
R&Q LIQUIDITY MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012



R&Q LIQUIDITY MANAGEMENT LIMITED

. COMPANY INFORMATION

DIRECTORS	A W McCarthy (resigned 1 January 2013) J G Moran A K Quilter (resigned 27 February 2012) K E Randall S P Watson T A Booth (appointed 27 February 2012) M A Langridge (appointed 1 January 2013)
COMPANY SECRETARY	R&Q Secretaries Limited
REGISTERED NUMBER	04304002
REGISTERED OFFICE	110 Fenchurch Street London EC3M 5JT
INDEPENDENT AUDITORS	Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
BANKERS	National Westminster Bank Plc City of London Office PO Box 12258 1 Princes Street London EC2R 8PA

R&Q LIQUIDITY MANAGEMENT LIMITED

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R&Q LIQUIDITY MANAGEMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and the financial statements for the year ended 31 December 2012

PRINCIPAL ACTIVITIES

The company's principal activities are the acquisition of global reinsurance debt, recourse financing or reinsurance receivables and bespoke reinsurance services to the London and International reinsurance markets

DIRECTORS

The directors who served during the year were

A W McCarthy (resigned 1 January 2013)
J G Moran
A K Quilter (resigned 27 February 2012)
K E Randall
S P Watson
T A Booth (appointed 27 February 2012)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing 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 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 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 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.

R&Q LIQUIDITY MANAGEMENT LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

PROVISION 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 that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- ∞ that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

AUDITORS


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

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006

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

This report was approved by the board on 23rd of April 2013 and signed on its behalf


R&Q Secretaries Limited
Secretary

R&Q LIQUIDITY MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF R&Q LIQUIDITY MANAGEMENT LIMITED

We have audited the financial statements of R&Q Liquidity Management Limited for the year ended 31 December 2012, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 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 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 members 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- ∞ give a true and fair view of the state of the company's affairs as at 31 December 2012 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.

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.

R&Q LIQUIDITY MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF R&Q LIQUIDITY MANAGEMENT LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- ∞ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- ∞ the financial statements are not in agreement with the accounting records and returns, or
- ∞ certain disclosures of directors' remuneration specified by law are not made, or
- ∞ we have not received all the information and explanations we require for our audit, or
- ∞ the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report

Carmine Papa

Carmine Papa (Senior Statutory Auditor)
for and on behalf of

Littlejohn LLP
Statutory Auditor

London

Date *24 April 2013*

R&Q LIQUIDITY MANAGEMENT LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
TURNOVER	1,2	1,812,619	2,552,203
Attributable cost of reinsurance receivables		<u>(1,190,569)</u>	<u>(1,544,341)</u>
GROSS PROFIT		622,050	1,007,862
Administrative expenses		<u>(768,180)</u>	<u>(657,229)</u>
OPERATING (LOSS)/PROFIT	3	(146,130)	350,633
Interest receivable and similar income	6	3,453	1,299
Interest payable and similar charges	7	<u>(222,968)</u>	<u>(112,383)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(365,645)	239,549
Tax on (loss)/profit on ordinary activities	8	<u>89,271</u>	<u>(63,162)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	12	<u>(276,374)</u>	<u>176,387</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and Loss Account

The notes on pages 7 to 11 form part of these financial statements

R&Q LIQUIDITY MANAGEMENT LIMITED
REGISTERED NUMBER 04304002

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	£	2012 £	£	2011 £
CURRENT ASSETS					
Debtors	9	6,897,162		8,280,044	
Cash at bank		196,890		38,261	
		<u>7,094,052</u>		<u>8,318,305</u>	
CREDITORS amounts falling due within one year					
	10	<u>(6,750,247)</u>		<u>(7,698,126)</u>	
NET CURRENT ASSETS			<u>343,805</u>		<u>620,179</u>
NET ASSETS			<u>343,805</u>		<u>620,179</u>
CAPITAL AND RESERVES					
Called up share capital	11		1,000		1,000
Profit and loss account	12		<u>342,805</u>		<u>619,179</u>
SHAREHOLDER'S FUNDS	13		<u>343,805</u>		<u>620,179</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by

S P Watson

S P Watson
 Director

Date *23 April 2013*

The notes on pages 7 to 11 form part of these financial statements

R&Q LIQUIDITY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Going concern

The directors have received confirmation from the R&Q Group that the group will continue to support the operations of the company for the foreseeable future and therefore the going concern of the company is not in doubt

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

1.4 Turnover and income recognition

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

Turnover also includes the proceeds of the sale or recovery of purchased reinsurance receivables

Debt collection fees are recognised when the right to such fees is established through a contract and either the debt has been collected or the services concerned have been performed at the balance sheet date and the Company has received confirmation from the client that the fee will be paid -

Proceeds arising from the sale or recovery of purchased reinsurance receivables are recognised when received

1.5 Purchased reinsurance receivables

Purchased reinsurance receivables are generally purchased at a discount to their principal amount and are recorded at cost. Such receivables are shown in debtors and stated at the lower of cost and net realisable value

When purchased reinsurance receivables are realised, the appropriate proportion of the book value of such receivables is charged to the profit and loss account and shown separately as attributable cost of reinsurance receivables

1.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and Loss Account

R&Q LIQUIDITY MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

2 TURNOVER

The whole of the turnover is attributable to the company's principal activity

All turnover arose within the United Kingdom

3 OPERATING (LOSS)/PROFIT

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

	2012 £	2011 £
Difference on foreign exchange	47,063	(4,858)

4 AUDITORS' REMUNERATION

	2012 £	2011 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	8,008	8,192

5 STAFF COSTS

Costs, including directors remuneration, are recharged to each company by means of a group recharge
Full staff costs are disclosed in the employing company R&Q Insurance Services Limited

6 INTEREST RECEIVABLE

	2012 £	2011 £
Interest receivable from group companies	3,439	1,283
Other interest receivable	14	16
	3,453	1,299

7 INTEREST PAYABLE

	2012 £	2011 £
On bank loans and overdrafts	-	29,230
On loans from group undertakings	222,968	83,153
	222,968	112,383

R&Q LIQUIDITY MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

8. TAXATION

Provision has been made in the financial statements for corporation tax at current rates on the assessable profits for the period. Group relief relates to amounts payable for losses surrendered by other group companies.

	2012 £	2011 £
Analysis of tax (credit)/charge in the year		
UK corporation tax charge on (loss)/profit for the year	-	980
Adjustments in respect of prior periods	302	-
Group taxation relief	(89,573)	62,182
	<u>(89,271)</u>	<u>63,162</u>
Tax on (loss)/profit on ordinary activities	<u>(89,271)</u>	<u>63,162</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2011 - *higher than*) the standard rate of corporation tax in the UK of 24.5% (2011 - 20.25%). The differences are explained below.

	2012 £	2011 £
(Loss)/profit on ordinary activities before tax	(365,645)	239,549
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 20.25%)	(89,573)	48,501
Effects of		
Adjustments to tax charge in respect of prior periods	302	-
Group relief claimed at 26.49%	-	14,661
	<u>(89,271)</u>	<u>63,162</u>
Current tax (credit)/charge for the year (see note above)	<u>(89,271)</u>	<u>63,162</u>

Factors that may affect future tax charges

In the March 2012 Budget it was announced that the main rate of UK corporation tax would reduce from 24% to 23%. This was substantially enacted on 3 July 2012 and will be effective from 1 April 2013.

Further reductions to the UK corporation tax rate have been introduced in the Finance Bill 2013 proposing to reduce the rate to 21% from 1 April 2014 and 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date, and therefore the company's 2012 profits are taxed at an effective rate of 24.5%.

R&Q LIQUIDITY MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

10 CREDITORS

Amounts falling due within one year

	2012 £	2011 £
Trade creditors	446	1,200
Amounts owed to group undertakings	6,704,951	7,641,017
Corporation tax	-	980
Social security and other taxes	-	3,076
Accruals and deferred income	44,850	51,853
	<u>6,750,247</u>	<u>7,698,126</u>

11 SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

12 RESERVES

	Profit and loss account £
At 1 January 2012	619,179
Loss for the year	(276,374)
At 31 December 2012	<u>342,805</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2012 £	2011 £
Opening shareholder's funds	620,179	443,792
(Loss)/profit for the year	(276,374)	176,387
Closing shareholder's funds	<u>343,805</u>	<u>620,179</u>

R&Q LIQUIDITY MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

14 RELATED PARTY TRANSACTIONS

The company has taken advantage of provisions in FRS8 which allows the company not to disclose transactions with other group entities where all subsidiaries that are party to the transaction are wholly owned by a member group

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is R&Q II Holdings Limited, which is registered in England and Wales

Group financial statements are prepared by the ultimate parent undertaking, Randall & Quilter Investment Holdings plc, a company registered in England and Wales, and can be obtained from 110 Fenchurch Street, London, EC5M 5JT