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**R&Q MANAGING AGENCY LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**



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**R&Q MANAGING AGENCY LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

K E Randall  
R E McCoy  
M Bell  
P A G Green  
J P Tilling  
J P Fox  
M G Gardiner  
M L Glover  
P M Sloan (appointed 11 January 2012)  
H N A Colthurst (appointed 26 April 2012)  
A G Chopourian (appointed 28 September 2012)

**COMPANY SECRETARY**

R&Q Secretaries Limited

**REGISTERED NUMBER**

04690709

**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  
PO Box 12258  
1 Princes Street  
London  
EC2R 8PA

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**R&Q MANAGING AGENCY LIMITED**

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## **R&Q MANAGING AGENCY LIMITED**

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

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

#### **PRINCIPAL ACTIVITIES**

The company's principal activity is to act as managing agent of Syndicate 102, Syndicate 1897, Syndicate 3330 and, from 1 January 2013, Syndicate 1991

#### **BUSINESS REVIEW & FUTURE DEVELOPMENTS**

The directors are satisfied with the company's progress to date and expect the company to continue to operate profitably in the future

The 2009 year of account of Syndicate 3330 has closed into Syndicate 3500 (managed by RiverStone Managing Agency Ltd) and the 2012 year of account has been formed to accept the reinsurance to close of Syndicate 1208

Syndicate 1991 commenced underwriting with effect from 1 January 2013

#### **RESULTS**

The profit for the year, after taxation, amounted to £2,280,000 (2011 - £2,175,000)

#### **DIRECTORS**

The directors who served during the year were

K E Randall  
R E McCoy  
M Bell  
P A G Green  
J P Tilling  
J P Fox  
M G Gardiner  
M L Glover  
P M Sloan (appointed 11 January 2012)  
H N A Colthurst (appointed 26 April 2012)  
A G Chopounan (appointed 28 September 2012)

#### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

As permitted by the Companies Act 2006, insurance policies have been purchased on a group basis which cover the directors of the company

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## **R&Q MANAGING AGENCY LIMITED**

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

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#### **PRINCIPAL RISKS AND UNCERTAINTIES**

##### **Strategic/Capital Risk**

The company manages the Syndicates in return for a managing agency fee, management charges and profit commission out of which it must meet retained expenses. The company must maintain certain regulatory solvency surpluses to maintain an adequate capital base and to this end, the company monitors its financial position by way of quarterly management accounts and weekly cash flow reports and action would be taken to maintain the regulatory solvency position where appropriate.

##### **Insurance Risk**

The company manages both live and run off Syndicates. To this end, it maintains (at company level) detailed Solvency II compliant policies, procedures and techniques covering underwriting, claims, reserving and reinsurance to manage the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

##### **Liquidity risk**

Most of the risk applicable to the company relates to the Syndicates. The Syndicates are subject to calls on cash resources in respect of expenses which the company pays on its behalf and then recharges back to the Syndicates. The company maintains a weekly cash flow report to monitor funds and an expense budget report to ensure that expenses stay in line with expectation.

##### **Credit risk**

The Syndicates have an exposure to credit risk in respect of insurance and reinsurance debtors. The company maintains an internal credit rating policy and a limit setting process has been implemented in response to mitigate this risk.

##### **Market/Currency risk**

The Syndicates write a significant proportion of insurance business in currencies other than sterling, which gives rise to a potential exposure to currency risk. The company seeks to mitigate this risk by asset and liability matching in currencies within the Syndicate funds.

The investment of the Syndicates' financial assets is partly managed by external investment managers on behalf of the company. The performance of the investment managers is regularly reviewed to mitigate risks arising from market fluctuations and to manage liquidity accordingly.

##### **Operational risk**

This is the risk that errors caused by people, processes, systems or external events lead to losses to the Syndicates. The company seeks to manage this risk with detailed policies and procedures addressing each potential source of operational risk and a structured programme of testing of processes and systems by internal audit.

##### **Legal and Regulatory Risk**

The company's approval as a Managing Agent of Lloyd's Syndicates is subject to continuing approval by Lloyd's and the Financial Services Authority. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to a Lloyd's Managing Agent and the operation of its managed Syndicates.

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## **R&Q MANAGING AGENCY LIMITED**

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

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#### **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.

#### **PROVISION OF INFORMATION TO AUDITORS**

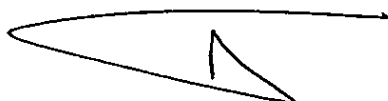
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- ∞ 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.

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



**R&Q Secretaries Limited**  
Secretary

Date 22 April 2013

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## **R&Q MANAGING AGENCY LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF R&Q MANAGING AGENCY LIMITED**

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We have audited the financial statements of R&Q Managing Agency 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 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.

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**R&Q MANAGING AGENCY LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF R&Q MANAGING AGENCY LIMITED**

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**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

*Carmin Papa*

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

**Littlejohn LLP**  
Statutory Auditor

London

Date

*23 April 2013*



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**R&Q MANAGING AGENCY LIMITED**

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

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	<b>Note</b>	<b>2012 £000</b>	<b>2011 £000</b>
<b>TURNOVER</b>	1,2	<b>7,526</b>	<b>6,467</b>
Administrative expenses		<u>(5,247)</u>	<u>(3,647)</u>
<b>OPERATING PROFIT</b>		<b>2,279</b>	<b>2,820</b>
Interest receivable and similar income	5	<b>99</b>	<b>14</b>
Interest payable and similar charges	6	<u>(18)</u>	<u>-</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>2,360</b>	<b>2,834</b>
Tax on profit on ordinary activities	7	<u>(658)</u>	<u>(659)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	11	<u><b>1,702</b></u>	<u><b>2,175</b></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 8 to 12 form part of these financial statements

**R&Q MANAGING AGENCY LIMITED**  
**REGISTERED NUMBER 04690709**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2012**

	Note	£000	2012 £000	2011 £000
<b>CURRENT ASSETS</b>				
Debtors	8	7,562	3,863	
Cash at bank		3	4	
		<u>7,565</u>	<u>3,867</u>	
<b>CREDITORS</b> amounts falling due within one year	9	<u>(3,469)</u>	<u>(1,573)</u>	
<b>NET CURRENT ASSETS</b>			<u>4,096</u>	<u>2,294</u>
<b>NET ASSETS</b>			<u>4,096</u>	<u>2,294</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	10		125	25
Profit and loss account	11		<u>3,971</u>	<u>2,269</u>
<b>SHAREHOLDER'S FUNDS</b>	12		<u>4,096</u>	<u>2,294</u>

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

  
**R E McCoy**  
 Director

Date 22 April 2013

The notes on pages 8 to 12 form part of these financial statements

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## **R&Q MANAGING AGENCY LIMITED**

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

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#### **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 company is profitable and cash generative and so the directors believe that 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**

Turnover comprises retained managing agency fees and recharged expenses to Syndicates and other group companies. Managing agency fees are recognised in line with the provision of services to which they relate.

Profit commission from managed Syndicates is recognised as earned as the related underwriting profits from the managed Syndicates are recognised.

Profit commission receivable on open underwriting years may be subject to further adjustment (up or down) as the results are reported prior to closure of the account in accordance with the Lloyd's reinsurance to close arrangements. Adjustments to profit commission as a result of such movements are recognised when a reliable estimate of such adjustments can be made.

##### **1.5 Recharged expenses**

The company recharges expenses incurred on behalf of the Syndicates and other group companies. The recharged amount is included in turnover.

##### **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.

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**R&Q MANAGING AGENCY LIMITED**

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

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**2 TURNOVER**

An analysis of turnover by class of business is as follows

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Managing Agency Fees	2,890	2,772
Profit Commissions	2,077	3,123
Recharged Expenses	2,559	572
	<u>7,526</u>	<u>6,467</u>

All turnover arose within the United Kingdom

**3 AUDITORS' REMUNERATION**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the company's auditor for the audit of the company's annual accounts	<u>8</u>	<u>51</u>

**4 STAFF COSTS**

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

**5 INTEREST RECEIVABLE**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from group companies	98	12
Other interest receivable	1	2
	<u>99</u>	<u>14</u>

**6 INTEREST PAYABLE**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
On loans from group undertakings	<u>18</u>	<u>-</u>

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**R&Q MANAGING AGENCY LIMITED**

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

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**7 TAXATION**

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

	<b>2012 £000</b>	<b>2011 £000</b>
<b>Analysis of tax charge in the year</b>		
UK corporation tax charge on profit for the year	-	260
Adjustments in respect of prior periods	<b>80</b>	(12)
Group taxation relief	<b>578</b>	411
	<hr/>	<hr/>
<b>Tax on profit on ordinary activities</b>	<b>658</b>	659
	<hr/>	<hr/>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%). The differences are explained below.

	<b>2012 £000</b>	<b>2011 £000</b>
Profit on ordinary activities before tax	<b>2,360</b>	2,834
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%)	<b>578</b>	751
<b>Effects of</b>		
Adjustments to tax charge in respect of prior periods	<b>80</b>	(12)
Group relief	-	(80)
	<hr/>	<hr/>
<b>Current tax charge for the year (see note above)</b>	<b>658</b>	659
	<hr/>	<hr/>

**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%.

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**R&Q MANAGING AGENCY LIMITED**

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

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**8. DEBTORS**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by group undertakings	4,234	331
Other debtors	1,308	2
Prepayments and accrued income	2,020	3,530
	<u>7,562</u>	<u>3,863</u>

Prepayments and accrued income includes £1,315,328 (2011 £3,222,775) due from managed Syndicates in respect of profit commission

Other debtors includes £1,149,696 (2011 £nil) recoverable from the managed Syndicates in respect of start up costs incurred by these Syndicates, £686,615 of this is due after 12 months from the balance sheet date

**9. CREDITORS:**

**Amounts falling due within one year**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Subordinated loan	275	375
Trade creditors	-	2
Amounts owed to group undertakings	3,021	995
Corporation tax	-	82
Accruals and deferred income	173	119
	<u>3,469</u>	<u>1,573</u>

The company has a loan amounting to £275,000 (2011 £375,000) from its ultimate parent which is subordinated to Lloyd's. The loan is unsecured and interest free and prior consent is required from Lloyd's for the loan to be repaid

**10. SHARE CAPITAL**

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>Allotted, called up and fully paid</b>		
125,000 (2011 - 25,000) Ordinary shares of £1 each	<u>125</u>	<u>25</u>

During the year, the company capitalised £100,000 of the subordinated loan by issuing 100,000 £1 Ordinary shares at par

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**R&Q MANAGING AGENCY LIMITED**

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

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**11 RESERVES**

	<b>Profit and loss account £000</b>
At 1 January 2012	<b>2,269</b>
Profit for the year	<b>1,702</b>
	<hr/>
At 31 December 2012	<b>3,971</b>
	<hr/>

**12 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS**

	<b>2012 £000</b>	<b>2011 £000</b>
Opening shareholder's funds	<b>2,294</b>	3,319
Profit for the year	<b>1,702</b>	2,175
Dividends (Note 13)	-	(3,200)
Shares issued during the year	<b>100</b>	-
	<hr/>	<hr/>
Closing shareholder's funds	<b>4,096</b>	2,294
	<hr/>	<hr/>

**13 DIVIDENDS**

	<b>2012 £000</b>	<b>2011 £000</b>
Dividends paid on equity capital	-	3,200
	<hr/>	<hr/>

**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 other than shown in note 4

**15 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent undertaking is R&Q Underwriting Management 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