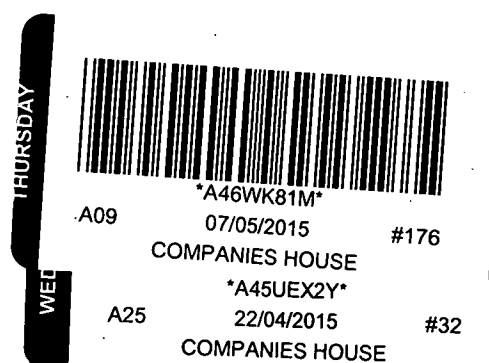


**Principle Insurance Company Limited**

**Annual Report and Financial Statements  
for the year ended 31 December 2014**

**The Company's registration number is 6203350**



**Financial Statements - for the year ended 31 December 2014**

	<b>Pages</b>
<b>Directors and Advisers</b>	<b>1</b>
<b>Report of the Directors and Strategic Report</b>	<b>2 – 6</b>
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## **Directors and Advisers**

### **Directors**

M. A. Langridge  
M.L. Glover  
T.A. Booth  
A. K. Quilter – resigned 22 April 2014

### **Secretary**

R&Q Central Services Limited

### **Registered Office**

110 Fenchurch Street  
London  
EC3M 5JT

### **Bankers**

Lloyds TSB Bank plc  
25 Gresham Street  
London  
EC2V 7HN

### **Auditors**

PKF Littlejohn LLP  
Statutory Auditor  
1 Westferry Circus  
Canary Wharf  
London  
E14 4HD

### **Registered Number**

6203350

## **Report of the Directors**

### **For the year ended 31 December 2014**

The Directors present their report and the Financial Statements for the year ended 31 December 2014.

### **Directors' Responsibility Statement**

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the Financial Statements for the year ended 31 December 2014.

Company law requires 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 (UK Accounting Standards and applicable law). Under company law 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 and loss of the company for that period. In preparing these financial statements, 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.

Directors are also 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.

### **Directors and Secretary**

The names of the Directors at the date of this Report appear on page 1. Alan Kevin Quilter resigned as Director on 22<sup>nd</sup> April 2014.

### **Directors Indemnity Provisions**

The Company provides an indemnity to its Directors in respect of liabilities which may attach to them in their capacity as directors of the Company. These provisions, which are qualifying third-party indemnity provisions as defined by Section 234 of the Companies Act 2006, were in force throughout the year and are currently in force.

### **Charitable donations**

Payments for charitable purposes made by the Company during the year amounted to £Nil (2013: £Nil).

**Report of the Directors**  
**For the year ended 31 December 2014 (continued)**

**Environmental matters**

The Directors do not consider that the business of an insurance company has a large adverse impact upon the environment. As a result the Directors do not manage the business by reference to any environmental performance indicators.

**Employees**

The Company has no staff. Administrative and management services are provided by a fellow Group subsidiary, R&Q Insurance Services Ltd.

**Disclosure of Information to Auditors**

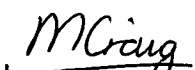
The Directors holding office at the date of approval of this Report of the Directors confirm that:

- a) As far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- b) They have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

PKF Littlejohn LLP has signified its willingness to continue in office as auditors. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PKF Littlejohn LLP will therefore continue in office.

By Order of the Board

On behalf of  MIRAMBA CRAIG  
R&Q Central Services Limited  
Company Secretary  
20 March 2015

## Strategic Report

### For the year ended 31 December 2014

The Directors are pleased to present their Strategic Report for the year ended 31 December 2014.

#### Business review

Principle Insurance Company Limited ("the Company") is a Shariah compliant motor insurance company which ceased underwriting on 20<sup>th</sup> October 2009. Since this date the key objective of the Company has been to secure an orderly run-off of the remaining claims, ensuring the policyholders are protected through appropriate and prudent investment strategy and cash management principles. During 2014 the key performance indicators highlight that the Company has been successful in this objective.

The Board commenced Part VII proceedings during 2014 that, subject to court approval, will move the remaining policies into R&Q Insurance Malta, a fellow subsidiary, which has capital of €23.7m. This is expected to complete during 2015.

Following a £227k loss for 2014 financial year, the Company's net assets have decreased 4% to £6,036k slightly reducing the Company's available asset cover over policyholder liabilities.

However, significant progress has been made on reducing the outstanding claims liability through claims payments £142k and claim reserve releases £175k. The outstanding claims reserve is now £137k at 31 December 2014 (2013: £312k), a reduction in the year of 56%.

Available cash and deposits at 31 December stands at £3,204k (2013: £3,433k), a reduction of 7% but still providing a claim reserve cover percentage of 2339% (2013: 1100%).

#### Key Performance Indicators

The Directors consider the following to be the key performance indicators of the Company:

	2014	2013	Change
	£000	£000	%
Total Shareholder Funds	6,036	6,263	-4%
Net Outstanding Claims	137	312	-56%
Cash and Investments	3,204	3,433	-7%

#### Principal risks and uncertainties

The Company's activities expose it to a variety of financial and non-financial risks. The Directors are responsible for managing the Company's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk.

The main risks and uncertainties facing the Company are:

**Strategic Report**  
**For the year ended 31 December 2014 (continued)****Insurance Risk**

The very nature of the Company's business exposes it to the possibility that claims will arise on business written. The risk attaching to insurance contracts is based on the fortuity that events will occur which will lead to a claim under the contract. The main insurance risk which affects the Company is reserving, being the risk that the reserves established by the Company at the previous year-end prove to be inadequate. In order to mitigate this risk, the Company uses a number of approaches, including actuarial techniques, to project gross and net insurance liabilities.

**Investment Risk**

The primary market risk in the Company's investment portfolio is counterparty exposure due to the limited availability of adequately rated banks with which to make Shariah Compliant Murabaha deposits. The company now invests in UCITS funds to help meet FCA solvency margins after counterparty exposures. Funds to meet insurance liabilities are still held in Shariah compliant deposits.

**Currency Risk**

The Company's assets and liabilities are all Sterling based and have no exposure to foreign currency fluctuations.

**Liquidity Risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The cash position of the Company is monitored on a regular basis to ensure that sufficient funds are available to meet liabilities as they fall due. Funds required to meet immediate and short term needs are invested in short term deposits.

**Credit Risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The main areas where the Company is exposed to credit risk are amounts due from reinsurers in respect of claims which may become due in the event of a large loss and cash and investment holdings.

The Directors monitor the Company's exposure to a single counterparty and groups of connected counterparties. Reinsurance has been purchased to mitigate insurance risk. This does not, however, discharge the Company's liability as a primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. There are currently no reinsurance debts outstanding.

The Directors have established investment guidelines that restrict the amount of the investment portfolio that can be placed with a single counterparty whilst maintaining Shariah compliance.

**Strategic Report****For the year ended 31 December 2014 (continued)****Regulatory risk**

The Company is authorised by the Prudential Regulation Authority ("the PRA") and regulated by the Financial Conduct Authority (the "FCA"). Failure to comply with applicable regulations could result in a variety of sanctions. The Directors have established a business ethos in which best practice is the required standard for all operations, both in the commercial interests of the business and to ensure regulatory compliance.

By Order of the Board

 MIRANDA CRAIG

R&Q Central Services Limited  
Company secretary

20 March 2015



## **Independent Auditors' Report to the Members of Principle Insurance Company Limited**

We have audited the Financial Statements of Principle Insurance Company Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation in Movements in Shareholders Funds and the related notes on pages 13 to 22. 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 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 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 Annual 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 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.

**Independent Auditors' Report to the Members of Principle Insurance Company Limited  
(continued)****Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

**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.



**Carmine Papa (Senior statutory auditor)  
For and on behalf of PKF Littlejohn LLP  
Statutory auditor**

1 Westferry Circus  
Canary Wharf  
London E14 4HD

23 March

2015

**Profit and Loss Account**  
**For the year ended 31 December 2014**

	Notes	2014 £000	2013 £000
<b>Technical Account – General Business</b>			
Gross written Takaful contributions	2	-	-
Reinsurers' share of Gross written Takaful contributions		-	-
Net Takaful written		<u>-</u>	<u>-</u>
Takaful claims paid		(142)	(483)
Reinsurers' share Takaful claims		-	-
Net Takaful claims paid		<u>(142)</u>	<u>(483)</u>
Change in the provision for Takaful claims			
- gross amount		175	812
- reinsurers' share		-	-
Net change in the provision for Takaful claims		<u>175</u>	<u>812</u>
Takaful claims incurred, net of reinsurance	3	33	329
Net operating expenses	4	(390)	(147)
Balance on the Technical Account		<u>(357)</u>	<u>182</u>
<b>Non-Technical Account</b>			
Balance on the General Business Technical Account		(357)	182
Investment income	5	98	187
Profit/(loss) on ordinary activities before tax		<u>(259)</u>	<u>369</u>
Tax on (loss)/profit on ordinary activities	8	32	-
Profit/(loss) for the financial year		<u>(227)</u>	<u>369</u>

All operations are classified as discontinued.

The notes on pages 13 to 22 form part of these Financial Statements.

**Statement of Total Recognised Gains and Losses**  
**For the year ended 31 December 2014**

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Profit/(loss) for the financial year	<b>(227)</b>	<b>369</b>
Total recognised gain/(loss) for the year	<u><b>(227)</b></u>	<u><b>369</b></u>

**Reconciliation of Movements in Shareholder Funds**  
**For the year ended 31 December 2014**

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Opening shareholder funds	<b>6,263</b>	<b>5,894</b>
Total recognised gain/(loss) for the year	<b>(227)</b>	<b>369</b>
Closing shareholder funds	<u><b>6,036</b></u>	<u><b>6,263</b></u>

**Balance Sheet****As at 31 December 2014****Company registration number 6203350**

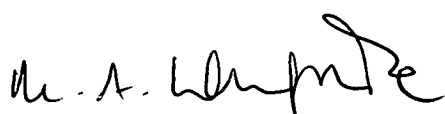
	Notes	2014 £000	2013 £000
<b>Assets</b>			
<b>Investments</b>			
Islamic deposits	9	-	500
Other financial investments	10	<u>979</u>	<u>943</u>
		<u>979</u>	<u>1,443</u>
<b>Reinsurers' share of Technical Provisions</b>			
Takaful Claims outstanding		-	-
<b>Debtors</b>			
Debtors arising out of Takaful operations	11	29	-
Other debtors	12	<u>3,028</u>	<u>3,146</u>
		<u>3,057</u>	<u>3,146</u>
<b>Other Assets</b>			
Cash at bank and in hand		<u>2,225</u>	<u>1,990</u>
		<u>2,225</u>	<u>1,990</u>
<b>Prepayments and Accrued Income</b>			
Accrued income		-	25
Prepayments		-	2
		<u>-</u>	<u>27</u>
<b>Total Assets</b>		<u><u>6,261</u></u>	<u><u>6,606</u></u>

The notes on pages 13 to 22 form part of these Financial Statements.

**Balance Sheet****As at 31 December 2014****Company registration number 6203350**

	Notes	2014 £000	2013 £000
<b>Liabilities</b>			
<b>Capital and Reserves</b>			
Called up Share Capital	13	30,500	30,500
Reserves	14	(24,464)	(24,237)
<b>Total Shareholder Funds</b>		<u>6,036</u>	<u>6,263</u>
<b>Technical Provisions</b>			
Takaful Claims Outstanding	3	137	312
<b>Provisions</b>			
Run-off costs	15	-	-
<b>Creditors – amounts falling due within one year</b>			
Arising out of Takaful operations		-	-
Other creditors including taxation and social security		8	9
		<u>145</u>	<u>321</u>
<b>Accruals and Deferred income</b>		80	22
<b>Total Liabilities</b>		<u>6,261</u>	<u>6,606</u>

Approved by the Board of Directors on 20 March 2015



Mark Langridge  
Director

The notes on pages 13 to 22 form part of these Financial Statements.

**Notes to the Financial Statements**  
**For the year ended 31 December 2014****1. Principal accounting policies****a) Basis of preparation**

As outlined in the Report of the Directors, the Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost accounting rules, modified to include the revaluation of investments. The policies broadly follow the recommendations of the Statement of Recommended Practice on accounting for Insurance business on insurance accounting, adapted as necessary to reflect the Shariah compliant nature of its activities and the operation of the Takaful fund.

The Directors have assessed the position of the Company. The run off is being conducted in an orderly manner and the company has adequate resources to meet its insurance and other liabilities as they fall due for payment. Therefore the Directors have reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

Under Financial Reporting Standard No. 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated cash flow statement.

The significant accounting policies adopted are described below.

**b) Basis of accounting for underwriting activities**

Takaful business is accounted for on an annual basis.

**c) Takaful contributions**

Under the annual basis of accounting Takaful contributions are based on the value of contracts entered into which incept during the year and are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

The reinsurers' share of Takaful contributions are accounted for in the same accounting period as the contributions for the related inward business.

**Notes to the Financial Statements**  
**For the year ended 31 December 2014 (continued)**

**1. Principal accounting policies (continued)**

**d) Claims incurred**

Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial year and the movement in provisions for outstanding claims and settlement expenses, including claims incurred but not reported, net of salvage and subrogation recoveries.

Outwards reinsurance recoveries are accounted for in the same accounting period as the related claims.

**e) Claims outstanding and significant uncertainty**

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The Company takes all reasonable steps to ensure that it has appropriate information regarding its exposure to claims. In calculating the cost of unpaid claims, the Company uses a variety of estimation techniques judged to be appropriate to the various types of exposures on the book.

Adjustments to the amounts of provisions are reflected in the Financial Statements for the year in which the adjustments are made.

The provision for outstanding claims is not discounted.

The uncertainties in the process of estimating are such that, in the normal course of events, unforeseen or unexpected future developments may cause the ultimate cost of settling the outstanding liabilities to differ from that presently estimated. Having regard to the significant uncertainty and in the light of the information presently available, in the opinion of the Directors the provision for outstanding claims is fairly stated.

**f) Reinsurance recoveries**

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries. An assessment is made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies.



**Notes to the Financial Statements**  
**For the year ended 31 December 2014 (continued)**

**1. Principal accounting policies (continued)**

**g) Run off administration costs**

Provision is made for all estimated run off administration costs, including claims handling costs, to the extent that they exceed the estimated future investment return.

The uncertainty inherent in the process of estimating the period of run off and any payout pattern over that period, the anticipated run off administration costs to be incurred over that period and the level of investment return to be made are such that in the normal course of events unforeseen or unexpected future developments may cause the ultimate cost of settling the outstanding liabilities to differ from that previously estimated.

**h) Foreign exchange**

The Company's assets and liabilities are all denominated in Sterling and consequently do not give rise to currency fluctuations or exchange gains and losses.

**i) Islamic deposits**

Islamic treasury deposit account placements are based on the accepted Islamic financial principles of Commodity Murabaha and agency Wakala. These are common Islamic finance principles that have been approved by the Shariah Supervisory Committee as acceptable structures used within accounts to generate Shariah compliant income.

Transactions are recognised upon placement of funds with counterparties offering such accounts once agreement has been signed; income is recognised on an accruals basis.

**j) Other financial investments**

Other financial investments are stated at market value.

**Notes to the Financial Statements**  
**For the year ended 31 December 2014 (continued)**

**1. Principal accounting policies (continued)**

**k) Deferred taxation**

Deferred taxation is provided in full on timing differences that 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 law and practice.

Timing differences arise from the inclusion of items of income and expenditure in taxation computation periods different from those in which they are included in Financial Statements. 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. Segmental Information**

**Analysis of Gross Takaful Contributions, Profit before Taxation and Net Assets:**

The following sets out an analysis by class of business written:

	2014			2013		
	Gross	Profit		Gross	Profit	
	Takaful	(Loss)	Net	Takaful	(Loss)	Net
	Contribution	before	Assets	Contribution	Before	Assets
	£000	Tax	£000	£000	Tax	£000
Direct	-	(259)	6,036	-	369	6,263
Reinsurance	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>(259)</b>	<b>6,036</b>	<b>-</b>	<b>369</b>	<b>6,263</b>

All premiums resulted from contracts of insurance located in the United Kingdom.

**Notes to the Financial Statements**  
**For the year ended 31 December 2014 (continued)**

**2. Segmental Information (continued)**

Analysis of Gross Takaful Contributions, Takaful Claims Incurred, Gross Operating Expenses and the Reinsurance balance:

	Gross Contribution Written	Gross Contribution Earned	2014 Gross Takaful Claims Incurred	Gross Operating Expenses	Reinsurance Balance
	£000	£000	£000	£000	£000
<b>Direct insurance:</b>					
Motor	-	-	33	(390)	-
Household	-	-	-	-	-
Legal	-	-	-	-	-
	-	-	33	(390)	-
<b>Reinsurance</b>	-	-	-	-	-
	-	-	33	(390)	-

	Gross Contribution Written	Gross Contribution Earned	2013 Gross Takaful Claims Incurred	Gross Operating Expenses	Reinsurance Balance
	£000	£000	£000	£000	£000
<b>Direct insurance:</b>					
Motor	-	-	329	(147)	-
Household	-	-	-	-	-
Legal	-	-	-	-	-
	-	-	329	(147)	-
<b>Reinsurance</b>	-	-	-	-	-
	-	-	329	(147)	-

**Notes to the Financial Statements**  
**For the year ended 31 December 2014 (continued)**

**3. Takaful Claims Incurred**

	Gross £000	Reinsurance £000	Net £000
2014			
Outstanding claims provision brought forward at 1 January	312	-	312
Claims payments during the year in respect of those provisions	(142)	-	(142)
Outstanding claims provision carried forward at 31 December	(137)	-	(137)
Claims Incurred	<u>33</u>	<u>-</u>	<u>33</u>
	Gross £000	Reinsurance £000	Net £000
2013			
Outstanding claims provision brought forward at 1 January	1,124	-	1,124
Claims payments during the year in respect of those provisions	(483)	-	(483)
Outstanding claims provision carried forward at 31 December	(312)	-	(312)
Claims Incurred	<u>329</u>	<u>-</u>	<u>329</u>

**4. Net Operating Expenses**

	2014 £000	2013 £000
Administration expenses	(390)	(147)
Administrative expenses	<u>-</u>	<u>-</u>
	<u>(390)</u>	<u>(147)</u>
Administration expenses include:	2014 £000	2013 £000
The audit of the Company's statutory accounts	12	14
Other services pursuant to legislation	3	5

**Notes to the Financial Statements**  
**For the year ended 31 December 2014 (continued)**

**5. Investment Income**

	2014 £000	2013 £000
Income from Islamic deposits attributable to shareholders	-	59
Realised investment (losses)	(34)	-
Unrealised investment gains	36	43
Facility fee on loan to Group	96	85
	<u>98</u>	<u>187</u>

**6. Directors' Remuneration**

	2014 £000	2013 £000
Emoluments	-	-
Company pension contributions to money purchase schemes	-	-
Sums paid to third parties for Directors' services	20	5
	<u>20</u>	<u>5</u>

**Highest-Paid Director**

Emoluments	-	-
Company pension contributions to money purchase schemes	-	-
	<u>-</u>	<u>-</u>

**7. Staff Costs**

	2014 £000	2013 £000
Wages and salaries	-	-
Social security costs	-	-
Contract staff	-	-
	<u>-</u>	<u>-</u>

The Company has no employees. Director, administrative and management services are provided to the Company by R&Q Insurance Services Ltd a fellow subsidiary of Randall & Quilter Investment Holdings Ltd.

**Notes to the Financial Statements****For the year ended 31 December 2014 (continued)****8. Tax on profit on ordinary activities****(a) Analysis of the tax charge/(credit) in the year**

No provision has been made in the financial statements for corporation tax on the result for the period as a tax loss arises. Group relief relates to amounts receivable for losses surrendered to other group companies.

The credit for corporation tax comprises the following:

	2014 £000	2013 £000
Group relief receivable	<u>(32)</u>	<u>-</u>
Current tax credit for the year	<u>(32)</u>	<u>-</u>

**(b) Factors affecting the tax charge/(credit) in the year**

The tax assessed for the 2014 year is 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
(Loss)/profit on ordinary activities before tax	<u>(259)</u>	<u>369</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 21.5% (2013: 23.25%)	(56)	86

**Effects of:**

Items not deductible for tax purposes	24	-
Losses brought forward utilised in the year	-	(86)
adjustments in respect of prior years	<u>-</u>	<u>-</u>
Current tax credit for the year	<u>(32)</u>	<u>-</u>

The Directors estimate that tax losses of approximately £12.7m (2013 - £12.7m) are available to be carried forward to be set against future taxable profits of the Company. No deferred tax asset has been recognised in respect of these losses due to the uncertainty of future profits.

**Notes to the Financial Statements****For the year ended 31 December 2014 (continued)****9. Islamic Deposits**

	Current value		Historical cost	
	2014	2013	2014	2013
	£000	£000	£000	£000
Islamic treasury deposits	-	500	-	500

Islamic treasury deposit placements are based on the accepted Islamic financing principles of Commodity Murabaha and agency Wakala. These are common Islamic finance principles that have been approved by the Shariah Supervisory Committee as acceptable structures used within accounts to generate Shariah compliant income.

The remaining deposit matured in 2014 and was not re-invested as maturity could overlap any Part VII transfer.

**10. Other Financial Investments**

	Current value		Historical cost	
	2014	2013	2014	2013
	£000	£000	£000	£000
Debt and other fixed interest securities	979	943	900	900

This consists of a UCITS fund 'Muzinich Long Short Credit Yield'.

**11. Debtors Arising Out Of Takaful Insurance Operations**

	2014	2013
	£000	£000
Debt due from claims handling intermediaries	29	-

**12. Other Debtors**

	2014	2013
	£000	£000
Loans to Group Undertakings	2,900	3,100
Other amounts due from Group Undertakings	128	46
Other Debtors	-	-
	<u>3,028</u>	<u>3,146</u>

The Loans to Group undertakings are arranged on an arm's length basis and have less than 12 months to run. A facility fee of £96k was charged during 2014 (2013: £85k), this is charged at 2.75% p.a. above Clydesdale bank LIBOR.

**Notes to the Financial Statements**  
**For the year ended 31 December 2014 (continued)**

**13. Share Capital**

	2014 £000	2013 £000
Called up, allotted and fully paid		
30,500,002 Ordinary shares of £1	<u>30,500</u>	<u>30,500</u>

**14. Shareholder Reserves**

	2014 £000	2013 £000
Profit and loss account		
Balance at 1 January	(24,237)	(24,606)
Profit/(loss) for financial year	(227)	369
Balance at 31 December	<u>(24,464)</u>	<u>(24,237)</u>

**15. Provision for run-off administration costs**

As stated in Note 1 g, provision for run off administration costs is made to the extent that they exceed the estimated future investment return. The Directors estimate that the gross provision required is £673k (2013: £633k); this figure has been offset by estimated future investment return over the remainder of the run-off amounting to £850k (2013: £766k).

**16. Ultimate parent company and controlling party**

The Company's ultimate parent undertaking is Randall & Quilter Investment Holdings Ltd., a company registered in Bermuda. Group financial statements can be obtained from 110 Fenchurch Street, London, EC3M 5JT. The Directors are of the opinion that there is no ultimate controlling party.

**17. Transactions with related parties**

Advantage has been taken of the exemption provided under FRS8 from disclosing details of transactions with Randall & Quilter Investment Holdings Ltd & its wholly owned subsidiary undertakings. There are no other related party transactions to disclose.