

R&Q Broking Services Limited

**Annual Report and Financial Statements for the
year ended 31 December 2010**

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COMPANIES HOUSE

The Company's registration number is 06326884

Financial Statements - for the year ended 31 December 2010

	Pages
Directors and Advisers	1
Report of the Directors	2-3
Independent Auditors' Report	4-5
Profit and loss account	6
Balance sheet	7
Notes to the Financial Statements	8-15

Directors and Advisers

Directors

A. K. Quilter
M A Langridge (Appointed 15 February 2010)

Secretary

R&Q Secretaries Limited

Registered Office

110 Fenchurch Street
London
EC3M 5JT

Bankers

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

Auditors

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

Registered Number

06326884

**Report of the Directors
For the year ended 31 December 2010**

The Directors have pleasure in presenting their Report together with the audited Financial Statements for the year ended 31 December 2010.

Principal Activity

The Company's principal activity is providing broking services to the insurance industry.

Review of the Business and Future Developments

The profit and loss account for the year ended 31 December 2010 is set out on page 6

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

Directors

The Directors during the period are shown on page 1.

Directors' and Officers' Liability Insurance

As permitted by the Companies Act 2006, an insurance policy has been purchased on a group basis which covers the Directors of the Company.

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are individually aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

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

**Report of the Directors
For the year ended 31 December 2010 (continued)**

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' report and the Financial Statements in accordance with applicable law and regulations.

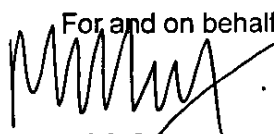
Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these Financial Statements, the Directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

This report is prepared in accordance with the provisions applicable to companies subject to the small companies regime under the Companies Act 2006.

By Order of the Board

For and on behalf of

R&Q Secretaries Limited

R&Q Secretaries Limited
Company Secretary

26th April 2011

**Independent Auditors Report to the Shareholders of
R&Q Broking Services Limited**

We have audited the Financial Statements of R&Q Broking Services Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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.

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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

The Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Financial Statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

We have nothing to report in respect of the above matters

Carmine Papa

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

**1 Westferry Circus
Canary Wharf
London
E14 4HD**

27 April 2011

**Profit and loss account
For the year ended 31 December 2010**

	Notes	2010 £	2009 £
Turnover	2	1,692,398	526,086
Net operating expenses		(1,322,566)	(802,547)
		<hr/>	<hr/>
Profit / (Loss) on ordinary activities before interest	3	369,832	(276,461)
Interest receivable	4	36,071	247
Interest payable	5	(24,546)	-
		<hr/>	<hr/>
Profit / (Loss) on ordinary activities before taxation		381,357	(276,214)
Taxation on profit on ordinary activities	7	(9,225)	-
		<hr/>	<hr/>
Profit / (Loss) on ordinary activities after taxation	12	372,132	(276,214)

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

All operations are continuing

The accounting policies and notes on pages 8 to 15 form part of these Financial Statements

Balance sheet
As at 31 December 2010

Reg No. 06326884

	Note	2010 £	2009 £
Fixed Assets			
Tangible assets	8	48,295	63,495
		<u>48,295</u>	<u>63,495</u>
Current Assets			
Debtors	9	1,286,199	1,109,356
Cash at bank and in hand		352,412	589,782
		<u>1,638,611</u>	<u>1,699,138</u>
Creditors, amounts falling due within one period	10	(1,691,429)	(2,146,686)
		<u>(52,818)</u>	<u>(447,548)</u>
Net current liabilities			
		<u>(52,818)</u>	<u>(447,548)</u>
Total net assets liabilities		<u>(4,523)</u>	<u>(384,053)</u>
Capital and Reserves			
Called up share capital	11	75,000	75,000
Profit and loss account	12	(79,523)	(459,053)
		<u>(4,523)</u>	<u>(384,053)</u>
Total Shareholders' funds	13	<u>(4,523)</u>	<u>(384,053)</u>

The Financial Statements were approved by the Board of Directors on 26th April 2011 and were signed on its behalf by:



A K Quilter
Director

The accounting policies and notes on pages 8 to 15 form part of these Financial Statements

**Notes to the Financial Statements
For the year ended 31 December 2010**

1 Principal accounting policies

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

Basis of accounting

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

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

Turnover

Turnover represents the value of fees receivable exclusive of value added tax. Fees are recognised when the right to such fees is established through a contract and the services concerned have been performed.

Depreciation

Depreciation is calculated so as to write off the costs of all tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic life of the assets concerned. The principal rates used for this purpose are:

	%
Computers	20

Foreign currencies

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

Cash flow statement

Advantage has been taken of the exemption under Financial Reporting Standard 1 (Revised), "Cash Flow Statements", from preparing a cash flow statement on the grounds that R&Q Broking Services Limited is a wholly owned subsidiary undertaking of Randall & Quilter Investment Holdings plc, and is included within the publicly available consolidated Financial Statements of Randall and Quilter Investment Holdings plc.

Notes to the Financial Statements
For the year ended 31 December 2010 (continued)**1 Principal accounting policies (continued)****Deferred Taxation**

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

Share based payments

The Company's ultimate parent undertaking issues equity share based payments to a certain number of the Company's employees.

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense on a straight line basis over the vesting period. The fair value is measured using the binomial valuation model, taking into account the terms and conditions on which the awards were granted.

2 Turnover

Turnover arises from the Company's principal activity and is attributable to continuing operations.

	2010	2009
	£	£
Turnover by geographical market		
United Kingdom	1,692,398	426,136
Rest of the World	-	99,950
	<u>1,692,398</u>	<u>526,086</u>

3. Profit on ordinary activities before interest

	2010	2009
	£	£
This is stated after charging		
Auditors' remuneration	4,800	4,500
- for audit of the financial statements		
Depreciation	15,200	10,870
Foreign exchange	(233)	33,841

**Notes to the Financial Statements
For the year ended 31 December 2010 (continued)**

4	Interest receivable	2010	2009
		£	£
	Amount received from group	35,646	-
	Bank interest received	425	247
		<u>36,071</u>	<u>247</u>
5	Interest payable	2010	2009
		£	£
	Amount payable to group	24,546	-
		<u>24,546</u>	<u>-</u>
6	Directors' emoluments	2010	2009
		£	£
	Aggregate emoluments	-	153,557
		<u>-</u>	<u>153,557</u>
	Highest paid Director:	2010	2009
		£	£
	Aggregate emoluments	-	84,460
		<u>-</u>	<u>84,460</u>

7. Taxation

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

The charge for corporation tax comprises the following.

	2010	2009
	£	£
Current tax		
Group relief payable	9,225	-
	<u>9,225</u>	<u>-</u>
Tax on loss on ordinary activities		
	<u>9,225</u>	<u>-</u>

Notes to the Financial Statements
For the year ended 31 December 2010 (continued)

7 Taxation (continued)

(b) Factors affecting tax charge for the period

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2009:28%). The differences are explained below

	2010	2009
	£	£
Profit / (Loss) on ordinary activities before tax	381,357	(276,214)
Profit / (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	106,780	(77,340)
Effects of:		
Expenses not deductible for tax purposes	3,521	3,331
Depreciation in excess of capital allowances	2,059	(3,479)
Losses brought forward utilised in the year	(103,135)	-
Tax losses and other deductions arising in the period carried forward	-	77,488
Current tax charge	9,225	-

(c) Factors that may affect future tax charges

The Company has tax losses carried forward in the UK of £90,000 (2009 £455,000) that are available indefinitely for offset against future taxable profits of the Company.

(d) Details of the deferred tax asset not provided in the financial statements are given below. The deferred tax asset is not recognised due to the uncertainty in its recovery.

	2010	2009
	£	£
Accelerated capital allowances	1,692	3,814
Trading losses available for carried forward	(24,251)	(127,409)
Non-trading deficits on loan relationships available for carry forward	-	(875)
	(22,559)	(124,470)

Notes to the Financial Statements
For the year ended 31 December 2010 (continued)

8 Tangible fixed assets

	Computers	Total
	£	£
Cost		
At 1 January 2010	76,000	76,000
At 31 December 2010	<u>76,000</u>	<u>76,000</u>
Depreciation		
At 1 January 2010	12,505	12,505
Charge for the year	<u>15,200</u>	<u>15,200</u>
At 31 December 2010	<u>27,705</u>	<u>27,705</u>
Net Book Value at 31 December 2010	<u>48,295</u>	<u>48,295</u>
Net Book Value at 31 December 2009	<u>63,495</u>	<u>63,495</u>

9 Debtors	2010	2009
	£	£
Trade debtors	93,126	499,502
Other debtors	-	15,408
Amounts due from group undertakings	1,031,431	71,166
Prepayments and accrued income	<u>161,642</u>	<u>523,280</u>
	<u>1,286,199</u>	<u>1,109,356</u>

**Notes to the Financial Statements
For the year ended 31 December 2010 (continued)**

10	Creditors: amounts falling due within one year	2010	2009
		£	£
	Trade creditors	227,924	-
	Amounts due to group undertakings	205,347	2,094,277
	VAT Payable	10,374	-
	Corporation tax	9,225	-
	Other creditors	29,915	-
	Accruals and deferred income	1,208,644	52,409
		<u>1,691,429</u>	<u>2,146,686</u>

The Company has two bilateral term secured loan facilities with R&Q Reinsurance Company (UK) Limited, a fellow subsidiary undertaking of Randall & Quilter Investment Holdings plc:

- a Pound Sterling facility which allows for an aggregate amount of £1,000,000 to be loaned at an interest rate of 1% above the base rate of National Westminster Bank plc. The repayment date of the loan is 23 July 2011 although repayments may be made by the borrower in minimum amounts of £50,000. Amounts repaid may be re-drawn in accordance with the agreement.

Included in amounts due to group undertakings above is £nil (2009: £750,000) in respect of this facility

- a US Dollar facility which allows for an aggregate amount of \$4,000,000 to be loaned at an interest rate of 1% above the target Federal Funds Rate set by the Federal Open Market Committee of the United States Federal Reserve System. The repayment date of the loan is 16 July 2011 although repayments may be made by the borrower in minimum amounts of \$100,000. Amounts repaid may be re-drawn in accordance with the agreement.

Included in amounts due to group undertakings above is \$nil (2009: \$550,000) (£ equivalent = £345,000) in respect of this facility

The bilateral facilities are secured by a charge over the trading assets of R&Q Broking Services Limited

11.	Called up share capital	2010	2009
		£	£
	Authorised		
	250,000 Ordinary Shares of £1 each	<u>250,000</u>	<u>250,000</u>
	Allotted, called up and fully paid		
	75,000 Ordinary Shares of £1 each	<u>75,000</u>	<u>75,000</u>

Notes to the Financial Statements
For the year ended 31 December 2010 (continued)

12	Profit and loss account	2010	2009
		£	£
	At 1 January	(459,053)	(187,520)
	Profit / (Loss) for the financial period	372,132	(276,214)
	Capital Contribution	7,398	4,681
	At 31 December	<u>(79,523)</u>	<u>(459,053)</u>
13	Reconciliation of movement in Shareholders' Funds	2010	2009
		£	£
	Profit / (Loss) for the financial period	372,132	(276,214)
	Capital contribution	7,398	4,681
	Opening Shareholders' funds	<u>(384,053)</u>	<u>(112,520)</u>
	Closing Shareholders' funds	<u>(4,523)</u>	<u>(384,053)</u>

14 Share Options

Share options are granted to Directors and selected employees. The options are exercisable three years from the date of grant and lapse on the tenth anniversary of the date of grant or the holder ceasing to be an employee of the Group. Neither the Company nor the Group has any legal or constructive obligation to settle or repurchase the options in cash.

Movements on number of share options and their related exercise price are as follows.

	Weighted average exercise price 2010 £	Number of options 2010 '000	Weighted average exercise price 2009 £	Number of options 2009 '000
Outstanding at 1 January	0.67	50,000	-	-
Granted	-	-	0.67	50,000
At 31 December	<u>0.67</u>	<u>50,000</u>	<u>0.67</u>	<u>50,000</u>

The total number of options in issue during the year have given rise to a charge to the income statement of £7,398 (2009 £4,681) based on the fair values at the time the options were granted.

Notes to the Financial Statements
For the year ended 31 December 2010 (continued)**14 Share Options (continued)**

The fair value of the share options was determined using the Binomial option pricing method. The parameters used are detailed below. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of the daily share process over a 100 day period.

	2010 options	2009 options
Weighted average fair value	52 pence	57 pence
Weighted average share price	102 pence	120 pence
Exercise price	61.7 pence	66.3 pence
Expiry date	10 years after granting	10 years after granting
Vesting period	3 years	3 years
Volatility	30%	30%
Dividend yield	5.3%	5.3%
Expected option life	3 years	3 years
Annual risk free interest rate	2.98%	2.46%

The options outstanding at 31 December 2010 had a weighted average remaining contractual life of 8.3 years.

15 Related party transactions

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

16 Ultimate parent undertaking

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