
RKH SPECIALTY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018



RKH SPECIALTY LIMITED

COMPANY INFORMATION

DIRECTORS

A Barrett
A T Bastow
J C Birkmire
B D Rugge-Price
A K Cameron
S A Davies (appointed 9 May 2018)
P W N Redgate (appointed 1 October 2018)
E Richardson (appointed 1 October 2018)
A Pearson (appointed 1 October 2018)
J D T Beckett (appointed 1 October 2018)
A Bragoli (appointed 1 October 2018)
S Caamano Freijeiro (appointed 1 October 2018)
N Coles (appointed 1 October 2018)
M Colgate (appointed 1 October 2018)
N S Galletti (appointed 1 October 2018)
S T Greener (appointed 1 October 2018)
C Y Langdale (appointed 1 October 2018)
E Longfield (appointed 1 October 2018)
D P Norris (appointed 1 October 2018)

COMPANY SECRETARY

A J Moore

REGISTERED NUMBER

07142031

REGISTERED OFFICE

16 Eastcheap
London
EC3M 1BD

INDEPENDENT AUDITOR

Deloitte LLP
Statutory Auditor
1 New Street Square
London
United Kingdom
EC4A 3HQ

RKH SPECIALTY LIMITED

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RKH SPECIALTY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

BUSINESS REVIEW

The Company made a profit after tax for the year ended 30 September 2018 of £62,153k (2017: loss of £24k).

	FY2018	FY2017
	£000	£000
Revenue	197,208	-
(Loss)/Profit after tax	62,153	(24)

KEY PERFORMANCE INDICATORS

Analysis of the financial key performance indicators of the Company has been presented above. In addition, certain other key performance indicators have been established as described below.

Customer retention levels

The Company monitors customer retention rates for each of its business units,.

EBITDA

The Company uses Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) to measure the performance of business units against budget and previous years results.

PRINCIPAL RISKS AND UNCERTAINTIES

This section sets out some of the risks facing the Company which may affect its business operations and results during the year. The Company looks to assess and deal with the impact of these external influences by carrying out regular business planning reviews.

Matters generally affecting Company strategy and performance

Commercial Strategy

The Company endeavours to operate to the strategic and business plans that it sets itself.

Environmental, market and economic factors

The Company is heavily dependent on its clients to be able and willing to purchase insurance solutions to protect their assets and/or mitigate their exposure to any liabilities. Such ability and willingness is influenced by environmental and economic conditions.

Key staff

The Company's success is reliant upon attracting and retaining key staff within all its core business operations.

Competition

The insurance market is highly competitive. The Company faces competition from other insurance intermediaries within the UK as well as indirect competition from other insurance intermediaries overseas.

Certain business interruption risks

The Company has in place a comprehensive business risk review process, which allows the Company to assess the business risks faced by it and to review them in the context of the appropriateness of the controls it has in place to address those risks.

Loss of IT systems or data

The Company believes its IT systems and those systems provided by third parties are reliable and well protected, notwithstanding that they require regular updating and maintenance to ensure their ongoing suitability for the Company.

RKH SPECIALTY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

Relationships with and access to insurance markets

The Company is reliant upon its existing relationships with the insurance markets with which it places business. The Company has in place controls to ensure it is not overly dependent upon any one insurer or insurance market.

Financial crime and bribery and corruption

The Company conducts its business whilst being fully aware of the risks arising from non-compliance with either local or international regulations and operates within a business framework which seeks to minimise the risk of financial crime, including bribery and corruption.

Factors that could reduce operating revenues or increase operating costs

Foreign exchange

The Company is exposed to significant changes in the US Dollar/Sterling exchange rate that directly impacts upon turnover of the Company.

Claims against the Company that are not covered by or exceed purchased insurance

The Company believes its insurance cover would substantially mitigate the effect of any claims likely to be brought against it.

Legal and regulatory compliance

Uncertainty regarding compliance matters and higher costs of regulatory compliance can result from ongoing revision to laws, regulations and governance standards.

Risks to the Company's reputation

Corporate governance

The Company has an appropriate corporate governance programme in place commensurate with the scale of the business.

FINANCIAL RISK MANAGEMENT

Financial instruments

HIG Finance Limited, a fellow subsidiary of the Hyperion Insurance Group of companies ("the Group"), manages the Company's principal financial instruments which comprise cash and deposits. As part of the Group's pooling arrangements the Group's treasury function manages risks in relation to these as follows;

Liquidity risks

The Group manages the Company's cash and borrowing requirements centrally to maximise interest income and minimise interest expenses, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business.

Credit risk

Some clients are provided with credit, and are encouraged to settle their invoices within 60 days of the inception date of the insurance policy. Receivables balances are monitored on an ongoing basis with a provision being made for doubtful debts where necessary.

RKH SPECIALTY LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

FUTURE DEVELOPMENTS

Following the United Kingdom referendum result to exit the EU, the Company has been proactively planning to minimise any potential disruption to our clients. Whilst it is still unclear what the outcome will be from negotiations between the UK and EU, the Company is preparing on the assumption that the UK will leave the EU on 29 March 2019 without a trade deal and/or any transitional arrangements.

The Company has examined multiple options and strategies in a number of different EU countries. After consideration of the various regulatory environments and their alignment to our clients requirements, the Company has decided to establish relevant regulated entities in Luxembourg which will become our access points to all EEA Member States under EU Passporting/Freedom of Services.

This report was approved by the board on 13 December 2018 and signed on its behalf.



A K Cameron
Director

RKH SPECIALTY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

The Directors present their annual report and the audited financial statements for the year ended 30 September 2018.

PRINCIPAL ACTIVITY

On 1 October 2017 RKH Specialty Limited ("the Company") purchased the wholesale and specialty broking business of Howden UK Group Limited, a fellow Group company. The Company is now the main broking entity of the RKH Group. The entity is authorised and regulated by the Financial Conduct Authority.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £62,153 thousand (2017: loss of £24 thousand).

The Company paid a dividend during the year of £Nil (2017: £Nil). The Directors do not recommend the payment of any further dividends.

DIRECTORS

The Directors who served during the year, and to the date of this report, were:

A Barrett
A T Bastow
B D Rugge-Price
J C Birkmire (Non Executive Director)
A K Cameron
S A Davies (Non Executive Director) (appointed 9 May 2018)
P W N Redgate (appointed 1 October 2018)
E Richardson (appointed 1 October 2018)
A Pearson (appointed 1 October 2018)
J D T Beckett (appointed 1 October 2018)
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D P Norris (appointed 1 October 2018)

EMPLOYEES AND EMPLOYMENT POLICIES

The Board recognises that the continuing success of the Company depends on its employees and its ability to continue to attract, motivate and retain employees of the highest calibre and it aims to provide an environment where individuals can excel.

The Company is an equal opportunities employer and bases decisions on individual ability regardless of race, religion, gender, age, sexual orientation or disability. Our equal opportunities policy is designed to ensure that disabled persons are given the same consideration as others when they apply for jobs, and enjoy the same training career development and prospects as other employees.

The Company seeks to achieve a common awareness among its employees of the financial and economic factors affecting the business by consultation and effective employee communication through a variety of media.

RKH SPECIALTY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

DIRECTORS' INDEMNITIES

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and Officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relates to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company. Appropriate Directors' and Officers' liability insurance cover is in place in respect of all the Company's Directors.

MATTERS COVERED IN THE STRATEGIC REPORT

The following information has been included in the strategic report and incorporated into this report by reference:

- business review
- key performance indicators
- principal risk and uncertainties
- financial risk management.
- future developments.

DISCLOSURE OF INFORMATION TO AUDITOR

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

AUDITOR

Under section 487(2) of the Companies Act 2006, Deloitte LLP will be deemed to have been reappointed as auditor 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 on *13 December 2018* and signed on its behalf.



A J Moore
Company Secretary

RKH SPECIALTY LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements 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 to 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RKH SPECIALTY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements of RKH Specialty Limited ('the Company'):

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 3 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RKH SPECIALTY LIMITED (CONTINUED)

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RKH SPECIALTY LIMITED (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report.

We have nothing to report in respect of these matters.

RKH SPECIALTY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RKH SPECIALTY LIMITED (CONTINUED)

USE OF OUR REPORT

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.



Mark McLquham (Senior Statutory Auditor)

for and on behalf of

Deloitte LLP

Statutory Auditor

London, United Kingdom

Date:

13 December 2018

**INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Note	2018 £000	2017 £000
Revenue	4	197,208	-
Administrative expenses		(123,694)	(31)
Other operating income	5	4,707	-
OPERATING PROFIT/(LOSS)	6	78,221	(31)
Interest receivable and similar income	10	32	-
Interest payable and similar charges	11	(551)	-
PROFIT/(LOSS) BEFORE TAXATION		77,702	(31)
Taxation on profit/(loss)	12	(15,549)	7
PROFIT/(LOSS) FOR THE YEAR		62,153	(24)

There were no recognised gains and losses for 2018 or 2017 other than those included in the income statement.

The notes on pages 15 to 31 form part of these financial statements.

All results were derived from continuing operations.

RKH SPECIALTY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Note	2018 £000	2017 £000
Profit/(loss) for the financial year		62,153	(24)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		62,153	(24)

The notes on pages 15 to 31 form part of these financial statements.

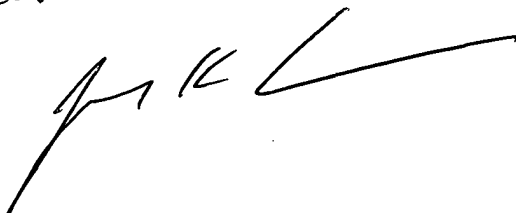
ARKH SPECIALTY LIMITED
REGISTERED NUMBER: 07142031

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note	2018 £000	2017 £000
FIXED ASSETS			
Intangible assets	13	506	-
Tangible assets	14	2	-
		<u>508</u>	<u>-</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	15	259,440	51,293
Current asset investments	16	152,474	-
Cash at bank and in hand	17	141,988	-
		<u>553,902</u>	<u>51,293</u>
Creditors: amounts falling due within one year	18	(440,077)	(7)
NET CURRENT ASSETS		<u>113,825</u>	<u>51,286</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>114,333</u>	<u>51,286</u>
NET ASSETS		<u><u>114,333</u></u>	<u><u>51,286</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	50,050	50,050
Capital contribution reserve	20	894	-
Retained earnings	20	63,389	1,236
TOTAL SHAREHOLDERS' FUNDS		<u><u>114,333</u></u>	<u><u>51,286</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
13 December 2018

A K Cameron
Director



The notes on pages 15 to 31 form part of these financial statements.

RKH SPECIALTY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Called up share capital £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
At 1 October 2016	50	-	1,260	1,310
COMPREHENSIVE INCOME FOR THE YEAR				
Loss for the year	-	-	(24)	(24)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	(24)	(24)
Shares issued during the year	50,000	-	-	50,000
Share based payment (see note 21)	-	-	-	-
TOTAL TRANSACTIONS WITH OWNERS	50,000	-	-	50,000
At 1 October 2017	50,050	-	1,236	51,286
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	62,153	62,153
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	62,153	62,153
Shares issued during the year	-	-	-	-
Share based payment (see note 21)	-	894	-	894
TOTAL TRANSACTIONS WITH OWNERS	-	894	-	894
AT 30 SEPTEMBER 2018	50,050	894	63,389	114,333

The notes on pages 15 - 31 form part of these financial statements.

RKH SPECIALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. GENERAL INFORMATION

The Company is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is 16 Eastcheap, London, EC3M 1BD. Company number 07142031.

The principal activity of the Company is disclosed in the Directors' report.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The following accounting policies have been applied in dealing with items that are considered material in relation to the financial statements.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Monetary amounts in these financial statements are rounded to the nearest £1,000.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company meets the definition of a qualifying entity and has therefore taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 paragraph 1.12 (a) - (e):

- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d)
- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Hyperion Insurance Group Limited as at 30 September 2018 and these financial statements may be obtained from the Group Finance Department, 16 Eastcheap, London, EC3M 1BD.

2.3 Going concern

As at 30 September 2018, the Company has net assets of £114,333k and net current assets of £113,825k.

Having considered the aforementioned, and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of signing/approval of these financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue consists principally of brokerage, commissions and fees associated with the placement of insurance contracts, net of commissions payable to other directly involved parties. Revenue from brokerage, commission and fees are recognised on the inception date of the risk. Any adjustments to commissions arising from premium additions or reductions are recognised as and when they are notified by third parties.

Where contractual obligations exist for the performance of post placement activities, a relevant proportion of revenue received on placement is deferred and recognised over the period during which the activities are performed.

Profit commission is recognised when the amount can be estimated, with a reasonable degree of certainty, and is equivalent to the minimum value expected to be received.

2.5 Insurance intermediary assets and liabilities

Insurance intermediaries act as agents in placing the insurable risks of their clients with insurers and as such, generally, are not liable as principals for the amounts arising from such transactions. Accordingly, receivables arising from insurance broking transactions are not included as assets of the Company, other than the receivable for fees and commissions earned on the transaction, which is recognised within trade receivables. No recognition of the insurance transaction occurs until the Company receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client and is recognised as an insurance payable.

Fiduciary cash arising from insurance broking transactions is included within insurance cash. The Company is entitled to retain the investment income on any cash flows arising from insurance related transactions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income Statement over its useful economic life and shall not exceed 10 years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software in development

Costs of developing computer software are accumulated as work in progress until the development has been completed and released for use.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

The estimated useful lives range as follows:

Goodwill	-	5 years
Computer software	-	3 years to 10 years

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

2. ACCOUNTING POLICIES (CONTINUED)

2.7 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Computer equipment	-	4 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

2.8 Current asset investments

Fiduciary cash arising from insurance broking transactions is included within insurance cash. Insurance cash can be invested into various investments such as money market funds and are included within insurance investments. The Group is entitled to retain the investment income on any cash flows arising from insurance related transactions and is recorded in "fiduciary income".

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value (including transaction costs), and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value (including transaction costs), and are measured subsequently at amortised cost using the effective interest method.

RKH SPECIALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.12 Foreign currency translation

Functional and presentational currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date of transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the Income Statement within 'finance income or costs'.

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Income Statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Income Statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Income Statement is charged with fair value of goods and services received.

RKH SPECIALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

2. ACCOUNTING POLICIES (CONTINUED)

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

2.16 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

RKH SPECIALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgments that have a significant effect on the carrying value of assets and liabilities are:

Revenue recognition

Revenue includes commission and fees receivable at the later of policy inception date or when the policy placement has been completed and confirmed. To the extent that the Company is contractually obliged to provide services after this date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts to ensure that revenue appropriately reflects the fair value of the fulfilment of these obligations. Profit commission and other contingent fee arrangements are recognised over the life of the relevant arrangement or when they can be measured with reasonable certainty.

Deferred income for post placement obligations as at 30 September 2018 was £3,804k (2017: £Nil).

4. TURNOVER

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

	2018 £000	2017 £000
Brokerage, commissions and fees	195,329	-
Fiduciary income	1,879	-
	<u>197,208</u>	<u>-</u>

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	33,809	-
Rest of Europe	31,757	-
Rest of the world	131,642	-
	<u>197,208</u>	<u>-</u>

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

5. OTHER OPERATING INCOME

	2018	2017
	£000	£000
Other Income	4,707	-
	4,707	-

6. OPERATING PROFIT/(LOSS)

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

	2018	2017
	£000	£000
Amortisation of intangible assets, including goodwill	57	-
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	247	6
Exchange differences	(178)	-
Other operating lease rentals	198	-
Defined contribution pension cost	4,262	-

7. AUDITOR'S REMUNERATION

	2018	2017
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	247	6

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

8. EMPLOYEES

Staff costs, including Directors' remuneration, were as follows:

	2018	2017
	£000	£000
Wages and salaries	74,124	-
Social security costs	6,514	-
Cost of defined contribution scheme	4,262	-
Other staff costs	1,524	(41)
	86,424	(41)

The average monthly number of employees, including the Directors, during the year was as follows:

	2018	2017
	No.	No.
Directors and management	14	7
Insurance professionals	529	-
Administration	148	-
	691	7

9. DIRECTORS' REMUNERATION

	2018	2017
	£000	£000
Directors' emoluments	2,016	-
Company contributions to defined contribution pension schemes	28	-
	2,044	-

During the year retirement benefits were accruing to 3 Directors (2017 - NIL) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £911,674 (2017 - £NIL).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL (2017 - £NIL).

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£000	£000
Other interest receivable	32	-
	32	-

11. INTEREST PAYABLE AND SIMILAR CHARGES

	2018	2017
	£000	£000
Loans from group undertakings	551	-
	551	-

12. TAXATION

	2018	2017
	£000	£000
CORPORATION TAX		
Current tax on (loss)/profit for the year	15,549	(6)
Adjustments in respect of previous periods	-	(1)
TOTAL CURRENT TAX	15,549	(7)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

12. TAXATION (CONTINUED)
FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2017: *lower than*) the standard rate of corporation tax in the UK of 19% (2017: 19.5%). The differences are explained below:

	2018 £000	2017 £000
Profit/(loss) before tax	77,702	(31)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.5%)	14,763	(6)
EFFECTS OF:		
Expenses not deductible for tax purposes	786	-
Adjustments to tax charge in respect of prior periods	-	(1)
TOTAL TAX CHARGE/(CREDIT) FOR THE YEAR	15,549	(7)

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Company's profits for the accounting period to 30 September 2018 were taxed at an effective rate of 19%. Further changes to the UK corporation tax rate were substantively enacted in the Finance Act 2016. These include reductions in the main rate to 19% from April 2017 and to 17% from April 2020. The Company's UK deferred tax balances have been recognised at 19% or 17% depending on when the timing/temporary differences are expected to be reversed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

13. INTANGIBLE ASSETS

	Computer software £000	Computer software in development £000	Goodwill £000	Total £000
COST				
Additions	133	400	-	533
Intra-group transfers	-	-	905	905
At 30 September 2018	133	400	905	1,438
AMORTISATION				
Charge for the year	27	-	30	57
Intra-group transfers	-	-	875	875
At 30 September 2018	27	-	30	57
NET BOOK VALUE				
At 30 September 2018	106	400	-	506
At 30 September 2017	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

14. TANGIBLE FIXED ASSETS

	Computer equipment £000
COST OR VALUATION	
Additions	2
At 30 September 2018	2
At 30 September 2017	-
NET BOOK VALUE	
At 30 September 2018	2
At 30 September 2017	-

15. DEBTORS

	2018 £000	2017 <i>restated</i> £000
Trade debtors	391	-
Insurance debtors	60,346	-
Amounts owed by fellow subsidiaries	193,764	311
Amounts owed by parent company	-	50,975
Other debtors	1,029	-
Prepayments and accrued income	3,910	-
Tax recoverable	-	6
	259,440	51,292

Amounts owed by group undertakings are unsecured and repayable on demand.

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

16. CURRENT ASSET INVESTMENTS

	2018	2017
	£000	£000
Insurance investments	152,474	-
	<u>152,474</u>	<u>-</u>

During the year the Company invested insurance cash in a US Dollar Treasury Liquid Reserve fund with Goldman Sachs Asset Management International.

17. CASH AND CASH EQUIVALENTS

	2018	2017
	£000	£000
Bank current accounts	2,045	-
Insurance bank balances	139,942	-
	<u>141,987</u>	<u>-</u>

18. CREDITORS: Amounts falling due within one year

	2018	2017
	£000	restated £000
Insurance creditors	292,416	-
Amounts owed to fellow subsidiaries	92,517	1
Amounts owed to parent company	12,426	-
Corporation tax	8,032	-
Other taxation and social security	325	-
Other creditors	832	-
Accruals and deferred income	33,529	6
	<u>440,077</u>	<u>7</u>

Amounts owed to group undertakings are unsecured and repayable on demand.

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

19. SHARE CAPITAL

	2018	2017
	£000	£000
Shares classified as equity		
Allotted, called up and fully paid		
50,050,000 Ordinary shares of £1 each	50,050	50,050

The Company has one class of ordinary shares which carry voting rights but no right to fixed income.

20. RESERVES

Capital contribution reserve

This reserve consists of the total contribution to the equity capital of the Company that was not made in exchange for shares.

Retained earnings

Made up of all current and prior period retained profits and losses.

21. SHARE BASED PAYMENTS

The Company participates in a group share-based payment plan, whereby employees of the Company are issued with "D" or "E" shares of Hyperion Insurance Group, the ultimate parent company. The "D" or "E" shares convert to "A" shares of Hyperion Insurance Group based on a number of conditions, which include continued employment after four or five years, performance of the relevant business unit and performance of the "A" share price of Hyperion Insurance Group. The charge recognised in the income statement of £894k in the year ended 30 September 2018 (2017: £nil) is calculated based on the fair value of the "D" or "E" shares issued to the employees of the Company.

22. CONTINGENT LIABILITIES

On 29 April 2015, the ultimate parent company Hyperion Insurance Group Limited along with the Company and fellow subsidiary Hyperion Refinance S.a.r.l., entered into a financing agreement with Morgan Stanley Senior Funding, Inc., Royal Bank of Canada, HSBC Bank plc, Lloyds Bank plc, Royal Bank of Scotland and ING Capital LLC. Under the terms of this agreement, the Company together with a number of other subsidiaries have given guarantees in respect of Hyperion Refinance S.a.r.l.'s obligations under the terms of the agreement.

On 20 December 2017, the ultimate parent company Hyperion Insurance Group Limited along with fellow subsidiaries HIG Finance 2 Limited and Hyperion Refinance S.a.r.l. entered into an amended and restated credit agreement with the Group's lenders in respect of the Group's main lending facilities. As part of the amended and restated credit agreement the Company continues to be a guarantor in respect of obligations undertaken by Hyperion Insurance Group Limited, HIG Finance 2 Limited and Hyperion Refinance S.a.r.l..

RKH SPECIALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

23. COMMITMENTS

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £4,235k (2017: £Nil). Contributions totalling £Nil (2017: £Nil) were payable to the fund at the reporting date.

24. COMMITMENTS UNDER OPERATING LEASES

At 30 September 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	81	-
Later than 1 year and not later than 5 years	2	-
	<u>83</u>	<u>-</u>

25. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption available under Section 33 of FRS 102 to not disclose related party transactions with subsidiaries that are wholly owned within the group.

	2018 £000
Amounts owed by related parties	
Howden M&A Limited	53
RKH Specialty Caribbean N.V.	12
	<u>65</u>

The consolidated financial statements of Hyperion Insurance Group Limited, within which this Company is included, can be obtained from the address given in note 27.

26. POST BALANCE SHEET EVENTS

On 1 October 2018, the Company sold the assets and liabilities of its Modula business to Dot Labs Limited, a fellow Hyperion Insurance Group company for book value of £506k.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

27. CONTROLLING PARTY

The Company's immediate parent company is RKH Group Limited, a company incorporated in the United Kingdom and registered in England and Wales.

The Company's ultimate parent company is Hyperion Insurance Group Limited, a company incorporated in the United Kingdom and registered in England and Wales.

The largest and smallest group of which the Company is a member for which group financial statements are drawn up is that of Hyperion Insurance Group Limited. Copies of the financial statements of this Company can be obtained from the Group Finance Department at the registered office, 16 Eastcheap, London, EC3M 1BD.