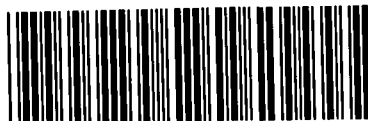


R&Q CENTRAL SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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R&Q CENTRAL SERVICES LIMITED

COMPANY INFORMATION

DIRECTORS	M L Glover S J Petch A K Quilter
COMPANY SECRETARY	R&Q Central Services Limited
REGISTERED NUMBER	04179375
REGISTERED OFFICE	71 Fenchurch Street London EC3M 4BS
AUDITORS	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
BANKERS	National Westminster Bank Plc 1 Princes Street PO BOX 12258 London EC2R 8PA

R&Q CENTRAL SERVICES LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditors' Report	5 - 7
Statement of Income and Retained Earnings	8
Balance Sheet	9
Notes to the Financial Statements	10 - 26

R&Q CENTRAL SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

BUSINESS REVIEW

The Directors are satisfied with the operational performance and financial results of the Company for the year. The Company's principal activity as the central management Company for the R&Q Group UK operations is the provision of services to other Group Companies.

PRINCIPAL RISKS AND UNCERTAINTIES

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 primarily derives its income from the provision of services and recharges to other Group Companies.

In November 2017 the group sold R&Q Managing Agency Limited to Coverys UK Holding Company. In January 2018 the group sold a number of the Companies that sat within the Insurance Services Division to the Davies Group Limited.

External income will be received from Coverys UK Holding Company and the Davies Group Limited for transitional services provided for a period following sale.

The income receivable will be linked to achieving service level agreements and therefore there is a risk that errors caused by people, processes, systems or other events could lead to a reduction in external fee income.

The Company seeks to manage these risks by implementing detailed policies and procedures that address each risk.

Loss of key staff

The operations of the Company are reliant on key staff. The directors believe that its Human Resources policies are sufficient to recruit and retain such staff.

Liquidity Risk

The Company pays expenses on behalf of all Group Companies. The Company maintains a weekly cash flow report to monitor funds and to ensure that expenses stay in line with expectation.

FINANCIAL KEY PERFORMANCE INDICATORS

	2017	2016
	£000	£000
Income from Group Companies	42,784	42,508
Income from external clients	617	336
Administrative Expenses	45,309	44,534
Operating Loss	(1,908)	(1,690)

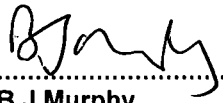
R&Q CENTRAL SERVICES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

OTHER KEY PERFORMANCE INDICATORS

The use of non-financial key performance indicators is not considered appropriate in understanding the performance and development of the Company.

This report was approved by the board on 16 May 2018 and signed on its behalf.


.....
B J Murphy
Secretary

R&Q CENTRAL SERVICES LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors present their report and the Financial Statements for the year ended 31 December 2017.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, the 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 for the Company's Financial Statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £3,071,150 (2016: loss £1,790,662).

The Directors do not recommend the payment of a dividend.

DIRECTORS

The Directors who served during the year were:

M L Glover
S J Petch
A K Quilter

FUTURE DEVELOPMENTS

The R&Q Group reorganisation has resulted in R&Q Central Services Limited, as employer, becoming the principal provider of administrative services, to the Group.

R&Q CENTRAL SERVICES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

EMPLOYEE INVOLVEMENT

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the Company intranet, briefing groups and the distribution of the annual report.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the Company's policy that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not have a disability.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Directors have taken all the steps that ought to have been taken as Directors in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

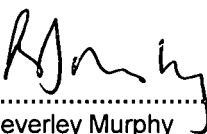
POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITORS

The auditors, PKF Littlejohn LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.


.....
Beverley Murphy
Secretary

Date: 16 May 2018

R&Q CENTRAL SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF R&Q CENTRAL SERVICES LIMITED

OPINION

We have audited the financial statements of R&Q Central Services Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the related notes, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's shareholder 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 shareholder those matters we are required to state to them in an Auditors' 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 shareholder for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly

R&Q CENTRAL SERVICES LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF R&Q CENTRAL SERVICES LIMITED
(CONTINUED)**

stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION 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 the 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 the 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 on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

R&Q CENTRAL SERVICES LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF R&Q CENTRAL SERVICES LIMITED
(CONTINUED)**

AUDITORS' 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 Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.



Ian Cowan (Senior Statutory Auditor)

for and on behalf of

PKF Littlejohn LLP

Statutory Auditor

1 Westferry Circus

Canary Wharf

London

E14 4HD

Date:

17 May 2018

R&Q CENTRAL SERVICES LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Turnover	4	43,401,634	42,844,562
GROSS PROFIT		43,401,634	42,844,562
Administrative expenses		(45,309,172)	(44,534,115)
OPERATING LOSS	5	(1,907,538)	(1,689,553)
Guarantee on impairment of investment property		(1,070,920)	-
Interest payable and expenses	9	(103,182)	(101,888)
LOSS BEFORE TAX		(3,081,640)	(1,791,441)
Tax on loss	10	10,490	779
LOSS AFTER TAX		(3,071,150)	(1,790,662)
Retained earnings at the beginning of the year		(2,071,028)	(280,366)
		(2,071,028)	(280,366)
Loss for the year		(3,071,150)	(1,790,662)
RETAINED EARNINGS AT THE END OF THE YEAR		(5,142,178)	(2,071,028)

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of income and retained earnings.

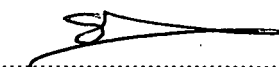
The notes on pages 10 to 26 form part of these Financial Statements.

R&Q CENTRAL SERVICES LIMITED
REGISTERED NUMBER: 04179375

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
FIXED ASSETS			
Intangible assets	11	19,607	8,629
Tangible assets	12	499,395	957,224
Investments	13	2	2
		<u>519,004</u>	<u>965,855</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	14	8,253,638	5,349,307
Cash and cash equivalents	15	115,233	72,188
		<u>8,368,871</u>	<u>5,421,495</u>
Creditors: amounts falling due within one year	16	(13,998,953)	(8,427,278)
NET CURRENT LIABILITIES		<u>(5,630,082)</u>	<u>(3,005,783)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(5,111,078)</u>	<u>(2,039,928)</u>
NET LIABILITIES		<u>(5,111,078)</u>	<u>(2,039,928)</u>
CAPITAL AND RESERVES			
Called up share capital	18	100	100
Other reserves	19	31,000	31,000
Profit and loss account	19	(5,142,178)	(2,071,028)
		<u>(5,111,078)</u>	<u>(2,039,928)</u>

The Financial Statements were approved and authorised for issue by the Board and were signed on its behalf by:


.....
S J Petch
Director

Date: 16-5-18

The notes on pages 10 to 26 form part of these Financial Statements.

R&Q CENTRAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. GENERAL INFORMATION

The Company's principal activity is as the Group's principal employer in the UK, which provides administrative services to other Group Companies.

The Company is a private Company limited by shares and is incorporated and domiciled in England. The address of its registered office is 71 Fenchurch Street, London, EC3M 4BS.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of Financial Statements

The Financial Statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Randall & Quilter Investment Holdings Ltd. as at 31 December 2017 and these financial statements may be obtained from 71 Fenchurch Street, London, EC3M 4BS.

2.3 Going concern

The Directors have received confirmation from Randall & Quilter Investment Holdings Ltd. that the Group will continue to support the operations of the Company for the foreseeable future to allow it to be able to meet its own liabilities as they fall due. On the basis of their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

R&Q CENTRAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Consolidation

The Company is itself a subsidiary Company and is exempt from the requirement to prepare Group Financial Statements by virtue of section 400 of the Companies Act 2006. These Financial Statements therefore present information about the Company as an individual undertaking and not about its Group.

2.5 Turnover

Turnover comprises revenue recognised by the Company in respect of services supplied and recharges to other Group Companies during the year exclusive of Value Added Tax.

Turnover represents external management fees as well as recharged income and recharges of expenses to other Companies in the R&Q Group.

Turnover is recognised when the right to such income is established through a contract and in line with the provision of services to which they relate.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures & fittings	- 3 - 5 years straight line
Computer equipment	- 4 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (CONTINUED)

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.9 Financial instruments

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group Companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the Financial Statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (CONTINUED)**2.10 Foreign currency translation****Functional and presentation currency**

The Company's functional and presentational currency is Great British Pounds (GBP).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Retained Earnings.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Finance costs

Finance costs are charged to the Statement of Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Pension**Defined contribution pension plan**

The Company contributes to a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations. The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Operating leases

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

2.15 Borrowing costs

All borrowing costs are recognised in the Statement of Income and Retained Earnings in the year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. ACCOUNTING POLICIES (CONTINUED)**2.16 Provision for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Income and Retained Earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.17 Taxation

Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

2.18 Share options

Share options in the ultimate Parent undertaking are granted to Directors and selected employees. The options are exercisable three years from the date of grant and lapse on the tenth anniversary of the date of grant or the holder ceasing to be an employee of the Group. Neither the Company nor the Group has any legal or constructive obligation to settle or repurchase the options in cash.

The equity-settled share-based payments are measured at fair value at the date of grant and are recognised over the vesting period within administrative expenses, the corresponding entry is treated as a capital contribution within other reserves.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

**3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

No judgements have been made in applying the entities accounting policies that would have a significant effect on the amounts recognised in these Financial Statements.

(b) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Recoverability of debtors

The Company makes an estimate of the recoverable value of trade, other debtors and amounts owed by Group undertakings. When assessing impairment, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of debtors.

(ii) Dilapidations

Provision made for dilapidations require management's best estimate of the costs that will be incurred based on contractual requirements. In addition, the timing of the cashflows of the final settlement amount upon exit of the leased premises require management's judgement. See note 16 for the net carrying amount of the provision.

(iii) Tangible fixed assets (see note 12)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

R&Q CENTRAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
External management fees	617,607	336,187
Recharged income	42,784,027	42,508,375
	<u>43,401,634</u>	<u>42,844,562</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	42,745,364	42,387,172
Rest of the world	656,270	457,390
	<u>43,401,634</u>	<u>42,844,562</u>

5. OPERATING LOSS

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

	2017 £	2016 £
Depreciation of tangible fixed assets	328,168	475,708
Amortisation of intangible assets	2,643	146
Exchange differences	(40,768)	38,750
Other operating lease rentals	1,503,990	1,306,384
Defined contribution pension cost	1,218,238	1,445,527
	<u>1,218,238</u>	<u>1,445,527</u>

6. AUDITORS' REMUNERATION

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	24,000	24,000
	<u>24,000</u>	<u>24,000</u>

R&Q CENTRAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. EMPLOYEES

	2017 £	2016 £
Wages and salaries	23,169,782	21,900,016
Social security costs	2,568,392	2,819,801
Cost of defined contribution scheme	1,218,238	1,445,527
	<u>26,956,412</u>	<u>26,165,344</u>

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

	2017 No.	2016 No.
Management	26	24
Services	240	219
Administration	40	46
	<u>306</u>	<u>289</u>

During the current period the Company has been the sole UK employer within the R&Q Group. Full staff costs are disclosed above. Costs are recharged to Companies within the R&Q Group by means of a Group recharge.

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,218,238 (2016: £1,445,527). All contributions were paid over during the year.

8. DIRECTORS' REMUNERATION

	2017 £	2016 £
Directors' emoluments	727,635	796,829
Directors pension costs - defined contribution schemes	28,125	39,070
	<u>755,760</u>	<u>835,899</u>

The highest paid Director received remuneration of £305,937 (2016: £349,873).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL (2016: £NIL).

R&Q CENTRAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. INTEREST PAYABLE AND EXPENSES

	2017 £	2016 £
Loans from Group undertakings	103,121	101,844
Other interest payable	61	44
	103,182	101,888
	103,182	101,888

10. TAXATION

No provision has been made in the Financial Statements for corporation tax on the results for the period as a tax loss arises. Group relief relates to amounts receivable for losses surrendered to other Group Companies.

The credit for corporation tax comprises the following:

	2017 £	2016 £
CORPORATION TAX		
Adjustments in respect of previous periods	(2,418)	(779)
Group taxation relief	(8,072)	-
TOTAL CURRENT TAX	(10,490)	(779)
	(10,490)	(779)

R&Q CENTRAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>(3,081,640)</u>	<u>(1,791,439)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(593,110)	(358,288)
EFFECTS OF:		
Expenses not deductible for tax purposes	236,610	(8,660)
Depreciation/(Capital allowances) for year in excess of capital allowances depreciation	71,667	61,245
Adjustments to tax charge in respect of prior periods	(2,418)	(779)
Tax losses and other deductions arising in the period carried forward	276,761	366,055
Transfer pricing adjustments	-	(60,352)
TOTAL TAX CHARGE FOR THE YEAR	<u><u>(10,490)</u></u>	<u><u>(779)</u></u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

In the Finance Bill 2015, it was announced that the main rate of UK corporation tax would reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. The Bill was substantively enacted on 26 October 2015.

In March 2016, it was announced that there would be a further reduction to 17% from 1 April 2020. The Finance Bill 2016 was substantively enacted on 6 September 2016.

The Company's 2017 results are taxed at an effective rate of 19.25%.

R&Q CENTRAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. INTANGIBLE ASSETS

	Computer Software £	Computer Developmen t £	Total £
COST			
At 1 January 2017	8,775	185,220	193,995
Additions	13,621	-	13,621
At 31 December 2017	<u>22,396</u>	<u>185,220</u>	<u>207,616</u>
AMORTISATION			
At 1 January 2017	146	185,220	185,366
Charge for the year	2,643	-	2,643
At 31 December 2017	<u>2,789</u>	<u>185,220</u>	<u>188,009</u>
NET BOOK VALUE			
At 31 December 2017	<u>19,607</u>	<u>-</u>	<u>19,607</u>
At 31 December 2016	<u>8,629</u>	<u>-</u>	<u>8,629</u>

R&Q CENTRAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. TANGIBLE FIXED ASSETS

	Fixtures & fittings £	Computer equipment £	Motor vehicles £	Total £
COST OR VALUATION				
At 1 January 2017	1,386,271	1,080,030	-	2,466,301
Additions	49,138	48,630	-	97,768
Transfers intra group	157,770	938	11,300	170,008
Disposals	(267,729)	(12,471)	-	(280,200)
Transfers intra group Dilapidations	(77,267)	-	-	(77,267)
At 31 December 2017	1,248,183	1,117,127	11,300	2,376,610
DEPRECIATION				
At 1 January 2017	646,266	862,811	-	1,509,077
Charge for the year on owned assets	129,040	117,757	-	246,797
Amortisation of Dilapidations	81,371	-	-	81,371
Transfers intra group	156,716	938	11,300	168,954
Disposals	(116,699)	(12,285)	-	(128,984)
At 31 December 2017	896,694	969,221	11,300	1,877,215
NET BOOK VALUE				
At 31 December 2017	351,489	147,906	-	499,395
At 31 December 2016	740,005	217,219	-	957,224

R&Q CENTRAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST OR VALUATION	
At 1 January 2017	2
At 31 December 2017	2
NET BOOK VALUE	
At 31 December 2017	2
At 31 December 2016	2

The Company holds one Ordinary share in R&Q Malta Holdings Limited and one Ordinary share in R&Q Insurance (Malta) Limited, Group Companies registered in Malta.

The Company's interest in these shares is subject to a Pledge Agreement in favour of and in relation to the Group's banking facilities with The Royal Bank of Scotland Plc.

14. DEBTORS: Amounts falling due within one year

	2017 £	2016 £
Trade debtors	56,647	18,552
Amounts owed by Group undertakings	6,546,539	3,990,631
Other debtors	350,796	406,609
Prepayments and accrued income	1,299,656	933,514
	<u>8,253,638</u>	<u>5,349,306</u>

Amounts owed by Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

R&Q CENTRAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15. CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash at bank and in hand	115,233	72,188
	<u>115,233</u>	<u>72,188</u>

16. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	1,595,198	1,073,594
Amounts owed to Group undertakings	10,242,759	5,223,465
Guarantee on impairment of investment property	1,070,920	-
Other taxation and social security	466,976	708,873
Other creditors	383,091	413,989
Accruals and deferred income	240,009	1,007,357
	<u>13,998,953</u>	<u>8,427,278</u>

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

Other creditors is made up of a provision for dilapidations, which will not be wholly settled within one year.

Included in amounts owed to Group undertakings is a loan amount of £3,740,261 (2016: £4,151,005) which is being charged interest, at Libor + 2.75%.

During the year the Company provided a guarantee to another group company, R&Q Insurance (Malta) Limited, in respect of any loss incurred following any valuation (internal or external) or impairment of the investment property when compared to the cost of the property (including refurbishments).

Following an external valuation carried out by independent valuers, R&Q Insurance (Malta) Limited, incurred an impairment on the investment property of £1,070,920. R&Q Insurance (Malta) Limited has therefore made a call on the guarantee, which has been accepted by the Company. This amount will be settled by 31 December 2018 in line with the term of the guarantee.

R&Q CENTRAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

17. FINANCIAL INSTRUMENTS

	2017 £	2016 £
FINANCIAL ASSETS		
Financial assets that are debt instruments measured at amortised cost	<u>7,078,464</u>	<u>4,415,793</u>
	<u><u>7,078,464</u></u>	<u><u>4,415,793</u></u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	<u>(13,531,977)</u>	<u>(7,944,570)</u>
	<u><u>(13,531,977)</u></u>	<u><u>(7,944,570)</u></u>

Financial assets measured at amortised cost comprise amounts owed by Group undertakings, trade debtors and other debtors. Prepaid expenses that are not financial assets (2017: £1,175,175, 2016: £807,798) are not included.

Financial Liabilities measured at amortised cost comprise amounts owed to Group undertakings, other creditors and accruals. Deferred income (2017: £NIL, 2016: £215,996) that is not a financial liability is not included.

R&Q CENTRAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18. SHARE CAPITAL

	2017 £	2016 £
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

There is a single class of Ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

19. RESERVES

Other reserves

The other reserves represents a capital contribution.

Profit & loss account

The profit and loss account represents accumulated profits and losses.

20. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	985,788	857,870
Later than 1 year and not later than 5 years	935,857	1,766,000
	<u>1,921,645</u>	<u>2,623,870</u>

21. OTHER FINANCIAL COMMITMENTS

In relation to the Group's facilities arrangement The Royal Bank of Scotland plc holds a fixed and floating charge over the undertaking and all property and assets of the Company.

22. RELATED PARTY TRANSACTIONS

The Company is exempt from disclosing other related party transactions that are with other Companies wholly owned within the Group.

There are no other transactions with or balances due to or from related parties.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

23. CONTROLLING PARTY

The immediate Parent undertaking is Randall & Quilter IS Holdings Limited, which is registered in England and Wales.

Group Financial Statements are prepared by the ultimate Parent undertaking, Randall & Quilter Investment Holdings Ltd., a Company registered in Bermuda, and can be obtained from 71 Fenchurch Street, London, EC3M 4BS.

In the opinion of the Directors there is no ultimate controlling party.