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R&Q

Interim Report and Financial Statements
Randall & Quilter Investment Holdings Ltd.

30 June 2013

The Company's registration number is 47341

Financial Statements

For the six months ended 30 June 2013

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Financial Statements

For the six months ended 30 June 2013

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Chairman's Statement and Business Review

For the six months ended 30 June 2013

Summary of Results

Group Results	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Operating profit*	3,321	4,863	12,657^
Profit on ordinary activities before income taxes	3,035	4,637	11,848^
Profit after tax *	2,049	4,404	11,223^
Earnings Per Share (Basic)	4.0p	8.9p	22.7p^
Net Tangible Assets per Share	119.0p	106.7p	116.7p^
Divisional Performance			
Insurance Investments Division Operating Profit*	817	6,466	11,043^
Insurance Services Division Operating Profit	6,256	2,808	10,264
Underwriting Management Division Operating Profit/(Loss)	103	(979)	(1,456)

* After deduction of Minority Interests relating to Syndicate 3330

^ Adjusted following prior year adjustment in relation to reduction in insurance liabilities in Alma Insurance Company

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The Group delivered a pre-tax profit of £3.0m for the half year against £4.6m in H1 2012. Adjusting for the reduction in insurance liabilities in Alma which was booked in the period but accounted for as a prior year adjustment in line with International Accounting Standards, the overall result was in line with our expectations.

Chairman's Statement

The Group delivered a pre-tax profit of £3.0m for the half year against £4.6m in H1 2012. Adjusting for the reduction in insurance liabilities in Alma which was booked in the period but accounted for as a prior year adjustment in line with International Accounting Standards, the overall result was in line with our expectations. This was despite a significantly lower investment return following much less favourable investment markets as yields rose and credit spreads widened.

The impact of lower investment returns and a number of other factors discussed below, mitigated in part by a higher contribution from new acquisitions and a change to fair value accounting for our insurance debt portfolio, resulted in the Insurance Investments Division's operating result being substantially lower than in recent periods.

The Insurance Services Division's operating result was strong because, as occurred during the second half of 2012, it benefited from high levels of credit write backs in the period.

The Underwriting Management Division generated a small operating profit compared to losses in all prior periods since its formation during 2011.

Corporate overheads remained in line with expectations and prior periods.

The Group's tax charge at £1.0m was higher than in previous periods due to profits generated from credit write backs in a US service company. Basic earnings per share were 4.0p (2011: 8.9p).

In line with our restated distribution policy following the placing, we are pleased to announce a proposed 3.4p per share return of cash, in line with the prior year.

Net tangible assets per share of 119.0p were higher than as at 31 December 2012 (116.7p), which itself was higher than the previously published figure of 114.4p, following the prior year adjustment on Alma Insurance Company referred to above.

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For the six months ended 30 June 2013

Further detail on the operating divisions is provided below.

Insurance Investments Division

	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	Year ended 31 December 2012 Restated £000
Net Investment Income**	2,331	5,643	12,550
Debt Purchase ('RQLM') Income	2,021	1,000	621
Other Income	415	134	1,456
Net Insurance claims released*	2,635	4,149	5,807
Operating Expenses	(8,360)	(10,076)	(19,284)
Goodwill on bargain purchase	1,763	298	3,112
Insurance companies' operating result	**805**	**1,148**	**4,262**
Group share of syndicates' operating result*	12	5,318	6,781
TOTAL DIVISIONAL OPERATING RESULT*	**817**	**6,466**	**11,043**

* After deduction of Minority Interests relating to Syndicate 3330

** Insurance companies only (i.e. excludes Syndicates' investment income of £310k which is included in the Syndicates' operating result)

The Insurance Investment Division's performance was lower than the comparable period last year, producing an operating profit of £0.8m* (2012: £6.5m).

Investment income of £2.3m for the insurance companies represented a 1.2% return (2012: £5.6m, 2.7%) as a result of the sell-off in the debt securities market during the last 6 weeks of the period. A more detailed analysis of performance and holdings is provided below.

The debt purchase income ('RQLM' income), which is mostly related to the acquisition and management of claims against insolvent insurance companies, was significantly higher in the period, primarily as a result of the move to fair value accounting and favourable information received in the period on the estate on which the Group has most exposure. We also received some small dividends on our insurance debt portfolio. The carrying value at the period end rose to nearly £9.0m from £6.6m at year end, following the move to fair value accounting and a number of additional claims purchases in the period. Since June 30, we have acquired further insurance debt for a cost of over £2m, bringing the cumulative figure to £4m in the year to date and the pipeline for new acquisitions continues to look very positive with some significantly sized near term opportunities.

Reserve releases from the owned insurance companies of £2.6m (2012: £4.1m) were in line with expectations and exclude the £1.5m reduction in net insurance liabilities in Alma which has been treated as a prior year adjustment in line with accounting standards. The H1 2013 releases came primarily from favourable re-evaluations of reserves but also from commutation activity as well as certain broker and expense recoveries. The most notable releases were again in R&Q Re (UK) and Chevanstell. There were however favourable technical provision movements in R&Q Re (Belgium), Principle and Transport, whilst there was a small strengthening of asbestosis reserves in R&Q Re (US), where unfortunately lower investment income and higher expenses generated a loss of nearly £1.5m, none of which was offset by a recovery from ACE under the surplus maintenance agreement given that the vast majority of this loss did not stem from a deterioration in the ultimate claims estimate.

As is customary, we are hopeful that commutation and settlement activity, particularly in our non US portfolios will produce further releases by the year end. The net assets of the Group's 12 owned insurance companies at 30 June 2013 was £96.4m, a small rise on the 2012 year end value even after adjusting for new acquisitions. There were small further capital extractions from the portfolio in the period as well as some dividends received on the insurance debt portfolio. Since the period end, we have also made a significant distribution of c. £1.4m from one of our owned Bermudian cells.

	Vendor	Country of Incorporation	Acquisition Date	NAV* £m (30/06/13)	NAV* £m (31/12/12)
La Metropole SA	Travelers Group	Belgium	29 Nov 2000	0.2	0.2
Transport Insurance Company	American Financial Group	USA	30 Nov 2004	7.4	7.1
R&Q Reinsurance Company (UK) Limited	Ace Group	UK	3 July 2006	18.8	18.4
R&Q Reinsurance Company (Belgium)	Ace Group	Belgium	3 July 2006	2.9	2.8
R&Q Reinsurance Company (US)	Ace Group	USA	3 July 2006	15.7	15.3
Chevanstell Limited	Trygg Forsikring	UK	10 Nov 2006	28.3	28.8
R&Q Insurance (Guernsey) Limited	Deloitte LLP, Administrators for Woolworths Group plc	Guernsey	9 June 2009	2.0	2.0
Goldstreet Insurance Company	Sequa Corporation & Columbia Insurance Company	US	14 Dec 2009	4.0	3.7
La Licorne S.A.	MAAF Assurances	France	22 Apr 2010	0.9	1.1
Principle Insurance Company	PICH Ltd	UK	29 Dec 2011	6.2	5.9
Capstan	Roger and Elizabeth Bullivant	Guernsey	1 Nov 2012	0.9**	1.0
LINPAC	LINPAC Finance Limited	Guernsey	21 Dec 2012	-	0.3
Alma	Tapiola General	Finland	27 Dec 2012	6.2	5.9
Hickson	Arch Lonza Group	Isle of Man	11 Jan 2013	0.8	-
La Reassurance	MMA	France	3 June 2013	2.1	-
TOTAL				**96.4**	**91.3**

* IFRS basis

** After capital extraction during period

Operating expenses fell to £8.4m (2012: £10.1m) primarily due to the reallocation of certain staff to other divisions and lower service fees charged to certain owned insurance companies.

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There was a significant increase in the amount of 'goodwill on bargain purchase' in the period, which was £1.8m against just £0.3m in 2012. This increase is attributable to a higher level of acquisition activity and arose primarily on the purchase of La Reassurance and the novations of the MPPA Captive business at discounts to book value. The acquisition of Hickson, an Isle of Man based captive also added to the total. The pipeline for new potential acquisitions has grown further and we expect a significant contribution in the second half arising from the purchase of additional insurance companies, portfolios and captives. Certain of these deals are now progressing and are of a larger scale than recently announced transactions. We maintain our focus on the small to medium end of the size spectrum and are successfully developing and innovating our transaction structures and infrastructure, which is helping provide vendors with flexible and competitively priced solutions which still meet our own target rates of return. We also continue to seek legacy transactions in Lloyd's and following the Group's recent redomicile to Bermuda, we are beginning to benefit from the improved access to the North American market and the fast growing collateralised reinsurance market. We are therefore still confident on our ability to deploy promptly that part of the proceeds of the recent placing earmarked for new legacy insurance related acquisitions.

As largely expected, the performance of our four syndicate participations was more muted than in previous periods, with a neutral operating result overall after the deduction of the minority interest relating to Syndicate 3330. On the run-off syndicates, whilst Syndicate 3330 produced a strong result again following a further release of the risk premium as well as specific reserve savings in the professional indemnity account, there was a neutral contribution from our 20% share on run-off Syndicate 102, where releases in professional indemnity and marine liability reserves were offset by strengthening relating to the Contingent Cost Insurance business. On the active syndicate side, our 8.33% share of turnkey Syndicate 1897 produced a small loss following minor reserve strengthening on the 2011 and 2012 year of account, partially offset by additional premiums, and a modest loss for the first part of the 2013 underwriting year. Our c.23% share of Syndicate 1991 produced a more significant loss of c.£1m as a result purely of the small amount of premium earned to date against the expenses incurred in the period. We expect similar results on our syndicate participations during the second half with a similar level of losses on Syndicate 1991 due to continuing expense strain as earned premium takes time to develop.

Investment Income

Investment income of £2.3m (1.2%) from the Group's owned insurance companies was significantly lower than during 2012 (£5.6m, 2.7%) as the stable or falling rate environment and spread contraction which persisted right through to the end of April this year suddenly reversed with rapidly rising rates and credit spread widening during May and especially June. However, our investment positioning shielded us from the worst as our deliberately short duration portfolio and asset diversification contained losses. Indeed, our worst performing portfolio was the traditional corporate and treasury one where we invest part of our US insurance companies' funds partly due to regulatory requirements and partly for liquidity. Despite an overall duration of 3 years, the H1 return here was negative.

All of our portfolios, however, suffered a degree of unrealised losses during the latter part of the period which impacted the overall investment return materially against our expectations at the beginning of the second quarter. We still, however, produced a return towards the top end of those industry peers who report on a mark to market basis. We are also pleased to report that a tightening of credit spreads and a stable yield environment served to recoup all these losses during July.

The investment allocation for the Group's owned insurance companies by asset class at 30 June, 2013 was as follows:

Asset Class	Share of Total Portfolio
ABS (almost exclusively Residential Mortgage Backed Securities)	24%
CLOs	22%
Group Loans	18%
Corporate Bonds	9%
Cash funds/deposits	8%
Equities	7%
High Yield funds	5%
US Treasuries	3%
Municipals	2%
Senior secured loan fund	1%
Properties	1%

Invested funds as at 30 June 2013 were £219m equivalent, comprising of $199m, £80m, €7m and A$ 4m. The non-Sterling assets closely matched the currencies of the non-Sterling net insurance liabilities.

The credit ratings of the debt securities held by the Group at 30 June 2013 were as follows:

	Share of Total Portfolio
Cash Funds/Money Market Funds	4%
AAA	21%
AA	32%
A	26%
BBB	1%
BB	8%
NR (Equities etc)	8%

Overall the interest rate duration of the investment portfolio is still under one year given that a significant portion of the assets are invested in floating rate securities which will benefit in time from rising short term rates. The weighted average lives of the structured securities we own is around 3 years, which means the Group also has relatively modest exposure to credit spread duration especially given the high credit quality maintained. We are not immune however from the impact of on-going volatility in the credit markets.

The Group's running investment yield was c. 2.75% on an annualised basis at period end.

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Insurance Services Division

	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	Year ended 31 December 2012 £000
UK Claims & Reinsurance Management Services			
Internal portfolio management fees	4,702	5,106	11,887
Third party Income	1,681	4,044	6,360
Total Income	**6,383**	**9,150**	**18,247**
Operating Profit	**1,418**	**2,311**	**4,502**
UK Broker Services			
Total Income	**2,456**	**2,348**	**4,848**
Operating Profit	**916**	**354**	**897**
UK Liquidity Management			
Total Income	**1,425**	**1,229**	**2,641**
Operating (Loss)/profit	**(52)**	**(121)**	**23**
US Services			
Internal Portfolio management fees	2,142	2,067	3,817
Third party Income	5,779	2,238	9,630
Total Income	**7,921**	**4,305**	**13,447**
Operating Profit/(loss)	**3,705**	**(233)**	**4,180**
Captive Management			
Total Income	**3,398**	**3,172**	**5,824**
Operating profit	**269**	**497**	**662**
TOTAL INCOME	**21,583**	**20,204**	**44,990**
TOTAL DIVISIONAL OPERATING PROFIT	**6,256**	**2,808**	**10,264**

The ISD operating profit of £6.3m was strong and significantly above H1 2012 (£2.8m), primarily as a result of high levels of credit write-backs, which continued from the second half of 2012 in certain of the Group's manager and broker operations.

Total income increased to £21.6m (2012: £20.2m), mainly as a result of higher income in the US services operations, offset in part by a reduction in income from UK Claims and Reinsurance Management Services, which previously provided services to the Group's managed syndicates before reallocation of the associated staff and revenue to the Underwriting Management Division.

The revenue from our UK Broker Services operations increased compared to the same period in 2012 whilst operating profits rose significantly as a result of some favourable movements in the run-off brokers we own and certain cost efficiencies. Commission income on reinsurance collections and new business is typically weighted towards the second half of the year and the outlook looks promising. The broker run-offs we have acquired continue to perform well and we now have considerable scale and efficiency in this area with further deals in the pipeline. We continue to work on new solutions following the recent regulations on broker solvency, which should bring additional income opportunities. We have also extended our active broking operations, offering execution only services and a turnkey service for brokers looking to gain Lloyd's accreditation.

In UK Claims and Reinsurance Management Services, the reduction in total revenue is explained above; other external revenue has however held up and we continue to work with the larger UK based insurance groups, focused on reducing costs by outsourcing specialist work. Traditional run-off portfolio management contracts remain scarce however, as we have stated in previous results statements. This is due to the fact that the third party accounts which the Group traditionally had deep expertise in, i.e. those with asbestos and so-called London Market 'Spiral' losses, have already largely been outsourced and managed down. In addition to this, most run-off portfolios are being acquired by specialist groups with in-house resource, further exacerbating the paucity of opportunities. This contraction in available run-off contracts supports our continuing diversification into the 'active' market, which now comprises about 15% of total revenue. Operating profits in this claims and reinsurance management area fell, primarily reflecting the move of the syndicate servicing to the Underwriting Management Division and the lower contribution from the now very mature KMS pool management company owned by the Group. Operating margins remained healthy at over 20%.

UK Liquidity Management, which focuses on credit control services, is an area of expertise and renewed focus for the division. Revenue grew here by over 15% in the period to over £1.4m, on the back of new credit control and binder management service contracts. The operating loss narrowed and further pipeline revenue opportunities and continued cost management should help to improve the result further here in the remainder of the year.

The US Services operations produced an operating profit of £3.7m (2012: loss of £0.2m) as a result of exceptional levels of credit write backs in certain operating subsidiaries. Outside of this, the core business was impacted by a delay in certain new business income, however restructuring initiatives continue to deliver a more appropriate infrastructure and cost base. In addition, the product offering is becoming more streamlined and there are both significant near term new contracts in areas such as accounting and regulatory support as well as some new initiatives to develop onshore captive and programme management services in the US Healthcare industry following recent wholesale changes under 'Obamacare'. These latter initiatives will take some time to mature but we believe they could bring a significant new revenue and profit centre to the division. We are also now expanding into broking those legacy contracts which we do not have the scale, balance sheet or appetite to take on as principal. There are opportunities from the underwriting pools we manage as well as from the RTU legacy broking operations, in which we recently acquired a majority stake, focused on the US market with access to AA rated paper. This should also help build revenue.

The Captive Management operations performed satisfactorily during the period with increased income of £3.4m (2012: £3.2m). Operating profits of £0.3m (2012: £0.5m) were impacted from a weaker result in the Gibraltar operations, which suffered from delays in bringing new business on stream to compensate for an anticipated large contract loss as well as a further and final write down of the Nordic start-up venture.

The Bermuda based operations at R&Q Quest, which still comprise the main revenues and profits of the Group's captive management operations, continue to trade well. Additional revenue opportunities are being presented from the management and structuring of the captive exit solution transactions which it helps source for the Insurance Investments Division as well as from new client prospects, especially from Latin America. The US business is performing in line with expectations and the programme management initiatives in the US Healthcare sector could produce significant additional income both there and in our Bermuda operations.

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For the six months ended 30 June 2013

The Norwegian business, Triton, performed satisfactorily and has some new client prospects.

In summary, whilst the period benefited from exceptional levels of credit write backs, the underlying business experienced some delays in bringing new business on stream. There have however been a number of positive transitional steps in the division's operations in the period, both in the UK and in the US. We believe that our scale and expertise in niches such as broker run-off and liquidity management, together with the accounting services and regulatory support services, which continue to be in demand in the face of increasing regulation, should compensate for the lack of opportunity in our traditional run-off servicing core. Furthermore, the new broker execution only and broker turnkey services offered in the UK and the legacy transaction 'broking' services and programme management initiatives in the US position us well for some near term and longer-term growth in the division. We continue meanwhile to focus on cost control and managing resource in the maturing and more competitive areas of our operations, whilst expanding in areas where we see future growth.

Underwriting Management Division

	6 months ended 30 June 2013 £000	**6 months ended 30 June 2012 £000**	**Year ended 31 December 2012 £000**
Lloyd's Managing Agency operations			
Fee income	4,744	3,065	5,548
Profit Commissions	437	578	2,077
Operating Profit	576	1,597	2,378
MGAs			
Premium Income	*15,966*	*14,358*	*28,133*
Commission & Other Income	2,632	2,028	3,645
Operating profit/(loss)	232	(1,275)	(1,876)
Underwriting Management Holdings			
Income	232	202	297
Operating Loss	(705)	(1,301)	(1,958)
TOTAL INCOME	**8,095**	**5,873**	**11,567**
TOTAL OPERATING PROFIT/LOSS	**103**	**(979)**	**(1,456)**

The Underwriting Management Division generated its first half year operating profit since establishment in 2011. Whilst the operating profit was modest at just £0.1m, it is a demonstration of the gradual turnaround in the division's financial contribution. This still lags the operational developments as the benefits of the anticipated strong growth in premiums in newly launched active Syndicate 1991 and the future expected profit commissions will take time to materialise. Revenue grew strongly to £8.1m (2012: £5.9m), in large part due to the reallocation of services previously provided by the Insurance Services Division but also due to the continuing scaling up of the Lloyd's operations.

The Lloyd's Managing Agency operations had a satisfactory start to the year with strong fee income from the four managed syndicates and a profit commission of £0.4m arising from a further profit in Syndicate 3330. Compared with the same period in 2012, operating profits were lower at £0.6m (2012: £1.6m), due primarily to the prior year period benefiting from a significant take-on fee in relation to the Reinsurance-to-Close ('RITC') written in that year, the absence of a profit commission on Syndicate 102 during H1 2013 and the impact of further strengthening in the infrastructure of the agency related to the launch of Syndicate 1991 which as the syndicate grows will be able to be recouped more fully.

The MGA commission and other income grew at a rate of 30% compared with the prior year to £2.6m (2012: £2.0m) on premium income of £16.0m (2012: £14.3m) as a result of the accrual of some profit commissions on the yacht and marine account and good expansion in the Commercial Risk Services account together with improvements in the performance of Synergy, our high net worth MGA. Commission income was otherwise stable in R&Q Marine Services where the impact of keen competition was mitigated by new product launches and a large new account win. The operating profit of £0.2m compares very favourably with the 2012 loss of £1.3m and represents a good underlying improvement after stripping out the £1.0m loss which related to the discontinuing of the Canadian MGA operations in the same period last year. New underwriting hires, distribution initiatives and product design at Synergy should continue to improve performance here during the remainder of the year, especially with much improved capacity support. We also continue to develop third party back office support for MGAs to continue to leverage our infrastructure and defray costs during our growth phase. We remain focused on launching complementary products from our existing MGAs, cross-selling between them and continue to seek new quality underwriting teams with established books of business and capacity.

The division continues to be impacted by the costs associated with the increased regulatory burden faced not just by us but by the entire industry. The expected increase in the scale of our operations should however alleviate the future burden and residual costs retained by the managing agency.

The launch of Syndicate 1991 is an exciting development for the division and for the Group. The underwriting team has an excellent track record and its focused and specialist approach to delegated authority selection and management represents an attractive opportunity for growth. The diverse capital base supporting the syndicate comprises traditional names, R&Q itself and industry capital. Indications are that the planned strong increase in capacity for the 2014 underwriting year will be very well supported. Whilst good progress has been made in signing up the syndicate's preferred coverholders, there has been some delay in bringing these on stream given the early focus on infrastructure and the team's very thorough due diligence process. This is not likely to impact in any material way the ultimate written premium in the current underwriting year of account nor the proposed substantial top-line growth trajectory over coming years. The continuing extensive due diligence on prospective coverholders for Syndicate 1991 will result in a significant increase in the number of coverholders signed up in coming months with a resulting increase in pipeline premium income. It is planned to grow syndicate capacity to approximately £150m for the Lloyd's 2014 year of account.

The delay in signing up coverholders in the first part of the year has however impacted earned premium development, as commented above in the Insurance Investments Division, which in turn has impacted the accounting result under international accounting standards for the Group's participation on the syndicate. The impact of this on the division's result will be a slower than anticipated recognition/accrual of profit commissions in the event that the underwriting is profitable in line with projections. It is however simply a deferral rather than a reduction in the expected profits accruing to the division and indeed elsewhere in the Group.

The other area of focus for the division is in securing new turnkey clients to bring additional revenues, cost recoveries and profit commissions. The pipeline remains active and we are in discussions with a number of interested parties, which may still bring consultancy income during the current year, ahead of a 2014 mid-year start. There is however no guarantee that a positive decision will be made by these parties. We are however well placed to capitalise on the sustained interest in the Lloyd's market and will seek to grow relationships with insurance groups in the growing emerging markets as well as areas of the developed markets where Lloyd's is underrepresented. In parallel, we are looking at ways of setting up and managing consortium facilities.

There are also opportunities to expand the management of run-off business at Lloyd's, primarily from the proposed expansion of our own involvement in this market as principal, potentially alongside other third party capital providers.

In summary, the division continues to develop well and there are significant organic growth opportunities from Syndicate 1991 as well as from third party active syndicate management, new legacy management and further development of the MGA platform. Whilst the operating result is beginning to turn around, it will do so more gradually than we had originally hoped but if the growth opportunities materialise as we expect, it should bring substantial additional and sustainable profits to the Group over the medium term and beyond, whilst at the same time enhancing greatly the value of the platform we have invested in over the past few years.

Other Corporate

Central corporate costs in the first half year were in line with expectations and included some costs associated with implementing the recent redomicile. The redomicile has however helped establish a more appropriate operational and regulatory structure for the Group and has already brought about other commercial benefits, as anticipated.

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For the six months ended 30 June 2013

Return of Cash via a N/O Share Scheme

The Return of Value, details of which will be outlined in a circular to be posted to shareholders during September, will give shareholders the option of receiving their payment as capital or income and provides a more flexible and efficient mechanism of returning capital. The payment of 3.4p per share is anticipated to be made through the scheme in early November 2013 to those shareholders on the record date in October 2013.

The proposed return of cash to shareholders through a N/O share scheme comes in a period when the Group successfully managed to release capital from certain of its insurance investments.

The proposed Return of Value is in place of the interim dividend for the 2013 year but the Group may choose to make future returns of value in addition or instead of ordinary dividend payments, whilst maintaining its stated policy to pursue a standard progressive distribution policy following the decision to maintain total distributions to shareholders at 8.4p per share during 2013 absent unforeseen circumstances.

Litigation

There is no material litigation with which the Group is involved outside of the ordinary course of business. We continue to receive asbestos related claims and we have a number of on-going legal disputes with cedants but our reinsurers continue to bear the majority of the claims cost.

Outlook

Overall, the outlook for Randall & Quilter is promising and we expect that the full year result will meet management's expectations based on a higher anticipated contribution from new legacy related acquisitions during the second half, which should compensate for the impact of lower investment returns and the slower earned premium development in Syndicate 1991.

The business continues to be in a transitional phase with its emergence as a significant active market participator, the impact of which should be very material over the medium to longer term given the growth opportunities we expect to be able to pursue.

Meanwhile, our acquisition activity in the legacy insurance area is benefiting from a very strong pipeline and we expect to deploy promptly the remainder of funds raised from the placing to help fund a number of transactions in the remainder of the year. This should bring an immediate as well as sustained benefit to the Group through the potential for additional service income and future potential reserve savings.

Whilst we have some near term challenges in our service businesses, which include managing the costs associated with increased regulation, the transition to a focused and relevant product offering is well under way with a range of new initiatives both in the short term and most notably over the medium to longer term.

K E Randall

Chairman and Chief Executive Officer
27 August 2013

Condensed Consolidated Income Statement

For the six months ended 30 June 2013

	Note	6 months 30 June 2013 (Unaudited) £000	6 months 30 June 2012 (Unaudited) £000	Year ended 31 Dec 2012 (Audited) Restated £000
Gross premiums written		4,153	3,479	6,162
Reinsurers' share of gross premiums		(378)	(213)	(696)
Premiums written, net of reinsurance		3,775	3,266	5,466
Change in gross provision for unearned premiums		(1,657)	(1,363)	(1,583)
Change in provision for unearned premiums, reinsurers' share		475	243	-
Net change in provision for unearned premiums		(1,182)	(1,120)	(1,583)
Earned premiums net of reinsurance		**2,593**	**2,146**	**3,883**
Net investment income	4	1,776	5,513	11,996
Other income		21,830	17,611	36,109
		23,606	**23,124**	**48,075**
Total income	**3**	**26,199**	**25,270**	**51,958**
Gross claims paid		(20,627)	(28,517)	(79,871)
Reinsurers' share of gross claims paid		7,048	17,936	55,199
Claims paid, net of reinsurance		(13,579)	(10,581)	(24,672)
Movement in gross technical provision		(1,033)	35,497	53,819
Movement in reinsurers' share of technical provisions		18,266	(13,483)	(13,343)
Net change in provision for claims		17,233	22,014	40,476
Net insurance claims released		**3,654**	**11,433**	**15,804**
Operating expenses		**(27,165)**	**(28,196)**	**(52,916)**
Result of operating activities before goodwill on bargain purchase and impairment of intangible assets	**3**	**2,688**	**8,507**	**14,846**
Goodwill on bargain purchase		1,763	298	3,112
Impairment of intangible assets		(61)	(28)	(120)
Result of operating activities		**4,390**	**8,777**	**17,838**
Finance costs		(286)	(226)	(809)
Profit on ordinary activities before income taxes		**4,104**	**8,551**	**17,029**
Income tax charge	5	(986)	(233)	(625)
Profit for the period	**3**	**3,118**	**8,318**	**16,404**
Attributable to equity holders of the parent				
Attributable to ordinary shareholders		2,049	4,404	11,223
Non-controlling interests		1,069	3,914	5,181
		3,118	**8,318**	**16,404**
Earnings per ordinary share for the profit attributable to the ordinary shareholders of the Company:-				
Basic	7	4.0p	8.9p	22.7p
Diluted		3.9p	8.7p	22.1p

The attached notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2013
Company number 03671097

	Note	30 June 2013 (Unaudited) £000	30 June 2012 (Unaudited) £000	31 Dec 2012 (Audited) Restated £000
Assets				
Intangible assets		15,759	15,977	15,675
Property, plant and equipment		1,579	1,865	1,719
Investment properties		1,036	985	1,004
Financial assets		186,725	194,029	184,459
Reinsurers' share of insurance liabilities	6	175,673	153,859	148,988
Current tax assets		4,262	3,881	4,365
Deferred tax asset		4,900	6,506	5,383
Insurance and other receivables		65,057	66,106	61,890
Cash and cash equivalents		59,398	62,411	52,263
Total assets		514,389	505,619	475,746
Liabilities				
Insurance contract provisions	6	350,951	354,864	327,973
Financial liabilities		19,943	23,957	20,613
Deferred tax liabilities		1,905	1,372	2,192
Insurance and other payables	8	33,821	47,695	39,267
Current tax liabilities		3,992	1,160	2,570
Pension scheme obligations		2,831	3,971	4,381
Total liabilities		413,443	433,019	396,996
Equity				
Share capital		1,466	1,118	1,036
Other reserves		26,306	6,003	5,062
Retained earnings		72,027	61,565	67,510
Attributable to equity holders of the parent		99,799	68,686	73,608
Non-controlling interests		1,147	3,914	5,142
Total equity		100,946	72,600	78,750
Total liabilities and equity		514,389	505,619	475,746

Approved by the Board on 27 August 2013.

K E Randall **T A Booth**

The attached notes form an integral part of these condensed consolidated financial statements.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013

	6 months ended 30 June 2013 (Unaudited) £000	6 months ended 30 June 2012 (Unaudited) £000	Year ended 31 Dec 2012 (Audited) Restated £000
Profit before income tax	4,104	8,551	17,029
Finance costs	286	226	809
Depreciation	348	334	746
Share based payments	(190)	47	621
Goodwill on bargain purchase	(1,763)	(298)	(3,112)
Amortisation of intangible assets	61	28	120
Fair value loss/(gain) on financial assets	859	(2,180)	(6,466)
Gain/(loss) on net assets of pension schemes	73	(28)	(86)
(Increase)/decrease in receivables	(2,798)	270	5,398
(Increase)/decrease in deposits with ceding undertakings	(41)	(1,294)	293
Decrease in payables	(10,232)	(68,282)	(77,084)
Decrease in net insurance technical provisions	(16,051)	(22,014)	(40,849)
	(25,344)	(84,640)	(102,581)
Sale of financial assets	28,969	85,932	101,303
Purchase of financial assets	(18,787)	(2,288)	(11,492)
Cash used in operations	(15,162)	(996)	(12,770)
Income taxes paid	-	-	(78)
Income taxes repaid	-	-	254
Net cash used in operating activities	(15,162)	(996)	(12,594)
Purchase of property, plant and equipment	(204)	(453)	(721)
Acquisition of subsidiary undertaking (offset by cash acquired)	1,576	-	7,890
Share of cash from reinsurance of Syndicates	-	30,802	29,912
Cash injected by non-controlling interest in subsidiary	-	12	100
Net cash from investing activities	1,372	30,361	37,181
Repayment of borrowings	(1,165)	(1,227)	(3,931)
New borrowing arrangements	-	123	-
Equity dividends paid	(1,074)	(726)	(1,270)
Interest and other finance costs paid	(286)	(226)	(809)
Receipts from issue of shares	24,133	-	-
Cancellation of shares	(1,409)	(1,730)	(2,840)
Sale of treasury shares	129	16	90
Net cash from/(used in) financing activities	20,328	(3,770)	(8,760)
Net increase in cash and cash equivalents	6,538	25,595	15,827
Cash and cash equivalents at beginning of period	52,263	37,183	37,183
Foreign exchange movement on cash and cash equivalents	597	(367)	(747)
Cash and cash equivalents at end of period	59,398	62,411	52,263
Share of Syndicates' cash restricted funds	4,894	16,096	2,747
Unrestricted funds	54,504	46,315	49,516
Cash and cash equivalents at end of period	59,398	62,411	52,263

The attached notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	6 months ended 30 June 2013 (Unaudited) £000	6 months ended 30 June 2012 (Unaudited) £000	Year ended 31 Dec 2012 (Audited) Restated £000
Recognised in the financial period:-			
Exchange gains/(losses) on consolidation	1,200	152	(356)
Pension scheme actuarial gains/(losses)	1,644	(1,367)	(1,807)
Deferred tax on pension scheme actuarial (gains)/losses	(378)	342	416
Net income/(expense) recognised directly in equity	2,466	(873)	(1,747)
Profit for the period	3,118	8,318	16,404
Total comprehensive income for the period	5,584	7,445	14,657
Attributable to:-			
Equity holders of the parent	4,515	3,531	9,476
Non-controlling interests	1,069	3,914	5,181
Total recognised in the period	5,584	7,445	14,657

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Share capital	Shares to be issued	Share premium	Treasury shares	Retained profit	Total	Non-controlling interest	Total
Period ended 30 June 2013								
At beginning of period	1,036	744	4,752	(434)	66,390	72,488	5,142	77,630
Prior year adjustment	-	-	-	-	1,120	1,120	-	1,120
At beginning of period (as restated)	1,036	744	4,752	(434)	67,510	73,608	5,142	78,750
Total comprehensive income for the period								
Profit for the period	-	-	-	-	2,049	2,049	1,069	3,118
Other comprehensive income								
Exchange gains on consolidation	-	-	-	-	1,200	1,200	-	1,200
Pension scheme actuarial gains	-	-	-	-	1,644	1,644	-	1,644
Deferred tax on pension scheme actuarial gains	-	-	-	-	(378)	(378)	-	(378)
Total other comprehensive income for the period	-	-	-	-	2,466	2,466	-	2,466
Total comprehensive income for the period	-	-	-	-	4,515	4,515	1,069	5,584
Transactions with owners								
Issue of shares (net of expenses)	430	-	23,703	-	-	24,133	-	24,133
Issue of L-M shares	2,507	-	(2,507)	-	-	-	-	-
Cancellation of L Shares	(1,433)	-	-	24	-	(1,409)	-	(1,409)
Cancellation of M shares	(1,074)	-	-	-	1,074	-	-	-
Share based payments	-	(53)	-	-	-	(53)	-	(53)
Treasury shares	-	(49)	-	126	2	79	-	79
Dividends	-	-	-	-	(1,074)	(1,074)	-	(1,074)
Purchase of minority interest	-	-	-	-	-	-	(5,064)	(5,064)
At end of period	1,466	642	25,948	(284)	72,027	99,799	1,147	100,946

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the parent								
	Share capital	Shares to be issued	Share premium	Capital redemption reserve	Treasury shares	Retained profit	Total	Non-controlling interest	Total
Period ended 30 June 2012									
At beginning of period	1,118	254	12,096	1,636	(704)	58,032	72,432	-	72,432
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	4,404	4,404	3,914	8,318
Other comprehensive income									
Exchange gains on consolidation	-	-	-	-	-	152	152	-	152
Pension scheme actuarial losses	-	-	-	-	-	(1,367)	(1,367)	-	(1,367)
Deferred tax on pension scheme actuarial losses	-	-	-	-	-	342	342	-	342
Total other comprehensive income for the period	-	-	-	-	-	(873)	(873)	-	(873)
Total comprehensive income for the period	-	-	-	-	-	3,531	3,531	3,914	7,445
Transactions with owners									
Purchase of own shares	-	-	(4,900)	-	-	-	(4,900)	-	(4,900)
Issue of G-H shares	2,456	-	(2,456)	-	-	-	-	-	-
Cancellation of G Shares	(726)	-	-	-	-	726	-	-	-
Cancellation of H shares	(1,730)	-	-	-	-	-	(1,730)	-	(1,730)
Treasury shares	-	(9)	-	-	86	2	79	-	79
Dividends	-	-	-	-	-	(726)	(726)	-	(726)
At end of period	1,118	245	4,740	1,636	(618)	61,565	68,686	3,914	72,600

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the parent								
	Share capital	**Shares to be issued**	**Share premium**	**Capital redemption reserve**	**Treasury shares**	**Retained profit**	**Total**	**Non-controlling interest**	**Total**
Year ended 31 December 2012 (Restated)									
At beginning of year	1,118	254	12,096	1,636	(704)	58,032	72,432	-	72,432
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	11,223	11,223	5,181	16,404
Other comprehensive income									
Exchange losses on consolidation	-	-	-	-	-	(356)	(356)	(39)	(395)
Pension scheme actuarial losses	-	-	-	-	-	(1,807)	(1,807)	-	(1,807)
Deferred tax on pension scheme actuarial losses	-		-	-	-	416	416	-	416
Total other comprehensive income for the year	-	-	-	-	-	(1,747)	(1,747)	(39)	(1,786)
Total comprehensive income for the year	-	-	-	-	-	9,476	9,476	5,142	14,618
Transactions with owners									
Purchase of own shares	(82)	-	(3,182)	(1,636)	-	-	(4,900)	-	(4,900)
Issue of G-K shares	4,162	-	(4,162)	-	-	-	-	-	-
Cancellation of G&J shares	(2,892)	-	-	-	52	-	(2,840)	-	(2,840)
Cancellation of H&K shares	(1,270)	-	-	-	-	1,270	-	-	-
Share based payments	-	514	-	-	-	-	514	-	514
Treasury shares	-	(24)	-	-	218	2	196		196
Dividends	-	-	-	-	-	(1,270)	(1,270)	-	(1,270)
At end of year	1,036	744	4,752	-	(434)	67,510	73,608	5,142	78,750

The attached notes are an integral part of these condensed consolidated financial statements.

1. Basis of preparation

The condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The condensed interim financial statements for the 2013 and 2012 half years are unaudited, but have been subject to review by the Company's auditors.

The comparative figures for the year ended 31 December 2012 are based upon the consolidated Group financial statements. These accounts have been reported on by the Company's auditors and have been delivered to the Registrar of Companies on 30 June 2013. These figures have been restated in line with the provisional accounting of an acquisition during the year, further details are given in note 14.

2. Significant accounting policies

The condensed interim financial statements have been prepared under the historical cost convention, except that financial assets are stated at their fair value.

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012 other than as detailed below. There have been no amendments to accounting policies as a result of new standards or interpretations that have become effective during 2013.

Purchased reinsurance receivables

Previously, these assets were included within "Insurance and other receivables" and were initially recorded at cost. However, with effect from 1 January 2013, the Group now accounts for these financial assets at fair value in accordance with International accounting standard No 39 (IAS 39).

The Directors are of the opinion that this change provides reliable and more relevant information about the effect of the transactions on the Group's financial position.

The effect of this change has no material impact on the Group's results for 2012 and an uplift of £1.8m for the six months to 30 June 2013. These assets are included within the Consolidated Statement of Financial Position heading "Financial assets".

Fair value is defined as the price at which an orderly transaction would take place between market participants at the reporting date and is therefore an estimate which requires the use of judgement.

3. Segmental information

The Group's segments represent the level at which financial information is reported to the Board, being the chief operating decision maker as defined in IFRS 8. The reportable segments have been identified as follows:-

- Insurance Investments, which acquires legacy portfolios and insurance debt and provides capital support to the Group's managed Lloyd's Syndicates
- Insurance Services, which provides insurance related services (including captive management) to both internal and external clients in the insurance market
- Underwriting Management, which provides management to Lloyd's syndicates and operates other underwriting entities
- Other corporate activities, which primarily includes the holding company and other minor subsidiaries which fall outside of the segments above

3. Segmental information (continued)

Segment result for the six months ended 30 June 2013

	Insurance investments £000	Insurance services £000	Underwriting management £000	Other corporate £000	Consolidation adjustments £000	Total £000
Earned premium net of reinsurance	2,593	-	-	-	-	2,593
Net investment income	2,641	770	145	821	(2,601)	1,776
Other external income	2,021	13,375	6,434	-	-	21,830
Other internal income	337	7,439	1,510	746	(10,032)	-
Total income	**7,592**	**21,584**	**8,089**	**1,567**	**(12,633)**	**26,199**
Claims paid, net of reinsurance	(13,579)	-	-	-	-	(13,579)
Net change in provision for claims	17,233	-	-	-	-	17,233
Net insurance claims released	**3,654**	**-**	**-**	**-**	**-**	**3,654**
Operating expenses	(11,200)	(15,299)	(7,954)	(2,744)	10,032	(27,165)
Result of operating activities before goodwill on bargain purchase and impairment of intangible assets	**46**	**6,285**	**135**	**(1,177)**	**(2,601)**	**2,688**
Goodwill on bargain purchase	1,763	-	-	-	-	1,763
Impairment of intangible assets	-	(29)	(32)	-	-	(61)
Result of operating activities	**1,809**	**6,256**	**103**	**(1,177)**	**(2,601)**	**4,390**
Finance costs	(708)	(826)	(220)	(1,133)	2,601	(286)
Profit/(loss) on ordinary activities before income taxes	**1,101**	**5,430**	**(117)**	**(2,310)**	**-**	**4,104**
Income tax (charge)/credit	184	(1,868)	(92)	790	-	(986)
Profit/(loss) for the period	**1,285**	**3,562**	**(209)**	**(1,520)**	**-**	**3,118**
Non-controlling interest	(992)	-	(77)	-	-	(1,069)
Attributable to owners of parent	**293**	**3,562**	**(286)**	**(1,520)**	**-**	**2,049**
Segment assets	**548,285**	**77,702**	**14,115**	**61,445**	**(187,158)**	**514,389**
Segment liabilities	**447,567**	**76,298**	**16,597**	**60,139**	**(187,158)**	**413,443**

Internal income includes fees payable by the insurance companies to the Insurance Services Division in the period, which are contractually committed on an arm's length basis.

External income contains no clients which generate more than 10% of the total external income.

Segment result for the six months ended 30 June 2013

	Insurance investments £000	Insurance services £000	Underwriting management £000	Other corporate £000	Consolidation adjustments £000	Total £000
Earned premium net of reinsurance	2,146	-	-	-	-	2,146
Net investment income	6,101	437	80	325	(1,430)	5,513
Other external income	1,000	12,312	4,299	-	-	17,611
Other internal income	306	7,455	1,494	-	(9,255)	-
Total income	**9,553**	**20,204**	**5,873**	**325**	**(10,685)**	**25,270**
Claims paid, net of reinsurance	(10,581)	-	-	-	-	(10,581)
Net change in provision for claims	22,014	-	-	-	-	22,014
Net insurance claims released	**11,433**	**-**	**-**	**-**	**-**	**11,433**
Operating expenses	(10,904)	(17,396)	(6,852)	(2,299)	9,255	(28,196)
Result of operating activities before goodwill on bargain purchase and impairment of intangible assets	**10,082**	**2,808**	**(979)**	**(1,974)**	**(1,430)**	**8,507**
Goodwill on bargain purchase	298	-	-	-	-	298
Impairment of intangible assets	-	(28)	-	-	-	(28)
Result of operating activities	**10,380**	**2,780**	**(979)**	**(1,974)**	**(1,430)**	**8,777**
Finance costs	(346)	(621)	(87)	(602)	1,430	(226)
Profit/(loss) on ordinary activities before income taxes	**10,034**	**2,159**	**(1,066)**	**(2,576)**	**-**	**8,551**
Income tax (charge)/credit	(881)	135	(78)	591	-	(233)
Profit/(loss) for the period	**9,153**	**2,294**	**(1,144)**	**(1,985)**	**-**	**8,318**
Non-controlling interest	(3,914)	-	-	-	-	(3,914)
Attributable to owners of parent	**5,239**	**-**	**-**	**-**	**-**	**4,404**
Segment assets	**529,232**	**115,630**	**15,801**	**(5,638)**	**(149,406)**	**505,619**
Segment liabilities	**423,304**	**96,831**	**18,384**	**56,176**	**(161,676)**	**433,019**

Internal income includes fees payable by the insurance companies to the Insurance Services Division in the period, which are contractually committed on an arm's length basis.

External income contains no clients which generate more than 10% of the total external income.

3. Segmental information (continued)

Segment result for the year ended 31 December 2012 (Restated)

	Insurance investments £000	Insurance services £000	Underwriting management £000	Other corporate £000	Consolidation adjustments £000	Total £000
Earned premium net of reinsurance	3,883	-	-	-	-	3,883
Net investment income	13,379	1,497	197	1,155	(4,262)	11,966
External income	621	27,448	7,999	41	-	36,109
Internal income	460	16,045	3,371	-	(19,876)	-
Total income	**18,343**	**44,990**	**11,567**	**1,196**	**(24,138)**	**51,958**
Claims paid, net of reinsurance	(24,672)	-	-	-	-	(24,672)
Net change in provision for claims	40,476	-	-	-	-	40,476
Net insurance claims released	**15,804**	**-**	**-**	**-**	**-**	**15,804**
Operating expenses	(21,152)	(34,671)	(12,958)	(4,011)	19,876	(52,916)
Result of operating activities before goodwill on bargain purchase	**12,995**	**10,319**	**(1,391)**	**(2,815)**	**(4,262)**	**14,846**
Goodwill on bargain purchase	3,112	-	-	-	-	3,112
Amortisation of intangible assets	-	(55)	(65)	-	-	(120)
Result of operating activities	**16,107**	**10,264**	**(1,456)**	**(2,815)**	**(4,262)**	**17,838**
Finance costs	(1,143)	(1,778)	(325)	(1,825)	4,262	(809)
Profit/(loss) on ordinary activities before income taxes	**14,964**	**8,486**	**(1,781)**	**(4,640)**	**-**	**17,029**
Income tax credit/(charge)	72	(1,245)	75	473	-	(625)
Profit/(loss) for the year	**15,036**	**7,241**	**(1,706)**	**(4,167)**	**-**	**16,404**
Non-controlling interest	(5,064)	-	(117)	-	-	(5,181)
Attributable to owners of parent	**9,972**	**7,241**	**(1,823)**	**(4,167)**	-	**11,223**
Segment assets	**525,896**	**105,628**	**15,743**	**(6,117)**	**(165,404)**	**475,746**
Segment liabilities	**409,304**	**82,667**	**18,643**	**62,845**	**(176,463)**	**396,996**

Internal income includes fees payable by the insurance companies to the Insurance Services Division in the period, which are contractually committed on an arm's length basis.

No income from any one client included within the external income generated more than 10% of the total external income.

Geographical analysis
As at 30 June 2013

	UK £000	North America £000	Europe £000	Total £000
Gross assets	302,737	366,569	32,241	701,547
Intercompany eliminations	(148,618)	(21,753)	(16,787)	(187,158)
Segment assets	154,119	344,816	15,454	514,389
Gross liabilities	256,570	327,411	16,620	600,601
Intercompany eliminations	(153,166)	(33,112)	(880)	(187,158)
Segment liabilities	103,404	294,299	15,740	413,443
Segmental income	17,320	8,105	774	26,199

As at 30 June 2012

	UK £000	North America £000	Europe £000	Total £000
Gross assets	317,271	331,695	18,327	667,293
Intercompany eliminations	(118,187)	(32,757)	(10,730)	(161,674)
Segment assets	199,084	298,938	7,597	505,619
Gross liabilities	278,448	303,887	12,601	594,936
Intercompany eliminations	(124,843)	(35,951)	(1,123)	(161,917)
Segment liabilities	153,605	267,936	11,478	433,019
Segmental income	18,309	6,254	707	25,270

As at 31 December 2012 (Restated)

	UK £000	North America £000	Europe £000	Total £000
Gross assets	293,157	335,547	23,505	652,209
Intercompany eliminations	(140,848)	(26,150)	(9,465)	(176,463)
Segment assets	152,309	309,397	14,040	475,746
Gross liabilities	255,813	304,467	13,634	573,914
Intercompany eliminations	(141,748)	(34,638)	(532)	(176,918)
Segment liabilities	114,065	269,829	13,102	396,996
Segmental income	32,777	17,817	1,364	51,958

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

3. Segmental information (continued)

Other information
As at 30 June 2013

	Insurance Investments £000	Insurance services £000	Other corporate £000	Eliminations £000	Total £000
Capital expenditure	-	204	-	-	204
Depreciation	-	348	-	-	348

As at 30 June 2012

	Insurance Investments £000	Insurance services £000	Other corporate £000	Eliminations £000	Total £000
Capital expenditure	-	453	-	-	453
Depreciation	-	334	-	-	334

As at 31 December 2012

	Insurance Investments £000	Insurance services £000	Other corporate £000	Eliminations £000	Total £000
Capital expenditure	-	721	-	-	721
Depreciation	-	746	-	-	746

4. Investment return

	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Interest income	2,948	3,456	5,992
Realised gains on investments	1,359	830	816
Unrealised (losses)/gains on investments	(2,254)	1,479	5,775
Investment management expenses	(277)	(252)	(617)
	1,776	5,513	11,966

5. Income tax

	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	Year ended 31 December 2012 £000
Current tax	1,168	136	(1,114)
Deferred tax	(182)	97	1,739
Tax charge	986	233	625

6. Technical provisions

Gross	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	Year ended 31 December 2012 Restated £000
Claims outstanding at 1 January	327,973	362,229	362,229
Claims paid	(20,627)	(28,517)	(79,871)
Increase arising from acquisition of subsidiary and RITC of Syndicates	3,686	29,439	31,922
Strengthening of reserves	23,317	(6,980)	26,052
Net exchange differences	16,602	(1,307)	(12,359)
As at period end	350,951	354,864	327,973

Reinsurance	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	Year ended 31 December 2012 Restated £000
Reinsurers share of claims outstanding at 1 January	148,988	166,745	166,745
Reinsurers share of gross claims paid	(7,048)	(17,936)	(55,199)
Increase arising from acquisition of subsidiary and RITC of Syndicates	578	2,647	2,747
Strengthening of reserves	25,789	4,453	41,855
Net exchange differences	7,366	(2,050)	(7,160)
As at period end	175,673	153,859	148,988

Net	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	Year ended 31 December 2012 Restated £000
Net claims outstanding at 1 January	178,985	195,484	195,484
Net claims paid	(13,579)	(10,581)	(24,672)
Increase arising from acquisition of subsidiary and RITC of Syndicates	3,108	26,792	29,175
Release of reserves	(2,472)	(11,433)	(15,803)
Net exchange differences	9,236	743	(5,199)
As at period end	175,278	201,005	178,985

The assumptions used in the estimation of provisions relating to insurance contracts are intended to result in provisions which are sufficient to settle the net liabilities from insurance contracts.

Provision is made at the balance sheet date for the estimated ultimate cost of settling all claims incurred in respect of events and developments up to that date, whether reported or not. The source of data used as inputs for the assumptions is primarily internal.

Significant uncertainty exists as to the likely outcome of any particular claim and the ultimate costs of completing the run off of the Group's owned insurance operations.

6. Technical provisions (continued)

The Group owns a number of insurance companies in run-off. Significant uncertainty arises in the quantification of technical provisions for all insurance entities under the Group's control due to the long tail nature of the business underwritten by those entities. The business written by the insurance company subsidiaries consists in part of long tail liabilities, including asbestos, pollution, health hazard and other US liability insurance. The claims for this type of business are typically not settled until several years after policies have been written. Furthermore, much of the business written by these companies is re-insurance and retrocession of other insurance companies, which lengthens the settlement period.

The provisions carried by the Group's owned insurance companies are calculated using a variety of actuarial techniques. The provisions are calculated and reviewed by the Group's internal actuarial team; in addition the Group periodically commissions independent external actuarial reviews. The use of external advisors provides management with additional comfort that the Group's internally produced statistics and trends are consistent with observable market information and other published data.

When preparing these Financial Statements full provision is made for all costs of running off the business of the insurance subsidiaries to the extent that the provision exceeds the estimated future investment return expected to be earned by those subsidiaries. The quantum of the costs of running off the business and the future investment income has been determined through the preparation of cash flow forecasts over the anticipated period of the run offs. The gross costs of running off the business are estimated to be fully covered by investment income.

Provisions for outstanding claims and IBNR are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. Insurance companies within the Group are covered by a variety of treaty, excess of loss and stop loss reinsurance programmes.

7. Earnings per share

	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	Year ended 31 December 2012 Restated £000
Profit for the period attributable to Ordinary shareholders	2,049	4,404	11,223
	No. 000's	**No. 000's**	**No. 000's**
Weighted average number of Ordinary shares	51,849	49,420	49,509
Effect of dilutive share options	1,087	1,015	1,236
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	52,936	50,435	50,745
Basic earnings per share	4.0p	8.9p	22.7p
Diluted earnings per share	3.9p	8.7p	22.1p

8. Insurance and other payables

	6 months ended 30 June 2013 £000	6 months ended 30 June 2012 £000	Year ended 31 December 2012 Restated £000
Structured liabilities	369,486	367,410	350,117
Structured settlements	(369,486)	(367,410)	(350,117)
	-	-	-
Other creditors	33,821	47,695	39,267
	33,821	47,695	39,267

Structured Settlements

No new structured settlement arrangements have been entered into during the period. The movement in these structured liabilities during the period is primarily due to exchange movements. The Group has paid for annuities from third party life insurance companies for the benefit of certain claimants. In the event that any of these life insurance companies were unable to meet their obligations to these annuitants, any remaining liability would fall upon the respective insurance company subsidiaries. The subsidiary retains the credit risk in the unlikely event that the life insurance company defaults on its obligations to pay the annuity amounts. The Directors believe that, having regard to the quality of the security of the life insurance companies, the possibility of a material liability arising in this way is very unlikely. The life companies will settle the liability directly with the claimants and no cash will flow through the Group. These have been shown as reducing the insurance companies' liabilities to reflect the substance of the transactions and to ensure that the disclosure of the balances does not detract from the users' ability to understand the Group's future cash flows.

Quest – Segregated Cells

In respect of the Quest group, the assets and liabilities of the segregated cells not owned by the Group and the profits and losses of each cell not owned by the Group are not available for use by Quest, nor the Group, and as such these balances are not included in the consolidated statement of financial position. The amounts held on behalf of the segregated cells as at 30 June 2013 amounted to £54,088,000 (31 December 2012: £58,594,000).

Client monies

The Group holds regulated funds on behalf of clients and as these are not available for use by the Group, they are not included in the consolidated statement of financial position. The amounts held as at 30 June 2013 amounted to £18,522,000 (31 December 2012: £17,027,000).

9. Borrowings

The Company has entered into a guarantee agreement and debenture arrangement with its bankers, along with various of its subsidiaries in respect of the Group's overdraft and term loan facilities. The total liability to the bank at 30 June 2013 is £18,153,000 (2012: £18,939,000).

10. Issued share capital

Issued share capital as at 30 June 2013 amounted to £1,466,117 (31 December 2012: £1,035,719).

11. Contingencies and commitments

In connection with certain acquisitions the terms are subject to potential amendment which could give rise to an additional payment of £8.9m (31 December 2012: £4.8m).

Notes to the Interim Financial Statements

For the six months ended 30 June 2013

12. Goodwill

When testing for impairment of goodwill, the recoverable amount of each relevant cash generating unit is determined based on cash flow projections. These cash flow projections are based on the financial forecasts approved by management covering a five year period. Management also consider the current net asset value and earnings of each cash generating unit.

No changes to the underlying assumptions have been made in the interim review.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

13. Related party transactions

The following Officers and connected parties received distributions during the period as follows:-

	2013	2012
	£	£
K E Randall and family	987,097	1,090,226
A K Quilter	202,323	212,976
K P McNamara	6,955	6,816
M G Smith	1,250	1,225
J M P Welman	5,000	4,900

- Mr and Mrs K E Randall received £nil (2012: £12,500) for rent for property used by the Group.
- During the period the Group recharged expenses totalling £4,453,000 (2012: £2,034,000) to Lloyd's Syndicates, 102, 1897, 1991 and 3330 which are managed by the Group.

14. Business combinations

Hickson Insurance Limited

On 11 January 2013 the Group purchased the entire issued share capital of Hickson Insurance Limited a company incorporated in Isle of Man.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of net assets acquired was £775,000. Goodwill on bargain purchase of £250,000 arose. This goodwill on bargain purchase arises because insurance companies in run-off normally cause significant problems for former owners such as tying up capital and lack of specialist staff. As a specialist service provider and manager, the Group is more efficient at managing such entities.

The following table shows the fair value of assets and liabilities included in the consolidated Financial Statements at the date of acquisition.

	Fair value £'000
Other debtors	1
Cash	782
Other creditors	(8)
Net assets acquired	775
Satisfied by	
Cash paid	(525)
Goodwill on bargain purchase	250

The carrying value of the insurance liabilities is materially similar to their fair value and therefore no intangible asset is needed to be recognised in accordance with the accounting policy for goodwill.

14. Business combinations (continued)

La Reassurance Intercontinentale

On 3 June 2013 the Group purchased the entire issued share capital of La Reassurance Intercontinentale a company incorporated in France.

The acquisition has been accounted for using the acquisition method of accounting. The fair values of the assets and liabilities are provisional pending the final valuations of these assets and liabilities as required by IFRS 3. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of net assets acquired was £2,121,000. Goodwill on bargain purchase of £688,000 arose. This goodwill on bargain purchase arises because insurance companies in run-off normally cause significant problems for former owners such as tying up capital and lack of specialist staff. As a specialist service provider and manager, the Group is more efficient at managing such entities.

The following table shows the fair value of assets and liabilities included in the consolidated Financial Statements at the date of acquisition.

	Fair value £'000
Other debtors	3,457
Cash	1,043
Technical provisions	(2,358)
Other creditors	(21)
Net assets acquired	2,121
Satisfied by	
Cash paid	(1,433)
Goodwill on bargain purchase	688

The carrying value of the insurance liabilities is materially similar to their fair value and therefore no intangible asset is needed to be recognised in accordance with the accounting policy for goodwill.

MPPA Insurance Limited

On 24 June 2013 the Group novated the contracts from MPPA Insurance Limited to the Group's owned cell in R&Q Quest (SAC) Ltd.

The acquisition has been accounted for using the acquisition method of accounting. The fair values of the assets and liabilities are provisional pending the final valuations of these assets and liabilities as required by IFRS 3. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of net assets acquired was £2,218,000. Goodwill on bargain purchase of £825,000 arose. This goodwill on bargain purchase arises because insurance companies in run-off normally cause significant problems for former owners such as tying up capital and lack of specialist staff. As a specialist service provider and manager, the Group is more efficient at managing such entities.

The following table shows the fair value of assets and liabilities included in the consolidated Financial Statements at the date of acquisition..

	Fair value £'000
Cash	2,526
Technical provisions	(221)
Other creditors	(87)
Net assets acquired	2,218
Satisfied by	
Cash paid	(1,393)
Goodwill on bargain purchase	825

The carrying value of the insurance liabilities is materially similar to their fair value and therefore no intangible asset is needed to be recognised in accordance with the accounting policy for goodwill.

ALMA

In the financial statements for the year ended 31 December 2012 the initial accounting for this business combination had been determined only provisionally. Since the yearend the fair value of the insurance liabilities has been reassessed as £1.5m below their provisional carrying value on acquisition. As a result the fair value of these liabilities has been decreased by £1.5m, with an associated deferred tax liability of £0.4m, and a corresponding increase in goodwill on bargain purchase.

The 2012 comparative information is restated to reflect this adjustment.

15. Non-controlling interests

Details of the non-controlling interest are included in the Chairman's statement.

16. Events after the reporting date

Since the reporting date, on 5 July 2013, pursuant to a scheme of arrangement under sections 895 to 899 of the Companies Act 2006, a new Bermudian incorporated parent company of the Group was introduced called Randall & Quilter Investment Holdings Ltd., replacing the previous UK incorporated parent company, Randall & Quilter Investment Holdings plc. References in this document prior to 7 July 2013 relate to Randall & Quilter Investment Holdings plc (registered in England Number 03671097) and after the date to Randall & Quilter Investment Holdings Ltd. (registered in Bermuda 47341).

Independent Review Report to Randall & Quilter Investment Holdings Ltd

For the six months ended 30 June 2013

Introduction

We have been engaged by the Company to review the condensed set of Financial Statements in the interim financial report for the six months ended 30 June 2013 which comprise the condensed consolidated income statement, condensed consolidated statement of financial position, condensed consolidated cash flow statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and related notes.

Directors' Responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union, and the AIM Rules for Companies.

The annual Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of Financial Statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of Financial Statements in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the AIM Rules for Companies. We do not, in producing this report, accept or assume responsibility for any other purpose to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We also read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the interim financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

PKF Littlejohn LLP

PKF Littlejohn LLP
Chartered Accountants
Registered Auditor

27 August 2013

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