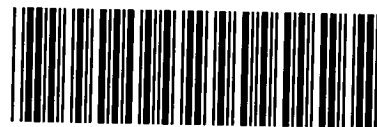


**R&Q MANAGING AGENCY LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**R&Q MANAGING AGENCY LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

M Bell  
A G Chopourian  
H N A Colthurst (resigned 31 March 2015)  
J P Fox  
M G Gardiner  
P A G Green (resigned 31 March 2014 & reappointed 2 September 2014)  
C A Hewitt (appointed 2 September 2014)  
R E McCoy  
H R McKinlay Verzin (appointed 12 December 2014)  
K E Randall (resigned 29 January 2014 & reappointed 20 November 2014)  
P M Sloan  
J P Tilling

**COMPANY SECRETARY**

T A Mills

**REGISTERED NUMBER**

04690709

**REGISTERED OFFICE**

110 Fenchurch Street  
London  
EC3M 5JT

**INDEPENDENT AUDITORS**

PKF 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 2014**

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

#### **RESULTS**

The profit for the year, after taxation, amounted to £668,000 (2013 - £1,069,000).

#### **DIRECTORS**

The Directors who served during the year were:

M Bell  
A G Chopourian  
H N A Colthurst (resigned 31 March 2015)  
J P Fox  
M G Gardiner  
P A G Green (resigned 31 March 2014 & reappointed 2 September 2014)  
C A Hewitt (appointed 2 September 2014)  
R E McCoy  
H R McKinlay Verzin (appointed 12 December 2014)  
K E Randall (resigned 29 January 2014 & reappointed 20 November 2014)  
P M Sloan  
J P Tilling

#### **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 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.

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**R&Q MANAGING AGENCY LIMITED**

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

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**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.

**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.

**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.

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

  
.....  
**T A Mills**  
Secretary

Date: 26 May 2015

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

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

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#### **INTRODUCTION**

During the year the Company acted as managing agent for three Lloyd's Syndicates: 1897, 1991 and 3330. Syndicate 1897 was novated to Asta Managing Agency Ltd with effect from 1 April 2014.

#### **BUSINESS REVIEW**

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

Syndicate 1991 commenced underwriting with effect from 1 January 2013 with a stamp capacity of £77m, which was increased to £150m for the 2014 year of account and £146m for the 2015 year of account.

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

##### **Company Risks**

As a managing agent at Lloyd's, the majority of the risks to the Company's future cash flows come from its income arising from the management of Lloyd's Syndicates. The level of fees and profit commission receivable are largely governed by the future size and profitability of the Syndicates. If the results of the Syndicates are not considered adequate by the members of these Syndicates, support may be reduced along with potential income to the Company.

There is the risk that any losses suffered by the Syndicates will potentially reduce the capital available to support the Syndicates in future years. In such circumstances, to avoid a reduction in capacity managed, the Managing Agent is dependent upon the existing members finding additional capital or attracting new members to the Syndicate.

If significant losses are made by a Syndicate, the Company may be at risk of litigation if capital providers to the Syndicate, or other third parties, consider they have suffered a loss due to inadequate management of the Syndicate.

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 is required to hold a minimum amount of regulatory capital. 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 capital position where appropriate.

To manage these risks the Company's Board have in place a strong risk management and internal controls framework which supports the delivery of growth and profitability for its managed Syndicates.

##### **Syndicate Risks**

The principal risks and uncertainties of the managed Syndicates are presented below:

##### **Insurance Risk**

The Company manages both live and run off Syndicates the nature of which exposes them to the risk of claims arising on business written. To this end, the Company maintains 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.

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## R&Q MANAGING AGENCY LIMITED

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### STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2014

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#### 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 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, the Financial Conduct Authority and the Prudential Regulation 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.

#### FINANCIAL KEY PERFORMANCE INDICATORS

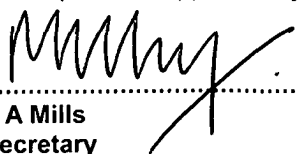
The Company's key financial performance indicators during the year are standard within the insurance industry and were as follows:

	2014 £000	2013 £000
Turnover	12,971	10,101
Profit commission	432	102
Profit commission as a percentage of turnover	3.3%	1.0%

#### 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 26 May 2015 and signed on its behalf.

  
.....  
T A Mills  
Secretary

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

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### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER 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 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 Strategic Report and 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 Strategic Report and 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 SHAREHOLDER 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.

  
Ian Cowan (Senior Statutory Auditor)

for and on behalf of

**PKF Littlejohn LLP**

Statutory Auditor

London

Date:

22 May 2015

# R&Q MANAGING AGENCY LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £000	2013 £000
<b>TURNOVER</b>	1,2	<b>12,971</b>	<b>10,101</b>
Administrative expenses		<u>(12,177)</u>	<u>(9,113)</u>
<b>OPERATING PROFIT</b>		<b>794</b>	<b>988</b>
Interest receivable and similar income	6	<b>133</b>	<b>123</b>
Interest payable and similar charges	7	<u>-</u>	<u>(23)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>927</b>	<b>1,088</b>
Tax on profit on ordinary activities	8	<u>(259)</u>	<u>(19)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	13	<u><b>668</b></u>	<u><b>1,069</b></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.

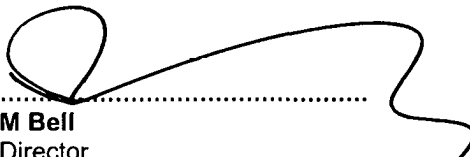
The notes on pages 9 to 14 form part of these financial statements.

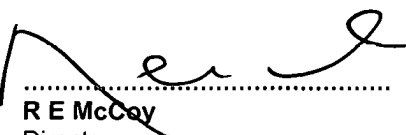
**R&Q MANAGING AGENCY LIMITED**  
**REGISTERED NUMBER: 04690709**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2014**

	Note	£000	2014 £000	2013 £000
<b>CURRENT ASSETS</b>				
Debtors	10	7,101		5,946
Cash at bank		-		222
		<u>7,101</u>		<u>6,168</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(1,268)</u>		<u>(1,003)</u>
<b>NET CURRENT ASSETS</b>			<u>5,833</u>	<u>5,165</u>
<b>NET ASSETS</b>			<u>5,833</u>	<u>5,165</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	12		125	125
Profit and loss account	13		<u>5,708</u>	<u>5,040</u>
<b>SHAREHOLDER'S FUNDS</b>	14		<u>5,833</u>	<u>5,165</u>

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

  
**M Bell**  
 Director

  
**R E McCoy**  
 Director

Date: 26 May 2015

The notes on pages 9 to 14 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 2014**

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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 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.

##### **1.4 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.

##### **1.5 Turnover**

Turnover comprises management fees, profit commissions, retained managing agency fees and recharged expenses to Syndicates and other Group companies.

Management fees and managing agency fees are recognised in line with the provision of services to which they relate.

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

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.

##### **1.6 Recharged expenses**

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

##### **1.7 Investments**

Investments held as fixed assets are shown at cost less provision for impairment.

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## R&Q MANAGING AGENCY LIMITED

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

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.8 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.

##### 1.9 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. TURNOVER

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

	2014 £000	2013 £000
Management Fees	8,401	7,853
Profit Commissions	432	102
Managing Agency Fees	1,283	1,279
Recharged Expenses	2,855	867
	<hr/>	<hr/>
	12,971	10,101
	<hr/>	<hr/>

All turnover arose within the United Kingdom.

#### 3. AUDITORS' REMUNERATION

	2014 £000	2013 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	8	8
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**R&Q MANAGING AGENCY LIMITED**

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

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**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 ("RQIS").

**5. DIRECTORS' REMUNERATION**

The emoluments of the Directors are paid by RQIS and are recharged to the relevant group companies. The recharge from RQIS during the financial period amounted to £1,351,000 (2013: £1,474,000) in respect of the Directors' services as Directors of the Company.

The emoluments of the highest paid Director during the financial period amounted to £391,000 (2013: £466,000).

The aggregate value of pension contributions in respect of the Directors during the financial period amounted to £125,000 (2013: £151,000).

Company contributions to the defined contribution pension scheme in respect of the highest paid Director were £41,000 (2013: £41,000).

There was no Director (2013: nil) in the Group's defined benefit scheme and five (2013: five) Directors in the Group's defined contribution scheme.

Recoveries of Directors' remuneration through recharges to managed syndicates and other R&Q Group companies amounted to £795,000 (2013: £915,000).

**6. INTEREST RECEIVABLE**

	2014 £000	2013 £000
Interest receivable from group companies	133	123

**7. INTEREST PAYABLE**

	2014 £000	2013 £000
On loans from group undertakings	-	23

# R&Q MANAGING AGENCY LIMITED

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

### 8. 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.

	2014 £000	2013 £000
Group taxation relief	259	19
<b>Tax on profit on ordinary activities</b>	<b>259</b>	<b>19</b>

#### Factors affecting tax charge for the year

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

	2014 £000	2013 £000
Profit on ordinary activities before tax	927	1,088
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 - 23.25%)	199	253
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	2
Transfer pricing adjustment	60	-
Non payment for losses surrendered as group relief	-	(236)
<b>Current tax charge for the year (see note above)</b>	<b>259</b>	<b>19</b>

#### 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%.

### 9. FIXED ASSET INVESTMENTS

#### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
DTW 1991 Underwriting Limited	Ordinary	100%

# R&Q MANAGING AGENCY LIMITED

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

### 9. FIXED ASSET INVESTMENTS (continued)

The aggregate of the share capital and reserves as at 31 December 2014 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(loss) £
DTW 1991 Underwriting Limited	1	-

DTW 1991 Underwriting Limited acts as a service company to Syndicate 1991.

### 10. DEBTORS

	2014 £000	2013 £000
Trade debtors	512	-
Amounts owed by group undertakings	4,134	4,470
Other debtors	334	728
Prepayments and accrued income	2,121	748
	<u>7,101</u>	<u>5,946</u>

Prepayments and accrued income includes £1,083,133 (2013: £101,578) due from the managed Syndicates in respect of profit commission.

Other debtors includes £334,480 (2013: £715,768) recoverable from Syndicate 1991 in respect of recharged expenses including start up costs.

### 11. CREDITORS: Amounts falling due within one year

	2014 £000	2013 £000
Subordinated loan	375	375
Amounts owed to group undertakings	610	495
Other taxation and social security	2	-
Accruals and deferred income	281	133
	<u>1,268</u>	<u>1,003</u>

The Company has a loan amounting to £375,000 (2013: £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.



# R&Q MANAGING AGENCY LIMITED

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

### 12. SHARE CAPITAL

	2014 £000	2013 £000
<b>Allotted, called up and fully paid</b>		
125,000 Ordinary shares of £1 each	125	125

### 13. RESERVES

	Profit and loss account £000
At 1 January 2014	5,040
Profit for the financial year	668
At 31 December 2014	5,708

### 14. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2014 £000	2013 £000
Opening shareholder's funds	5,165	4,096
Profit for the financial year	668	1,069
Closing shareholder's funds	5,833	5,165

### 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.

During the year the Company acted as managing agent for three Lloyd's Syndicates: 1897, 1991 and 3330. Syndicate 1897 was novated to Asta Managing Agency Ltd with effect from 1 April 2014.

### 16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Randall & Quilter 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 Ltd., a company registered in Bermuda, and can be obtained from 110 Fenchurch Street, London, EC5M 5JT.

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