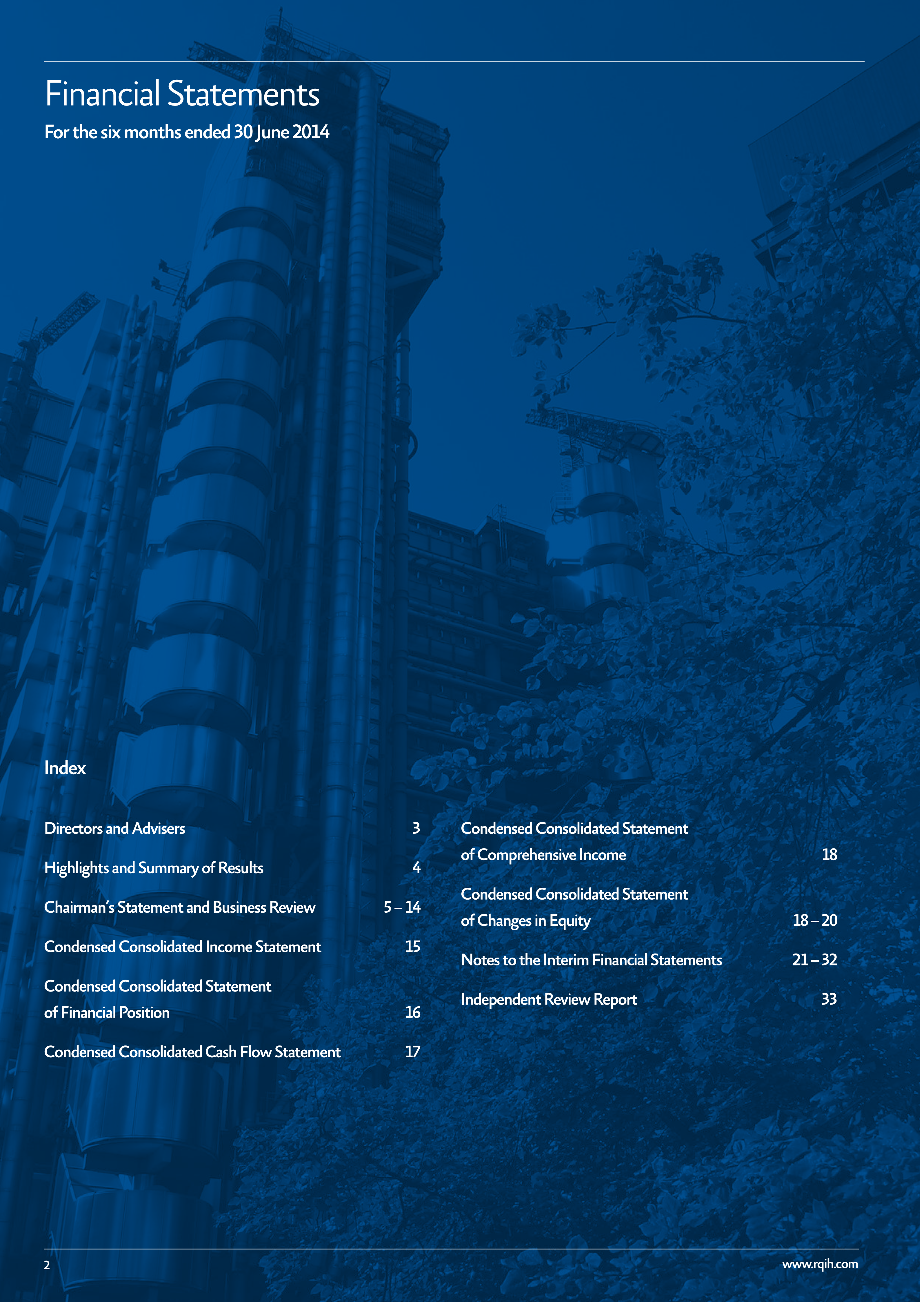
STRATEGY | INNOVATION | EXPERTISE

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

30 June 2014

The Company's registration number is 47341



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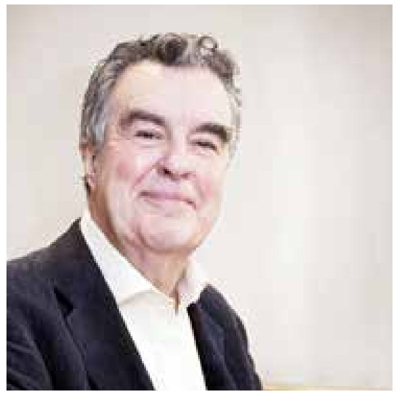
Financial Statements
For the six months ended 30 June 2014

Directors and Advisers

K E Randall

A K Quilter

T A Booth



M G Smith

P A Barnes

A H F Campbell
(appointed 31 January 2014)

Secretaries
M L Glover
Codan Secretaries Limited

Registered Office
Clarendon House
2 Church Street
Hamilton
HM11
Bermuda

Registered Number
47341

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

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

Summary of Results

Group Results	6 months ended 30 June 2014 £000	6 months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Operating (loss)/profit	(345)*	3,321**	10,159**
(Loss)/Profit on ordinary activities before income taxes	(648)*	3,035**	9,564**
Profit after tax	734*	2,049**	7,440**
Earnings Per Share (Basic)	(0.9p)	4.0p	11.9p
Net Tangible Assets per Share	109.4p	119.0p	116.4p
Divisional Performance			
Insurance Investments Division Operating Profit	1,625*	817**	8,673**
Insurance Services Division Operating Profit	3,764	6,256	9,839
Underwriting Management Division Operating (Loss)/Profit	(699)	103	(177)

* Prior to £250k of exceptional expenses related to proposed Accredited acquisition

** After deduction of Minority Interests relating to the 2012 YOA of s.3330 of £996k in the 6 months ended 30 June 2013 and £1,660k in the year ended 31 December 2013

The Group delivered a pre-tax loss of £(0.6)m* for the half year (2013: pre-tax profit of £3.0m**). The results are in line with expectations at the AGM trading update which highlighted the potential impact from delays in the completion of certain legacy transactions.

Chairman's Statement

The Group delivered a pre-tax loss of £(0.6)m* for the half year (2013: pre-tax profit of £3.0m**). The comparable figure for 2013 was stated after deducting the minority interest relating to Syndicate 3330 because of its materiality. Post-tax profit was £0.7m against £2.0m in H1 2013.

The results are in line with expectations at the AGM trading update which highlighted the potential impact from delays in the completion of certain legacy transactions. Second half bias in the income of our services businesses, the timing of actuarial reviews and bonus payments made in April tend to make the first half year significantly weaker than the second half. This year, the overall result was further impacted by weak syndicate results, as largely predicted, and costs related to the Accredited transaction.

Higher investment returns and an increased contribution from legacy related transactions, despite delays in certain transactions, compensated for weak syndicate results and a lower profit from our insurance debt purchase operations, which nevertheless produced strong cash flow on the receipt of large dividend payments. Insurance company reserve releases were at similar levels to the prior year. The Insurance Investments Division's operating result was higher overall than the prior year result.

The Insurance Services Division's performance was weaker due to a poor result in the US, which more than offset a strong performance from the UK operations and the benefit of a broker run-off acquisition. Much of the underperformance in the US was however due to income deferral, some of which should materialise in the remainder of the year. On a relative basis, comparisons with 2013 suffer from an absence of the exceptional levels of credit write backs in that year.

The Underwriting Management Division generated a small operating loss, primarily due to a profit commission reversal associated with the expense reserve addition in former Syndicate 102.

Corporate overheads were in line with expectations but higher than the prior period which benefited from higher investment income on a larger average free cash balance.

The Group's tax credit of £1.4m reflected losses in certain US subsidiaries. Basic earnings per share were (0.9p) (2013: 4.0p).

In line with our distribution policy, 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 109.4p were lower than as at 31 December 2013 (116.4p) after the 5.0p final distribution relating to the 2013 financial year and some adverse FX movements affecting the US companies whose surplus is held in dollars.

Further details of the proposed R/S share scheme will be outlined in a circular to be posted to shareholders during September with payment due in early November 2014 to those shareholders on the record date in October 2014.

Further detail on the operating divisions is provided below:-

Insurance Investments Division

Insurance Investments	June 2014 £000	June 2013 £000	December 2013 £000
Premiums and other income	10,990[1]	415	1,747
Investment income[2]	4,663	2,331	7,826
Net insurance claims released	(5,049)[3]	2,635	3,616
Operating Expenses	(10,871)[5]	(8,360)	(17,960)
Goodwill on bargain purchase	2,837	1,763	8,479
RQLM movement in Fair Value	625	2,021	4,410
Net earned premium Syndicates	*4,550*	*2,516*	*5,561*
Syndicate result	(1,570)	12[4]	555[4]
TOTAL	**1,625[5]**	**817[4]**	**8,673[4]**

[1]Includes a material retrospective RI premium

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

[3]Includes net insurance liabilities relating to a retrospective reinsurance

[4]After deduction of Minority Interests relating to Syndicate 3330 of £996k and £1,660k in H1 and FY 2013 respectively

[5]Excluding costs of £250k relating to proposed Accredited acquisition

The Insurance Investment Division's performance was better than the prior year period, producing an operating profit of £1.6m[5] (2013: £0.8m).

Premium income was much increased as a result of a large retrospective reinsurance deal during the period.

Total investment income of £4.6m for the insurance companies included external income of £3.4m, which represented a 2.0% return (2013: £2.3m of which £1.2m was external, 1.2%). The improved performance was due to favourable investment markets in both fixed income and equities.

Reserve releases from the owned insurance companies of £2.3m (2013: £2.6m) were in line with expectations and the prior year. The H1 2014 releases came primarily from favourable re-evaluations of reserves but also from commutation activity. The most notable releases were in R&Q Cyprus, La Licorne and Capstan, the latter two entities including a number of formerly separate entities such as La Reassurance, R&Q Re Belgium and various consolidated Guernsey captives. There was also a small favourable technical provision movement in R&Q Re (UK), where we have recently agreed a large commutation, much reducing the size of the outstanding book. There was a small deterioration in R&Q Re (US) and though ground up analysis appears to suggest the accounts reviewed are adequately reserved, we may well be affected by deteriorating industry benchmarks and faster claims settlements when entering the year end reserving process. The net impact should however be ameliorated through the strong reinsurance cover.

The debt purchase income ('RQLM' income), which is mostly related to the acquisition and management of claims against insolvent insurance companies, was lower than the prior year period, which benefited from the move to fair value accounting. We received some large cash dividends on our insurance debt portfolio as anticipated during June and as a result, the carrying value at the period end fell to £10.6m from £16.1m at 31 December 2013. We continue to bid for additional insurance debt and the pipeline for new acquisitions continues to look positive which is likely to lead to an acquisition partnership model to increase our capacity as a bidder.

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 owned insurance companies at 30 June 2014 was £110.7m, a small decrease on the 2013 year end value mostly as a result of capital extractions, the weakened dollar and operating expenses. There were further capital extractions from the portfolio in the period, especially the run-off captive programmes, in addition to the aforementioned dividends received on the insurance debt portfolio.

	Vendor	Country of Incorporation	Acquisition Date	NAV* £m (30/06/14)	NAV* £m (31/12/13)
La Metropole SA	Travelers Group	Belgium	29 Nov 2000	0.0	0.1
Transport Insurance Company	American Financial Group	USA	30 Nov 2004	6.4	7.0
R&Q Reinsurance Company (UK) Limited	Ace Group	UK	3 July 2006	17.3	19.1
R&Q Reinsurance Company (US)	Ace Group	USA	3 July 2006	9.9	12.4
R&Q Insurance (Malta) / Chevanstell Limited	Trygg Forsikring	UK	10 Nov 2006	30.1	31.2
R&Q Insurance (Guernsey) Limited	Various	Guernsey	9 June 2009	0.8**	1.9
Goldstreet Insurance Company	Sequa Corporation & Columbia Insurance Company	US	14 Dec 2009	3.0	3.1
La Licorne S.A.	MAAF Assurances	France	22 Apr 2010	5.4	5.5
Principle Insurance Company	PICH Ltd	UK	29 Dec 2011	6.2	6.3
Capstan	Various	Guernsey	1 Nov 2012	1.7**	2.4
Alma	Tapiola General	Finland	27 Dec 2012	6.2	6.3
Hickson Insurance Company	Lonza Group	IOM	11 Jan 2013	0.8	0.8
MPPA Insurance	MPPA	Bermuda (Cell)	24 Jun 2013	1.3	0.6
R&Q Cyprus	Validus	Cyprus	11 Oct 2013	19.9	19.3
Pender	Members	IOM	30 June 2014	0.9	-
Black Lung Trust	Not disclosed	US	24 June 2014	0.7	-
Other cells	various	Bermuda	-	0.1	0.0
TOTAL				**110.7**	**116.0**

* IFRS basis

** After capital extraction during period

Operating expenses rose to £10.9m (2013: £8.4m) due to the impact of new companies acquired including R&Q Cyprus, new hires in the Bermuda based M&A team, costs associated with transfers and M&A, and certain US company expenses which were recovered through reinsurance arrangements.

There was a significant increase in the amount of 'goodwill on bargain purchase' in the period, which was £2.8m against £1.8m in 2013. This arose primarily on the purchase of an Isle of Man domiciled insurer subject to a scheme, the novation of SRM's Bermuda based captive business and the acquisition of a Black Lung Trust and associated liabilities. A large retrospective reinsurance to be succeeded by a portfolio transfer, subject to court and regulatory approval, has been accounted for as a premium with the net insurance liabilities coming into the Net Insurance Claims line. The pipeline for new acquisitions continues to be strong and we expect a significant contribution in the second half arising from the purchase of additional insurance companies, portfolios and captives, though timing for their completion is never easy to estimate; this makes forecasting difficult, however a number of these deals are progressing well. We maintain our focus on the small to medium end of the size spectrum and our newly flexible and efficient transaction structures and infrastructure are helping provide vendors with attractive and competitively priced solutions. We continue to seek legacy transactions in Lloyd's and, following the Group's creation of a Bermuda based M&A team, we are beginning to benefit from improved access to the Bermudian and USA market.

As largely expected, the performance of our syndicate participations, which are primarily run through R&Q Re Bermuda, was weak with slow premium build in Syndicate 1991 causing an ongoing expense drag and a loss of £1.2m (2013: £0.9m). Our 8.33% share of former turnkey Syndicate 1897 for the 2011-2013 years produced a small positive result of £0.2m (2013: (£0.2m)) but this was below expectations given lower income levels. In the run-off syndicate, the 2012 Year of Account of Syndicate 3330 produced a good result again of £0.5m but it was significantly below the prior year result of £1.1m. The newly reinsured to close former Syndicate 102 had a significant reserve deterioration as we were unable to secure an early determination on a dispute concerning a life settlement claim. The consequential increase in the legal expense reserve as we gear up for the substantive hearing in 2015, has given rise to deterioration in the syndicate result, resulting in a loss of £1.4m against a small loss of £0.2m in 2013. We expect weak results on our syndicate participations during the second half of the year due to the same factors continuing within Syndicate 1991. We do not plan to increase the Group's participation in Syndicate 1991 any further, having reached our optimal level of exposure and should see our capital deployment begin to reduce from late 2015 as the new Lloyd's syndicate's capital loadings are removed and the underwriting track record benefits the capital setting process.

Chairman's Statement and Business Review
For the six months ended 30 June 2014

Investment Income

Investment income in the Group's insurance companies in run-off includes £1.3m of intercompany loan interest which nets out at Group level. External investment income of £3.4m (2.0%) was significantly higher than 2013 (£1.2m, 1.2%) as the portfolio benefited from continuing spread contraction and strong equity markets. To produce a return at the top end of our industry peers who report on a mark to market basis was especially pleasing in a period where our short interest duration stance meant that we did not benefit from falling yields.

The investment allocation for the Group's owned insurance companies by asset class at 30 June 2014 was as follows:-

Asset Class	Share of Total Portfolio
ABS (almost exclusively Residential Mortgage Backed Securities)	30%
CLOs	27%
High Yield funds	13%
Cash funds/deposits	11%
Equities	8%
Corporate Bonds	7%
US Treasuries	2%
Municipals	2%

Invested funds as at 30 June 2014 were £163.2m equivalent, comprising of $170.3m, £53.7m, €4.9m and A$4.4m. 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 2014 were as follows:-

	Share of Total Portfolio
Cash Funds/Money Market Funds	7%
AAA	19%
AA	22%
A	26%
BB	11%
NR (Equities etc)	15%

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 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 and conditions appear tougher with lower yields, compressed credit spreads and fully valued equity markets. Whilst an ultra defensive strategy is tempting, we hope that our diversification and conservative strategy within the asset classes we have selected will help protect us in any future risk-off period.

The Group's investment yield fell slightly below 3% at period end as spreads narrowed further.

Insurance Services Division	June 2014 £000	June 2013 £000	December 2013 £000
UK Claims & Reinsurance Management Services			
Internal portfolio management fees	4,890	4,702	10,504
Third party income	2,003	1,681	3,355
Total income	**6,893**	**6,383**	**13,859**
Operating Profit	**2,032**	**1,418**	**4,125**
UK Broker Services			
Total income	**2,811**	**2,456**	**5,504**
Goodwill on bargain purchase	**2,826**	-	-
Operating Profit	**3,581**	**916**	**1,824**
UK Liquidity Management			
Total income	**1,042**	**1,425**	**2,364**
Operating Loss	**(209)**	**(52)**	**(422)**
US Services			
Internal portfolio management fees	1,136	2,142	3,753
Third party income	1,023	5,779	7,390
Total income	**2,159**	**7,921**	**11,143**
Operating (Loss)/Profit	**(1,508)**	**3,705**	**3,790**
Captive Management			
Total income	**2,490**	**3,398**	**6,529**
Operating (Loss)/Profit	**(132)**	**269**	**522**
TOTAL INCOME	**15,395**	**21,583**	**39,399**
TOTAL DIVISIONAL OPERATING PROFIT	**3,764**	**6,256**	**9,839**

Chairman's Statement and Business Review
For the six months ended 30 June 2014

The ISD operating profit of £3.8m was below H1 2013 (£6.3m), primarily as a result of the absence of the exceptional levels of credit write-backs in certain of the Group's US manager and broker operations which benefited the prior year period.

Total income fell to £15.4m (2013: £21.6m), mainly as a result of lower income in the US services operations, offset in part by an increase in income from UK Claims and Reinsurance Management Services and UK Broker Services. The latter also benefited from a new broker run-off acquisition which brought in goodwill on bargain purchase of £2.8m. The broker run-offs we have acquired continue to perform well and we have considerable scale and efficiency in this area with other deals in the pipeline. We have also extended our active broking operations, offering execution only services and a turnkey service for brokers looking to gain Lloyd's accreditation with a number of contract wins.

Commission income on reinsurance collections and new business is typically weighted towards the second half of the year and the outlook looks promising.

Operating profits in this claims and reinsurance management area rose significantly as new business income largely fell to the bottom line.

UK Liquidity Management, which focuses on credit control services, is an area of expertise and focus for the division. Adjusting for higher recharged intra-divisional income in 2013, the first half year was in line with the prior year with almost identical external income levels. Having been awarded preferred supplier status of credit control services at Lloyd's, we have recently added a number of new clients with much improved results expected in the remainder of the year and beyond.

The US services operations produced an operating loss of £1.5m (2013: profit of £3.7m). The unfavourable comparison with the prior year period was primarily as a result of the exceptional levels of credit write backs which benefited 2013. Outside of this, the core business was impacted by delays in certain new business income, including in the RTU legacy broking business, and some restructuring charges as we continue to work on reducing the fixed cost base. The new initiatives to develop onshore captive and programme management services in the US Healthcare industry following recent wholesale changes under 'Obamacare' are progressing well and are expected to develop into a significant new revenue and profit centre to the division.

The Captive Management operations performed satisfactorily during the period with lower income of £2.5m (2013: £3.4m) as a result of a weaker dollar and larger run-off related income in the prior year affecting the Bermuda based operations and some expected client reductions in Gibraltar and Norway. The core Bermuda business continues to trade well however, with new income ahead of budget and strong prospects for the second half from the captive exit transactions and new client prospects, especially from Latin America. The newer US operations performed well with increased income and a small operating profit. The programme management initiatives in the US Healthcare sector could produce significant additional captive management income in our Bermuda operations as well as income in US services as mentioned above. The operating loss of £0.1m (2013: profit of £0.3m) arose from a weaker result in the Gibraltar operations and small adverse results in Bermuda and Norway for the reasons cited above. Investments in new senior recruits in Gibraltar and Norway and a new manager based in South Carolina increased costs but have already begun to improve new business generation which will benefit the remainder of the year.

In summary, whilst the first half result does not compare favourably with the previous year, the core services business performed well in the UK whilst the US was primarily affected by a lack of credit write-backs and income deferral rather than lost income. 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 allow us to grow core sustainable income and profits. 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	June 2014 £000	June 2013 £000	December 2013 £000
Lloyd's Managing Agency operations			
Fee income	5,929	4,795	10,313
Profit commissions	(146)	437	329
Operating (Loss)/Profit	(335)	576	1,338
MGAs			
Premium income	17,406	15,966	37,270
Commission & Other Income	2,549	2,631	4,825
Operating Profit	181	232	167
Underwriting management Holdings			
Total income	68	232	477
Operating Loss	(545)	(705)	(1,682)
TOTAL INCOME	**8,400**	**8,095**	**15,944**
TOTAL DIVISIONAL OPERATING (LOSS)/PROFIT	**(699)**	**103**	**(177)**

Chairman's Statement and Business Review
For the six months ended 30 June 2014

The Underwriting Management Division generated a first half year operating loss of £0.7m (2013: profit of £0.1m). Overall, revenue grew slightly to £8.4m (2013: £8.1m).

There was a significant increase in fee income from the Lloyd's managing agency operations, which continued to benefit from the scaling up of Syndicate 1991 though with some associated expense increase. As a result of a return of profit commission under the terms of the RITC agreement following the reserve deterioration in former Syndicate 102, there was an adverse movement in the contribution from profit commissions of £600k. Compared with the same period in 2013, the operating result in the managing agency operations was therefore lower; a loss of £0.3m (2013: profit of £0.6m).

Premium income in the MGA units increased to £17.4m (2013: £16.0m) as we continued to build out the accounts through existing and new distribution channels. This was despite challenging market conditions with our improved capacity in terms of line size and security helping mitigate competitive pressures. The MGA commission and other income was flat overall compared with the prior year at £2.5m (2013: £2.6m) only as a result of lower intra-divisional recharge income. Though commission rates came under a little pressure due to market conditions, we grew commission income in every MGA business unit though expenses grew in Commercial Risk Services due to the regional build out. Profit commissions also rose, especially in the yachts and marine account. The operating profit of £0.2m was very similar to the prior year period with only lower overhead recovery from the division's other operations preventing bottom line growth. New underwriting hires, distribution initiatives and product design should continue to improve performance during the remainder of the year though tough trading conditions remain. We are focused on launching complementary products from our existing MGAs, cross-selling between them and seeking new quality underwriting teams with established books of business and capacity.

The planned strong increase in capacity in Syndicate 1991 to £150m for the 2014 underwriting year was very well supported by existing Names, R&Q and industry players. We were also pleased to announce the addition of Qatar Re as a significant capacity provider. The delay in signing up coverholders during 2013, discussed in previous results statements and trading updates continues to impact earned premium development, resulting in losses under international accounting standards due to the customary early year expense drag. The impact of this on the Underwriting Management Division's result is a slower than anticipated recognition/accrual of profit commissions in the event that the underwriting is profitable in line with projections.

The other area of focus for the division is in securing new turnkey clients to bring additional revenues, cost recoveries and profit commissions. We are also in discussions with a number of other interested parties and are well placed to capitalise on the sustained interest in the Lloyd's market. In parallel, we are looking at ways of setting up and managing consortium facilities, especially following the completion of the Accredited acquisition.

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.

In summary, the division's progress has been slower than hoped for, especially financially, but we remain excited by the potential for generating a significant and sustainable fee based model. As well as the organic growth opportunities arising from Syndicate 1991, our new third party management contract win proves our credentials in a market with few quality full scale management providers. Furthermore, new legacy management, increasing maturing of the MGA business units and the potential to use the Accredited platform for consortium management are all avenues we are actively pursuing to deliver growth. We also remain firmly of the view that the value of the platform we have invested in over the past few years is considerable even ahead of delivering the associated income streams.

Other Corporate

Net central corporate costs in the first half year were in line with expectations but higher than the year prior due to lower investment income on Group 'free' funds and some additional expenses relating to the establishment of the new Bermuda Head Office.

Chairman's Statement and Business Review

For the six months ended 30 June 2014

Return of Cash via a R/S 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 late October 2014 to those shareholders on the record date in early October 2014.

The proposed return of cash to shareholders through an R/S 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 2014 year but the Group may choose to make future returns of value in addition to or instead of ordinary dividend payments, whilst maintaining its stated policy to pursue a progressive distribution policy following the decision to maintain total distributions to shareholders at 8.4p per share during 2014 absent unforeseen circumstances and recommencing growth in distributions along with profits from 2015.

Litigation

There is no material litigation with which the Group is involved outside of the ordinary course of business. Other than a dispute concerning a life settlements claim in former Syndicate 102, 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

2014 was always going to be a challenging year financially but we remain confident about the prospects and outlook for the Group and we are pleased to report therefore that we still expect the full year result to meet market expectations. There are risks however, all of which have been referred to above. A number of these are customary risks we face as a Group, including the outcome of the year end actuarial reserving process, final investment performance and timing of the completion of the various legacy insurance transactions we are already working on. There are however a few specific risks which relate to these generic risks. These include market trends in asbestos claims and the impact of faster settlements in R&Q Re (US) on benchmark survival ratio analysis, the outcome of a dispute in former Syndicate 102, and the ability to generate substantial growth in business from the 2013 binders in Syndicate 1991 over the coming months.

The acquisition of Accredited, which is subject to change of control approval by the Florida Department of Insurance, is a much welcome addition to our infrastructure and will be the first time the Group has owned an 'A' rated carrier. The consequent opportunities to feed fee income into our Underwriting Management Division to supplement other initiatives and the new third party management contract win are considerable.

Meanwhile, our acquisition activity in the legacy insurance area continues to benefit from a strong pipeline and we expect to build on a good first half and complete a number of transactions in the remainder of the year ranging from portfolio transfers, retrospective reinsurances and acquisitions. This will bring an immediate as well as sustained benefit to the Group through the potential for additional service income and future reserve savings. Our underwriting commitment has reached a level where expansion becomes less desirable and as Syndicate 1991 begins to mature, we should see our capital deployment naturally reduce.

Our UK service businesses have performed well and new client wins in binder management, credit control and broker turnkey will help drive growth in the remainder of the year. New senior hires in Captive Management together with good new business levels in the Bermuda operation should also boost performance. The US remains challenging and further downsizing has taken place as a result in the more consultancy orientated part of the business but the healthcare initiative has progressed well with substantial revenue opportunities potentially transforming results in future years.

K E Randall

Chairman and Chief Executive Officer

22 August 2014

Condensed Consolidated Income Statement

For the six months ended 30 June 2014

	Note	6 months ended 30 June 2014 (Unaudited) £000	6 months ended 30 June 2013 (Unaudited) £000	Year ended 31 December 2013 (Audited) £000
Gross premiums written		16,786	4,153	9,121
Reinsurers' share of gross premiums		(642)	(378)	(837)
Premiums written, net of reinsurance		16,144	3,775	8,284
Change in gross provision for unearned premiums		(1,479)	(1,657)	(2,077)
Change in provision for unearned premiums, reinsurers' share		487	475	270
Net change in provision for unearned premiums		(992)	(1,182)	(1,807)
Earned premiums net of reinsurance		**15,152**	**2,593**	**6,477**
Net investment income	4	3,837	1,776	7,118
Other income		16,117	21,830	40,578
		19,954	**23,606**	**47,696**
Total income	3	**35,106**	**26,199**	**54,173**
Gross claims paid		(25,158)	(20,627)	(42,241)
Reinsurers' share of gross claims paid		12,436	7,048	21,954
Claims paid, net of reinsurance		(12,722)	(13,579)	(20,287)
Movement in gross technical provision		15,534	(1,033)	14,377
Movement in reinsurers' share of technical provisions		(10,992)	18,266	10,638
Net change in provision for claims		4,542	17,233	25,015
Net insurance claims (incurred)/released		**(8,180)**	**3,654**	**4,728**
Operating expenses		**(32,990)**	**(27,165)**	**(55,323)**
Result of operating activities before goodwill on bargain purchase and impairment of intangible assets	**3**	**(6,064)**	**2,688**	**3,578**
Goodwill on bargain purchase		5,663	1,763	8,479
Impairment of intangible assets		(194)	(61)	(203)
Result of operating activities		**(595)**	**4,390**	**11,854**
Finance costs		(275)	(286)	(523)
Share of loss of associate		(28)	-	(72)
(Loss)/profit on ordinary activities before income taxes		**(898)**	**4,104**	**11,259**
Income tax credit/(charge)	5	1,382	(986)	(2,124)
Profit for the period	**3**	**484**	**3,118**	**9,135**
Attributable to equity holders of the parent				
Attributable to ordinary shareholders		(618)	2,049	7,440
Non-controlling interests		1,102	1,069	1,695
		484	**3,118**	**9,135**
Earnings per ordinary share for the profit attributable to the ordinary shareholders of the Company:-				
Basic	7	(0.9p)	4.0p	11.9p
Diluted		(0.9p)	3.9p	11.9p

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2014
Company number 47341

	Note	30 June 2014 (Unaudited) £000	30 June 2013 (Unaudited) £000	31 December 2013 (Audited) £000
Assets				
Intangible assets		16,819	15,759	17,198
Investments in associates		199	-	228
Property, plant and equipment		1,648	1,579	1,440
Investment properties		985	1,036	1,019
Financial assets		156,157	186,725	160,734
Reinsurers' share of insurance liabilities	6	146,084	175,673	157,682
Current tax assets		3,042	4,262	4,047
Deferred tax asset		6,838	4,900	5,292
Insurance and other receivables		98,549	65,057	80,046
Cash and cash equivalents		50,434	59,398	46,942
Total assets		**480,755**	**514,389**	**474,628**
Liabilities				
Insurance contract provisions	6	324,306	350,951	323,948
Financial liabilities		19,834	19,943	19,090
Deferred tax liabilities		1,826	1,905	2,602
Insurance and other payables	8	29,094	33,821	20,110
Current tax liabilities		3,998	3,992	3,845
Pension scheme obligations		3,914	2,831	3,018
Total liabilities		**382,972**	**413,443**	**372,613**
Equity				
Share capital		1,435	1,466	1,435
Other reserves		19,833	26,306	23,422
Retained earnings		74,029	72,027	75,787
Attributable to equity holders of the parent		**95,297**	**99,799**	**100,644**
Non-controlling interests		2,486	1,147	1,371
Total equity		**97,783**	**100,946**	**102,015**
Total liabilities and equity		**479,670**	**514,389**	**474,628**

Approved by the Board on 22 August 2014..

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 2014

	6 months ended 30 June 2014 (Unaudited) £000	6 months ended 30 June 2013 (Unaudited) £000	Year ended 31 December 2013 (Audited) £000
(Loss)/profit before income tax	(898)	4,104	11,259
Finance costs	275	286	523
Depreciation	316	348	638
Share based payments	-	(190)	240
Share of losses of associates	28	-	72
Goodwill on bargain purchase	(5,663)	(1,763)	(8,479)
Amortisation of intangible assets	194	61	203
Fair value (gain)/loss on financial assets	(1,541)	859	(1,268)
Gain on net assets of pension schemes	145	73	123
Increase in receivables	(2,902)	(2,798)	(11,087)
Decrease/(increase) in deposits with ceding undertakings	911	(41)	365
Increase/(decrease) in payables	4,142	(10,232)	(23,155)
Decrease in net insurance technical provisions	(3,550)	(16,051)	(22,976)
	(8,543)	(25,344)	(53,542)
Sale of financial assets	15,327	28,969	50,542
Purchase of financial assets	(14,809)	(18,787)	(33,117)
Cash used in operations	(8,025)	(15,162)	(36,117)
Income taxes repaid	-	-	194
Net cash used in operating activities	**(8,025)**	**(15,162)**	**(35,923)**
Purchase of property, plant and equipment	(535)	(204)	(568)
Proceeds from sale of property, plant and equipment	-	-	210
Purchase of intangible assets	(40)	-	(344)
Acquisition of subsidiary undertaking (offset by cash acquired)	15,806	1,576	18,923
Acquisition of non-controlling interest in subsidiary	-	-	(5,064)
Net cash from investing activities	**15,231**	**1,372**	**13,157**
Repayment of borrowings	(1,134)	(1,165)	(2,278)
New borrowing arrangements	2,070	-	1,017
Equity dividends paid	(1,844)	(1,074)	(2,249)
Interest and other finance costs paid	(275)	(286)	(523)
Receipts from issue of shares	-	24,133	23,977
Cancellation of shares	(1,745)	(1,409)	(2,652)
Sale of treasury shares	-	129	230
Net cash (used in)/from financing activities	**(2,928)**	**20,328**	**17,522**
Net increase in cash and cash equivalents	**4,278**	**6,538**	**(5,244)**
Cash and cash equivalents at beginning of period	46,942	52,263	52,263
Foreign exchange movement on cash and cash equivalents	(786)	597	(77)
Cash and cash equivalents at end of period	**50,434**	**59,398**	**46,942**
Share of Syndicates' cash restricted funds	3,250	4,894	1,570
Unrestricted funds	47,184	54,504	45,372
Cash and cash equivalents at end of period	**50,434**	**59,398**	**46,942**

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 2014

	6 months ended 30 June 2014 (Unaudited) £000	6 months ended 30 June 2013 (Unaudited) £000	Year ended 31 December 2013 (Audited) £000
Other comprehensive income:-			
Items that will not be reclassified to profit or loss:-			
Pension scheme actuarial (losses)/gains	(838)	1,644	1,465
Deferred tax on pension scheme actuarial (losses)/gains	168	(378)	(285)
	(670)	1,266	1,180
Items that may be subsequently reclassified to profit or loss:-			
Exchange (losses)/gains on consolidation	(457)	1,200	(1,100)
Other comprehensive income	(1,127)	2,466	80
Profit for the period	484	3,118	9,135
Total comprehensive income for the period	**(643)**	**5,584**	**9,215**
Attributable to:-			
Equity holders of the parent	(1,758)	4,515	7,490
Non-controlling interests	1,115	1,069	1,725
Total recognised in the period	**(643)**	**5,584**	**9,215**

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Share capital £'000	Shares to be issued £'000	Share premium £'000	Treasury shares £'000	Retained profit £'000	Total £'000	Non-controlling interest £'000	Total £'000
Period ended 30 June 2014 (unaudited)								
At beginning of period	1,435	84	23,392	(54)	75,787	100,644	1,371	102,015
Total comprehensive income for the period								
(Loss)/profit for the period	-	-	-	-	(618)	(618)	1,102	484
Other comprehensive income								
Exchange losses on consolidation	-	-	-	-	(470)	(470)	13	(457)
Pension scheme actuarial losses	-	-	-	-	(838)	(838)	-	(838)
Deferred tax on pension scheme actuarial losses	-	-	-	-	168	168	-	168
Total other comprehensive income for the period	-	-	-	-	(1,140)	(1,140)	13	(1,127)
Total comprehensive income for the period	-	-	-	-	(1,758)	(1,758)	1,115	(643)
Transactions with owners								
Issue of P&Q shares	3,589	-	(3,589)	-	-	-	-	-
Cancellation of P Shares	(1,844)	-	-	-	1,844	-	-	-
Cancellation of Q shares	(1,745)	-	-	-	-	(1,745)	-	(1,745)
Dividends	-	-	-	-	(1,844)	(1,844)	-	(1,844)
At end of period	**1,435**	**84**	**19,803**	**(54)**	**74,029**	**95,297**	**2,486**	**97,783**

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Share capital £'000	Shares to be issued £'000	Share premium £'000	Treasury shares £'000	Retained profit £'000	Total £'000	Non-controlling interest £'000	Total £'000
Period ended 30 June 2013 (unaudited)								
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 2014

	Share capital	Shares to be issued	Share premium	Treasury shares	Retained profit	Total	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 31 December 2013 (audited)								
At beginning of year	1,036	744	4,752	(434)	67,510	73,608	5,142	78,750
Total comprehensive income for the year								
Profit for the year	-	-	-	-	7,440	7,440	1,695	9,135
Other comprehensive income								
Exchange losses on consolidation	-	-	-	-	(1,130)	(1,130)	30	(1,100)
Pension scheme actuarial gains	-	-	-	-	1,465	1,465	-	1,465
Deferred tax on pension scheme actuarial gains	-	-	-	-	(285)	(285)	-	(285)
Total other comprehensive income for the year	-	-	-	-	50	50	30	80
Total comprehensive income for the year	-	-	-	-	7,490	7,490	1,725	9,215
Transactions with owners								
Issue of shares (net of expenses)	383	-	23,500	-	-	23,883	-	23,883
Issue of L-O shares	4,937	-	(4,937)	-	-	-	-	-
Cancellation of L & N shares	(2,688)	-	-	36	-	(2,652)	-	(2,652)
Cancellation of M & O shares	(2,249)	-	-	-	2,249	-	-	-
Share based payments	16	(562)	77	-	757	288	-	288
Treasury shares	-	(98)	-	344	30	276	-	276
Dividends	-	-	-	-	(2,249)	(2,249)	-	(2,249)
Purchase of non-controlling interest	-	-	-	-	-	-	(5,064)	(5,064)
Non-controlling interest in subsidiary acquired	-	-	-	-	-	-	(432)	(432)
Dividends	-	-	-	-	(1,074)	(1,074)	-	(1,074)
Purchase of minority interest	-	-	-	-	-	-	(5,064)	(5,064)
At end of year	**1,435**	**84**	**23,392**	**(54)**	**75,787**	**100,644**	**1,371**	**102,015**

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

Notes to the Interim Financial Statements

For the six months ended 30 June 2014

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 2014 and 2013 half years are unaudited, but have been subject to review by the Company's auditors.

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 2013 other than as detailed below. There have been no amendments to accounting policies.

New standards effective from 1 January 2014:-

- IFRS 10: Consolidated financial statements
- IFRS 11: Joint arrangements;
- IFRS 12: Disclosure of interests in other entities;
- IAS 19: Amendment: Defined benefit plans: Employee Contributions;
- IAS 27: Amendment: Separate financial statements;
- IAS 28: Amendment: Investments in associates and joint ventures;
- IAS 32: Amendment: Offsetting financial assets and financial liabilities;
- IAS 36: Amendment: Recoverable amount disclosures for non-financial assets;
- IAS 39: Amendment: Novation of derivatives and continuation of hedge accounting; and
- IFRIC 21: Levies.

The adoption of these standards has had no material impact on the group's accounting policies.

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 2014	Insurance Investments £000	Insurance services £000	Underwriting Management £000	Other corporate £000	Consolidation adjustments £000	Total £000
Earned premium net of reinsurance	15,152	-	-	-	-	15,152
Net investment income	4,934	451	114	1,239	(2,901)	3,837
Other external income	632	8,498	6,987	-	-	16,117
Other internal income	381	6,446	1,299	683	(8,809)	-
Total income	**21,099**	**15,395**	**8,400**	**1,922**	**(11,710)**	**35,106**
Claims paid, net of reinsurance	(12,722)	-	-	-	-	(12,722)
Net change in provision for claims	4,542	-	-	-	-	4,542
Net insurance claims released	**(8,180)**	**-**	**-**	**-**	**-**	**(8,180)**
Operating expenses	(14,275)	(14,426)	(9,042)	(4,056)	8,809	(32,990)
Result of operating activities before goodwill on bargain purchase and impairment of intangible assets	**(1,356)**	**969**	**(642)**	**(2,134)**	**(2,901)**	**(6,064)**
Goodwill on bargain purchase	2,837	2,826	-	-	-	5,663
Impairment of intangible assets	(106)	(31)	(57)	-	-	(194)
Result of operating activities	**1,375**	**3,764**	**(699)**	**(2,134)**	**(2,901)**	**(595)**
Finance costs	(1,005)	(740)	(229)	(1,202)	2,901	(275)
Share of loss of associates	-	-	(28)	-	-	(28)
Profit/(loss) on ordinary activities before income taxes	**370**	**3,024**	**(956)**	**(3,336)**	**-**	**(898)**
Income tax credit	1,148	108	38	88	-	1,382
Profit/(loss) for the period	**1,518**	**3,132**	**(918)**	**(3,248)**	**-**	**484**
Non-controlling interest	**(776)**	**(198)**	**(128)**	**-**	**-**	**(1,102)**
Attributable to owners of parent	**742**	**2,934**	**(1,046)**	**(3,248)**	**-**	**(618)**
Segment assets	**530,650**	**82,174**	**15,233**	**68,261**	**(216,648)**	**479,670**
Segment liabilities	**414,706**	**76,897**	**18,702**	**88,230**	**(216,648)**	**381,887**

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	2,593	-	-	-	-	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.

3. Segmental information (continued)

Segment result for the year ended 31 December 2013	Insurance Investments £000	Insurance services £000	Underwriting Management £000	Other corporate £000	Consolidation adjustments £000	Total £000
Earned premium net of reinsurance	6,477	-	-	-	-	6,477
Net investment income	8,707	1,312	250	2,288	(5,439)	7,118
External income	4,538	22,816	13,224	-	-	40,578
Internal income	793	15,271	2,470	1,533	(20,067)	-
Total income	**20,515**	**39,399**	**15,944**	**3,821**	**(25,506)**	**54,173**
Claims paid, net of reinsurance	(20,287)	-	-	-	-	(20,287)
Net change in provision for claims	25,015	-	-	-	-	25,015
Net insurance claims released	**4,728**	**-**	**-**	**-**	**-**	**4,728**
Operating expenses	(23,385)	(29,504)	(15,978)	(6,523)	20,067	(55,323)
Result of operating activities before goodwill on bargain purchase	**1,858**	**9,895**	**(34)**	**(2,702)**	**(5,439)**	**3,578**
Goodwill on bargain purchase	8,479	-	-	-	-	8,479
Amortisation of intangible assets	(4)	(56)	(143)	-	-	(203)
Result of operating activities	**10,333**	**9,839**	**(177)**	**(2,702)**	**(5,439)**	**11,854**
Finance costs	(1,737)	(1,540)	(436)	(2,249)	5,439	(523)
Share of loss of associate	-	-	(72)	-	-	(72)
Profit/(loss) on ordinary activities before income taxes	**8,596**	**8,299**	**(685)**	**(4,951)**	**-**	**11,259**
Income tax credit/(charge)	(1,733)	(379)	(37)	25	-	(2,124)
Profit/(loss) for the year	**6,863**	**7,920**	**(722)**	**(4,926)**	**-**	**9,135**
Non-controlling interest	**(1,660)**	**58**	**(93)**	**-**	**-**	**(1,695)**
Attributable to owners of parent	**5,203**	**7,978**	**(815)**	**(4,926)**	**-**	**7,440**
Segment assets	**554,176**	**65,228**	**13,168**	**65,112**	**(223,056)**	**474,628**
Segment liabilities	**436,630**	**64,187**	**15,747**	**79,105**	**(223,056)**	**372,613**

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 2014	UK £000	North America £000	Europe £000	Total £000
Gross assets	263,692	321,046	111,580	696,318
Intercompany eliminations	(135,797)	(21,841)	(59,010)	(216,648)
Segment assets	127,895	299,205	52,570	479,670
Gross liabilities	235,392	313,628	49,515	598,535
Intercompany eliminations	(140,803)	(75,178)	(667)	(216,648)
Segment liabilities	94,589	238,450	48,848	381,887
Segmental income	18,712	4,858	11,536	35,106

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 31 December 2013	UK £000	North America £000	Europe £000	Total £000
Gross assets	262,928	328,862	105,894	697,684
Intercompany eliminations	(155,835)	(11,850)	(55,371)	(223,056)
Segment assets	107,093	317,012	50,523	474,628
Gross liabilities	231,412	317,305	46,952	595,669
Intercompany eliminations	(168,517)	(54,491)	(48)	(223,056)
Segment liabilities	62,895	262,814	46,904	372,613
Segmental income	37,995	14,344	1,834	54,173

3. Segmental information (continued)

Other information

As at 30 June 2014	Insurance Investments £000	Insurance services £000	Other corporate £000	Eliminations £000	Total £000
Capital expenditure	-	282	253	-	535
Depreciation	-	288	28	-	316

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 31 December 2013	Insurance Investments £000	Insurance services £000	Other corporate £000	Eliminations £000	Total £000
Capital expenditure	-	509	59	-	568
Depreciation	-	635	3	-	638

4. Investment return

	6 months ended 30 June 2014 £000	6 months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Interest income	2,590	2,948	6,449
Realised gains on investments	757	1,359	2,491
Unrealised gains/(losses) on investments	784	(2,254)	(1,241)
Investment management expenses	(294)	(277)	(581)
	3,837	1,776	7,118

5. Income tax

	6 months ended 30 June 2014 £000	6 months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Tax (credit)/charge	(1,382)	986	2,124

6. Technical provisions

Gross	6 months ended 30 June 2014 £000	6 months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Claims outstanding at 1 January	323,948	327,973	327,973
Claims paid	(25,158)	(20,627)	(42,241)
Increase arising from acquisition of subsidiary and RITC of Syndicates	6,856	3,686	13,996
Strengthening of reserves	11,102	23,317	29,941
Net exchange differences	7,558	16,602	(5,741)
As at period end	324,306	350,951	323,948

Reinsurance	6 months ended 30 June 2014 £000	6 months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Reinsurers share of claims outstanding at 1 January	157,682	148,988	148,988
Reinsurers share of gross claims paid	(12,436)	(7,048)	(21,954)
Increase arising from acquisition of subsidiary and RITC of Syndicates	-	578	1,724
Strengthening of reserves	1,930	25,789	32,862
Net exchange differences	(1,092)	7,366	(3,938)
As at period end	146,084	175,673	157,682

Net	6 months ended 30 June 2014 £000	6 months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Net claims outstanding at 1 January	166,266	178,985	178,985
Net claims paid	(12,722)	(13,579)	(20,287)
Increase arising from acquisition of subsidiary and RITC of Syndicates	6,856	3,108	12,272
Strengthening/(release) of reserves	9,172	(2,472)	(2,921)
Net exchange differences	8,650	9,236	(1,783)
As at period end	178,222	175,278	166,266

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 2014 £000	6 months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Profit for the period attributable to Ordinary shareholders	(618)	2,049	7,440
	No. 000's	No. 000's	No. 000's
Weighted average number of Ordinary shares	71,708	51,849	62,571
Effect of dilutive share options	164	1,087	164
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	71,872	52,936	62,735
Basic earnings per share	(0.9p)	4.0p	11.9p
Diluted earnings per share	(0.9p)	3.9p	11.9p

8. Insurance and other payables

	6 months ended 30 June 2014 £000	6 months ended 30 June 2013 £000	Year ended 31 December 2013 £000
Structured liabilities	356,188	369,486	343,519
Structured settlements	(356,188)	(369,486)	(343,519)
	-	-	-
Other creditors	29,094	33,821	20,110
	29,094	33,821	20,110

Notes to the Interim Financial Statements
For the six months ended 30 June 2014

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 2014 amounted to £41,025,000 (31 December 2013: £51,514,000).

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 2014 amounted to £15,435,000 (31 December 2013: £19,629,000).

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 2014 is £18,294,000 (31 December 2013: £17,572,000).

10. Issued share capital

Issued share capital as at 30 June 2014 amounted to £1,435,524 (31 December 2013: £1,435,524).

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 £8.0m (31 December 2013: £8.3m).

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:-

	2014 £	2013 £
K E Randall and family	920,945	987,097
A K Quilter and family	212,323	202,323
T A Booth	32,987	-
M G Smith	1,250	1,250

During the period the Group recharged expenses totalling £4,814,000 (2013: £4,453,000) to Lloyd's Syndicates, 102, 1897, 1991 and 3330 which are managed by the Group.

14. Business combinations

Southern Illinois Land Company Inc.

On 24 June 2014 Grafton purchased the entire issued share capital of Southern Illinois Land Company Inc. a company incorporated in the US. The Group owns 60% of Grafton.

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 £1,596,000. Goodwill on bargain purchase of £1,596,000 arose. This goodwill on bargain purchase arises because the long tail nature of the liabilities 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 and former owners are prepared to sell at a discount on the fair value on the assets less liabilities

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

	Fair value £000
Cash	3,086
Technical provisions	(1,490)
Net assets acquired	1,596
Satisfied by	
Cash paid	-
Goodwill on bargain purchase	1,596

Significant uncertainties arise in the quantification of the liabilities of the above company. The Directors have estimated the fair value based on the currently available information and on assumptions which they believe to be reasonable.

14. Business combinations (continued)

Pender Mutual Insurance Company Limited

On 27 June 2014 the Group purchased the entire issued share capital of Pender Mutual Insurance Company Limited a company incorporated in the 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 £916,000. Goodwill on bargain purchase of £916,000 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 provisional fair value of assets and liabilities included in the consolidated Financial Statements at the date of acquisition.

	Fair value £000
Cash	1,911
Other creditors	(995)
Net assets acquired	916
Satisfied by	
Cash paid	-
Goodwill on bargain purchase	916

Oval

On 30 June 2014 the Group purchased the entire issued share capital of Oval Financial Services Limited a company incorporated in England.

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 £2,826,000. Goodwill on bargain purchase of £2,826,000 arose. This goodwill on bargain purchase arises because the Group is more efficient at managing such entities and former owners are prepared to sell at a discount on the fair value on the assets less liabilities

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

	Fair value £000
Cash	8,368
Debtors	239
Deferred tax asset	455
Trade liabilities	(4,970)
Other creditors	(1,266)
Net assets acquired	2,826
Satisfied by	
Cash paid	-
Goodwill on bargain purchase	2,826

14. Business combinations (continued)

SRM

On 20 March 2014 the Group novated contracts from SEG 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. 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 £325,000. Goodwill on bargain purchase of £325,000 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 provisional fair value of assets and liabilities included in the consolidated Financial Statements at the date of acquisition.

	Fair value £000
Cash	721
Technical provisions	(396)
Net assets acquired	325
Satisfied by	
Cash paid	-
Goodwill on bargain purchase	325

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.

15. Non-controlling interests

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

16. Events after the reporting date

On the 3 July 2014 a new bank facility with the Royal Bank of Scotland was entered into. The facility provides a term loan of £22m, $8.4m term loan on completion of the Accredited acquisition and a further revolving credit facility for £8m.

On the 3 July 2014 the Group agreed to purchase 100% of the voting share capital of Accredited Holding Corporation, subject to consent from the Florida Office of Insurance Regulation.

Independent Review Report to Randall & Quilter Investment Holdings Ltd.

For the six months ended 30 June 2014

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 2014 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. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements.

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 and the requirements of the AIM Rules for Companies.

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 2014 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

22 August 2014

1 Westferry Circus
Canary Wharf
London
E14 4HD

Principal Worldwide office locations

www.rqih.com

UK Offices

110 Fenchurch Street
London
EC3M 5JT

130 Fenchurch Street
London
EC3M 5DJ

Mayland House
Floor 2, Mayland Road
Witham, Essex CM8 2FR

Floor 3, St Lawrence House
St Andrews Hill
Norwich NR2 1AD

US Office

2 Logan Square
Suite 600
Philadelphia PA 19103 - 2772

Bermuda Office

Head Office
FB Perry Building, 40 Church Street
PO Box HM 2062
Hamilton HM HX Bermuda

STRATEGY | INNOVATION | EXPERTISE

Head Office 110 Fenchurch Street, London EC3M 5JT **T** +44 (0) 20 7780 5850 **F** +44 (0) 20 7780 5851 **W** www.rqih.com