | <u>1,999</u> | <u>6,175</u> |

The average monthly number of employees during the period was as follows:

| | Period 1.9.13 to 31.12.14 | Year Ended 31.8.13 |
|--|------------------------------------|-----------------------|
| Managing general agency & administration | <u>121</u> | <u>127</u> |

The amounts associated with staff costs are to 6 April 2014, after which the costs were incurred by Arthur J. Gallagher Services (UK) Limited. An amount of £8,333k was recharged back to the Company and is accounted for in administrative expenses.

3. DIRECTORS' EMOLUMENTS

| | 2014 £'000 |
|--|---------------|
| Aggregate emoluments | 1,153 |
| Company contributions paid to money purchase schemes | <u>13</u> |
| | <u>1,166</u> |
| Members of money purchase schemes | <u>2</u> |

The amounts in respect of the highest paid Director are:

| | 2014 £'000 |
|---|---------------|
| Emoluments | 423 |
| Pension contributions to money purchase schemes | <u>3</u> |

The amounts associated with Directors emoluments are to 6 April 2014 after which the costs were incurred by Arthur J Gallagher Services (UK) Ltd. An amount of £985k was recharged back to the Company and is accounted for in administrative expenses.

The Directors did not consider it practical to allocate a percentage of their remuneration for the year ended 31 August 2013.

INK UNDERWRITING AGENCIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

4. OPERATING PROFIT

The operating profit is stated after charging:

| | Period 1.9.13 to 31.12.14 £'000 | Year Ended 31.8.13 £'000 |
|--|---|--------------------------------|
| Depreciation - owned assets | 1 | 2 |
| Goodwill amortisation | 631 | 473 |
| Auditor remuneration – statutory audit | 15 | - |
| Operating lease costs - land and buildings | - | 115 |
| Foreign exchange gain | <u>(3)</u> | <u>-</u> |

Audit remuneration for the prior year of £15k was borne on behalf of the Company by a fellow group undertaking.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

| | Period 1.9.13 to 31.12.14 £'000 | Year Ended 31.8.13 £'000 |
|---------------------|---|--------------------------------|
| Interest receivable | <u>304</u> | <u>387</u> |

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | Period 1.9.13 to 31.12.14 £'000 | Year Ended 31.8.13 £'000 |
|---------------|---|--------------------------------|
| Bank interest | <u>-</u> | <u>4</u> |

7. TAXATION

Analysis of the tax credit

The tax credit on the profit on ordinary activities for the period was as follows:

| | Period 1.9.13 to 31.12.14 £'000 | Year Ended 31.8.13 £'000 |
|--------------------------------------|---|--------------------------------|
| Current tax: UK Corporation tax | 490 | - |
| Deferred tax | <u>64</u> | <u>(92)</u> |
| Tax on profit on ordinary activities | <u>554</u> | <u>(92)</u> |

INK UNDERWRITING AGENCIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

7. TAXATION - continued

Factors affecting the tax charge/(credit)

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | Period 1.9.13 to 31.12.14 £'000 | Year Ended 31.8.13 as restated £'000 |
|--|---|---|
| Profit on ordinary activities before tax | <u>1,654</u> | <u>6,614</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.87% (2013 - 23.58%) | 362 | 1,560 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 51 | 184 |
| Capital allowances in excess of depreciation | (1) | - |
| Movements in short term timing differences | (9) | (3) |
| Group relief claimed | - | (1,850) |
| Adjustments in respect of transfer pricing | 188 | - |
| Impact of change in accounting policy | <u>(101)</u> | <u>109</u> |
| Total current tax charge/(credit) | <u>490</u> | <u>-</u> |

The Company profits are taxable in the UK under the standard rate of corporation tax being 21.87% (2013: 23.58%). The Company is expected to continue to attract the standard rate of UK corporation tax. The UK government legislated during 2013 to reduce the main rate of corporation tax to 21%, applicable from 1 April 2014, with a further reduction of 1% to 20% to apply from 1 April 2015. These reductions have been reflected in the closing deferred tax asset, as they were enacted at the balance sheet date. Further legislation has been announced, due to be enacted post September 2015, to reduce the corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020. The impact of these changes is not quantifiable at this time.

8. INTANGIBLE FIXED ASSETS

| | Goodwill £'000 |
|---|-------------------|
| COST | |
| At 1 September 2013 and 31 December 2014 | <u>5,676</u> |
| AMORTISATION | |
| At 1 September 2013 | 748 |
| Amortisation for period | <u>631</u> |
| At 31 December 2014 | <u>1,379</u> |
| NET BOOK VALUE | |
| At 31 December 2014 | <u>4,297</u> |
| At 31 August 2013 | <u>4,928</u> |

INK UNDERWRITING AGENCIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

9. TANGIBLE FIXED ASSETS

| | Fixtures and fittings £'000 | Computer equipment £'000 | Totals £'000 |
|-----------------------------------|--|---|-------------------------|
| COST | | | |
| At 1 September 2013 (as restated) | 3 | - | 3 |
| Additions | <u>-</u> | <u>1</u> | <u>1</u> |
| At 31 December 2014 | <u>3</u> | <u>1</u> | <u>4</u> |
| DEPRECIATION | | | |
| At 1 September 2013 (as restated) | 2 | - | 2 |
| Charge for period | <u>1</u> | <u>-</u> | <u>1</u> |
| At 31 December 2014 | <u>3</u> | <u>-</u> | <u>3</u> |
| NET BOOK VALUE | | | |
| At 31 December 2014 | <u>-</u> | <u>1</u> | <u>1</u> |
| At 31 August 2013 (as restated) | <u>1</u> | <u>-</u> | <u>1</u> |

10. FIXED ASSET INVESTMENTS

| | Shares in group undertakings £'000 |
|---|---|
| COST | |
| At 1 September 2013 and 31 December 2014 | <u>6,570</u> |
| NET BOOK VALUE | |
| At 31 December 2014 | <u>6,570</u> |
| At 31 August 2013 | <u>6,570</u> |

At 31 December 2014, the Company held the entire share capital of Westinsure Group Limited. The remaining investments are held by Westinsure Group Limited.

Westinsure Group Limited

| | |
|------------------|-------------------|
| Class of shares: | % |
| Ordinary | holding 100.00 |

Westinsure Online Limited*

| | |
|------------------|-------------------|
| Class of shares: | % |
| Ordinary | holding 100.00 |

Insurance Watchdog Limited*

| | |
|------------------|-------------------|
| Class of shares: | % |
| Ordinary | holding 100.00 |

* held indirectly

INK UNDERWRITING AGENCIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

| 11. DEBTORS | 31 Dec 2014 | 31 Aug 2013 as restated |
|---|----------------|-------------------------------|
| | £'000 | £'000 |
| Amounts falling due within one year: | | |
| Insurance Debtors | 4,128 | 8,480 |
| Amounts owed by group undertakings | 44,698 | 36,970 |
| Other debtors | - | 49 |
| Deferred tax asset (see note 15) | 28 | 92 |
| Prepayments and accrued income | <u>564</u> | <u>218</u> |
| | <u>49,418</u> | <u>45,809</u> |
| | 2014 | 2013 |
| | £'000 | £'000 |
| Amounts falling due after more than one year: | | |
| Prepayments and accrued income | <u>119</u> | <u>-</u> |
| Aggregate amounts | <u>49,537</u> | <u>45,809</u> |

Amounts owed by group undertakings are unsecured, repayable on demand and are on an interest free basis, with the exception of cash transfers between Ink Underwriting Agencies Limited and Rio 588 Limited, which are repayable on demand and bear interest at 2% above the Bank of England base rate. The balance subject to interest at 31 December 2014 was £9,125k (2013: 9,125k).

| 12. CASH AT BANK | 31 Dec 2014 | 31 Aug 2013 |
|-------------------------|----------------|----------------|
| | £'000 | £'000 |
| Insurance bank accounts | 6,927 | 8,089 |
| Business bank accounts | <u>1,836</u> | <u>4,833</u> |
| | <u>8,763</u> | <u>12,922</u> |

Insurance bank accounts hold cash on behalf of clients and insurers.

| 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 31 Dec 2014 | 31 Aug 2013 as restated |
|--|----------------|-------------------------------|
| | £'000 | £'000 |
| Trade Creditors | - | 9 |
| Insurance Creditors | 13,732 | 18,149 |
| Amounts owed to group undertakings | 18,475 | 17,321 |
| Social security and other taxes | 27 | 180 |
| Other creditors | - | 131 |
| Deferred consideration | - | 250 |
| Accruals and deferred income | <u>2,506</u> | <u>1,013</u> |
| | <u>34,740</u> | <u>37,053</u> |

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

INK UNDERWRITING AGENCIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

14. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid:

| | Land and buildings 31 Dec 2014 £'000 | 31 Aug 2013 £'000 |
|---|---|----------------------------------|
| Expiring: Between one and five years | <u>-</u> | <u>30</u> |

15. PROVISIONS FOR LIABILITIES

| | Deferred tax £'000 | Other provisions £'000 |
|-----------------------------|-----------------------------------|---------------------------------------|
| Balance at 1 September 2013 | (92) | 88 |
| Provided during period | 70 | 63 |
| Difference in tax rates | <u>(6)</u> | <u>-</u> |
| Balance at 31 December 2014 | <u>(28)</u> | <u>151</u> |

The above deferred tax net asset represents: £18k in relation to short term timings differences (2013: £92k) and fixed asset timing differences £9k (2013:£nil).

Other provisions:

| | VAT provision £'000 | E&O provision £'000 | Future servicing and claims handling costs £'000 | Total £'000 |
|---|------------------------------------|--|---|------------------------|
| At 1 September 2013 | - | - | 88 | 88 |
| Provided / (released) during the period | <u>50</u> | <u>13</u> | <u>-</u> | <u>63</u> |
| At 31 December 2014 | <u>50</u> | <u>13</u> | <u>88</u> | <u>151</u> |

Future servicing and claims handling costs

The provision for future servicing and claims handling costs is an estimate of the cost to run-off claims on policies previously placed by the Company. The provision is based on a projection of future claims applying a trend extrapolated from historical claims data.

Errors & 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. It is not practical to specifically indicate the likely timing of claim settlements.

VAT provision

The Company has provided against possible future tax liabilities as a result of ongoing discussions of tax legislation.

16. CALLED UP SHARE CAPITAL

Allotted and issued:

| Number: | Class: | Nominal value: | 2014 | 2013 |
|---------|----------|-------------------|------------|------------|
| | | | £ | £ |
| 100 | Ordinary | £1 | <u>100</u> | <u>100</u> |

INK UNDERWRITING AGENCIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014**

17. RESERVES

| | Profit and loss account £'000 |
|-----------------------|--|
| At 1 September 2013 | 33,726 |
| Prior year adjustment | <u>(549)</u> |
| Profit for the period | <u>33,177</u> <u>1,100</u> |
| At 31 December 2014 | <u><u>34,277</u></u> |

18. ULTIMATE PARENT COMPANY

The immediate parent company is Quillco 227 Limited. The ultimate holding company at 31 August 2013 was Expectrum Limited. The ultimate controlling party at 31 August 2013 was funds managed by Charterhouse General Partners (VIII) Limited.

On 14 November 2013 Arthur J Gallagher & Co., a company incorporated in USA and registered in Delaware, became the ultimate holding company and ultimate controlling party. A copy of the consolidated financial statements is available from the registered office of the company.

19. POST BALANCE SHEET EVENTS

The Directors agree that there are no post balance sheet events to disclose.

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 31 Dec 2014 £'000 | 31 Aug 2013 £'000 |
|---|----------------------------------|----------------------------------|
| Profit for the financial period | <u>1,100</u> | <u>6,706</u> |
| Net addition to shareholders' funds | 1,100 | 6,706 |
| Opening shareholders' funds (originally £33,726k before prior year adjustment of £(549k)) | <u>33,177</u> | <u>26,471</u> |
| Closing shareholders' funds | <u><u>34,277</u></u> | <u><u>33,177</u></u> |

INK UNDERWRITING AGENCIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE PERIOD 1 SEPTEMBER 2013 TO 31 DECEMBER 2014

21. PRIOR YEAR ADJUSTMENT

The financial statements have been restated to reflect a change in accounting policy with regards to tangible assets. The Company has adopted its parent Company's accounting policy to write off any assets with an opening net book value of under £500.

The restated value of 2013 tangible fixed assets is £1k for August 2013. Under the previous accounting policy the tangible fixed assets were £2k.

Arthur J. Gallagher policy for prepayments is that a prepayment should only be made where it is for more than 3 months and the expense is over £10k, with the exception being rent, which should always be prepaid. In the prior year, there was no de minimus limit for prepayments.

In the prior year, the Company accrued for Contingent Commission. Arthur J. Gallagher policy is not to accrue for Contingent Commission.

Arthur J. Gallagher policy for work transfer fees is that there should be an external confirmation and detailed supporting calculation. In the prior year the Company's policy was to accrue without such external confirmation.

The restated value of 2013 Prepayments & Accrued Income is £218k. Under the previous accounting policy Prepayments & Accrued Income was £714k.

Arthur J. Gallagher policy is not to recognise income when it is contingent. In the prior year, the Company would recognise contingent income.

Accruals & Deferred Income restated for August 2013 is £1,013k. Under the previous accounting policy Accruals & Deferred Income was £869k.

The above changes in accounting policies has resulted in an adjustment to the tax charge for the prior year.

| Note | Financial Statement Area | Previous year end value | Restated year end value | Difference |
|------|------------------------------|-------------------------|-------------------------|------------|
| 9 | Tangible Assets | £2k | £1k | (£1k) |
| 11 | Prepayments & Accrued Income | £714k | £218k | (£496k) |
| 13 | Accruals & Deferred Income | £869k | £1,013k | (£144k) |
| 11 | Deferred tax asset | £nil | £92k | £92k |