

KMS Insurance Services Limited

**Annual Report and Financial Statements for the
year ended 31 December 2009**

The Company's registration number is 03376475

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Financial Statements - for the year ended 31 December 2009

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Directors and Advisers

Directors

M A Langridge

P R Corver

R E McCoy (Resigned 15 May 2009)

J G F O'Neill (Resigned 19 November 2009)

A K. Quilter

G R Clarke

R J Finney

Secretary

R&Q Secretaries Ltd

Registered Office

9-13 Fenchurch Buildings

London

EC3M 5HR

Bankers

Barclays Bank Plc

Financial Services Team

Level 11

1 Churchill Place

London

E14 5HP

National Westminster Bank Plc

City of London Office

PO Box 12258

1 Princes Street

London

EC2R 8PA

Auditors

Littlejohn LLP

Statutory Auditor

1 Westferry Circus

Canary Wharf

London

E14 4HD

Registered Number

03376475

Report of the Directors

For the year ended 31 December 2009

The Directors have pleasure in presenting their Report together with the audited Financial Statements for the year ended 31 December 2009

Principal Activities

The Company's principal activity is the provision of efficient and cost effective run-off management services to its clients in the insurance industry.

Review of the Business

The profit and loss account for the year ended 31 December 2009 is set out on page 7

Dividends totalling £135,000 were declared and paid in the year (2008 - £71,000)

The Directors will be considering the future plans for the company during 2010.

Key Performance Indicators

The Directors consider the following to be the key performance indicators of the Company:

	2009	2008
	£	£
Turnover	127,499	561,202
Profit before Tax	71,425	53,327

Risk Management

The Company's activities expose it to a variety of financial and non financial risks. The Directors are responsible for managing the Company's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk.

The main risks and uncertainties facing the Company are.

Dependence on clients

The Company derives its income from both management and consultancy contracts, which vary in length.

As the key clients of the Company operate in insurance markets, any significant changes on those markets may have an effect on the income of the Company.

Report of the Directors
For the year ended 31 December 2009 (continued)**Loss of key staff**

The operations of the Company are reliant on key staff. The Directors believe that the new Group's Human Resources policies are sufficient to recruit and retain such staff.

Other Performance Indicators**Environmental Matters**

The Directors do not consider that the business of the Company has a large adverse impact upon the environment. As a result, the Directors do not manage the business by reference to any environmental key performance indicators.

Directors

The names of the Directors at the date of this Report appear on page 1. Mr. R. E. McCoy resigned as a Director on 15 May 2009 and Mr. J. G. F. O'Neill resigned as a Director on 19 November 2009.

Directors' and Officers' Liability Insurance

As permitted by the Companies Act 2006, an insurance policy has been purchased on a group basis which covers the Directors of the Company.

Disclosure of Information to the Auditors

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are individually aware:

- there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Report of the Directors
For the year ended 31 December 2009 (continued)

Auditors

Littlejohn LLP has signified its willingness to continue in office as auditors

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Director's report and the Financial Statements in accordance with applicable law and regulations

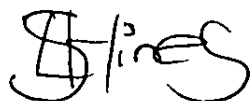
Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit 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,
- 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

This report is prepared in accordance with the small companies regime under the Companies Act 2006

By Order of the Board



R&Q Secretaries Ltd
Company Secretary
28 April 2010

Independent Auditors' Report to the Shareholders of KMS Insurance Services Limited

We have audited the Financial Statements of KMS Insurance Services Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, 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 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.

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 2009 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the Companies Act 2006.

**Independent Auditors' Report to the Shareholders of
KMS Insurance Services Limited (continued)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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

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

We have nothing to report in respect of the above matters

Carmine Papa

**Carmine Papa (Senior statutory auditor)
For and on behalf of Littlejohn LLP
Statutory auditor**

1 Westferry Circus
Canary Wharf
London E14 4HD

28 April 2010

Profit and loss account
For the year ended 31 December 2009

	Note	2009 £	2008 £
Turnover	2	127,499	561,202
Operating expenses	3	(56,154)	(511,093)
Interest receivable		<u>80</u>	<u>3,218</u>
Profit on ordinary activities before taxation		71,425	53,327
Taxation on profit on ordinary activities	4	<u>-</u>	<u>(5,462)</u>
Profit on ordinary activities after taxation		<u>71,425</u>	<u>47,865</u>

The Company's turnover and expenses all relate to continuing operations

There were no recognised gains or losses, other than those reported above

The notes on pages 9 to 12 form part of these accounts

Balance sheet
As at 31 December 2009

Reg No 03376475

	Note	2009 £	2008 £
Current Assets:			
Debtors	5	1,021,358	763,633
Cash at bank and in hand		51,186	135,456
		<u>1,072,544</u>	<u>899,089</u>
Creditors. Amounts falling due within one year	6	<u>(1,064,492)</u>	<u>(827,462)</u>
Net current assets		<u>8,052</u>	<u>71,627</u>
Total assets less current liabilities		<u>8,052</u>	<u>71,627</u>
Capital and reserves:			
Called up share capital	7	100	100
Profit and loss account		<u>7,952</u>	<u>71,527</u>
Shareholder's funds	8	<u>8,052</u>	<u>71,627</u>

The accounts were approved and authorised for issue by the Board on 28 April 2010 and signed on its behalf by:



A K Quilter

The notes on pages 9 to 12 form part of these accounts

Notes to the Financial Statements
For the year ended 31 December 2009

1 Accounting Policies

The principal accounting policies used by the Company are set out below. The directors are satisfied that the current accounting policies are the most appropriate for the Company.

1(a) Basis of preparation

The accounts have been prepared under the historical cost convention on a going concern basis, in accordance with applicable accounting standards.

The directors have assessed the position of the company and it is expected to generate positive cash flows. On this basis the directors have reasonable expectation that the company will be able to continue in operational existence for the foreseeable future.

1(b) Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1(c) Foreign currencies

Profit and loss account transactions in overseas currencies are recorded using the rate of exchange ruling at the date of the transaction. Assets and liabilities in overseas currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date. Gains and losses on translation are included in the profit and loss account.

1(d) Expenditure

All expenditure is accounted for on an accruals basis.

1(e) Turnover

Fees are recognised when the right to such fees is established through a contract and as the services concerned have been performed.

1(f) FRS1 – Cash Flow Statement

The Company is exempt from preparing a cash flow statement, since it is a wholly owned subsidiary of Randall & Quilter Investment Holdings plc.

2 Geographical Analysis of Turnover

	2009 £	2008 £
United Kingdom	10,598	15,956
Rest of the world	116,901	545,246
Total	<u>127,499</u>	<u>561,202</u>

Notes to the Financial Statements
For the year ended 31 December 2009 (continued)

3 Operating Expenses

	2009	2008
	£	£
Auditor's remuneration – audit of the accounts	7,000	7,000
Foreign Exchange losses	3,370	(14,927)
Management charges and employment services	45,784	519,020
	<u>56,154</u>	<u>511,093</u>

4 Taxation

	2009	2008
	£	£
Current tax:		
UK corporation tax	-	10,754
Adjustment in respect of prior periods	-	(5,292)
Tax on profit on ordinary activities	<u>-</u>	<u>5,462</u>

Analysis of charge in period

Profit on ordinary activities before tax	71,425	53,327
Tax on profit on ordinary activities at standard corporation tax rate of 28% (2008 28.5%)	19,999	15,197
Effects of:		
Non payment for losses surrendered as group relief	(19,999)	(4,443)
Prior year over provision	-	(5,292)
Current tax charge for year	<u>-</u>	<u>5,462</u>

5 Debtors

	2009	2008
	£	£
Trade debtors	35,964	8,402
Client monies held	84,217	10,583
Accrued income and prepayment	-	317,278
Owing from fellow subsidiary undertaking	901,177	427,370
	<u>1,021,358</u>	<u>763,633</u>

Notes to the Financial Statements
For the year ended 31 December 2009 (continued)

6 Creditors

	2009	2008
	£	£
Owing to fellow subsidiary undertaking	564,694	544,692
Owing to parent company	415,447	248,447
Client monies owing	84,217	10,583
Accruals and deferred income	134	12,986
Corporation Tax	-	10,754
	<u>1,064,492</u>	<u>827,462</u>

7 Share Capital

	2009	2008
	£	£
Authorised 1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Issued and called up 100 ordinary shares of £1 each	100	100

8 Reconciliation of Movements in Shareholders Funds

	Share Capital £	Profit and Loss £	Total £
Balance at 1 January 2009	100	71,527	71,627
Dividend proposed and paid during the year	-	(135,000)	(135,000)
Profit for the year	-	71,425	71,425
Closing shareholder's funds	<u>100</u>	<u>7,952</u>	<u>8,052</u>

9 Monies Held for Clients

The Company holds monies on behalf of its clients. It holds these monies in separately identified accounts until allocation is determined between all the parties. £84,217 was held at 31 December 2009 (2008: £10,583). The monies held for clients are reflected in the year-end accounts and do not fall within the FSA's client money regulations.

Notes to the Financial Statements**For the year ended 31 December 2009 (continued)****10 Related party transactions**

The Company is a wholly owned subsidiary undertaking of R&QIH and has taken advantage of provisions in Financial Reporting Standard No. 8 (FRS8) which allows the Company not to disclose transactions with other consolidated group companies qualifying as related parties where all subsidiaries involved in the transactions are wholly owned. There are no other related party transactions requiring disclosure.

11 Financial Commitments

At the date of the balance sheet the Company had no financial commitments.

12 Directors' Emoluments and Staff Costs

There were no Director's emoluments or staff costs in the period.

13 Ultimate Parent Undertaking

The Company's immediate parent undertaking is Continuum Holdings Limited and its ultimate parent undertaking is Randall & Quilter Investment Holdings plc, which is registered in England and Wales. The Financial Statements of the parent undertaking can be obtained from 9-13 Fenchurch Buildings, London, EC3M 5HR.