

STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
FOR
FRIARY INTERMEDIATE LIMITED

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FRIARY INTERMEDIATE LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2020**

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FRIARY INTERMEDIATE LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020**

DIRECTORS:

M Rea
C Richmond
C Scott

SECRETARY:

A Peel

REGISTERED OFFICE:

The Walbrook Building
25 Walbrook
London
EC4N 8AW

REGISTERED NUMBER:

04404202 (England and Wales)

INDEPENDENT AUDITOR:

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

FRIARY INTERMEDIATE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their Strategic Report for the year ended 31 December 2020.

REVIEW OF BUSINESS

The principal activity of the Company in the period under review was that of a holding company whose subsidiaries carried on the business of insurance broking. 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 2020 are set out in these financial statements on pages 9 to 18.

For the year ended 31 December 2020 the Company has recorded a profit before tax of £28,844k compared to the profit before tax of £5,747k in 2019. The principal driver of the increase in profit during 2020 was the net gain related to dissolved subsidiaries due to the ongoing reorganisation and restructuring of the Group.

Given the external developments and geopolitical disruption in relation to the ongoing COVID-19 pandemic, future forecasts and projections have taken these conditions into account. The Company is fully operational, has deployed continuity protocols and has not been materially impacted by the COVID-19 pandemic. The Company has adequate resources to continue in operational existence for a period to 30 September 2022 and no material uncertainties related to going concern have been identified.

SECTION 172 STATEMENT

The Directors of Friary Intermediate Limited have regard to the interests of the Company's stakeholders in accordance with s172 of the Companies Act 2006.

The Directors recognise their responsibility to act in good faith to promote the success of the Company for the benefit of its shareholder, the Gallagher Group, while also considering the impact of their decisions on other stakeholders. These stakeholders include clients, strategic partners (for example, insurance companies), employees, suppliers, our regulator, the environment and the wider community. Engagement with these stakeholders, to understand the issues and factors which are most important to them, is an important aspect of our decision-making process. In making key decisions, the Directors consider the outcomes of engagement with the relevant stakeholders. Further details can be found in the financial statement of the UK Group parent company Arthur J. Gallagher Holdings (UK) Limited.

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 risk, liquidity and interest rates. The UK Group's Board of Directors are responsible for setting the UK 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 the most material risks. To facilitate this, the UK Group maintains a risk framework, through which the key risks affecting the UK Group are identified, assessed and monitored. Each business entity also undertakes a similar process and these risk profiles help inform the overall risk profile of the UK business. This is reviewed by each business division's risk and conduct committee and in turn the combined risk profile is overseen by the GGB –UK Risk Committee, which is chaired and attended by independent non-executive members, and reports to the Board of Directors.

The UK 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.

FRIARY INTERMEDIATE LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

PRINCIPAL RISKS AND UNCERTAINTIES - continued

Foreign currency risk

The Group's major currency transaction exposure arises in respect of transactions with fellow group undertakings. As a consequence, the Group's results are sensitive to changes in foreign currency exchange rates.

In the management of its exchange rate exposures the Group utilises currency derivatives on a non-speculative basis to hedge future transactions and cash flows and is therefore party to a number of forward foreign currency contracts.

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.

Operational risk

The Group has identified the key operational risks to which it is exposed, principal 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, suppliers, facilities and IT resilience, M&A, compliance with regulations and not least employees. An appropriate control framework has been deployed to manage and mitigate these key operational risks. The overall operational resilience of the Group was demonstrated by managing a significant test in 2020, the Covid 19 pandemic. There is a defined risk framework for the assessment of the risks through the acquisition of organisations and their integration into the Gallagher organisation. The assessment of risks also includes elements of stress testing and assessments of operational and financial resilience.

BY ORDER OF THE BOARD:

Alistair C. Peel

.....
A Peel - Secretary

28 September 2021
Date:

FRIARY INTERMEDIATE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report with the audited financial statements of the Company for the year ended 31 December 2020. The results for the Company for the year ended 31 December 2020 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 2020 to the date of this report are as follows:

M Rea
C Richmond
C Scott

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2020 (2019: £nil).

EVENTS AFTER THE REPORTING PERIOD

Information relating to events after the reporting period is given in note 13 to the financial statements.

EMPLOYEES

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

DIRECTORS' INDEMNITY PROVISIONS

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

FRIARY INTERMEDIATE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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:

Alistair C. Peel

.....
A Peel - Secretary

Date: 28 September 2021
.....

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRIARY INTERMEDIATE LIMITED

Opinion

We have audited the financial statements of Friary Intermediate Limited for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 14, 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 2020 and of its profit 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

In auditing the financial statements, we have concluded that the Directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 30 September 2022 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

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.

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 course of 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 themselves. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRIARY INTERMEDIATE LIMITED - continued

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 102) and the elements of the Companies Act 2006 and tax legislation;
- We understood how Company is complying with those frameworks by making inquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and the regulatory bodies; reviewed minutes of Board; and gained an understanding of the Company's approach to governance;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering controls the Company has established to address the risks identified by the entity, or that otherwise seek to prevent, detect, or deter fraud. These procedures included testing manual journals related to revenue and were designed to provide reasonable assurance that the financial statements are free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items. For both direct and other laws and regulations, our procedures involved: making inquiry of those charged with governance and the senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Regulators.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FRIARY INTERMEDIATE LIMITED - continued**

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

29 September 2021

Date:

FRIARY INTERMEDIATE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	2020 £'000	2019 £'000
Administrative expenses		<u>(1,524)</u>	<u>(87)</u>
OPERATING LOSS	3	(1,524)	(87)
Investment Income	4	<u>30,368</u>	<u>5,834</u>
PROFIT BEFORE TAXATION		28,844	5,747
Tax on profit	5	<u>2,551</u>	<u>4,008</u>
PROFIT FOR THE FINANCIAL YEAR		<u>31,395</u>	<u>9,755</u>

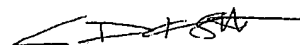
The notes form part of these financial statements

FRIARY INTERMEDIATE LIMITED (REGISTERED NUMBER: 04404202)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2020**

	Notes	£'000	2020 £'000	£'000	2019 £'000
FIXED ASSETS					
Investments	6		645,516		646,894
CURRENT ASSETS					
Debtors	7	26,780		9,904	
Cash at bank		<u>11</u>		<u>11</u>	
		26,791		9,915	
CREDITORS					
Amounts falling due within one year	8	<u>325,497</u>		<u>341,394</u>	
NET CURRENT LIABILITIES			<u>(298,706)</u>		<u>(331,479)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			346,810		315,415
PROVISIONS FOR LIABILITIES	9		<u>339</u>		<u>339</u>
NET ASSETS			<u>346,471</u>		<u>315,076</u>
CAPITAL AND RESERVES					
Called up share capital	10		348,923		348,923
Retained earnings	11		<u>(2,452)</u>		<u>(33,847)</u>
SHAREHOLDERS' FUNDS			<u>346,471</u>		<u>315,076</u>

The financial statements were approved and authorised for issue by the Board of Directors on 28 September 2021
and were signed on its behalf by:



.....
C Scott - Director

The notes form part of these financial statements

FRIARY INTERMEDIATE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	348,923	(43,602)	305,321
Changes in equity			
Profit for the financial year	-	9,755	9,755
Balance at 31 December 2019	<u>348,923</u>	<u>(33,847)</u>	<u>315,076</u>
Changes in equity			
Profit for the financial year	-	31,395	31,395
Balance at 31 December 2020	<u>348,923</u>	<u>(2,452)</u>	<u>346,471</u>

The notes form part of these financial statements

FRIARY INTERMEDIATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

Basis of preparation

The Company has taken advantage of Section 401 of the Companies Act 2006 in not preparing consolidated financial statements on the basis that the results of the Company are included within the consolidated financial statements of Arthur J. Gallagher & Co., a company incorporated in the United States of America and for which results are publicly available from the Company's registered office.

The Company has also taken advantage of the exemptions, under FRS 102 paragraph 1.12(b) & (e) respectively, from preparing a Statement of Cash Flows and disclosure of key management compensation, on the basis that it is a qualifying entity and its ultimate parent company, Arthur J. Gallagher & Co., includes such disclosures in its own consolidated financial statements.

The financial statements have been prepared on a going concern basis, under the historical cost basis. Given the external developments and geopolitical disruption in relation to the ongoing COVID-19 pandemic, future forecasts and projections have taken these conditions into account. The Company has adequate resources to continue in operational existence for a period to 30 September 2022, and no material uncertainties related to going concern have been identified. The Company is fully operational, has deployed continuity protocols and has not been materially impacted by the COVID-19 pandemic. The Directors therefore continue to prepare the accounts on a going concern basis.

Significant judgements and estimates

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements include:

i. Impairment of investments

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on a value in use calculation. The value in use calculation is based on a net asset or revenue multiple basis. Both methods are derived from the financial statements and do not include restructuring activities that the Group is not yet 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.

ii. 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 9.

Interest payable

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

Taxation

Provision is made at current enacted rates for taxation. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax in future periods.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax assets and liabilities are not discounted.

FRIARY INTERMEDIATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Fixed asset investments

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

Short term debtors and creditors

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

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 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.

2. DIRECTORS' REMUNERATION

The Directors were remunerated during the year by a fellow subsidiary within the Group and Arthur J. Gallagher & Co., the ultimate holding company. None of the Directors received any remuneration during the year in respect of their services as a Director of the Company (2019: £nil) and it would not be practicable to apportion their remuneration between their services as Directors of the Company and their services for other Group companies. The Company has not been recharged any amount for the emoluments of these Directors (2019: £nil).

3. OPERATING LOSS

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

	2020 £'000	2019 £'000
Reversal of impairment	(4,843)	-
Disposal of investments	<u>6,221</u>	<u>-</u>

Auditor's remuneration in the current year of £3k (2019: £3k) has been borne by a fellow group undertaking and has not been recharged to the Company.

FRIARY INTERMEDIATE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. INVESTMENT INCOME

	2020	2019
	£'000	£'000
Dividends from investments in group undertakings	<u>30,368</u>	<u>5,834</u>

5. TAXATION

Analysis of the tax (credit)

The tax (credit) on the profit for the year was as follows:

	2020	2019
	£'000	£'000
Current tax:		
UK corporation tax	(2,554)	(4,008)
Adjustment in respect of previous periods	<u>3</u>	<u>-</u>
Tax (credit) on profit	<u>(2,551)</u>	<u>(4,008)</u>

The tax (credit) for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows:

	2020	2019
	£'000	£'000
Profit before tax	<u>28,844</u>	<u>5,747</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 – 19%)	5,480	1,092
Effects of:		
Expenses not deductible for tax purposes	285	12
Income not taxable	(5,769)	(1,109)
Transfer pricing adjustments	(2,550)	(4,003)
Adjustment from previous periods	<u>3</u>	<u>-</u>
Total tax (credit)	<u>(2,551)</u>	<u>(4,008)</u>

The Company profits are taxable in the UK under the standard rate of corporation tax being 19% (2019: 19%). The Company is expected to continue to attract the standard rate of UK corporation tax. During 2020 the UK Government cancelled a previously legislated reduction in the main rate of corporation tax to 17% which had been reflected in the prior year closing deferred tax balance. The restatement of the 19% rate has been reflected in the closing deferred tax balance. Subsequent to the balance sheet date the UK Government legislated to increase the main rate of corporation tax to 25% as of 1 April 2023. This increase has not been reflected in the 2020 closing deferred tax asset, as it was not enacted at the balance sheet date.

FRIARY INTERMEDIATE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

6. FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
COST	
At 1 January 2020	688,007
Disposals	<u>(6,221)</u>
As at 31 December 2020	<u>681,786</u>
PROVISION FOR IMPAIRMENT	
At 1 January 2020	41,113
Reversal of provision	<u>(4,843)</u>
At 31 December 2020	<u>36,270</u>
NET BOOK VALUE	
At 31 December 2020	<u>645,516</u>
At 31 December 2019	<u>646,894</u>

The Company disposed of its investment in Evolution Underwriting Group Limited, which was formally struck off on 27 April 2021.

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

7. DEBTORS

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	24,219	5,865
Group relief debtor	2,555	4,008
Prepayments and accrued income	<u>6</u>	<u>25</u>
	<u>26,780</u>	<u>9,898</u>
Amounts falling due after more than one year:		
Prepayments and accrued income	<u>-</u>	<u>6</u>
Aggregate amounts	<u>26,780</u>	<u>9,904</u>

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

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Amounts owed to group undertakings	<u>325,497</u>	<u>341,394</u>

FRIARY INTERMEDIATE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2020**

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Amounts owed to 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
£239,178k	0%	Compounded annually. Interest charge up to 31 Dec 2017. Thereafter from 1 Jan 2018 interest at 0%.	Repayable on demand	£310,831k

9. PROVISIONS FOR LIABILITIES

	2020 £'000	2019 £'000
Provisions	<u>339</u>	<u>339</u>

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.

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £'000	2019 £'000
348,923,485	Ordinary	£1	<u>348,923</u>	<u>348,923</u>

The shares have attached to them full voting, dividend and capital distribution (including on wind up) rights. They do not confer any rights of redemption.

11. 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.

12. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The immediate parent company is HLG Holdings 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.

13. EVENTS AFTER THE REPORTING PERIOD

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

FRIARY INTERMEDIATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2020

14. INVESTMENT IN SUBSIDIARIES

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

Name of Company	Registered office	Holding	Proportion of shares held
Acumus Interco Limited***	The Walbrook Building	Ordinary Shares	100.00%
Acumus Holdings Limited* & ***	The Walbrook Building	Ordinary Share A & B	100.00%
Belmont Insurance Holdings Limited	The Walbrook Building	Ordinary Shares A, B & C	100.00%
Belmont International Limited*	The Walbrook Building	Ordinary Shares	100.00%
Blenheim Park Limited***	The Walbrook Building	Ordinary Shares	100.00%
Deacon Insurance Services Limited**	The Walbrook Building	Ordinary Shares	100.00%
Gallagher Holdings Four (UK) Ltd	The Walbrook Building	Ordinary Shares	100.00%
Oamps (UK) Limited*	The Walbrook Building	Ordinary Shares	100.00%
Gallagher Holdings Three (UK) Ltd	The Walbrook Building	Ordinary Shares	100.00%
Insurance Dialogue Limited*	The Walbrook Building	Ordinary Shares A, B, E & F	100.00%
Fenchurch Trustees Limited***	The Walbrook Building	Ordinary Shares	100.00%
Heath Lambert Limited	The Walbrook Building	Ordinary Shares	100.00%
Gallagher Benefits Consulting Limited*	The Walbrook Building	Ordinary Shares	100.00%
Heath Lambert Overseas Limited*	The Walbrook Building	Ordinary Shares	100.00%
Fenchurch Faris LLC (Jordan)*	Jordan	Ordinary Shares	10.00%
Fenchurch Faris Insurance and Reinsurance Brokers Company LLC (Saudi Arabia)*	Saudi Arabia	Ordinary Shares	14.00%
Oval Limited	The Walbrook Building	Ordinary & Deferred Shares	100.00%
Bartholomew & James (Properties) Limited***	Metropolitan Building	Ordinary Shares A & B	100.00%
Bartholomew & James Limited**	Metropolitan Building	Ordinary Shares	100.00%
FMW Risk Services Limited***	The Walbrook Building	Ordinary Shares	100.00%
John Eke And Partners Limited*	The Walbrook Building	Ordinary Shares	100.00%
Oval EBT Trustees Limited*	The Walbrook Building	Ordinary Shares	100.00%
Oval Financial Limited**	Spectrum Building	Ordinary Shares	100.00%
Oval Management Services Limited*	The Walbrook Building	Ordinary Shares	100.00%
Cuthbert Service & Jackson Limited**	Spectrum Building	Ordinary Shares	100.00%
Oval Insurance Broking Limited*	The Walbrook Building	Ordinary Shares	100.00%
The Ward Mitchell Partnership Limited***	The Walbrook Building	Ordinary Shares A & B	100.00%
Property & Commercial Limited	The Walbrook Building	Ordinary Shares	100.00%
RIBA Insurance Agency Limited	The Walbrook Building	Ordinary Shares	100.00%
Rio 587 Limited	The Walbrook Building	Ordinary Shares	100.00%
Rio 588 Limited*	The Walbrook Building	Ordinary Shares	100.00%
Quilco 226 Limited*	Spectrum Building	Ordinary Shares A & B	100.00%
Quilco 227 Limited*	Spectrum Building	Ordinary Shares	100.00%
Giles Holdings Limited*	Spectrum Building	Ordinary Shares	100.00%
R. A. Rossborough Limited*	Liberation House	Ordinary Shares	100.00%
R. A. Rossborough (Guernsey) Limited*	Rossborough House	Ordinary Shares	100.00%
R.A. Rossborough (Insurance Brokers) Limited*	Liberation House	Ordinary Shares	100.00%
Rossborough Healthcare International Limited*	Rossborough House	Ordinary Shares	100.00%
Rossborough Insurance (IOM) Limited*	Victory House	Ordinary Shares	100.00%
Rossborough Insurance Services Limited*	Enterprise House	Ordinary Shares	100.00%
Rossborough Insurance Brokers Limited***	The Walbrook Building	Ordinary Shares	100.00%

FRIARY INTERMEDIATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued **FOR THE YEAR ENDED 31 DECEMBER 2020**

14. INVESTMENT IN SUBSIDIARIES – continued

Ink Underwriting Agencies Limited*	The Walbrook Building	Ordinary Shares	100.00%
Arthur J. Gallagher Insurance Brokers Limited*	Spectrum Building	Ordinary Shares	100.00%
CBG Group Limited*	The Walbrook Building	Ordinary Shares	100.00%
CBG Insurance Brokers Limited***	The Walbrook Building	Ordinary Shares	100.00%
Dickson Insurance Brokers Limited*	The Walbrook Building	Ordinary Shares	100.00%
Robinson Leslie Limited***	The Walbrook Building	Ordinary Shares	100.00%
Igloo Insurance PCC Limited*	Heritage Hall	Ordinary Shares	100.00%

* Held indirectly

** Company Dissolved January 2021

*** Company Dissolved March 2021

**** Company Dissolved April 2021

Registered Office	Street Address
The Walbrook Building	25, Walbrook, London EC2N 8AW
South Parade	9 South Parade, Wakefield, West Yorkshire, WF1 1LR
Heritage Hall	Heritage Hall, PO Box 230, Le Marchant Street, St. Peter Port, Guernsey, GY1 4JH
Liberation House	Ground Floor, Liberation House, Castle Street, St Helier, Jersey JE2 3BT
Jordan	Jordan Insurance Company Building No. B, 5th Floor, Office No. 4, third Circle, Prince Mohammad Street, PO Box 840371, Jabal Amman 11181, Amman, Jordan
Metropolitan Building	Metropolitan Building, 29-31 Alfred Street, Belfast, BT2 8ED
Victory House	New Wing, Victory House, Prospect Hill, Douglas, Isle of Man, IM1 1EQ
Rosborough House	Rosborough House, Bulwer Avenue, St. Sampsons, Guernsey, GY2 4LF
Spectrum Building	Spectrum Building, 7th Floor, 55 Blythwood Street, Glasgow, G2 7AT
West End	Suite 2, 9 West End, Kemsing, Sevenoaks, Kent, TN15 6PX
Saudi Arabia	164 Al Ahsa Street, Riyadh, Riyadh Province, Saudi Arabia