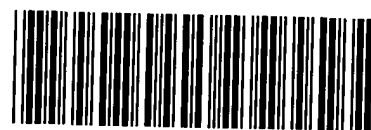

R&Q LIQUIDITY MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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COMPANIES HOUSE

R&Q LIQUIDITY MANAGEMENT LIMITED

COMPANY INFORMATION

DIRECTORS

T A Booth
M A Langridge
J G Moran
K E Randall

COMPANY SECRETARY

R&Q Central Services Limited

REGISTERED NUMBER

04304002

REGISTERED OFFICE

2 Minster Court
London
EC3R 7BB

INDEPENDENT AUDITORS

PKF 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 2014

The Directors present their report and the financial statements for the year ended 31 December 2014.

DIRECTORS

The Directors who served during the year were:

T A Booth
M A Langridge
J G Moran
K E Randall
S P Watson (resigned 24 November 2014)

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.

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.

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 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 relevant audit information and to establish that the Company's auditors are aware of that information.

R&Q LIQUIDITY MANAGEMENT LIMITED

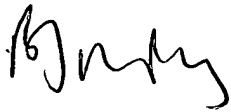
**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

AUDITORS

Under section 487(2) of the Companies Act 2006, PKF Littlejohn LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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

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



B Murphy
For and on behalf of R&Q Central Services Limited
Secretary

Date: 2 July 2015

R&Q LIQUIDITY MANAGEMENT LIMITED

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

We have audited the financial statements of R&Q Liquidity Management Limited for the year ended 31 December 2014, 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 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.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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.

R&Q LIQUIDITY MANAGEMENT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER 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 from the requirement to prepare a Strategic Report or in preparing the Directors' Report.



Carmine Papa (Senior Statutory Auditor)
for and on behalf of
PKF Littlejohn LLP
Statutory Auditor
London

Date: 7 July 2015

R&Q LIQUIDITY MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
TURNOVER	1	16,381,903	214,014
Attributable cost of reinsurance receivables		<u>(11,462,834)</u>	<u>(21,207)</u>
GROSS PROFIT		4,919,069	192,807
Administrative expenses		<u>(435,713)</u>	<u>(507,462)</u>
OPERATING PROFIT/(LOSS)	2	4,483,356	(314,655)
Interest receivable and similar income	5	2,939	2,881
Interest payable and similar charges	6	<u>(257,408)</u>	<u>(264,911)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		4,228,887	(576,685)
Tax on profit/(loss) on ordinary activities	7	<u>(885,194)</u>	<u>19,414</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	12	<u>3,343,693</u>	<u>(557,271)</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and Loss Account.

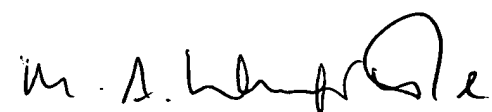
The notes on pages 7 to 12 form part of these financial statements.

R&Q LIQUIDITY MANAGEMENT LIMITED
REGISTERED NUMBER: 04304002

BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	£	2014 £	2013 £
CURRENT ASSETS				
Debtors	9	9,873,740	11,839,323	
Cash at bank		3,056	24,038	
		<u>9,876,796</u>	<u>11,863,361</u>	
CREDITORS: amounts falling due within one year	10	<u>(6,746,569)</u>	<u>(12,076,827)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>3,130,227</u>	<u>(213,466)</u>
NET ASSETS/(LIABILITIES)			<u>3,130,227</u>	<u>(213,466)</u>
CAPITAL AND RESERVES				
Called up share capital	11	1,000	1,000	
Profit and loss account	12	3,129,227	(214,466)	
SHAREHOLDER'S FUNDS	13	<u>3,130,227</u>	<u>(213,466)</u>	

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



M A Langridge

Director

Date: 2 July 2015

The notes on pages 7 to 12 form part of these financial statements.

R&Q LIQUIDITY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 assessed the position of the Company and it is expected to be able to meet its own liabilities as they fall due. The Directors believe that no material uncertainty exists that may cast significant doubt over the ability for the Company to continue as a going concern. Therefore, the Directors have reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

The Company is expected to realise the sale of its remaining purchased reinsurance receivables during the next twelve months after which the Directors will review the Company's future.

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 includes the proceeds of the sale or recovery of purchased reinsurance receivables and debt collection fees.

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.

All turnover arose within the United Kingdom.

R&Q LIQUIDITY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (continued)

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.6 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.

1.7 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.

2. OPERATING PROFIT/(LOSS)

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

	2014 £	2013 £
Difference on foreign exchange	(284,844)	24,952

R&Q LIQUIDITY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3. AUDITORS' REMUNERATION

	2014 £	2013 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<u>7,700</u>	<u>7,700</u>

4. STAFF COSTS

Costs 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.

5. INTEREST RECEIVABLE

	2014 £	2013 £
Interest receivable from group companies	2,939	2,880
Other interest receivable	-	1
	<u>2,939</u>	<u>2,881</u>

6. INTEREST PAYABLE

	2014 £	2013 £
On bank loans and overdrafts	238	-
On loans from group undertakings	257,170	264,911
	<u>257,408</u>	<u>264,911</u>

7. TAXATION

Group taxation relief relates to amounts receivable for losses surrendered to other Group companies.

	2014 £	2013 £
Analysis of tax charge/(credit) in the year		
Adjustments in respect of prior periods	108,987	-
Group taxation relief	776,207	(19,414)
	<u>885,194</u>	<u>(19,414)</u>
Tax on profit/loss on ordinary activities		

R&Q LIQUIDITY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

7. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - *higher than*) the standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%). The differences are explained below:

	2014 £	2013 £
Profit/loss on ordinary activities before tax	4,228,887	(576,685)
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	909,211	(134,060)
Effects of:		
Expenses not deductible for tax purposes	3,582	-
Adjustments to tax charge in respect of prior periods	108,987	-
Transfer pricing adjustment	628	-
(Tax losses utilised)/unrelieved tax losses carried forward	(137,214)	114,646
Current tax charge/(credit) for the year (see note above)	885,194	(19,414)

Factors that may affect future tax charges

In the Finance Bill 2013 it was announced that the main rate of UK corporation tax would reduce to 20% from 1 April 2015. The Bill was substantially enacted on 2 July 2013.

The Company's 2014 profits are taxed at an effective rate of 21.5%.

8. DEFERRED TAX

Details of the deferred tax asset at 20% not provided for in the financial statements are given below.

	2014 £	2013 £
Trading losses available for carry forward	-	(98,635)

9. DEBTORS

	2014 £	2013 £
Trade debtors	-	448
Amounts owed by group undertakings	7,712,333	19,414
Other debtors	1,122,423	498
Prepayments and accrued income	-	4,449
Purchased reinsurance receivables	1,038,984	11,814,514
	9,873,740	11,839,323

R&Q LIQUIDITY MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

10. CREDITORS:

Amounts falling due within one year

	2014 £	2013 £
Amounts owed to group undertakings	6,470,159	12,024,744
Accruals and deferred income	276,410	52,083
	<u>6,746,569</u>	<u>12,076,827</u>

11. SHARE CAPITAL

	2014 £	2013 £
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 2014	(214,466)
Profit for the financial year	3,343,693
	<u>3,129,227</u>
At 31 December 2014	

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2014 £	2013 £
Opening shareholder's funds	(213,466)	343,805
Profit/(loss) for the financial year	3,343,693	(557,271)
	<u>3,130,227</u>	<u>(213,466)</u>
Closing shareholder's funds		

14. 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.

R&Q LIQUIDITY MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

15. 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.

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Randall & Quilter II 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 110 Fenchurch Street, London, EC3M 5JT.