

R&Q Liquidity Management Limited (formerly Reinsurance Finance Management Limited)

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

The Company's registration number is 04304002



Financial Statements - for the year ended 31 December 2009

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Directors and Advisers

Directors

A W McCarthy
R E McCoy (Appointed 3 August 2009)
J G Moran
A K Quilter
K E Randall
S P Watson

Secretary

R&Q Secretaries Limited

Registered Office

9-13 Fenchurch Buildings
London
EC3M 5HR

Bankers

National Westminster Bank Plc
City of London Office
PO Box 12258
1 Princes Street
London
EC2R 8PA

Auditors

Littlejohn LLP
1 Westferry Circus
Canary Wharf
London
E14 4HD

Registered Number

04304002

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 activities are the acquisition of global reinsurance debt, recourse financing of reinsurance receivables and bespoke reinsurance services to the London and International reinsurance markets

Review of the Business and Future Developments

The profit and loss account for the year ended 31 December 2009 is set out on page 6. On 4 March 2010, Reinsurance Finance Management Limited changed its name to R&Q Liquidity Management Limited

The Directors are satisfied with the Company's progress to date and expect the Company to continue operating profitably in the future

Directors

The present Directors are shown on page 1

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

Auditors

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

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

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.

These accounts are prepared in accordance with the provisions applicable to companies subject to the small companies regime under the Companies Act 2006

By Order of the Board



R&Q Secretaries Limited
Company Secretary

23 April 2010

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 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 12. 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 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 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.

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.

**Independent Auditors' Report to the Shareholders of
R&Q Liquidity Management Limited (continued)**

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 (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

	Notes	2009 £	2008 £
Turnover	2	1,672,516	633,628
Attributable cost of reinsurance receivables		(495,462)	(39,333)
Net operating expenses		(1,034,190)	(450,662)
		<hr/>	<hr/>
Profit on ordinary activities before interest		142,864	143,633
Interest payable		-	-
Interest receivable		78	6,806
		<hr/>	<hr/>
Profit on ordinary activities before taxation		142,942	150,439
Taxation on profit on ordinary activities	4	-	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation	8	<u>142,942</u>	<u>150,439</u>

The Company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

All operations are continuing

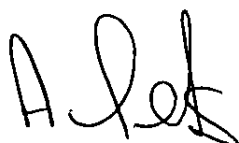
The accounting policies and notes on pages 8 to 12 form part of these Financial Statements

Balance Sheet
As at 31 December 2009

Reg No. 04304002

	Note	2009 £	2008 £
Current Assets			
Debtors	5	1,284,445	878,609
Cash at bank and in hand		<u>142,207</u>	<u>6,401</u>
		1,426,652	885,010
Creditors: amounts falling due within one year	6	<u>(861,127)</u>	<u>(462,427)</u>
Net current assets		565,525	422,583
Total net assets		<u>565,525</u>	<u>422,583</u>
Capital and Reserves			
Called up share capital	7	1,000	1,000
Profit and loss account		<u>564,525</u>	<u>421,583</u>
Total Shareholder's funds		<u>565,525</u>	<u>422,583</u>

The Financial Statements were approved by the Board of Directors on 23 April 2010 and were signed on its behalf by;



A K Quilter
Director

The accounting policies and notes on pages 8 to 12 form part of these Financial Statements.

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

1 Principal accounting policies

The Financial Statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The Financial Statements are prepared under the historical cost basis of accounting.

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

Turnover and income recognition

Turnover represents the value of collection fees receivable (exclusive of value added tax) and 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.

Purchased reinsurance receivables

Purchased reinsurance receivables are generally purchased at a discount to their principal amount. They 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at year-end rates of exchange. All exchange differences thus arising are included in the profit and loss account.

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

1 Principal accounting policies (continued)

Deferred Taxation

Deferred taxation 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 have not been discounted

2 Turnover

Turnover arises in the UK from the Company's principal activities and is attributable to continuing operations

3 Profit on ordinary activities before interest	2009	2008
	£	£
This is stated after charging.		
Auditors' remuneration		
- for audit of the Financial Statements	8,000	7,000
- foreign currency	196,162	(71,633)

4 Taxation

(a) No provision has been made in the Financial Statements for corporation tax at current rates on the assessable profits for the period as they have been eliminated by losses surrendered by other Group companies. Group relief relates to amounts payable for losses surrendered by other Group companies.

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2008: 28.5%). The differences are explained below:

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

4 Taxation (continued)

	2009	2008
	£	£
Profit on ordinary activities before tax	<u>142,942</u>	<u>150,439</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008. 28.5%)	40,024	42,875
Effects of:		
Expenses not deductible for tax purposes	1,696	4,000
Non payment for losses surrendered as Group relief	(41,720)	(46,875)
Current tax charge	<u>-</u>	<u>-</u>

5 Debtors

	2009	2008
	£	£
Trade debtors	605,066	243,927
Purchased reinsurance receivables	678,980	412,810
Other debtors	399	221,872
	<u>1,284,445</u>	<u>878,609</u>

6 Creditors: amounts falling due within one year

	2009	2008
	£	£
Trade creditors	59,016	72,878
Amounts due to Group undertakings	719,982	135,420
Other taxes and social security	40,617	31,669
Accruals	41,512	222,460
	<u>861,127</u>	<u>462,427</u>

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

7	Called up share capital	2009	2008
		£	£
	Authorised 1,000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
	Allotted, called up and fully paid. As at 1 January 2009 – 1,000 Ordinary Shares (2008: 1,000 Ordinary Shares)	1,000	1,000
	As at 31 December 2009 - 1,000 Ordinary Shares	<u>1,000</u>	<u>1,000</u>
8	Profit and loss account	2009	2008
		£	£
	At 1 January	421,583	271,144
	Profit for the financial year	142,942	150,439
	At 31 December	<u>564,525</u>	<u>421,583</u>
9	Reconciliation of movement in Shareholder's Funds	2009	2008
		£	£
	Opening Shareholder's funds	422,583	272,144
	Profit for the financial year	142,942	150,439
	Closing Shareholder's funds	<u>565,525</u>	<u>422,583</u>

10 Related party transactions

The Company is a wholly owned subsidiary of and controlled by Randall & Quilter Investment Holdings plc ("RQIH") and has taken advantage of the provision in Financial Reporting Standard No 8 which allows the Company not to disclose transactions with other consolidated Group companies qualifying as related parties

There are no other related party transactions requiring disclosure

11 Group Companies Guarantee and Debenture

The Company has entered into a guarantee agreement and debenture arrangement with its Bankers, along with its parent company Randall & Quilter Investment Holdings plc and its fellow subsidiary R&Q Consultants Limited, R&Q Insurance Services Limited and R&Q Quest Management Services Limited in respect of all liabilities owed to the bank by those companies. The total liability to the bank of these companies at 31 December 2009 is £9,522,822 (2008: £4,613,932).

12 Ultimate parent undertaking

Group Financial Statements are prepared by the parent and ultimate parent undertaking, Randall & Quilter Investment Holdings plc, a Company registered in England & Wales and can be obtained from 9-13 Fenchurch Buildings, London, EC3M 5HR