STRATEGIC REPORT, DIRECTORS' REPORT AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

FOR

HEATH LAMBERT LIMITED

HEATH LAMBERT LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

HEATH LAMBERT LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS:	M Rea C Richmond C Scott
SECRETARY:	A Peel
REGISTERED OFFICE:	The Walbrook Building 25 Walbrook London EC4N 8AW
REGISTERED NUMBER:	01199129 (England and Wales)
INDEPENDENT AUDITOR:	Ernst & Young LLP Statutory Auditor 25 Churchill Place Canary Wharf London E14 5EY

HEATH LAMBERT LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their Strategic Report for the year ended 31 December 2018.

REVIEW OF BUSINESS

The principal activity of the Company in the period under review was that of insurance broking.

As part of the continuing Group reorganisation, the Company hived-up the Brand Partners business to Arthur J. Gallagher Insurance Brokers Limited, and the Think business to Pen Underwriting Limited, during the year ended 31 December 2017. The Company plans to run-off its remaining business in the coming years.

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 2018 are set out in the financial statements on pages 8 to 21.

For the year ended 31 December 2018, the Company recorded turnover of £2,009k and a loss before tax of £90k, a decrease of £400k from prior year continuing operations profit before tax of £310k. This was mainly due to a decrease in interest receivable and a reduction in turnover as the Company continues to run-off.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's international operations and debt profile expose it to a variety of financial and operational risks including the effects of change in foreign currency exchange rates, counterparty credit risks, compliance 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 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 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 fixed in nature and set in accordance with the wider Group treasury and transfer pricing policies.

Counterparty credit risk
The Group is exposed to credit related losses in the event of non-performance by counterparties to financial assets but mitigates such risk through its policy of selecting only counterparties with high credit ratings or arranging beneficial credit terms in accordance with the Group's investment and counterparty policy.

Compliance risk
The Group is exposed to regulatory risk from the potential failure to comply with the relevant laws and regulations for insurance intermediaries. To mitigate this, the Group has a risk and compliance function and a control framework that has been rolled out and embedded within the culture throughout the Group to reduce the risk of non-compliance. This includes regular assessment and monitoring of the compliance and regulatory requirements, with regular reporting to the UK Risk Committee and Board of Directors, and the Group has a proactive, open relationship with the regulator.

PRINCIPAL RISKS AND UNCERTAINTIES - continued

Operational risk

The Group has identified the key operational risks to which it is exposed, principle among which are errors or omission leading to the incorrect placement of client insurances, the protection of client information, the prevention of cyber and financial crime, and compliance with regulations. An appropriate control framework has been deployed to manage and mitigate these key operational risks.

BY ORDER OF THE BOARD:

A. C. Peel

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A Peel - Secretary

Date: 23 September 2019

HEATH LAMBERT LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2018. The results for the Company for the year ended 31 December 2018 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 2018 to the date of this report are as follows:

M Rea
C Richmond

Other changes in Directors holding office are as follows:

J Drummond-Smith - resigned 15 June 2018
C Scott - appointed 9 July 2018
I Story - resigned 30 June 2018

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2018 (2017: £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 in place during the financial year and to the date of this report.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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:

A. C. Peel
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A Peel - Secretary

Date: 23 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEATH LAMBERT LIMITED

Opinion

We have audited the financial statements of Heath Lambert Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Directors' Report and the Strategic Report. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Ernst & Young LLP

Vinood Ramabhai (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
London

Date: 25/09/19

HEATH LAMBERT LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 Total £'000	2017 Continuing £'000	2017 Discontinued £'000	2017 Total £'000
TURNOVER	2	2,009	2,053	963	3,016
Administrative expenses		(2,109)	(1,836)	(2,616)	(4,452)
OPERATING (LOSS)/PROFIT	5	(100)	217	(1,653)	(1,436)
Interest receivable and similar income	6	10	200	-	200
Interest payable and similar expenses	7	-	(107)	(4)	(111)
(LOSS)/PROFIT BEFORE TAXATION		(90)	310	(1,657)	(1,347)
Tax on (loss)/profit	8	(320)	41	(220)	(179)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(410)	351	(1,877)	(1,526)

DISCONTINUED OPERATIONS

In January 2017 the Brand Partners business was hived to Arthur J. Gallagher Insurance Brokers Limited from the Company, and in March 2017 the Think business was hived to Pen Underwriting Limited.

The notes form part of these financial statements

HEATH LAMBERT LIMITED (REGISTERED NUMBER: 01199129)

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018

	Notes	£'000	2018 £'000	£'000	2017 £'000
FIXED ASSETS					
Intangible assets	9		-		320
Investments	11		318		612
			318		932
CURRENT ASSETS					
Debtors	12	41,889		42,410	
Cash at bank	13	4,786		6,467	
		46,675		48,877	
CREDITORS					
Amounts falling due within one year	14	17,289		19,052	
NET CURRENT ASSETS			29,386		29,825
TOTAL ASSETS LESS CURRENT LIABILITIES			29,704		30,757
PROVISIONS FOR LIABILITIES	16		2,560		3,203
NET ASSETS			27,144		27,554
CAPITAL AND RESERVES					
Called up share capital	17		19,000		19,000
Retained earnings	18		8,144		8,554
SHAREHOLDERS' FUNDS			27,144		27,554

The financial statements were approved and authorised for issue by the Board of Directors on 23 September 2019 and were signed on its behalf by:

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C Scott - Director

HEATH LAMBERT LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	19,000	10,080	29,080
Changes in equity			
Loss for the financial year	-	(1,526)	(1,526)
Balance at 31 December 2017	19,000	8,554	27,554
Changes in equity			
Loss for the financial year	-	(410)	(410)
Balance at 31 December 2018	19,000	8,144	27,144

The notes form part of these financial statements

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 holding 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. **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.

ii. **Impairment of investments**
Where there are indicators of impairment of individual assets, the Group performs impairment tests based on a value in use calculation. The value in use calculation is based on a net asset or revenue multiple basis. Both methods are derived from the financial statements and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The multiple rate used is in line with recent acquisitions.

iii. **Impairment of debtors**
The Group makes an estimate of the recoverable value of trade debtors. When assessing impairment of trade debtors, management have considered an appropriate formula for calculating the bad debt provision based on the ageing of the trade debtors.

iv. **Supplemental commission accrual**
The Group calculates an estimate at the year end to ascertain the accrued supplemental commission income not yet billed. Supplemental commission is recognised when an agreement is in place with a panel of insurance carriers. Management have considered the appropriate formulae for calculating the year end accrual based on analysis of transactions subject to the insurance service agreements, which are amended when necessary to reflect previous experience with the estimate.

v. **Provisions**
Where a provision is required the Group will perform calculations based on a policy regarding each individual category of provision. Each of these policies will be based on a degree of estimate and judgements. These policies are included within note 16.

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1. **ACCOUNTING POLICIES - continued**

Turnover
Turnover represents brokerage and fees associated with placing insurance and reinsurance contracts. It is recognised net of commission payable and allowable discounts. It is recognised at the later of inception date and the date the placement is completed and confirmed. Where there is an expectation of future servicing requirements, a proportion of income relating to the policy is deferred to cover the associated obligations under the policy contract.

Interest receivable/payable
Interest receivable/payable is recognised in the Statement of Comprehensive Income on an accruals basis based on the terms of the underlying contracts or agreements.

Operating leases
Rentals under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are also recognised on a straight line basis over the period of the lease.

Taxation
Provision is made at current enacted rates for taxation. Deferred tax is recognised in respect of all timing difference 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 represent 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, other business and software have been capitalised, classified as assets in the Statement of Financial Position and amortised over their useful economic lives. They are reviewed for impairment if events or changes in circumstances indicate that the carrying values may not be recoverable.

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Computer software	- up to 3 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:

Leasehold improvements	- to lease expiration
Fixtures and fittings	- over 5 to 10 years
Computer equipment	- over 3 to 5 years

continued...

1. **ACCOUNTING POLICIES - continued**

Fixed asset investments
Fixed asset investments in the financial statements are stated at cost less provision for any impairment in value.

Insurance broking debtors & creditors
Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers. As such they are generally not liable as principals for the amounts arising from these transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities, respectively.

Debtors and creditors arising from a transaction between client and insurers (e.g. premiums, claims etc.) are recorded simultaneously. Consequently, there is a high level of correlation between the totals reported in respect of insurance broking debtors and creditors.

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

It is normal practice for insurance brokers to settle accounts with other intermediaries, clients, insurers and market settlement bureaux on a net basis. Thus, large changes in insurance broking debtors and creditors can result from comparatively small cash settlements. For this reason, the totals of insurance broking debtors and creditors give no indication of future cash flows.

The legal status of this practice of net settlement is uncertain and in the event of insolvency it is generally abandoned. Offset of assets and liabilities should be recognised in financial statements where, and only where, the offset would survive the insolvency of the other party. Accordingly, only such offsets have been recognised in calculating insurance broking debtors and creditors.

Short term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

Loans to/from group undertakings
Loans to/from other group undertakings are initially recognised at transaction price, less any transactional costs unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future payments discounted at a market rate of interest. In subsequent years the loans are carried at amortised cost, using the effective interest rate method.

Where loans are repayable on demand they are classified as short term debtors/creditors and recognised at the full amount payable. The loans are derecognised when the liability is extinguished, that is when the contractual obligation is discharged or cancelled.

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

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.

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2. TURNOVER

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

	2018 £'000	2017 £'000
An analysis of turnover by class of business is given below:		
Net Brokerage	1,589	1,564
Commission	149	214
Fees	271	1,238
	2,009	3,016

	2018 £'000	2017 £'000
An analysis of turnover by geographical market is given below:		
United Kingdom	2,009	2,975
Europe	-	28
North America	-	11
Other countries	-	2
	2,009	3,016

3. STAFF COSTS

The amounts relating to staff costs were incurred by Arthur J. Gallagher Services (UK) Limited. An amount of £796k (2017 - £812k) was recharged back to the Company, and is accounted for in administrative expenses.

4. DIRECTORS' REMUNERATION

	2018 £'000	2017 £'000
Directors' remuneration	18	20

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

Money purchase schemes	1	1

Information regarding the highest paid Director is as follows:

Director's remuneration	10	10

The above amounts represent remuneration allocated to the Directors based on their directorships of entities within the Group. This is on a different basis to which Directors remunerations are recharged to the Company and accounted for in administrative expenses.

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5. **OPERATING LOSS**

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

	2018 £'000	2017 £'000
Computer software amortisation	320	2,096
Depreciation - owned assets	-	62
Provision for impairment	294	476
Land and buildings operating leases	36	48
Foreign exchange differences	22	(832)

Auditor's remuneration in the current year of £31k (2017: £45k) has been borne by another group undertaking and has not been recharged to the Company.

6. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	2018 £'000	2017 £'000
Interest on loans to group undertakings	10	200

7. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2018 £'000	2017 £'000
Interest on loans from group undertakings	-	107
Other interest	-	4
	-	111

8. **TAXATION**

Analysis of the tax charge
The tax charge on the loss for the year was as follows:

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax	263	(30)
Adjustments in respect of prior years	(8)	(12)
Total current tax	255	(42)
Deferred tax:		
Timing differences	58	117
Impact of tax rate change	(1)	(35)
Adjustments in respect of prior years	8	139
Total deferred tax	65	221
Tax on loss	320	179

continued...

8. TAXATION - continued

The tax charge for the year can be reconciled to the loss per the Statement of Comprehensive Income as follows:

	2018 £'000	2017 £'000
Loss before tax – continuing operations	(90)	(1,347)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(17)	(259)
Effects of:		
Expenses not deductible for tax purposes	57	93
Tax rate changes	(1)	(35)
Transfer pricing adjustments	281	251
Adjustments to tax charge in respect of previous periods	-	127
Other	-	2
Total tax charge	320	179

The Company losses are taxable in the UK under the standard rate of corporation tax being 19% (2017: 19.25%). The Company is expected to continue to attract the standard rate of UK corporation tax. The UK government has legislated to reduce the main rate of corporation tax to 17% to apply from 1 April 2020. This reduction has been reflected in the closing deferred tax asset, as it was enacted at the date of the Statement of Financial Position.

9. INTANGIBLE FIXED ASSETS

	Computer software £'000
COST	
At 1 January 2018	4,457
Disposals	(61)
At 31 December 2018	4,396
AMORTISATION	
At 1 January 2018	4,137
Amortisation for year	320
Eliminated on disposal	(61)
At 31 December 2018	4,396
NET BOOK VALUE	
At 31 December 2018	-
At 31 December 2017	320

continued...

10. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
COST				
At 1 January 2018	178	1,621	804	2,603
Disposals	(10)	(167)	(574)	(751)
At 31 December 2018	168	1,454	230	1,852
DEPRECIATION				
At 1 January 2018	178	1,621	804	2,603
Eliminated on disposal	(10)	(167)	(574)	(751)
At 31 December 2018	168	1,454	230	1,852
NET BOOK VALUE				
At 31 December 2018	-	-	-	-
At 31 December 2017	-	-	-	-

11. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2018 and 31 December 2018	23,750
PROVISION FOR IMPAIRMENT	
At 1 January 2018	23,138
Provision for year	294
At 31 December 2018	23,432
NET BOOK VALUE	
At 31 December 2018	318
At 31 December 2017	612

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
Heath Lambert Overseas Limited	The Walbrook Building	Ordinary Shares	100.00%
Gallagher Benefits Consulting Limited	The Walbrook Building	Ordinary Shares	100.00%
Lambert Fenchurch Overseas Limited**	The Walbrook Building	Ordinary Shares	100.00%
Fenchurch Faris Limited - Jordan*	Jordan Insurance Company Building No B	Ordinary Shares	10.00%
Fenchurch Faris Limited - Saudi Arabia*	Jordan Insurance Company Building No B	Ordinary Shares	14.00%

*held indirectly
**held indirectly and Company dissolved 16 April 2019

Registered Address	Street Address
The Walbrook Building	25 Walbrook, London, EC4N 8AW
Jordan Insurance Company Building No. B	5th Floor, Office No. 4, Third Circle, Prince Mohammad Street, P.O. BOX 840371, Jabal Amman 11181, Amman, Jordan

continued...

12. DEBTORS

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	10,560	9,898
Amounts owed by group undertakings	31,141	28,774
Other debtors	-	1
Group relief debtor	-	30
Deferred tax asset	188	253
	41,889	38,956
Amounts falling due after more than one year:		
Amounts owed by group undertakings	-	3,454
Aggregate amounts	41,889	42,410

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
£203k	0%	Compounded annually	Repayable on demand	£242k
£2,820k	0%	Compounded annually	Repayable on demand	£3,018k
£185k	0%	Compounded annually	Repayable on demand	£195k

	Deferred tax £'000
Balance at 1 January 2018	253
Adjustment in respect of prior years	(8)
Deferred tax charge to income statement for the period	(57)
Balance at 31 December 2018	188

The deferred tax asset represents accelerated capital allowances liability of £nil (2017: £8k), short-term and other timing differences of £188k (2017: £253k) and R&D expenditure credit of £nil (2017: £8k). The amount of deferred tax that will unwind in the following accounting period is uncertain at this stage and therefore not quantifiable.

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13. CASH AT BANK

	2018 £'000	2017 £'000
Restricted cash	4,008	5,921
Other cash and cash equivalents	778	546
	4,786	6,467

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.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade creditors	9,517	10,544
Amounts owed to group undertakings	7,098	8,468
Group relief creditor	263	-
Other creditors	411	-
Accruals and deferred income	-	40
	17,289	19,052

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

15. OPERATING LEASE COMMITMENTS

Minimum lease payments under non-cancellable operating leases in the name of the Company fall due as follows:

	2018 £'000	2017 £'000
Within one year	58	58
Between one and five years	233	233
In more than five years	16	73
	307	364

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16. PROVISIONS FOR LIABILITIES

	2018 £'000	2017 £'000
Other provisions	2,560	3,203

	Errors and Omissions provision £'000	Property dilapidation provision £'000	Onerous lease provision £'000	Total £'000
At 1 January 2018	1,859	1,335	9	3,203
Incurred during year	95	-	-	95
Released during year	(254)	(345)	(8)	(607)
Utilised during year	(131)	-	-	(131)
At 31 December 2018	1,569	990	1	2,560

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

Property dilapidation provision
The provision for dilapidation is based on a calculation supplied by an external property management consultant, and applies to the current leases that the Company holds. The timing of outflows relating to these liabilities is uncertain as at the end of the reporting period.

Onerous lease provision
The Company has provided for a provision based on the remaining costs of the lease for the unoccupied space in one of its leased properties. The unoccupied space is not generating any economic benefit and it is deemed to be prudent to make a provision for this.

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018 £'000	2017 £'000
19,000,000	Ordinary	£1	19,000	19,000

Ordinary shares have full rights in the Company with respect to voting, dividends and capital distributions.

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18. RESERVES

Called Up Share Capital - represents the nominal value of shares that have been issued.

Retained Earnings - includes all current and prior period profits and losses.

19. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The immediate parent company is Friary Intermediate Limited, a company registered in England and Wales. The largest group of undertakings of which the Company is a member and for which financial statements are prepared, is headed up by Arthur J. Gallagher & Co., a company incorporated in the United States of America, which is the ultimate holding company. The registered address of Arthur J. Gallagher & Co. is 2850 W. Golf Rd., Rolling Meadows, IL 60008. A copy of these consolidated financial statements is available from the registered office of the Company.

20. EVENTS AFTER THE REPORTING PERIOD

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