

**STRATEGIC REPORT, DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015  
FOR  
INK UNDERWRITING AGENCIES LIMITED**

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**INK UNDERWRITING AGENCIES LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2015**

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**INK UNDERWRITING AGENCIES LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**DIRECTORS:**

M Pike  
I G Story  
M Rea  
C Richmond

**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  
25 Churchill Place  
Canary Wharf  
London  
E14 5EY

## **INK UNDERWRITING AGENCIES LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

The Directors present their Strategic Report for the year ended 31 December 2015.

#### **REVIEW OF BUSINESS**

The principal activity of the Company in the period under review was that of wholesale insurance and managing general agent. 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 2015 are set out in the financial statements on pages 7 to 20. During the year the Company hived the FSJ & Compass aspects of its business to Arthur J. Gallagher Insurance Brokers Limited, a fellow group subsidiary.

For the year ended 31 December 2015 the Company has recorded a loss before tax of £5,347k compared to the profit before tax of £309k in 2014. The principal driver of this increase in loss was a drop in revenue as a result of increased market competition and additional home office charges levied against the Company.

#### **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, price risk, compliance risk, 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 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.

The Company 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 Company 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 Company. Forward looking cash flow projections are prepared on a regular basis to assess funding requirements.

##### **Interest rate risk**

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

##### **Counterparty credit risk**

The Company 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.

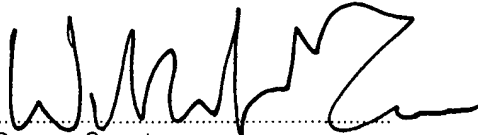
**INK UNDERWRITING AGENCIES LIMITED**

**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**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 and has designed a control framework to reduce the risk of non-compliance. This includes regular assessment 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.

**BY ORDER OF THE BOARD:**



.....  
W McGowan - Secretary

Date: 26 September 2016

## **INK UNDERWRITING AGENCIES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2015. The results for the Company for the year ended 31 December 2015 and future developments are discussed in the Strategic Report.

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

M Pike held office during the period from 1 January 2015 to the date of this report.

Other changes in Directors holding office as are follows:

M Mugge - resigned 26 January 2015  
D Ross - resigned 9 February 2015  
S Dalgarno - resigned 17 March 2015  
I G Story - appointed 29 April 2015  
M Rea - appointed 18 July 2016  
C Richmond - appointed 18 July 2016

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2015 (2014: £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 PROVISION**

The Directors have benefitted 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 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 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.

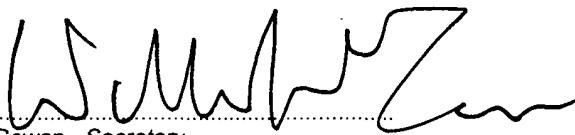
**INK UNDERWRITING AGENCIES LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**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:**

  
.....  
W McGowan - Secretary

Date: 20 September 2016

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INK UNDERWRITING AGENCIES LIMITED**

We have audited the financial statements of Ink Underwriting Agencies Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 19. 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 4, 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 2015 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 the information given in the Strategic Report and Directors' Report for the financial year 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.

*Ernst & Young LLP*

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

Date: *27 September 2016*



**INK UNDERWRITING AGENCIES LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	Year Ended 31.12.15 Continuing £'000	Year Ended 31.12.15 Discontinued £'000	Year Ended 31.12.15 Total £'000
<b>TURNOVER</b>	2	9,916	289	10,205
Administrative expenses		<u>(14,016)</u>	<u>(1,560)</u>	<u>(15,576)</u>
<b>OPERATING LOSS</b>	5	(4,100)	(1,271)	(5,371)
Interest receivable and similar income	6	<u>24</u>	<u>-</u>	<u>24</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(4,076)	(1,271)	(5,347)
Tax on loss on ordinary activities	7	<u>481</u>	<u>150</u>	<u>631</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		(3,595)	(1,121)	(4,716)
<b>OTHER COMPREHENSIVE INCOME</b>		-	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<u>(3,595)</u>	<u>(1,121)</u>	<u>(4,716)</u>

**DISCONTINUED OPERATIONS**

The Company hived the FSJ and Compass aspects of its business to Arthur J. Gallagher Insurance Brokers Limited, a fellow Group subsidiary, during the year ended 31 December 2015. The prior year Statement of Comprehensive Income has been restated for comparative purposes on page 8.

The notes form part of these financial statements

**INK UNDERWRITING AGENCIES LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME - continued  
FOR THE YEAR ENDED 31 DECEMBER 2015**

		Period 1.9.13 to 31.12.14 Continuing £'000	Period 1.9.13 to 31.12.14 Discontinued £'000	(Restated) Period 1.9.13 to 31.12.14 Total £'000
	Notes			
<b>TURNOVER</b>	2	13,537	2,577	16,114
Administrative expenses		<u>(12,875)</u>	<u>(3,234)</u>	<u>(16,109)</u>
<b>OPERATING PROFIT/(LOSS)</b>	5	662	(657)	5
Interest receivable and similar income	6	<u>304</u>	<u>-</u>	<u>304</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		966	(657)	309
Tax on profit/(loss) on ordinary activities	7	<u>(1,590)</u>	<u>1,082</u>	<u>(508)</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL PERIOD</b>		(624)	425	(199)
<b>OTHER COMPREHENSIVE INCOME</b>		-	-	-
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<u>(624)</u>	<u>425</u>	<u>(199)</u>


The Company hived the FSJ and Compass aspects of its business to Arthur J. Gallagher Insurance Brokers Limited, a fellow Group subsidiary, during the year ended 31 December 2015.

**INK UNDERWRITING AGENCIES LIMITED (REGISTERED NUMBER: 03110970)**

**STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2015**

	Notes	£'000	2015 £'000	£'000	(Restated) 2014 £'000
<b>FIXED ASSETS</b>					
Intangible assets	8		3,219		4,021
Tangible assets	9		2		1
Investments	10		<u>5,096</u>		<u>6,570</u>
			8,317		10,592
<b>CURRENT ASSETS</b>					
Debtors	11	49,650		48,839	
Cash at bank	12	<u>8,675</u>		<u>8,763</u>	
		58,325		57,602	
<b>CREDITORS</b>					
Amounts falling due within one year	13	<u>37,371</u>		<u>35,229</u>	
<b>NET CURRENT ASSETS</b>					
			<u>20,954</u>		<u>22,373</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			29,271		32,965
<b>PROVISIONS FOR LIABILITIES</b>					
	14		<u>1,173</u>		<u>151</u>
<b>NET ASSETS</b>					
			<u>28,098</u>		<u>32,814</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		-		-
Retained earnings	16		<u>28,098</u>		<u>32,814</u>
<b>SHAREHOLDERS' FUNDS</b>					
			<u>28,098</u>		<u>32,814</u>

The financial statements were approved and authorised for issue by the Board of Directors on 26/9/16 and were signed on its behalf by:

  
I G Story - Director

The notes form part of these financial statements

**INK UNDERWRITING AGENCIES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>Called up share capital £'000</b>	<b>(Restated) Retained earnings £'000</b>	<b>Total equity £'000</b>
<b>Balance at 1 September 2013</b>	-	33,013	33,013
<b>Changes in equity</b>			
Total comprehensive loss	-	(199)	(199)
<b>Balance at 31 December 2014</b>	-	32,814	32,814
<b>Changes in equity</b>			
Total comprehensive loss	-	(4,716)	(4,716)
<b>Balance at 31 December 2015</b>	-	28,098	28,098

The notes form part of these financial statements

## INK UNDERWRITING AGENCIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

#### 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. This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 19 for an explanation of the transition.

The financial statements for the prior period are for a 16 month period due to the reporting date being brought into line with the rest of the Group; therefore the comparative amounts presented in these financial statements are not directly comparable.

##### **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. **Useful economic lives of tangible fixed assets**  
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.
- ii. **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.
- iii. **Goodwill and intangible fixed assets**  
The Group establishes a reliable estimate of the useful life 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.
- iv. **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.

## **INK UNDERWRITING AGENCIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015**

#### **1. ACCOUNTING POLICIES – continued**

##### **Significant judgements and estimates - continued**

##### **i. 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 14.

##### **Turnover**

Turnover represents commission earned on insurance policies underwritten during the year and is recognised at the later of inception date and the date the placement is completed and confirmed.

##### **Interest receivable**

Interest receivable 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.

##### **Discontinued operations**

The Group recognises as discontinued operations components which have been disposed of which represented a separate major line of business or geographical area of operation, which were part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, or a subsidiary which was acquired exclusively for resale.

##### **Goodwill and intangible fixed assets**

Intangible fixed assets arising on the acquisition of teams and other business 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:

Goodwill - over 10 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:

Fixtures and fittings - over 3 years  
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.

## INK UNDERWRITING AGENCIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

#### 1. ACCOUNTING POLICIES - continued

##### Insurance intermediary debtors and creditors

Insurance intermediaries usually act as agents in the placement of insurable risks and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities in the Statement of Financial Position. This recognises that the intermediary is entitled to retain the investment income on any cash flows arising from these transactions.

The position of the insurance intermediary as agent means that generally the credit risk is borne by the principals. There can be circumstances where the insurance intermediary acquires the credit risk - through statute, or through the act of omission of the insurance intermediary or one of the principals. There is much legal uncertainty surrounding the extent of such exposures and consequently they cannot be evaluated. However, the total of insurance broking debtors appearing in the Statement of Financial Position is therefore not an indication of credit risk.

##### 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 income statement 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.

##### Pension costs

Until the 6<sup>th</sup> April 2014 the Company participated in a defined contribution scheme covering the pension arrangements of all eligible employees. The assets of the scheme are invested with an insurance company. The pension cost charged in the Statement of Comprehensive Income represents the contributions payable and is disclosed in note 3.

##### 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 loss (2014: profit) before taxation are attributable to the one principal activity of the Company and can be attributed to activities in the United Kingdom.

An analysis of turnover by class of business is given below:

	Year Ended	Period
	31.12.15	1.9.13 to
	£'000	31.12.14
		£'000
Commissions	9,623	15,424
Fees	582	690
	<u>10,205</u>	<u>16,114</u>

**INK UNDERWRITING AGENCIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**3. STAFF COSTS**

	Year Ended 31.12.15 £'000	Period 1.9.13 to 31.12.14 £'000
Wages and salaries	-	1,797
Social security costs	-	142
Other pension costs	-	60
	<u>-</u>	<u>1,999</u>

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

	Year Ended 31.12.15	Period 1.9.13 to 31.12.14
Managing general agency & administration	<u>-</u>	<u>121</u>

The amounts relating to staff costs were incurred by the Company to 6 April 2014 after which the costs were incurred by Arthur J. Gallagher Services (UK) Limited. An amount of £9,128k (2014: £8,333k) was recharged back to the Company and is accounted for in administrative expenses.

**4. DIRECTORS' EMOLUMENTS**

	Year Ended 31.12.15 £'000	Period 1.9.13 to 31.12.14 £'000
Aggregate emoluments	102	1,153
Company contributions paid to money purchase schemes	1	13
	<u>103</u>	<u>1,166</u>
Members of money purchase schemes	<u>1</u>	<u>2</u>

The amounts in respect of the highest paid Director are:

Aggregate emoluments	53	423
Company contributions paid to money purchase schemes	<u>-</u>	<u>3</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 emoluments are recharged to the Company and accounted for in administrative expenses.

**5. OPERATING LOSS**

The operating loss is stated after charging:

	Year Ended 31.12.15 £'000	(Restated) Period 1.9.13 to 31.12.14 £'000
Operating leases - land and buildings	449	-
Depreciation - owned assets	-	1
Impairment provision	1,474	-
Goodwill amortisation	320	743
Auditor's remuneration	32	15
Foreign exchange (gain)/loss	<u>15</u>	<u>(3)</u>



**INK UNDERWRITING AGENCIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2015**

<b>6. INTEREST RECEIVABLE AND SIMILAR INCOME</b>		<b>Period 1.9.13 to 31.12.14 £'000</b>
	<b>Year Ended 31.12.15 £'000</b>	
Interest on loans to group undertakings	23	304
Other interest	<u>1</u>	<u>-</u>

**7. TAXATION**

**Analysis of the tax (credit)/charge** **(Restated)  
Period  
1.9.13**

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

	<b>Year Ended 31.12.15 £'000</b>	<b>to 31.12.14 £'000</b>
Current tax:		
UK corporation tax on profits for the period	(760)	489
Adjustments in respect of previous periods	<u>63</u>	<u>-</u>
Total current tax	<u>(697)</u>	<u>489</u>
Deferred tax:		
Origination and reversal of timing differences	47	21
Adjustment in respect of previous periods	19	-
Effect of changes in tax rates	<u>-</u>	<u>(2)</u>
Total deferred tax	<u>66</u>	<u>19</u>
Tax on profit/(loss) on ordinary activities	<u>(631)</u>	<u>508</u>

The charge for the year can be reconciled to the profit per the income statement as follows:

	<b>Year Ended 31.12.15 £'000</b>	<b>(Restated) Period 1.9.13 to 31.12.14 £'000</b>
Loss for the period	<u>(5,347)</u>	<u>309</u>
Tax on loss at standard UK rate of 20.25% (2014 - 21.87%)	(1,083)	68
Effects of:		
Expenses not deductible	343	331
Losses	-	61
Transfer pricing adjustments	27	187
Adjustments from previous periods	82	-
Tax rate changes	-	(2)
Impact of pre 2014 change in accounting policy	-	(36)
Impact of change in accounting policy	<u>-</u>	<u>(101)</u>
Total tax credit for the period	<u>(631)</u>	<u>508</u>

The Company profits are taxable in the UK under the standard rate of corporation tax being 20.25% (2014 21.87%). The Company is expected to continue to attract the standard rate of UK corporation tax. The UK government legislated during 2015 to reduce the main rate of corporation tax to 19%, applicable from 1 April 2017 with a further reduction of 1% to 18% to apply from 1 April 2020. These reductions have been reflected in the closing deferred tax asset, as they were enacted at the date of the Statement of Financial Position.

Further legislation has been announced to reduce the corporation tax rate to 17% from 1 April 2020. The impact of this change is not quantifiable at this time.

**INK UNDERWRITING AGENCIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2015**

<b>8. INTANGIBLE FIXED ASSETS</b>		<b>(Restated)</b>
		<b>Goodwill</b>
		<b>£'000</b>
<b>COST</b>		
At 1 January 2015		5,676
Transfers		<u>(482)</u>
At 31 December 2015		<u>5,194</u>
<b>AMORTISATION</b>		
At 1 January 2015		1,655
Amortisation for year		568
Transfers		<u>(248)</u>
At 31 December 2015		<u>1,975</u>
<b>NET BOOK VALUE</b>		
At 31 December 2015		<u>3,219</u>
At 31 December 2014		<u>4,021</u>

Individual intangible assets that are deemed material to the financial statements by the Directors comprise of:

Category	Asset	Carrying value	Remaining amortisation period
Goodwill	Indemnity Risk Solutions	£2,763k	6 years

**9. TANGIBLE FIXED ASSETS**

	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
<b>COST</b>			
At 1 January 2015	3	1	4
Additions	-	4	4
Transfers	<u>-</u>	<u>(3)</u>	<u>(3)</u>
At 31 December 2015	<u>3</u>	<u>2</u>	<u>5</u>
<b>DEPRECIATION</b>			
At 1 January 2015	3	-	3
Charge for year	-	1	1
Transfers	<u>-</u>	<u>(1)</u>	<u>(1)</u>
At 31 December 2015	<u>3</u>	<u>-</u>	<u>3</u>
<b>NET BOOK VALUE</b>			
At 31 December 2015	<u>-</u>	<u>2</u>	<u>2</u>
At 31 December 2014	<u>-</u>	<u>1</u>	<u>1</u>

**INK UNDERWRITING AGENCIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**10. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £'000
<b>COST</b>	
At 1 January 2015 and 31 December 2015	<u>6,570</u>
<b>PROVISION FOR IMPAIRMENT</b>	
At 1 January 2015	-
Provision for year	<u>1,474</u>
At 31 December 2015	<u>1,474</u>
<b>NET BOOK VALUE</b>	
At 31 December 2015	<u>5,096</u>
At 31 December 2014	<u>6,570</u>

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

Name of Company	Country of registration	Holding	Proportion of shares held
Westinsure Group Limited	England & Wales	Ordinary Shares	100.00%
Westinsure Online Limited*	England & Wales	Ordinary Shares	100.00%

\* Held indirectly

**11. DEBTORS**

	2015 £'000	(Restated) 2014 £'000
<b>Amounts falling due within one year:</b>		
Trade Debtors	5,615	4,128
Amounts owed by group undertakings	41,974	43,955
Corporation tax	1,670	-
Deferred tax asset	8	73
Prepayments and accrued income	<u>372</u>	<u>564</u>
	49,639	48,720
<b>Amounts falling due after more than one year:</b>		
Prepayments and accrued income	4	119
Amounts owed by group undertakings	<u>7</u>	-
Aggregate amounts	<u>49,650</u>	<u>48,839</u>

Contained within insurance debtors is £2,036k relating to trading with group entities.

Amounts owed by group undertakings are unsecured, repayable on demand and are on an interest free basis, with the exception of the following loans. These loans are unsecured and have the following terms and conditions:

Aggregate loan value	Interest rate	Interest terms	Repayment period	Aggregate carrying value
£7k	6.19%	Compounded annually	10 years from commencement (2025)	£8k
£9,125	2% above bank base rate	Non-compounding	Can be recalled on demand of the Lender	£9,968k

**INK UNDERWRITING AGENCIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**11. DEBTORS - continued**

	<b>Deferred tax £'000</b>
Balance at 1 January 2015	73
Adjustment in respect of prior periods	(18)
Deferred tax charge to income statement for the period	<u>(47)</u>
Balance at 31 December 2015	<u>8</u>

The above deferred tax net asset represents: £nil in relation to short term timings differences (2014: £64k) and fixed asset timing differences of £8k (2014:£9k). The amount of deferred tax that will unwind in the following accounting period is uncertain at this stage and therefore not quantifiable.

**12. CASH AT BANK**

	<b>2015 £'000</b>	<b>2014 £'000</b>
Other cash and cash equivalents	1,813	1,836
Restricted cash	<u>6,862</u>	<u>6,927</u>
	<u>8,675</u>	<u>8,763</u>

The Company holds restricted cash balances in respect of its insurance activities, held principally in respect of insurance trade creditors. This cash is held in client money bank accounts and cannot be used for general corporate purposes.

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2015 £'000</b>	<b>(Restated) 2014 £'000</b>
Trade Creditors	12,295	13,732
Amounts owed to group undertakings	22,527	18,964
Social security and other taxes	38	27
Accruals and deferred income	<u>2,511</u>	<u>2,506</u>
	<u>37,371</u>	<u>35,229</u>

Contained within insurance creditors is £625k relating to trading with group entities.

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

**14. PROVISIONS FOR LIABILITIES**

	<b>2015 £'000</b>	<b>2014 £'000</b>
Other provisions	<u>1,173</u>	<u>151</u>

**Other provisions:**

	<b>VAT provision £'000</b>	<b>E&amp;O provision £'000</b>	<b>Future servicing and claims handling costs £'000</b>	<b>Total £'000</b>
At 1 December 2014	50	13	88	151
Provided / (released) during the period	<u>(50)</u>	<u>488</u>	<u>584</u>	<u>1,022</u>
At 31 December 2015	<u>-</u>	<u>501</u>	<u>672</u>	<u>1,173</u>

## INK UNDERWRITING AGENCIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2015

#### 14. PROVISIONS FOR LIABILITIES – continued

##### VAT provision

The Company provided against possible future tax liabilities as a result of ongoing discussions of tax legislation. Upon conclusion of these discussions the provision was no longer required and subsequently released.

##### 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. The timing of outflows relating to these liabilities is uncertain as at the end of the reporting period.

##### 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. The timing of outflows relating to these liabilities is uncertain as at the end of the reporting period.

#### 15. CALLED UP SHARE CAPITAL

##### Allotted and issued:

Number:	Class:	Nominal value:	2015 £	2014 £
100	Ordinary shares	£1	<u>100</u>	<u>100</u>

The ordinary shares rank equally in terms of voting rights, one vote for each share, and in the rights to participate in all approved dividend distribution for that class of share.

#### 16. RESERVES

Retained earnings - includes all current and prior period retained profits and losses.

Called up share capital - represents the nominal value of shares that have been issued.

#### 17. ULTIMATE PARENT UNDERTAKING

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. A copy of these consolidated financial statements is available from the registered office of the Company.

#### 18. EVENTS AFTER THE REPORTING PERIOD

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

**INK UNDERWRITING AGENCIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**19. TRANSITION TO FRS 102**

The Company transitioned to FRS 102 from previously extant UK Accounting Standards as at 1 September 2013.

	Note	Equity as at 1 Sept 2013 £'000	Total changes in equity for the period ended 31 Dec 2014 £'000	Equity as at 31 Dec 2014 £'000
<b>As previously stated under former UK GAAP</b>		33,177	1,100	34,277
<b>Prior period adjustments</b>				
Purchase acquisition	a	-	(1,232)	(1,232)
Corporation and deferred tax	b	-	45	45
<b>As restated under former UKGAAP</b>		<u>33,177</u>	<u>(87)</u>	<u>33,090</u>
<b>Transitional adjustments</b>				
Goodwill amortisation	c	(164)	(112)	(276)
<b>As stated in accordance with FRS 102</b>		<u>33,013</u>	<u>(199)</u>	<u>32,814</u>

**Prior year adjustments**

**a. Purchase accounting expense**

Prior year revenue and administrative expenses have been adjusted to correctly account for an element of US GAAP purchase accounting that should have been expensed during the period ended 31 December 2014.

**b. Corporation and deferred tax**

Relates to the correction of corporation and deferred tax as a result of the above adjustments, resulting in deferred tax asset increasing by £45k.

**Adjustments arising on transition to FRS 102**

**c. Goodwill amortisation**

Under FRS102 the useful economic lives of certain goodwill assets have been reclassified to 10 years from their start date. This has led to an additional expense of £112k in the period to 31 December 2014 and £164k in the preceding periods.