RNS Number : 1428W
Randall & Quilter Inv Hldgs Ltd
25 April 2016

Randall & Quilter Investment Holdings Ltd.
("R&Q" or the "Group")

Full year results for the 12 months ended 31 December 2015

The Board of Randall & Quilter (AIM:RQIH), the specialist non-life insurance investor, service provider and underwriting manager, announces the Group's full year results for the 12 months ended 31 December 2015.

Key highlights:

- Pre-tax profit of £2.8m (2014: loss of £1.6m) - driven by a very strong contribution from legacy acquisitions including the largest Part VII transfer the Group has completed to date

- Positive movements in run-off portfolios with strong net reserve release of £9.5m (2014: £2.4m, adjusted for retrospective premium)

- Continued strong performance in the UK operations of the Insurance Services Division, particularly broker run-off and premium credit control services

- Successful completion of sale of the R&Q Marine Services Limited MGA to Hiscox at a premium to its carried value and of the Synergy book to Plum Underwriting during early 2016

- Continued interest in our Lloyd's turnkey capability

- An investment return of 1.1% on the Group's 'free' assets (2014: 2.5%) amidst very challenging markets

- Issue of €20m Tier 2 Capital in R&Q Insurance Malta

- Proposed Distributions per share maintained at 8.4p with a final proposed distribution of 5.0p payable on or around June 1, 2016

- Book value per share excluding goodwill increased marginally to 98.5p (2014: 98.4p) despite maintaining substantial distribution, partly as a result of favourable currency movements and narrowing of the pension deficit

Group summary financial performance

£000s	**2015**	**2014**
Group results		
Operating profit/(loss) * **(Group KPI)**	4,083	(799)**
Profit/(Loss) before tax	2,829	(1,559)**
Profit/(Loss) after tax	2,757	(2,746)
Earnings per share (basic) **(Group KPI)**	4.2p	(6.3)p
Balance sheet information		
Total gross assets	549,262	537,599
Total net insurance contract provisions	199,591	191,479
Shareholders' equity	86,521	86,296
Key statistics		
Investment return on free assets	1.1%	2.5%
Return on tangible equity	4.4%	(3.2%)
Net tangible assets per share	83.7p	88.2p
Book value per share excluding goodwill **(Group KPI)**	98.5p	98.4p
Distribution per share **(Group KPI)**	8.4p	8.4p

*Operating profit/(loss) is defined as profit/(loss) before income tax, finance costs and share of loss of associate
** In 2014, operating profit and profit before tax are stated before deducting exceptional costs relating to the acquisition of Accredited of £750k

Ken Randall Chairman and Chief Executive Officer commented: "I am pleased to report that the Group delivered a significantly stronger performance during the second half of the year with full year profits in line with Board expectations at the date of the interim results. Completion of further legacy transactions during the period was the primary driver and the business overall performed in line with expectations.

This profitable trading, coupled with strong cash generation means that distributions per share have been maintained at 8.4p for the full year with a final payment of 5.0p due in early June, subject to customary approvals.

The Board remains fully committed to improving the financial performance of the Group. The simplification of the Group's business model is underway with certain non-core operations having been identified for disposal to enable a renewed focus on our core business areas in which we are most confident of sustainable and profitable growth, notably the acquisition of run-off portfolios and further development of its niche UK services.

We are pleased with performance of both our Insurance Investments and Insurance Services divisions in the second half of the year, while the scale and profile of our Lloyd's managing agency benefits from the steady growth of Syndicate 1991 despite challenging underwriting conditions and we continue to attract interest in our Lloyd's Turnkey Syndicate capability. Operating expenses across the Group are being addressed and will start to benefit results in the latter part of 2016 and beyond.

The Board has a positive outlook for the current year albeit with the usual second half year bias in profitability. The pipeline of potential legacy acquisitions is very promising with a diverse range of opportunities. We have established a sound infrastructure, in multiple locations, which is designed to optimise deal flow and deploy capital in the years ahead.

Chairman's Statement

As anticipated in our last trading update, the Group delivered an improved financial performance during the second half of 2015 generating a pre-tax profit of £2.8m for the full year. Following the pre-tax loss of £4.5m reported for the first 6 months of 2015, this represents a trading profit of over £7m in the second half of the year. This improved performance is primarily the result of the strongest contribution from run-off acquisition activity in over 10 years. The customary second half bias in our service operations contributed to the improved trading as did better than anticipated results in our run-off syndicates and a good performance in the Group's run-off insurance companies.

Given that H2 15 was probably the most challenging period in the investment markets since 2008 and it coincided with a continuing weak underwriting environment, the Board is pleased to be able to announce full year profits in line with its revised expectations as at the date of the release of its 2015 interim results in September.

At year end, the Group commuted the cover between R&Q Re (US) and Ace, replacing it with a much simpler contract with an expanded limit of $46m. Importantly the commutation facilitates improved operational and investment flexibility which has led to an increase in the company's statutory surplus and a more positive outlook.

The Board is proposing to maintain distributions for the year at 8.4p per share with a final proposed distribution of 5.0p, reflecting the improved financial performance in the second half of the year, significant cash inflows in the final months of 2015, partly as a result of a reduced capital requirement related to the Group's live underwriting, and a positive outlook for 2016 as a whole.

Whilst the first quarter of 2016 has seen something of an overall improvement in investment markets, yields have again fallen as the global economy has suffered from a drop in Asian growth and a precipitous fall in the oil price. The ever increasing supply of capital to the insurance industry attracted by the lack of catastrophe related losses and the expansion of alternative risk transfer vehicles continues to challenge the pace of delivery of attractive income growth and profits in our live operations. Despite this, our Lloyd's Managing Agency and syndicate are building scale and there is continued interest in our Turnkey syndicate management offering.

As previously indicated, the Group continues to focus on simplifying its business model, cutting operating expenses and building its book and franchise value. The value generation is primarily being driven by the Group's increasing activity and reach in the legacy acquisition market, where our success in the UK and Europe is now being successfully replicated in Bermuda and the US, as well as the consolidation of our market leading position in servicing for premium credit control and legacy broking in the UK.

The strong core business is enhanced by promising opportunities for revenue and profit growth currently in development. These include capitalising on Accredited's expanded US domestic insurance licenses, recently evidenced through the signing of its first non-bail program since Accredited was acquired by the Group in late 2014. The US healthcare initiative continues to develop with 2016 likely to be a decisive year for determining its ultimate direction.

Strategy and business model

The overall mission and purpose of the Group is to offer investors a stable cash profit stream from Insurance Services, additional profits and capital extractions from Insurance Investments and growth prospects through a fee focused Underwriting Management business.

Our main strategic objectives are to:

- acquire or reinsure run-off insurance companies or portfolios to produce attractive cash returns;
- provide specialist insurance services to the live, run-off and captive markets;
- increase the focus of our Lloyd's managing agency business on sustainable fee income whilst reducing our capital commitment; and
- develop Accredited, our US admitted carrier, with diversified sources of revenue, including fee-based income.

The Group has developed a strong reputation and relationships in the global insurance market and benefits from a skilled and entrepreneurial workforce. We use these attributes to source and manage attractive run-off opportunities and to offer expertise in niche insurance services and underwriting management. The aim is to generate strong cash flows to support our business model, grow book value and increase cash distributions to shareholders.

Divisional overview

Insurance Investments

£000s	**2015**	**2014**
Live income	17,848	10,093
Run-off Income	7,462	18,465
Total income	**25,310**	**28,558**
Result of operating activities (live and run-off)	**6,039**	**(4,389)**
Key metrics		

Net claims releases/(increases)		
Insurance Companies	8,279	963
Run-off Syndicates	1,267	1,397
	9,546	**2,360**
Goodwill on bargain purchase	14,851	8,609
Live Syndicates' contribution to operating profit	(2,416)	(2,566)
Increase in fair value of insolvent insurance debt portfolio	205	1,700
Investment return on free assets	1.1%	2.5%

- Investment return % is calculated as net investment income over average total investments. Investment return is stated after fees of £450k and £547k in 2015 and 2014 respectively.

The Insurance Investments Division performed very well during 2015 with a profitable final 6 months of trading. There was a good contribution from the eight legacy transactions completed in the year (seven acquisitions and one retrospective reinsurance transaction) with goodwill on bargain purchase reaching almost £15m. The deals completed were diversified by type and geography. IC Insurance involved the acquisition of Astra Zeneca and Akzo Nobel's jointly owned UK insurer with a small level of US Workers' Compensation ("WC") reserves. Liverpool & London was the largest Part VII transfer that the Group has carried out to date of this P&I club's largely asbestos related insurance liabilities. FNF included the acquisition of a Malta Insurance company with some small title related exposures whilst Kidde Re comprised the novation of UK liability policies from an Irish captive. Tan Cayman, Golden Rule and ADIC all consisted of novations of WC policies from captives, the first 2 being domiciled in the Cayman Islands and the last in Vermont in the US.

R&Q Insurance Malta continues to grow its balance sheet, benefiting from its flexible and well-priced exit solutions to a growing number of interested parties in the UK and rest of Europe looking to divest run-off books which are attracting increased capital charges and operational costs following the implementation of Solvency II. Meanwhile, our Bermuda based team continues to develop and expand the Group's infrastructure with the aim of offering fully licensed and 'A' rated paper for loss portfolio transfers and novations and a Rhode Island based insurer where new Part VII type legislation has been enacted.

Both as a result of the Group's recent track record of completing deals on both sides of the Atlantic, combined with a sustained marketing campaign means the pipeline of transactions for 2016 and beyond is highly encouraging. In the current year to date we have acquired a Guernsey based captive with UK EL exposures. It is anticipated that a number of other transactions will complete before June 30, especially, but not exclusively in Bermuda. The second half of the year is set to be stronger with a number of transfers and acquisitions already being pursued on an exclusive basis. The Group remains hopeful that the trend seen over the past few years of an increasing contribution from legacy acquisition activity will continue during the current year, underpinning the overall expected increase in profits for the year.

Reserve releases from the run-off insurance companies were higher than the prior year. R&Q Insurance Malta, R&Q Re (US), R&Q Re (UK), La Licorne, Armitage, Alma and R&Q Cyprus were all significant contributors to the positive reserve development in the period which arose from a combination of positive settlements from our proactive claims management strategy, profitable commutation activity on both inwards and outwards contracts and favourable reserve reassessments. No company experienced more than a negligible adverse net reserve movement during the year although within R&Q Re (US) a rise in the expected ultimate asbestos losses was neutralised through the commutation of the ACE reinsurance cover and its replacement with a single excess trigger policy with a larger limit. Perhaps more importantly, the ACE commutation has removed certain operational constraints which had impeded the Group's claims management strategy and has expanded the investible assets, thereby increasing the company's investment yield.

The Division delivered a subdued but respectable investment return of 1.1% in markets which, in the second half especially, were extremely challenging with no asset class delivering positive returns from Treasuries to equities. Once again, our diversification and pro-active management delivered returns which compared favourably with our peers, which was especially pleasing given the weak backdrop.

Asset Class	Share of Portfolio
ABS	11%
CLO	18%
Bonds/Treasuries	15%
Equity	6%
Funds	17%
Cash/Cash Equivalents	33%
	100%

Credit Rating	Share of Portfolio
Cash	33%
AAA	10%
AA	19%
A	15%
BBB	9%
BB	7%
Unrated	7%
Total	**100%**

The Group's asset allocations and credit ratings changed a little during the year with lower allocations to structured credit and higher allocations to cash, credit funds and corporate bonds/treasuries. The two new investment managers have performed very well in the tough markets that have prevailed. We will continue with low interest rate duration and a structured credit focus and remain cautious within the high yield sector. The average yield to worst has increased to just over 2.8% gross of fees. The first quarter of 2016 has seen overall performance ahead of expectations as the credit funds have performed particularly strongly.

Results in run-off Syndicate 3330, which now includes the remaining business of Syndicate 102 and Syndicate 1208, were stronger than expected and generated an underwriting profit through proactive claims management. The risk exposure of the syndicate was significantly reduced by the successfully concluded arbitration result on the Kelco X claim. The live syndicate participations continued to be impacted by slow development of premium as well as reserve strengthening in the non-US casualty accounts on the 2013 year of account and to a lesser extent, the 2014 year of account. However the US book has seen very low loss activity. Whilst the results were disappointing, they were not substantially out of line with those anticipated at the date of the interim results. As indicated earlier in the year, we reduced our underwriting commitment for the 2015 year of account from £30m to £20m and in 2016 we followed the syndicate de-emption of c.13%. At the end of 2015 we also saw our capital commitment fall as early year syndicate loadings were removed. As previously announced, the Group believes that a focus on management and fee income rather than the deployment of significant levels of underwriting capital will generate the best returns for shareholders going forward.

The joint venture with Phoenix Asset Management Partners Limited continues with the distressed insurance debt portfolio performing to plan, with a positive contribution and some additional purchases having been completed during the year.

Insurance Services

£000s	2015	2014
Total revenue	39,090	36,899
- Of which intercompany	16,179	15,385
- Of which third party	22,911	21,514
Operating profit *	5,000	4,836
Operating profit margin **	12.8%	13.1%

*Operating profit is defined as profit before income tax and finance costs, excluding goodwill on bargain purchase
**Operating profit margin is defined as operating profit (as defined above) divided by total revenue

Total income in the Insurance Services Division rose in 2015, driven by a 6.5% increase in third party revenue. Operating profit was higher than in the prior year. Lower internal revenue and profit from the Group's owned run-off insurers, especially R&Q Insurance Malta and R&Q ReUK was more than offset by good performance in broker services, a good level of credit write backs and improved operating performance in the core US services business after the restructuring carried out in early 2015. The operating margin in the core businesses was close to the targeted 20% but the aggregate figure was lowered by the lack of revenue in the healthcare and US legacy broking units and costs associated with the restructuring of certain of the captive units.

Run-off services

£000s	2015	2014
Total income	21,209	21,214
Operating profit *	5,269	7,275
Operating profit margin **	24.8%	34.3%

*Operating profit is defined as profit before income tax and finance costs, excluding goodwill on bargain purchase
**Operating profit margin is defined as operating profit (as defined above) divided by total revenue

Run-off services performed well during 2015 with falls in internal management income being largely mitigated by good growth in our third party businesses. Operating profit was only lower than 2014 because that year benefited from significantly higher internal management fees and certain one-off projects. Our broker services in the UK were the primary driver of the improved performance of our third party business. The operating margin was close to 25%.

Live Services

£000s	2015	2014
Total income	17,881	15,685
- Of which non-US	9,755	8,591
- Of which US	8,126	7,094
Operating (loss)/profit *	(269)	(2,439)
- Of which non-US	334	333
- Of which US	(603)	(2,772)
Operating profit margin **	(1.3)%	(15.5%)

*Operating profit is defined as profit before income tax and finance costs
**Operating profit margin is defined as operating profit divided by total revenue

The 2015 income and operating result in live services were much improved against the prior year, primarily as a result of the re-engineering of the core US business and the focus on profitable accounting contracts and a higher level of profits in the audit and inspection units. Non-US business saw an increase in profitability in premium credit control and binder management in the UK offset largely by the restructuring costs in the Gibraltarian and Norwegian insurance management units. Results in the core Bermuda based captive manager were good with a c.20% operating margin.

Underwriting Management

£000s	2015	2014
Total revenue	23,977	20,161
Operating profit/(loss) *	(476)	2,820
Operating profit/(loss) margin **	(2.0%)	14.0%
Key metrics		
Management fee revenue	9,906	9,684

MGA commission revenue	2,071	3,520
Profit commissions	74	958
Accredited ***		
- Profit before tax	512	1,076
- Return on net tangible equity	3.9%	6.52%

*Operating profit/(loss) is defined as profit/(loss) before income tax, finance costs and share of loss of associate
** Operating profit/(loss) margin is defined as operating profit/(loss) divided by total revenue
*** Acquired on 26 November 2014. The 2014 result is presented as if Accredited were owned by the Group for the entire year.

The Underwriting Management result was weak for the year, even after adjusting for the absence of goodwill on bargain purchase of £2.5m in relation to the acquisition of Accredited during 2014. The management fee revenue rose slightly overall as the growth of s.1991 and addition of the China Re/XL Catlin outsource contract compensated for the full year loss of income relating to s.1897 and a reduction in fees relating to the run-off syndicate. MGA commission fell due to the sale of R&Q Marine Services Limited, in part being compensated by growth in the other MGA units, CRS (which grew by 20%) and Synergy (which grew by 10%). Lack of scale in the latter unit continued to generate sizeable operating losses, which have now been removed from the division following its sale in early 2016 to Plum Underwriting. The competitive underwriting environment continued to affect the ability of both the syndicate and MGAs to grow which in turn held back the growth of fees, commission income and profit commissions in the division. Profit commissions were very subdued with the run-off syndicate PC being largely offset by the write back of a prior year PC accrual on the Marine MGA. New business income was very small, relating to some preliminary consultancy work on a pipeline turnkey contract which would give valuable scale to the agency. Income growth in both the syndicate and CRS continues and 2016 is set to be a better year financially for the division. This is in part being helped by personnel reductions at the senior level outside of the agency.

Turning to Accredited, the bail book held up well despite challenging political conditions and market pressures. The results were partly impacted from an increase in provisions of over $500k for two agents that wrote large bonds which were forfeited. These agents have now been terminated and control systems further improved. A large part of 2015 was spent applying for new licences to expand Accredited's underwriting reach nationwide, a process which is now largely complete. This should provide valuable new business flows to Syndicate 1991 and other authorised reinsurer markets, whilst generating a valuable source of commission income stream for the Group. We are pleased to announce that we have signed up to write our first new programme and have a pipeline of other opportunities. We have also applied for the Workers' Compensation line and the ability to use Accredited to write loss portfolio transfers and effect novations for legacy business, increasing its range of activity to leverage the Group's core expertise in run-off.

Governance

We set high standards of corporate governance, with a structure designed to establish, implement and maintain the effective controls essential to the Group's long-term success. The role of the Board is to set the Group's strategic objectives, and to oversee and review management performance, ensuring the required resources are available for meeting those objectives. The Board met regularly through the year to debate and conduct these matters.

Our people

During the past year, our staff has continued to make valuable contributions to the success of the Group and I emphasise my gratitude for this. We continue to identify and recruit high-quality individuals to develop existing and new business areas, and we demonstrate strength and depth in the management team across the three divisions. At the same time, we have had to reduce headcount in certain areas of the business to ensure a focus on operating margin and profitable growth.

Outlook

2016 should see a continuation of the Group's return to profitability, though with the usual bias towards the second half of the year. It is expected that book value will increase modestly during the year even after strong cash distributions to shareholders, which will be maintained at current levels, absent unforeseen circumstances.

The Group is confident in further increasing the contribution from its legacy acquisition activity, not just in the UK and Europe but also in Bermuda and the US, where we have been replicating our investment in infrastructure and expertise with good results. The recent commutation with ACE has provided the Group with considerably more flexibility to pro-actively manage the run-off of R&Q Re (US). We hope that 2015 represents a turning point in the evolution of that company's surplus.

Meanwhile, consistent with earlier comments, as part of the simplification of our business model, the Group has continued to rebalance its live underwriting commitment, to allow the deployment of additional capital in legacy transactions, where returns are expected to be more attractive and increasingly focus on fee based services.

A number of opportunities to expand our legacy broking and premium credit control services in the UK offer promising avenues of profitable growth. The disposal of certain non-core businesses, both completed and in train, should increase further the aggregate operating margin of the Insurance Services Division and lead to an improved result in the Underwriting Management Division, which is expected to benefit from the gradual expansion of fee income in Accredited.

The reduction in management operating costs across the Group, especially relating to support functions, will emerge during the latter part of 2016 and particularly 2017. As a result of this, whilst 2016 should see a good growth in profits, the performance will continue to be impacted from continuing investment in the US healthcare initiative, low investment yields and the challenging live underwriting market conditions. Full recovery in the Group's profitability and the delivery of increased distributions to shareholders and material growth in book value will thus likely come in 2017.

We look forward to 2016 and beyond with confidence, having delivered a significant improvement in the financial performance of the Group during the second half of 2015 and through a renewed focus on those core areas of the Group with the greatest growth potential.

Ken Randall
Chairman.

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Gross premiums written		29,253		24,751	
Written premiums ceded to reinsurers		790		(1,285)	
Net written premiums			30,043		23,466
Change in provision for unearned premiums, gross		(3,920)		(3,996)	
Change in provision for unearned premiums, reinsurers' share		(329)		738	
Net change in provision for unearned premiums			(4,249)		(3,258)
Earned premium, net of reinsurance			25,794		20,208
Gross investment income	6	2,166		5,626	
Other income	7	43,954		39,560	
			46,120		45,186
Total income			71,914		65,394
Gross claims paid		(46,095)		(46,624)	
Reinsurers' share of gross claims paid		26,214		26,475	
Claims paid, net of reinsurance		(19,881)		(20,149)	
Movement in gross technical provisions		18,204		8,705	
Movement in reinsurers' share of technical provisions		377		172	
Net change in provisions for claims		18,581		8,877	
Net claims provisions increased			(1,300)		(11,272)
Operating expenses	8		(80,643)		(69,859)
Result of operating activities before goodwill on bargain purchase			(10,029)		(15,737)
Goodwill on bargain purchase	29		14,851		14,592
Amortisation and impairment of intangible assets	14		(739)		(404)
Result of operating activities			4,083		(1,549)
Finance costs	9		(1,150)		(649)
Share of loss of associate			(104)		(111)
Profit/(loss) on ordinary activities before income taxes	10		2,829		(2,309)
Income tax charge	11		(72)		(437)
Profit/(loss) for the year			2,757		(2,746)
Attributable to:-					
Shareholders of the parent			2,986		(4,509)
Non-controlling interests			(229)		1,763
			2,757		(2,746)
Earnings per ordinary share for the profit attributable to the ordinary shareholders of the Company:					
Basic	12		4.2p		(6.3p)
Diluted	12		4.2p		(6.3p)

The accounting policies and accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	2015 £000	2014 £000
Other Comprehensive Income:-		
Items that will not be reclassified to profit or loss:-		
Pension scheme actuarial gains/(losses)	3,209	(5,027)
Deferred tax on pension scheme actuarial (gains)/ losses	(578)	1,005
	2,631	(4,022)
Items that may be subsequently reclassified to profit or loss:-		
Exchange gains on consolidation	480	373
Other comprehensive income	3,111	(3,649)
Profit/(loss) for the year	2,757	(2,746)
Total comprehensive income for the year	5,868	(6,395)

Attributable to:-		
Shareholders of the parent	6,095	(8,185)
Non-controlling interests	(227)	1,790
Total comprehensive income for the year	5,868	(6,395)

The accounting policies and accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2015

		Attributable to equity holders of the parent							
	Notes	Share capital £000	Share option costs £000	Share premium £000	Treasury shares £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000
Year ended 31 December 2015									
At beginning of year		1,435	64	17,363	(175)	67,609	86,296	3,161	89,457
Profit/(loss) for the year		-	-	-	-	2,986	2,986	(229)	2,757
Other comprehensive income									
Exchange profits on consolidation		-	-	-	-	478	478	2	480
Pension scheme actuarial gains		-	-	-	-	3,209	3,209	-	3,209
Deferred tax on pension scheme actuarial gains		-	-	-	-	(578)	(578)	-	(578)
Total other comprehensive income for the year		-	-	-	-	3,109	3,109	2	3,111
Total comprehensive income for the year		-	-	-	-	6,095	6,095	(227)	5,868
Transactions with owners									
Issue of shares		2	-	37	-	-	39	-	39
Issue of T & U shares		6,031	-	(6,031)	-	-	-	-	-
Cancellation of T & U shares		(6,031)	-	-	-	-	(6,031)	-	(6,031)
Treasury shares		-	-	-	175	(53)	122	-	122
Dividends paid to non-controlling interest		-	-	-	-	-	-	(2,861)	(2,861)
Disposal of non-controlling interest		-	-	-	-	-	-	(16)	(16)
At end of year		1,437	64	11,369	-	73,651	86,521	57	86,578

The accounting policies and accompanying notes are an integral part of the Consolidated Financial Statements.

		Attributable to equity holders of the parent							
	Notes	Share capital £000	Share option costs £000	Share premium £000	Treasury shares £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000
Year ended 31 December 2014									
At beginning of year		1,435	84	23,392	(54)	75,787	100,644	1,371	102,015
(Loss)/profit for the year		-	-	-	-	(4,509)	(4,509)	1,763	(2,746)
Other comprehensive income									
Exchange profits on consolidation		-	-	-	-	346	346	27	373
Pension scheme actuarial losses		-	-	-	-	(5,027)	(5,027)	-	(5,027)
Deferred tax on pension scheme actuarial losses		-	-	-	-	1,005	1,005	-	1,005
Total other comprehensive income for the year		-	-	-	-	(3,676)	(3,676)	27	(3,649)
Total comprehensive income for the year		-	-	-	-	(8,185)	(8,185)	1,790	(6,395)

Transactions with owners									
Issue of P-S shares		6,029	-	(6,029)	-	-	-	-	-
Cancellation of P&R shares		(3,015)	-	-	-	-	(3,015)	-	(3,015)
Cancellation of Q&S shares		(3,014)	-	-	-	3,014	-	-	-
Treasury shares		-	(20)	-	(121)	4	(137)	-	(137)
Dividends	13	-	-	-	-	(3,011)	(3,011)	-	(3,011)
At end of year		1,435	64	17,363	(175)	67,609	86,296	3,161	89,457

The accounting policies and accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position
As at 31 December 2015

Company Number 47341	**Note**	**2015 £000**	**2014 £000**
Assets			
Intangible assets	14	26,397	23,090
Investment in associate		13	117
Property, plant and equipment	15	940	1,528
Investment properties	16a	770	973
Financial instruments			
- Investments (fair value through profit and loss)	16b	139,604	163,288
- Deposits with ceding undertakings	4b	4,733	3,950
Reinsurers' share of insurance liabilities	21	177,211	171,404
Deferred tax assets	22	5,840	7,861
Current tax assets	22	4,569	3,835
Insurance and other receivables	17	119,860	114,783
Cash and cash equivalents	18	69,325	46,770
Total assets		549,262	537,599
Liabilities			
Insurance contract provisions	21	376,802	362,883
Financial liabilities			
- Amounts owed to credit institutions	20	37,492	27,117
- Deposits received from reinsurers		1,429	1,519
Deferred tax liabilities	22	2,827	3,509
Insurance and other payables	19	30,794	38,997
Current tax liabilities	22	7,943	5,855
Pension scheme obligations	26	5,397	8,262
Total liabilities		462,684	448,142
Equity			
Share capital	23	1,437	1,435
Share option costs		64	64
Share premium	23	11,369	17,363
Treasury shares	23	-	(175)
Retained earnings		73,651	67,609
Attributable to equity holders of the parent		86,521	86,296
Non-controlling interests in subsidiary undertakings	30	57	3,161
Total equity		86,578	89,457
Total liabilities and equity		549,262	537,599

The Financial Statements were approved by the Board of Directors on 22 April 2016 and were signed on its behalf by:-

K E Randall T A Booth

The accounting policies and accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Cash Flow Statement
For the years ended 31 December 2015

	Note	**2015 £000**	**2014 £000**
Cash flows from operating activities			

Profit/(loss) on ordinary activities before income taxes		2,829	(2,309)
Finance costs	9	1,150	649
Depreciation	15	719	676
Share based payments	23	159	213
Share of loss of associate		104	111
Profit on disposal of subsidiary		(6,024)	-
Goodwill on bargain purchase	29	(14,851)	(14,592)
Amortisation and impairment of intangible assets	14	739	404
Fair value gain on financial assets		2,329	(242)
Gain on disposal of investment property		(23)	-
Loss on disposal of property, plant and equipment		1	-
Loss on disposal of intangible assets		48	-
Loss on net assets of pension schemes		344	217
Decrease/(increase) in receivables		883	(23,079)
Decrease in deposits with ceding undertakings		164	975
(Decrease)/increase in payables		(5,379)	8,701
Decrease in net insurance technical provisions		(14,332)	(5,620)
		(31,140)	(33,896)
Sale of financial assets		62,318	22,901
Purchase of financial assets		(16,370)	(10,574)
Cash generated from operations		14,808	(21,569)
Income taxes paid		(184)	-
Income taxes repaid		26	-
Net cash generated from/(used in) operating activities		14,650	(21,569)
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(201)	(704)
Proceeds from sale of property, plant and equipment		78	-
Proceeds from sales of investment properties		223	-
Purchase of intangible assets	14	(550)	(264)
Acquisition of subsidiary undertakings (offset by cash acquired)		2,697	20,398
Disposal of subsidiary undertakings (offset by cash disposed of)		6,073	-
Share of cash from reinsurance of Syndicate		-	530
Dividends paid to minority shareholders		(2,861)	-
Net cash generated from investing activities		5,459	19,960
Cash flows to financing activities			
Repayment of borrowings		(19,149)	(19,328)
Proceeds from new borrowing arrangements		29,252	28,576
Equity dividends paid	13	-	(3,011)
Interest and other finance costs paid	9	(1,150)	(649)
Cancellation of shares	13	(6,031)	(3,015)
Purchase of treasury shares		-	(403)
Sale of treasury shares		-	53
Net cash from financing activities		2,922	2,223
Net increase in cash and cash equivalents		23,031	614
Cash and cash equivalents at beginning of year		46,770	46,942
Exchange losses on cash and cash equivalents		(476)	(786)
Cash and cash equivalents at end of year	18	69,325	46,770
Share of Syndicates' cash restricted funds		5,812	1,987
Unrestricted funds		63,513	44,783
Cash and cash equivalents at end of year		69,325	46,770

The accounting policies and accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2015

1. Corporate information

Randall & Quilter Investment Holdings Ltd. (the "Company") is a company incorporated inBermuda and listed on AIM, a sub-market of the London Stock Exchange. The Company and its subsidiaries (together forming the "Group") carry on business worldwide as owners and managers of insurance companies, live and in run off, as underwriting managers for active insurers, as participators and managers of Lloyd's Syndicates, as purchasers of insurance receivables and as service providers to the non-life insurance market. The Consolidated Financial Statements were approved by the Board of Directors on 22 April 2016.

2. Accounting policies

The principal accounting policies adopted in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a. ***Basis of preparation***

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), endorsed by the European Union ("EU"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with the Bermuda Companies Act 1981 (as amended).

The Group Consolidated Financial Statements have been prepared under the historical cost convention, except that financial assets (including investment property), financial liabilities (including derivative instruments) and purchased reinsurance receivables are recorded at fair value through profit and loss. All amounts are stated in sterling and thousands, unless otherwise stated.

The preparation of the Consolidated Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the year (Note 3). Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the current and future years depending on when the revision is made and the year it affects.

New and amended standards adopted by the Group

In the current year, the Group has applied amendments to IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

The Group has applied the amendments to IFRSs included in the annual improvements to IFRS: 2011-2013 cycle for the first time in the current year. The amendments include minor changes to the following standards:

• IFRS 1: 'First time adoption';
• IFRS 3: 'Business combinations' on clarification regarding joint arrangements;
• IFRS 13: 'Fair value measurement' on clarification of the portfolio exemption in IFRS 13; and
• IAS 40: 'Investment property' on clarification that IAS 40 and IFRS 3 are not mutually exclusive.

These amendments did not result in a material impact on the financial statements of the company.

A number of new standards and interpretations adopted by the EU which are not mandatorily effective, as well as standards and interpretations issued by the IASB but not yet adopted by the EU, have not been applied in preparing these financial statements.

The Group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of EU endorsement. The Group is still reviewing the upcoming standards to determine their impact:

• IFRS 9: Financial instruments (IASB effective date: 1 January 2018);
• IFRS 11: Amendment: Accounting for acquisitions on interests in joint operations (EU effective date: 1 January 2016)*;
• IFRS 14: Regulatory deferral accounts (IASB effective date: 1 January 2016);
• IFRS 15: Revenue from contracts with customers (IASB effective date: 1 January 2018);
• IAS 1: Amendment: Disclosure Initiative (EU effective date: 1 January 2016)*;
• IAS 16: Amendment: Clarification of acceptable methods of depreciation and amortisation (EU effective date: 1 January 2016)*;
• IAS 19: Amendments: Defined benefits plans (EU effective date: 1 February 2015)*;
• IAS 27: Amendment: Equity method in separate financial statements (EU effective date: 1 January 2016)*;
• IAS 38: Amendment: Clarification of acceptable methods of depreciation and amortisation (EU effective date: 1 January 2016)*;
• annual improvement to IFRSs - 2010-2012 cycle (EU effective date: 1 February 2015)*;
* standards that have been endorsed by the EU.

Of the upcoming accounting standard changes that we are aware of, we anticipate that IFRS 4 Phase II, IFRS 9 and IFRS 15 will have the most material impact to the financial statements presentation and disclosures. The accounting developments and implementation timelines of these standards are being closely monitored and the impacts of the standards themselves are being reviewed. Full impact analysis in respect of these standards is expected to be completed at least 12 months prior to the effective date of each standard. A brief overview of these standards is provided below;

• IFRS 4 Phase II will replace IFRS 4 Phase I (an interim standard that allows insurers to continue to use various accounting practices already in place) with a single principle based accounting framework applicable to all types of insurance contracts (including reinsurance contracts);

• IFRS 9 provides a reform of financial instruments accounting to supersede IAS 39 financial instruments: recognition and measurement. The standard contains the requirements for a) the classification and measurement of financial liabilities; b) a new impairment methodology and c) general hedge accounting. EU endorsement of IFRS 9 may continue to be delayed for insurers to align better with the release and adoption of IFRS 4 Phase II; and

• IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. Revenue from contracts accounted for under IFRS 4 is outside the scope of IFRS 15 however the Group will have to apply the new revenue recognition standard to non-insurance contracts. Furthermore, the Group may have to apply the new standard to non-insurance components of contracts traditionally considered to be insurance contracts. The new standard's requirement for accounting for variable consideration could change the timing of revenue recognition for non-insurance contracts issued by the Group.

b. ***Selection of accounting policies***

Judgement, estimates and assumptions are made by the Directors in selecting each Group accounting policy. The accounting policies are selected by the Directors to present Consolidated Financial Statements that they consider provide the most relevant information. In the case of certain accounting policies, there are different accounting treatments that could be adopted, each of which would be in compliance with IFRS and would have a significant influence upon the basis on which the Consolidated Financial Statements are presented.

In respect of financial instruments, the Group accounting policy is to designate all financial assets as fair value through profit or loss, including purchased reinsurance receivables.

c. ***Consolidation***

The Consolidated Financial Statements incorporate the Financial Statements of the Company, and entities controlled by the Company (its subsidiaries), for the years ended 31 December 2015 and 2014. Control exists when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial results of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes non-controlling interests to have a deficit balance.

The Group uses the acquisition method of accounting to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition directly attributable to the acquisition. Acquisition-related costs associated are charged to the Consolidated Income Statement in the year in which they are incurred.

Certain Group subsidiaries underwrite as corporate members of Lloyd's on Syndicates managed by R&Q Managing Agency Limited. In view of the several and direct liability of underwriting members at Lloyd's for the transactions of Syndicates in which they participate, only attributable shares of transactions, assets and liabilities of those Syndicates are included in the Consolidated Financial Statements. The Group continues to conclude that it remains appropriate to consolidate its share of the result of these Syndicates and accordingly, as the Group is the sole provider of capacity on Syndicate 3330, these Financial Statements include 100.00% of the economic interest in that Syndicate. For Syndicate 1991, the Group provides 22.77% of the capacity on the 2013 year of account, 20.01% on the 2014 year of account and 13.61% on the 2015 year of account, and for Syndicate 1897 the Group provided 8.33% of the capacity on the 2013 year of account. These Consolidated

Financial Statements include its relevant share of the result for those years. For the other Syndicate to which the Group is appointed managing agent, and where the capacity is provided wholly by third parties, these Consolidated Financial Statements reflect the Group's economic interest in the form of agency fees and profit commission to which they are entitled.

Associates are those entities in which the Group has power to exert influence but which it does not control. Investments in associates are accounted for using the equity method of accounting. Under this method the investments are initially measured at cost. Thereafter the Group's share of post-acquisition profits or losses are recognised in the Consolidated Income Statement. Therefore, the cumulative post-acquisition movements in the associates' net assets are adjusted against the cost of the investment.

When the Group's share of losses equals or exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition for the losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Equity accounting is discontinued when the Group no longer has significant influence over the investment.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in preparing the Consolidated Financial Statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income and within equity in the Consolidated Statement of Financial Position, separately from the equity attributable to the shareholders of the parent.

Insurance broking cash, receivables and payables held by subsidiary companies, other than the receivable for fees, commissions and interest earned on a transaction, are not included in the Group's Consolidated Statement of Financial Position as the subsidiaries act as agents for the client in placing the insurable risks of their clients with insurers and as such are not liable as principals for amounts arising from such transactions.

d. ***Going concern***

The Consolidated Financial Statements have been prepared on a going concern basis. The Directors have assessed the position of the Group and have concluded that the Group has adequate cash resources to meet its liabilities as they fall due. On this basis, the Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future.

e. ***Premiums***

Gross premiums written represent premiums on business commencing in the financial year together with adjustments to premiums written in previous accounting periods and estimates for premiums from contracts entered into during the course of the year. Gross premiums written are stated before deduction of brokerage, taxes and duties levied on premiums and other deductions.

Unearned premiums

A provision for unearned premiums represents that part of the gross premiums written that is estimated will be earned in the following financial periods. It is calculated on a time apportionment basis having regard, where appropriate, to the incidence of risk.

Reinsurance premium costs are allocated to reflect the protection arranged in respect of the business written and earned.

Acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned. Acquisition costs incurred during the period are recorded in operating expenses in the Consolidated Income Statement.

f. ***Claims***

These include the cost of claims and related expenses paid in the year, together with changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries. These are shown as net claims provisions (increased)/released in the Consolidated Income Statement.

g. ***Insurance contract provisions and reinsurers' share of insurance liabilities***

Provisions are made in the insurance company subsidiaries and in the Lloyd's Syndicates on which the Group participates for the full estimated costs of claims notified but not settled, including claims handling costs, on the basis of the best information available, taking account of inflation and latest trends in court awards. The Directors of the subsidiaries, with the assistance of run-off managers, independent actuaries and internal actuaries, have established such provisions on the basis of their own investigations and their best estimates of insurance payables, in accordance with accounting standards. Legal advice is taken where appropriate. Deductions are made for salvage and other recoveries as appropriate.

The provisions for claims incurred but not reported ("IBNR") have been based on a number of factors including previous experience in claims and settlement patterns, the nature and amount of business written, inflation and the latest available information as regards specific and general industry experience of trends.

A reinsurance asset (reinsurers' share of technical provisions) is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the outstanding claims reported and IBNR. The amount recoverable from reinsurers is initially valued on the same basis as the underlying claims provision. The amount recoverable is reduced when there is an event arising after the initial recognition that provides objective evidence that the Group may not receive all amounts due under the contract.

Neither the outstanding claims nor the provisions for IBNR have been discounted.

The uncertainties which are inherent in the process of estimating are such that, in the normal course of events, unforeseen or unexpected future developments may cause the ultimate cost of settling the outstanding liabilities to differ materially from that presently estimated. Any differences between provisions and subsequent settlements are recorded in the Consolidated Income Statement in the year which they arise.

Having regard to the significant uncertainty inherent in the business of insurance as explained in Note 3, and in light of the information presently available, in the opinion of the Directors the provisions for outstanding claims and IBNR in the Consolidated Financial Statements are fairly stated.

Unexpired risks provision

Provisions for unexpired risks are made where the costs of outstanding claims, related expense and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the end of the reporting period. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return.

Closed years of account

At the end of the third year (36 month period), the underwriting year of account of a Lloyd's Syndicate is normally closed by way of a Reinsurance to Close into the following underwriting year of account of the same Syndicate. The amount of the Reinsurance to Close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December and by making a provision in respect of IBNR, together with the estimated costs of administering those claims. In subsequent years any variation in the ultimate liabilities of the closed year of account provision is borne by the underwriting year into which it is reinsured.

The payment of a Reinsurance to Close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the participators in the closed underwriting account would have to settle outstanding claims. The Directors consider that the likelihood of such a failure of the Reinsurance to Close is extremely remote, and consequently the Reinsurance to Close has been accounted for as settling the liabilities outstanding at the closure of an underwriting account.

The Group has included its share of the external Reinsurance to Close premiums payable as insurance contract provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

Run-off years of account
Where an underwriting year of account of a Lloyd's Syndicate is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that underwriting year of account. The provision is determined initially by the managing agent on a similar basis to the Reinsurance to Close. However, any subsequent variation in the ultimate liabilities for that year remains with the members participating therein until the relevant underwriting year of account is closed by way of Reinsurance to Close into the successor underwriting year of account or a later underwriting year of account of another syndicate. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a Reinsurance to Close.

h. ***Provisions for future claims handling costs***

Provision is made for the anticipated costs of running off the business of those insurance company subsidiaries and the Group's participation in Syndicates which are in run off. Syndicates are treated as being in run off for the Consolidated Financial Statements where they have ceased writing new business and, in the opinion of management, there is no current probable reinsurer available to close the relevant Syndicate years of account.

Provision is made to the extent that the anticipated claims handling and other similar costs exceed the estimated future investment return expected to be earned by those insurance company subsidiaries and Syndicates treated as being in run off. Changes in the estimates of such costs and future investment return are reflected in the year in which the estimates are made.

When assessing the amount of the provision to be recognised, the investment return and claims handling and all other costs of all the insurance company subsidiaries and Syndicates treated as being in run off are considered in aggregate.

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

i. ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

j. ***Structured settlements***

Certain of the US insurance company subsidiaries have entered into structured settlements whereby their liability has been settled by the purchase of annuities from third party life insurance companies in favour of the claimants. The subsidiary retains the credit risk in the unlikely event that the life insurance company defaults on its obligations to pay the annuity amounts. Provided that the life insurance company continues to meet the annuity obligations, no further liability will fall on the insurance company subsidiary. The amounts payable to claimants are recognised in liabilities. The amount payable to claimants by the third party life insurance companies are also shown in liabilities as reducing the Group's liability to nil.

In the opinion of the Directors, this treatment reflects the substance of the transaction on the basis that any remaining liability of Group companies under structured settlements will only arise upon the failure of the relevant third party life insurance companies.

Should the Directors become aware that a third party life insurance company responsible for the payment of an annuity under a structured settlement may not be in a position to meet its annuity obligations in full, provision will be made for any such failure.

Disclosure of the position in relation to structured settlements is shown in Note 19.

k. ***Segmental reporting***

The Group's business segments are based on the Group's management and internal reporting structures and represent the level at which financial information is reported to the Board, being the chief operating decision maker as defined in IFRS 8.

l. ***Foreign currency translation***

Functional and presentational currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Consolidated Financial Statements are presented in sterling, which is the Group's presentational currency.

Transactions and balances
Transactions in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period; the resulting exchange gain or loss is recognised in the Consolidated Income Statement. Non-monetary items recorded at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Group translation
The assets and liabilities of overseas subsidiaries, including associated goodwill, held in functional currencies other than the Group's presentational currency are translated at the exchange rate as at the period end date. Income and expenses are translated at average rates for the period. All resulting exchange differences are recognised in other comprehensive income and accumulated in retained earnings in the Consolidated Statement of Financial Position.

On the disposal of foreign operations, cumulative exchange differences previously recognised in other comprehensive income are recognised in the Consolidated Income Statement as part of the gain or loss on disposal.

m. ***Financial instruments***

Financial instruments are recognised in the Consolidated Statement of Financial Position at such time that the Group becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the Group's obligations specified in the contract expire, are discharged or cancelled.

Financial assets

i) Acquisition

On acquisition of a financial asset, the Group is required under IFRS to classify the asset into one of the following categories: 'financial assets at fair value through profit and loss', 'loans and receivables held to maturity' and 'available for sale'. The Group does not currently make use of the 'held to maturity' and 'available for sale' classifications.

ii) Financial assets at fair value through profit and loss

All financial assets, other than cash, loans and receivables, are currently designated as fair value through profit and loss upon initial recognition because they are managed and their performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management. The Group's investment strategy is to invest and evaluate their performance with reference to their fair values.

iii) Fair value measurement

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available) and reference to the current fair value of other instruments that are substantially the same or discounted cash flow analyses.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third party market participant would take them into account in pricing a transaction.

Upon initial recognition, attributable transaction costs relating to financial instruments at fair value through profit or loss are recognised when incurred in other operating expenses in the Consolidated Income Statement. Financial assets at fair value throughprofit and loss are measured at fair value, and changes therein are recognised in the Consolidated Income Statement. Net changes in the fair value of financial assets at fair value through profit and loss exclude interest and dividend income, as these items are accounted for separately as set out in the investment income section below.

iv) Insurance receivables and payables

Insurance receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. Insurance receivables are classified as 'loans and receivables' as they are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Insurance receivables are measured at amortised cost less any provision for impairments. Insurance payables are stated at amortised cost.

v) Investment income

Investment income consists of dividends, interest, realised and unrealised gains and losses and exchange gains and losses on financial assets at fair value through profit and loss. The realised gains or losses on disposal of an investment are the difference between the proceeds and the original cost of the investment. Unrealised investment gains and losses represent the difference between the carrying amount at the reporting date, and the carrying amount at the previous period end or the purchase value during the period.

Financial liabilities

Borrowings

Borrowings are initially recorded at fair value less transaction costs incurred. Subsequently borrowings are stated at amortised cost and interest is recognised in the Consolidated Income Statement over the period of the borrowings.

Subordinated debt

A Group subsidiary has issued subordinated debt. At Group level this is treated as a financial liability and interest charges are recognised in the Consolidated Income Statement.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The best evidence of fair value of a derivative at initial recognition is the transaction price. The method of recognising the resulting fair value gains or losses depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Fair values are obtained from quoted market prices in active markets, recent market transactions, and valuation techniques which include discounted cash flow models. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group has not designated any derivatives as fair value hedges, cash flow hedges or net investment hedges.

n. ***Treasury shares***

The Employee Benefit Trust (EBT) held shares in the Company for the benefit of employees of the Group. These have been used to meet exercises of options granted by the Company or its predecessor, Randall & Quilter Investment Holdings plc (now RQIH Limited). The Trust waived its right to dividends and to vote on the shares it held and as a consequence those shares were deemed to be in Treasury and are recorded as Treasury Shares in the Consolidated Statement of Changes in Equity. The Company funds the expenses of the Trust and consolidates the expense statement and balance sheet of the Trust. As at the period end date the EBT did not hold any shares in the Company.

o. ***Leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classed as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

p. ***Property, plant and equipment***

All assets included within property, plant and equipment ("PPE") are carried at historical cost less depreciation. Depreciation is calculated to write down the cost less estimated residual value of motor vehicles, office equipment, IT equipment and leasehold improvements by the straight-line method over their expected useful lives.

The principal rates per annum used for this purpose are:-

	%
Motor vehicles	25
Office equipment	8 - 50
IT equipment	20 - 25
Leasehold improvements	Term of lease

The gain or loss arising on the disposal of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

q. ***Goodwill***

The Group uses the acquisition method in accounting for acquisitions. The difference between the cost of acquisition and the fair value of the Group's share of the identifiable net assets acquired is capitalised and recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the Consolidated Income Statementas goodwill on bargain purchase.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the fair value of the consideration paid for the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at the cash generating unit level, as shown in Note 14, on a biannual basis or if events or changes in circumstances indicate that the carrying amount may be impaired.

r. ***Other intangible assets***

Intangible assets, other than goodwill, that are acquired separately are stated at cost less accumulated amortisation and impairment.

Intangible assets acquired in a business combination, and recognised separately from goodwill, are recognised initially at fair value at the acquisition date.

Amortisation is charged to operating expenses in the Consolidated Income Statement as follows:-

Purchased IT software	3 - 5 years, on a straight-line basis
On acquisition of insurance companies in run off	Estimated pattern of run-off
On acquisitions - other	Useful life, which may be indefinite

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Consolidated Income Statementto reduce the carrying amount to the recoverable amount.

US insurance authorisation licences
US state insurance authorisation licences acquired in business combinations are recognised initially at their fair value. The asset is not amortised, as the Directors consider that economic benefits will accrue to the Group over an indefinite period due to the stability of the US insurance market. The licences are tested annually for impairment. This assumption is reviewed annually to determine whether the asset continues to have an indefinite life.

Rights to customer contractual relationships
Costs directly attributable to securing the intangible rights to customer contractual relationships are recognised as an intangible asset where they can be identified separately and measured reliably and it is probable that they will be recovered by directly related future profits. These costs are amortised on a straight-line basis over the useful economic life which is deemed to be 15 years and are carried at cost less accumulated amortisation and impairment losses.

s. ***Employee Benefits***

The Group makes contributions to defined contribution schemes and a defined benefit scheme.

The pension cost in respect of the defined contribution schemes represents the amounts payable by the Group for the year. The funds of the schemes are administered by trustees and are separate from the Group. The Group's liability is limited to the amount of the contributions.

The defined benefit scheme is funded by contributions from a subsidiary company and its assets are held in a separate Trustee administered fund. Pension scheme assets are measured at market value, and liabilities are measured using the projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent term and currency to the liability.

Current service cost, net interest income or cost and any curtailments/settlements are charged to the Consolidated Income Statement The present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets is recognised and disclosed separately as a net pension liability in the Consolidated Statement of Financial Position. Surpluses are only recognised up to the aggregate of any cumulative unrecognised net actuarial gains and past service costs, and the present value of any economic benefits available in the form of any refunds or reductions in future contributions.

Subject to the restrictions relating to the recognition of a pension surplus, all actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur.

In addition certain of the Group's employees also participate in a defined benefit scheme where the subsidiary company is one of several participating employers. It is not possible to identify the share of the underlying assets and liabilities belonging to the individual participating employers. Therefore the scheme is accounted for as if it were a defined contribution scheme and the Consolidated Income Statement charge for the year represents the employer contribution payable.

t. ***Cash and cash equivalents***

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less from the date of acquisition, and bank overdrafts which are repayable on demand.

u. ***Finance costs***

Finance costs comprise interest payable and are recognised in the Consolidated Income Statement in line with the effective interest rate on liabilities.

v. ***Operating expenses***

Operating expenses are accounted for in the Consolidated Income Statement in the period to which they relate.

Pre-contract costs
Directly attributable pre-contract costs are recognised as an asset when it is virtually certain that a contract will be obtained and the contract is expected to result in future net cash inflows in excess of any amounts recognised as an asset.

Pre-contract costs are charged to the Consolidated Income Statement over the shorter of the life of the contract or five years.

Onerous contracts
Onerous contract provisions are provided for in circumstances where the Group has a present legal or constructive obligation as a result of past events to provide services, the costs of which exceed future income. The costs of providing the services are projected based on management's assessment of the contract.

Arrangement fees
Arrangement fees in relation to loan facilities are deducted from the relevant financial liability and amortised over the period of the facility.

w. ***Other income***

Other income is stated excluding any applicable value added tax and includes the following items:-

Management fees
Management fees are from non-Group customers and are recognised when the right to such fees is established through a contract and to the extent that the services concerned have been performed.

Purchased reinsurance receivables
The Group accounts for these financial assets at fair value through profit and loss. 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.

Profit commission on managed Lloyd's Syndicates
Profit commission from managed Syndicates is earned as the related underwriting profits are recognised. Profit commission receivable on open underwriting years may be subject to further adjustment (up or down) as the results are reported prior to closure of the account in accordance with Lloyd's Reinsurance to Close arrangements.

Insurance commissions from Managing General Agencies
Insurance commissions comprise brokerage and profit commission arising from the placement of insurance contracts. Brokerage is recognised at the inception date of the policy, or the date of contractual entitlement, if later. Alterations in brokerage arising from premium adjustments are taken into account as and when such adjustments are notified. To the extent that the Group is contractually obliged to provide services after this date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts to ensure that revenue appropriately reflects the cost of fulfilling those obligations. Profit commission is recognised when the right to such profit commission is established through a contract but only to the extent that a reliable estimate of the amount due can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

x. ***Share based payments***

The Group issues equity settled payments to certain of its employees.

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

y. ***Current and deferred income tax***

Tax on the profit or loss for the year comprises current and deferred tax.

Tax is recognised in the Consolidated Income Statementexcept to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in the Consolidated Statement of Comprehensive Income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income.

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination and which, at the time of the transaction, affects neither accounting nor taxable profit or loss, it is not provided for.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilised. Deferred tax assets and liabilities are not discounted.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are determined using tax rates that have been enacted or substantively enacted by the period end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

z. ***Share capital***

Ordinary shares and Preference A and B sharesare classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

aa. ***Distributions***

Distributions payable to the Company's shareholders are recognised as a liability in the Consolidated Financial Statements in the period in which the distributions are declared and appropriately approved.

3. Estimation techniques, uncertainties and contingencies

Estimates and judgements are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant uncertainty in technical provisions

Significant uncertainty exists as to the accuracy of the insurance contract provisions and the reinsurers' share of insurance liabilities established in the insurance company subsidiaries and the Lloyd's Syndicates on which the Group participates as shown in the Consolidated Statement of Financial Position. The ultimate costs of claims and the amounts ultimately recovered from reinsurers could vary materially from the amounts established at the year end.

In the event that further information were to become available to the Directors of an insurance company subsidiary which gave rise to material additional liabilities, the going concern basis might no longer be appropriate for that company and adjustments would have to be made to reduce the value of its assets to their realisable amount, and to provide for any further liabilities which might arise. However, should this occur it will not impact on the going concern basis applicable to the Group.

The Company bears no financial responsibility for any liabilities or obligations of any insurance company subsidiary in run off. Should any insurance company subsidiary cease to be able to continue as a going concern in the light of further information becoming available, any loss to the Company and its other subsidiaries would thus be restricted to the book value of their investment in and amounts due from that subsidiary and any guarantee liability that may arise.

Claims provisions

The Group participates on a number of syndicates and owns a number of insurance companies in run-off. The Consolidated Financial Statements include provisions for all outstanding claims and IBNR, for related reinsurance recoveries and for all costs expected to be incurred to run off its liabilities.

The insurance contract provisions including IBNR are based upon actuarial and other studies of the ultimate cost of liabilities including exposure based and statistical estimation techniques. There are significant uncertainties inherent in the estimation of each insurance company subsidiary's and Lloyd's Syndicate's insurance liabilities and reinsurance recoveries. There are many assumptions and estimation techniques that may be applied in assessing the amount of those provisions which individually could have a material impact on the amounts of liabilities, related reinsurance assets and reported shareholders' equity funds. Actual experience will often vary from these assumptions, and any consequential adjustments to amounts previously reported will be reflected in the results of the year in which they are identified. Potential adjustments arising in the future could, if adverse in the aggregate, exceed the amount of shareholders' equity funds of an insurance company subsidiary.

The Group also contracts with independent external actuaries to obtaina Statement of Actuarial Opinion (SAO)for the Lloyd's Syndicates that it participates on. This statement shows that the booked reserves are greater than or equal to their view of best estimate. In the case of the Group's larger insurance companies in run off, independent external actuaries provide a range of acceptable estimates. The Group sets its reserves to lie within this acceptable range.

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 many years after policies have been written. Furthermore, much of the business written by these companies is reinsurance and retrocession of other insurance companies' business, which lengthens the settlement period.

Significant delays occur in the notification and settlement of certain claims and a substantial measure of experience and judgement is involved in making the assumptions necessary for assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the period end date. The gross insurance contract provisions and related reinsurers' share of insurance liabilities are estimated on the basis of information currently available. Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

The insurance contract provisions include significant amounts in respect of notified and potential IBNR claims for long-tail liabilities. The settlement of most of these claims is not expected to occur for many years, and there is significant uncertainty as to the timing of such settlements and the amounts at which they will be settled.

While many claims are clearly covered and are paid quickly, many other claims are subject to significant disputes, for example over the terms of a policy and the amount of the claim. The provisions for disputed claims are based on the view of the Directors of each insurance company subsidiary as to the expected outcomes of such disputes. Claim types impacted by such disputes include asbestos, pollution and certain health hazards and retrocessional reinsurance claims.

Uncertainty is further increased because of the potential for unforeseen changes in the legal, judicial, technological or social environments, which may increase or decrease the cost, frequency or reporting of claims, and because of the potential for new sources or types of claim to emerge.

Asbestos, pollution and health hazard claims

The estimation of the provisions for the ultimate cost of claims for asbestos, pollution, health hazard and other US liability insurance is subject to a range of uncertainties that is generally greater than those encountered for other classes of insurance business. As a result it is not possible to determine the future development of asbestos, pollution, health hazard and other US liability insurance with the same degree of reliability as with other types of claims. Consequently, traditional techniques for estimating claims provisions cannot wholly be relied upon. The Group employs further techniques which utilise, where practical, the exposure to these losses by contract to determine the claims provisions.

Insurance claims handling expenses

The provision for the cost of handling and settling outstanding claims to extinction and all other costs of managing the run-off is based on an analysis of the expected costs to be incurred in run-off activities, incorporating expected savings from the reduction of transaction volumes over time.

The period of the run-off may be between 5 and 50 years depending upon the nature of the liabilities within each insurance company subsidiary. Ultimately, the period of run-off is dependent on the timing and settlement of claims and the collection of reinsurance recoveries; consequently similar uncertainties apply to the assessment of the provision for such costs.

Reinsurance recoveries

Reinsurance recoveries are included in respect of claims outstanding (including IBNR claims) and claims paid after making provision for irrecoverable amounts.

The reinsurance recoveries on IBNR claims are estimated based on the recovery rate experienced on notified and paid claims for each class of business.

The insurance company subsidiaries are exposed to disputes on contracts with their reinsurers and the possibility of default by reinsurers. In establishing the provision for non-recovery of reinsurance balances, the Directors of each insurance company subsidiary consider the financial strength of each reinsurer, its ability to settle their liabilities as they fall due, the history of past settlements with the reinsurer, and the Group's own reserving standards and have regard to legal advice regarding the merits of any dispute.

Recognition and de-recognition of assets and liabilities in run offs

In the course of the Group's business of managing runoffs of insurers and brokers, accounting records are initially recognised in the form provided by previous management. As part of managing runoffs the Group carries out extensive enquiries to clarify the assets and liabilities of the run off and to obtain all available and relevant information. Those enquiries may lead the Group to identify and record additional assets and liabilities relating to that runoff, or to conclude that previously recognised assets and liabilities should be increased or no longer exist and should be de-recognised. Where decisions to de-recognise liabilities are supported by an absence of relevant information there may remain a remote possibility that a third party may subsequently provide evidence of its entitlement to such de-recognised liabilities which may lead to a transfer of economic benefit to settle such entitlement. The right of a third party to such a settlement will be recognised in the accounting period in which the position is clarified.

Defined benefit pension scheme

The pension assets and post retirement liabilities are calculated in accordance with IAS 19. The assets, liabilities and Consolidated Income Statement charge or credit, calculated in accordance with IAS 19, are sensitive to the assumptions made, including inflation, interest rate, investment return and mortality. IAS 19 compares, at a given date, the current market value of a pension fund's assets with its long term liabilities, which are calculated using a discount rate in line with yields on 'AA' rated bonds of suitable duration and currency. As such, the financial position of a pension fund on this basis is highly sensitive to changes in bond rates and equity markets.

Litigation, mediation and arbitration

The Group in common with the insurance industry in general, is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectorial inquiries in the normal course of its business. The Directors do not believe that, in the aggregate, current litigation, governmental or sectorial inquiries and pending or threatened litigation or dispute is likely to have a material impact on the Group's financial position. However, if the outcome of any individual dispute differs substantially from expectation, there could be a material impact on the Group's profit or loss, financial position or cash flows in the year in which that impact is recognised.

Changes in foreign exchange rates

The Group's Consolidated Financial Statements are prepared in sterling. Therefore, fluctuations in exchange rates used to translate other currencies, particularly the Euro and US dollar, into sterling will impact the reported Consolidated Statement of Financial Position, results of operations and cash flows from year to year. These fluctuations in exchange rates will also impact the sterling value of the Group's investments and the return on its investments. Income and expenses are translated into sterling at average exchange rates. Assets and liabilities are translated at the closing exchange rates at the period end date.

Assessment of impairment of intangible assets

Goodwill and US insurance authorisation licences are deemed to have an indefinite life as they are expected to have a value in use that does not erode or become obsolete over the course of time. Consequently, they are not amortised but tested for impairment on a biannual basis or if events or changes in circumstances indicate that the carrying amount may be impaired.

The impairment tests involve evaluating the recoverable amount of the Group's cash generating units and comparing them to the relevant carrying amounts. The recoverable amount of each cash generating unit is determined based on cash flow projections. These cash flow projections are based on the financial budgets approved by management covering a five year period. Management also consider the current net asset value and earnings of each cash generating unit for impairment.

Provisions

Included in Other payables in Note 19 is the Directors' estimate of the Group's exposure to the various liabilities of the Southern Illinois Land Company.

These estimates have been based on reports provided by recognised specialists as well as the Group's own internal review. These liabilities may not be settled for many years and significant judgement is involved in making an assessment of these liabilities, the period over which they will be settled and where appropriate the discount rate to be applied to assess the present value of these amounts to be settled.

4. **Management of insurance and financial risks**

The Group's activities expose it to a variety of insurance and financial risks. The Board is responsible for managing the Group's exposure to these risks and, where possible, for introducing controls and procedures that mitigate the effects of the exposure to risk.

The Group has a Risk Committee which is a formal Committee of the Board. The Committee has responsibility for maintaining the effectiveness of the Group's Risk Management Framework, systems of internal control, risk policies and procedures and adherence to risk appetite.

The following describes the Group's exposure to the more significant risks and the steps management have taken to mitigate their impact from a quantitative and qualitative perspective.

a. ***Investment risks (including market risk and interest rate risk)***

The Group has a Capital and Investment Committee which is responsible, inter alia, for setting and recommending to the Board, an investment strategy for the management of the Group's assets owned or managed by companies within the Group. The investment of the Group's financial assets, except certain deposits with ceding undertakings, is managed by external investment managers, appointed by the Capital and Investment Committee. The Capital and Investment Committee is responsible for setting the policy to be followed by the investment managers. The investment strategy strives to mitigate the impact of interest rate fluctuation and credit risks and to provide appropriate liquidity, in addition to monitoring and managing foreign exchange exposures.

The Capital and Investment Committee is also responsible for keeping under review the investment control procedures, monitoring and amending (where appropriate) the investment policies and oversight, monitoring Group cash flow, oversight of all banking and other financial commitments and covenants across the Group, as well as any regulatory requirements in relation to Group solvency.

The main objective of the investment policy is to maximise return whilst maintaining and protecting the principal value of funds under management.

The investment allocation (including surplus cash) at 31 December 2015 and 2014 is shown below:-

	2015 £000	2014 £000
Government and government agencies	18,157	22,972
Corporate bonds	73,476	91,753
Equities	13,551	18,539
Cash based investment funds	34,420	30,024
Cash and cash equivalents	69,325	46,770
	208,929	210,058

	%	%
Government and government agencies	8.7	10.9
Corporate bonds	35.1	43.7
Equities	6.5	8.8
Cash based investment funds	16.5	14.3
Cash and cash equivalents	33.2	22.3
	100.0	100.0

Corporate bonds include asset backed mortgage obligations totalling £18,752k (2014: £45,328k).

Based on invested assets at external managers of £139,604k as at 31 December 2015 (2014: £161,624k), a 1 percentage increase/decrease in market values would result in an increase/decrease in the profit before income taxes for the year to 31 December 2015 of £1,396k (2014: £1,616k).

(i) Pricing risk

The following table shows the fair values of financial assets using a valuation hierarchy; the fair value hierarchy has the following levels:-

Level 1 - Valuations based on quoted prices in active markets for identical instruments. An active market is a market in which transactions for the instrument occur with sufficient frequency and volume on an ongoing basis such that quoted prices reflect prices at which an orderly transaction would take place between market participants at the measurement date.

Level 2 - Valuations based on quoted prices in markets that are not active or based on pricing models for which significant inputs can be corroborated by observable market data.

Level 3 - Valuations based on inputs that are unobservable or for which there is limited activity against which to measure fair value.

2015	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Government and government agencies	5,266	12,891	-	18,157
Corporate bonds	72,746	-	730	73,476
Equities	10,654	-	2,897	13,551
Cash based investment funds	34,420	-	-	34,420
Purchased reinsurance receivables (Note 17)	-	-	5,997	5,997
Total financial assets measured at fair value	**123,086**	**12,891**	**9,624**	**145,601**

2014	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Government and government agencies	22,972	-	-	22,972
Corporate bonds	48,965	42,150	638	91,753
Equities	18,539	-	-	18,539
Cash based investment funds	30,024	-	-	30,024
Purchased reinsurance receivables (Note 17)	-	-	10,629	10,629
Total financial assets measured at fair value	**120,500**	**42,150**	**11,267**	**173,917**

The following table shows the movement on Level 3 assets measured at fair value:-

	2015 £000	**2014 £000**
Opening balance	10,629	16,033
Total net gains recognised in the Consolidated Income Statement	205	1,700
Purchases	5,372	353
Disposals	(6,802)	(8,249)
Exchange adjustments	220	792
Closing balance	**9,624**	**10,629**

Level 3 investments (purchased reinsurance receivables) have been valued using detailed models outlining the anticipated timing and amounts of future receipts. The net gains recognised in the Consolidated Income Statementin other income for the year amounted to £205k (2014: £1,700k). During the year the Group purchased further reinsurance receivables at a cost of £1,745k (2014: £353k). Short term delays in the anticipated receipt of these investments will not have a material impact on their valuation.

Level 3 investments (equities) relate to equity investments included on an acquisition, the valuation is calculated based on the fair value of the underlying assets and liabilities.

Level 3 investments (corporate bonds) relate to mortgages and are held at their principal balance.

There were no transfers between Level 1 and Level 2 investments during the year under review.

The following shows the maturity dates and interest rate ranges of the Group's debt securities:-

(ii) Liquidity risk

As at 31 December 2015

Maturity date or contractual re-pricing date

	Total £000	Less than one year £000	After one year but less than two years £000	After two years but less than three years £000	After three years but less than five years £000	More than five years £000
Debt securities	126,053	8,158	7,611	8,390	39,494	62,400

Interest rate ranges (coupon-rates)

	Less than one year %	After one year but less than two years %	After two years but less than three years %	After three years but less than five years %	More than five years %
Debt securities	0.45-5.5	0.88-6	0.88-5.75	1.64-5	0.67-4.11

As at 31 December 2014

Maturity date or contractual re-pricing date

	Total £000	Less than one year £000	After one year but less than two years £000	After two years but less than three years £000	After three years but less than five years £000	More than five years £000
Debt securities	144,749	14,208	9,531	18,440	26,686	75,884

Interest rate ranges (coupon-rates)

	Less than one year %	After one year but less than two years %	After two years but less than three years %	After three years but less than five years %	More than five years %
Debt securities	0.10-9.88	0.05-7.5	0.4-8.87	1.63-6.13	2.16-5.51

Liquidity risk is managed by the Capital and Investment Committee who monitor the cash position of each entity and for the Group as a whole on a regular basis to ensure that sufficient funds are available to meet liabilities as they fall due. Liquidity risk is also managed by reference to the Group's overall tolerance for potential liquidity shortfalls, which is monitored by the Group's financial planning and treasury function's established cash flow and liquidity management processes.

b. **Credit risk**

Credit risk arises where counterparties fail to meet their financial obligations as they fall due. The most significant area where it arises for the Group is where reinsurers fail to meet their obligations in full as they fall due. In addition, the Group is exposed to the risk of disputes on individual claims presented to its reinsurers or in relation to the contracts entered into with its reinsurers.

The ratings used in the below analysis are based upon the published rating of Standard & Poor's or other recognised ratings agency.

As at 31 December 2015

	A rated £000	B rated £000	Less than B £000	Other * £000	Exposures of less than £200k £000	Total £000
Deposits with ceding undertakings	2,692	245	-	-	1,796	4,733
Reinsurers' share of insurance liabilities	124,903	9,782	317	30,366	11,843	177,211
Receivables arising out of reinsurance contracts	38,092	3,068	231	4,897	11,057	57,345

As at 31 December 2014

	A rated £000	B rated £000	Less than B £000	Other * £000	Exposures of less than £200k £000	Total £000
Deposits with ceding undertakings	1,859	281	-	-	1,810	3,950
Reinsurers' share of insurance liabilities	118,257	11,200	-	19,412	22,535	171,404
Receivables arising out of reinsurance contracts	21,546	2,602	-	2,938	14,794	41,880

* Other includes reinsurers who currently have no credit rating.

The reinsurers' share of insurance liabilities is based upon a best estimate given the profile of the insurance provisions outstanding and the related IBNR. Receivables arising out of reinsurance contracts are included in insurance and other receivables in the Consolidated Statement of Financial Position.

The average credit period of receivables arising out of reinsurance contracts are as follows:-

As at 31 December 2015	**0-6 months%**	**6-12 months%**	**12-24 months%**	**> 24 months%**
Percentage of receivables	69.3	3.2	6.1	21.4

As at 31 December 2014	**0-6 months%**	**6-12 months%**	**12-24 months%**	**> 24 months%**
Percentage of receivables	62.0	3.1	6.8	28.1

A substantial part of the Group's business consists of acquiring debts or companies with debts, which are normally past due. Any further analysis of these debts is not meaningful. The Directors monitor these debts closely and make appropriate provision for impairment.

The Directors believe the amounts past due but not impaired, after allowing for any provision made, are recoverable in full.

Credit risk is managed at the Group level by way of two Committees which have been established specifically with this in mind.

The first is the Group Reinsurance Asset Committee, which is chaired by a Non-Executive Director and meets quarterly. This is a Committee of the Group Board and its function is to monitor and report on the Group's non-Syndicate reinsurance assets and, where necessary, recommend action to protect the asset.

The second is the Reinsurance Committee of R&Q Managing Agency Limited ("RQMA") (a Committee of the RQMA Board), which is responsible for establishing minimum security levels for all reinsurance purchases by the managed Syndicates by reference to appropriate rating agencies for agreeing maximum concentration levels for individual reinsurers and intermediaries, and for dealing with any other issue relating to reinsurance assets.

There are also a number of Key Risk Indicators pertaining to reinsurance security and concentration which have been developed under the auspices of the Group Risk Committee and the RQMA Risk and Capital Committee, which monitor adherence to predefined risk appetite and tolerance levels.

c. ***Currency risk***

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in sterling and its exposure to foreign exchange risk arises primarily with respect to US dollar and Euros. This is the same as in the previous year.

The Group's main objective in managing currency risk is to mitigate exposure to fluctuations in foreign exchange rates. There have been no material changes in trading currencies during the year under review. The Group manages this risk by way of matching assets and liabilities by individual entity. Asset and liability matching is monitored by the Group's financial planning and treasury functions' established cash flow and liquidity management processes.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities. This mitigates the foreign currency exchange rate risk for the overseas operations. Thus, the main foreign exchange risk arises from assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled. The currency risk is effectively managed by the Group through derivative financial instruments. Forward currency contracts are used to eliminate the currency exposure on individual foreign transactions. The Group will not enter into these forward contracts until a firm commitment is in place.

The table below summarises the Group's principal assets and liabilities by major currencies:-

31 December 2015	**Sterling £000**	**US dollar £000**	**Euro £000**	**Other £000**	**Total £000**
Intangible assets	13,507	12,308	582	-	26,397
Reinsurers' share of insurance liabilities	7,614	168,132	1,465	-	177,211
Financial instruments	4,041	119,311	21,299	469	145,120
Insurance receivables	23,748	47,188	854	-	71,790
Cash and cash equivalents	47,717	20,430	923	255	69,325

Insurance liabilities including provisions	(77,284)	(292,475)	(14,766)	-	(384,525)
Other provisions	(5,590)	(2,257)	(377)	-	(8,224)
Trade and other (payables)/receivables	15,179	(11,946)	(13,072)	(734)	(10,573)
Total	**28,932**	**60,691**	**(3,092)**	**(10)**	**86,521**

31 December 2014	**Sterling £000**	**US dollar £000**	**Euro £000**	**Other £000**	**Total £000**
Intangible assets	10,215	12,062	813	-	23,090
Reinsurers' share of insurance liabilities	9,577	160,085	1,742	-	171,404
Financial instruments	11,440	120,118	36,236	534	168,328
Insurance receivables	25,766	34,757	1,515	-	62,038
Cash and cash equivalents	24,594	18,094	3,756	326	46,770
Insurance liabilities including provisions	(63,455)	(288,505)	(18,407)	-	(370,367)
Other provisions	(9,793)	(1,978)	-	-	(11,771)
Trade and other (payables)/receivables	29,489	(3,436)	(28,787)	(462)	(3,196)
Total	**37,833**	**51,197**	**(3,132)**	**398**	**86,296**

The Group has no significant concentration of currency risk.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

		31 December 2015		**31 December 2014**	
Currency	**Changes in variables**	**Impact on profit £000**	**Impact on equity* £000**	**Impact on profit £000**	**Impact on equity* £000**
Euro weakening	10%	(79)	282	(98)	285
US dollar weakening	10%	501	(5,517)	342	(4,654)
Euro strengthening	10%	94	(344)	118	(348)
US dollar strengthening	10%	(611)	6,743	(420)	5,689

* Impact on equity reflects adjustments for tax, where applicable.

d. ***Capital management***

The Group's objectives with respect to capital sufficiency are to maintain capital at a level that provides a suitable margin over that deemed by the Group's regulators and supervisors as providing an acceptable level of policyholder protection, whilst remaining economically viable. At Group level, this currently translates as maintaining Group capital at a level that provides an adequate margin over the Group's solvency capital requirements whilst maintaining local capital which meets or exceeds the relevant local minima including, where appropriate, those relating to maintenance of external ratings. This is monitored by way of a capital sufficiency assessment by the Group Risk Committee.

e. ***Insurance risk***

The Group participates on Syndicates shown below:-

Syndicate	**Year of account**	**Capacity £000**	**Group capacity £000**	**Open / closed**
1991	2015	146,218	19,900	Open
1991	2014	150,000	30,019	Open
1991	2013	76,934	17,500	Closed
1897	2013	70,000	5,833	Closed
3330	2014	3,500	3,500	Open

(i) Underwriting risk

Underwriting risk is the primary source of risk in the Group's live underwriting operations and is reflected in the scope and depth of the risk appetite and monitoring frameworks implemented in those entities. Individual operating entities are responsible for establishing a framework for the acceptance and monitoring of underwriting risk including appropriate consideration of potential individual and aggregate occurrence exposures, adequacy of reinsurance coverage and potential geographical and demographic concentrations of risk exposure.

In the event that potential for risk concentrations are identified across operating entities, appropriate monitoring is developed to manage the overall Group exposure.

(ii) Reserving risk

Reserving risk represents a significant risk to the Group in terms of both driving required capital levels and the threat to volatility of earnings.

Reserving risk is managed through the application of an appropriate reserving approach to both live and run-off portfolios and the performance of extensive due diligence on new run-off portfolios and acquisitions prior to acceptance. Reserving exercises undertaken by the in-house actuarial team are supplemented with both scheduled and ad hoc reviews conducted by external actuaries.

Reserving risk is also mitigated through the use of reinsurance on live underwriting portfolios and through assuming the inuring reinsurance treaties in place in respect of acquired run-off acquisitions/portfolios.

Where appropriate, reserving risk is mitigated through the use of adverse loss development cover.

Claims development information is disclosed below in order to illustrate the effect of the uncertainty in the estimation of future claims settlements by the Group. The tables compare the ultimate claims estimates with the payments made to date. Details are presented on an aggregate basis and show the movements on a gross and net basis, and separately identify the effect of the various acquisitions made by the Group since 1 January 2012.

The analysis of claims development in the Group's run-off insurance entities is as follows:-

Gross	**Group entities at 1 January 2012**	**Entities acquired by the Group during 2012**	**Entities acquired by the Group during 2013**	**Entities acquired by the Group during 2014**	**Entities acquired by the Group during 2015**
	£000	**£000**	**£000**	**£000**	**£000**
Gross claims at :-					
1 January/acquisition	360,856	31,922	13,296	28,082	12,147
First year movement	(53,203)	(15,633)	(605)	(4,656)	26
Second year movement	(14,184)	(6,606)	(2,569)	(8,667)	
Third year movement	12,349	(2,355)	(2,983)		
Fourth year movement	4,889	(3,206)			
Gross provision at 31 December 2015	310,707	4,122	7,139	14,759	12,173
Gross claims at :-					
1 January/acquisition	360,856	31,922	13,296	28,082	12,147
Exchange adjustments	17,317	(2,401)	(1,075)	(1,248)	10
Payments	(186,591)	(5,420)	(2,900)	(10,397)	(15)
Gross provision at 31 December 2015	(310,707)	(4,122)	(7,139)	(14,759)	(12,173)
(Deficit)/surplus to date	(119,125)	19,979	2,182	1,678	(31)
Gross claims provisions - live business	-	-	9,190	17,046	1,666
Total gross insurance contract provisions (Note 21)	**310,707**	**4,122**	**16,329**	**31,805**	**13,839**

Net	**Group entities at 1 January 2012**	**Entities acquired by the Group during 2012**	**Entities acquired by the Group during 2013**	**Entities acquired by the Group during 2014**	**Entities acquired by the Group during 2015**
	£000	**£000**	**£000**	**£000**	**£000**
Net claims at :-					
1 January/acquisition	194,174	29,175	11,571	24,150	11,283
First year movement	(32,841)	(15,442)	(438)	(3,940)	9
Second year movement	(22,015)	(5,529)	(2,108)	(7,177)	
Third year movement	2,477	(2,018)	(2,710)		
Fourth year movement	(2,011)	(2,479)			
Net provision at 31 December 2014	139,784	3,707	6,315	13,033	11,292
Net claims at :-					
1 January/acquisition	194,174	29,175	11,571	24,150	11,283
Exchange adjustments	14,902	(2,169)	(1,080)	(1,787)	10
Payments	(62,266)	(3,768)	(1,830)	(8,312)	(15)
Net position at 31 December 2014	(139,784)	(3,707)	(6,315)	(13,033)	(11,292)
Surplus/(deficit) to date	7,026	19,531	2,346	1,018	(14)
Net claims provisions - live business	-	-	8,266	15,606	1,588
Total net insurance contract provisions (Note 21)	**139,784**	**3,707**	**14,581**	**28,639**	**12,880**

The above figures include the Group's participation on Lloyd's Syndicates treated as being in run-off.

5. 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 including bail bond business
- Other corporate activities, which primarily includes the Group holding company and other minor subsidiaries which fall outside of the segments above

Segmental results for the year ended 31 December 2015

	Insurance Investments Live	**Run-off**	**Total**	**Insurance Services**	**Underwriting Management**	**Other Corporate**	**Consolidation adjustments**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Earned premium, net of reinsurance	17,847	912	18,759	-	7,035	-	-	25,794
Net investment income	1	5,470	5,471	1,585	473	4,783	(10,146)	2,166
External income	-	567	567	22,906	14,431	6,050	-	43,954

Internal income	-	513	513	14,599	2,038	1,472	(18,622)	-
Total income	**17,848**	**7,462**	**25,310**	**39,090**	**23,977**	**12,305**	**(28,768)**	**71,914**
Claims paid, net of reinsurance	(4,372)	(15,411)	(19,783)	-	(98)	-	-	(19,881)
Net change in provision for claims	(6,439)	24,957	18,518	-	63	-	-	18,581
Net insurance claims (increased)/released	(10,811)	9,546	(1,265)	-	(35)	-	-	(1,300)
Operating expenses	(9,453)	(23,142)	(32,595)	(33,952)	(24,079)	(8,639)	18,622	(80,643)
Result of operating activities before goodwill on bargain purchase	**(2,416)**	**(6,134)**	**(8,550)**	**5,138**	**(137)**	**3,666**	**(10,146)**	**(10,029)**
Goodwill on bargain purchase	-	14,851	14,851	-	-	-	-	14,851
Amortisation and impairment of intangible assets	-	(262)	(262)	(138)	(339)	-	-	(739)
Result of operating activities	**(2,416)**	**8,455**	**6,039**	**5,000**	**(476)**	**3,666**	**(10,146)**	**4,083**
Finance costs	-	(1,831)	(1,831)	(1,851)	(579)	(7,035)	10,146	(1,150)
Share of loss of associate	-	-	-	-	(104)	-	-	(104)
(Loss)/profit on ordinary activities before income taxes	**(2,416)**	**6,624**	**4,208**	**3,149**	**(1,159)**	**(3,369)**	**-**	**2,829**
Income tax (charge)/credit	-	(2,612)	(2,612)	12	344	2,184	-	(72)
(Loss)/profit for the year	**(2,416)**	**4,012**	**1,596**	**3,161**	**(815)**	**(1,185)**	**-**	**2,757**
Non-controlling interests	-	-	-	28	201	-	-	229
Attributable to shareholders of parent	**(2,416)**	**4,012**	**1,596**	**3,189**	**(614)**	**(1,185)**	**-**	**2,986**
Segment assets	23,914	515,739	539,653	51,760	40,883	174,703	(257,737)	549,262
Segment liabilities	30,974	389,777	420,751	43,871	23,046	232,753	(257,737)	462,684

Segmental results for the year ended 31 December 2014

	Insurance Investments			Insurance	Underwriting	Other	Consolidation	
	Live £000	Run-off £000	Total £000	Services £000	Management £000	Corporate £000	adjustments £000	Total £000
Earned premium, net of reinsurance	10,079	9,333	19,412	-	796	-	-	20,208
Net investment income	14	6,158	6,172	954	263	5,702	(7,465)	5,626
External income	-	2,198	2,198	21,506	15,856	-	-	39,560
Internal income	-	776	776	14,439	3,246	1,391	(19,852)	-
Total income	10,093	18,465	28,558	36,899	20,161	7,093	(27,317)	65,394
Claims paid, net of reinsurance	(2,458)	(17,691)	(20,149)	-	-	-	-	(20,149)
Net change in provision for claims	(3,781)	12,658	8,877	-	-	-	-	8,877
Net insurance claims (increased)/released	(6,239)	(5,033)	(11,272)	-	-	-	-	(11,272)
Operating expenses	(6,420)	(23,656)	(30,076)	(31,983)	(19,723)	(7,929)	19,852	(69,859)
Result of operating activities before goodwill on bargain purchase	(2,566)	(10,224)	(12,790)	4,916	438	(836)	(7,465)	(15,737)
Goodwill on bargain purchase	-	8,609	8,609	3,485	2,498	-	-	14,592
Amortisation and impairment of intangible assets	-	(208)	(208)	(80)	(116)	-	-	(404)
Result of operating activities	(2,566)	(1,823)	(4,389)	8,321	2,820	(836)	(7,465)	(1,549)
Finance costs	-	(1,737)	(1,737)	(1,441)	(472)	(4,464)	7,465	(649)
Share of loss of associate	-	-	-	-	(111)	-	-	(111)
(Loss)/profit on ordinary activities before income taxes	(2,566)	(3,560)	(6,126)	6,880	2,237	(5,300)	-	(2,309)
Income tax credit/(charge)	-	1,050	1,050	(985)	(85)	1,698	(2,115)	(437)
(Loss)/profit for the year	**(2,566)**	**(2,510)**	**(5,076)**	**5,895**	**2,152**	**(3,602)**	**(2,115)**	**(2,746)**
Non-controlling interests	-	(1,615)	(1,615)	(2)	(146)	-	-	(1,763)
Attributable to shareholders of parent	**(2,566)**	**(4,125)**	**(6,691)**	**5,893**	**2,006**	**(3,602)**	**(2,115)**	**(4,509)**

Segment assets	15,347	548,984	564,331	79,671	25,071	183,954	(315,428)	537,599
Segment liabilities	20,546	419,900	440,446	78,774	24,749	219,601	(315,428)	448,142

Internal income includes fees payable by the insurance companies to the Insurance Services Division in the period. These 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 31 December 2015

	UK £000	North America £000	Europe £000	Total £000
Gross assets	202,865	466,941	137,193	806,999
Intercompany eliminations	(110,281)	(97,063)	(50,393)	(257,737)
Segment assets	92,584	369,878	86,800	549,262
Gross liabilities	180,650	461,663	78,108	720,421
Intercompany eliminations	(117,521)	(137,613)	(2,603)	(257,737)
Segment liabilities	63,129	324,050	75,505	462,684
Revenue from external customers	21,278	26,785	23,851	71,914

As at 31 December 2014

	UK £000	North America £000	Europe £000	Total £000
Gross assets	284,240	454,693	114,094	853,027
Intercompany eliminations	(178,458)	(77,821)	(59,149)	(315,428)
Segment assets	105,782	376,872	54,945	537,599
Gross liabilities	276,727	431,724	55,119	763,570
Intercompany eliminations	(200,807)	(112,679)	(1,942)	(315,428)
Segment liabilities	75,920	319,045	53,177	448,142
Revenue from external customers	41,961	10,899	12,534	65,394

6. **Gross investment income**

	2015 £000	2014 £000
Investment income	4,044	5,384
Realised net gains on financial assets	136	1,246
Unrealised losses on financial assets	(2,014)	(1,004)
	2,166	5,626

7. **Other income**

	2015 £000	2014 £000
Management fees	33,418	33,534
Profit commission on managed Lloyd's Syndicates	237	432
Insurance commissions	3,127	4,029
Profit on disposal of subsidiary (note 29)	6,024	-
Interest expense on pension scheme deficit	(282)	(135)
Purchased reinsurance receivables	1,430	1,700
	43,954	39,560

8. **Operating expenses**

	2015 £000	2014 £000
Costs of insurance company subsidiaries	11,652	10,097
Pre-contract costs	191	392
Employee benefits	38,240	34,804
Other operating expenses	30,560	24,566
	80,643	69,859

The costs of insurance company subsidiaries represent external costs borne by subsidiaries of the Group; intragroup charges are removed on consolidation.

Auditor remuneration

	2015 £000	2014 £000
Fees payable to the Group's auditors for the audit of the parent company and its Consolidated Financial Statements	110	110
Fees payable for the audit of the Group's subsidiaries by:-		
- Group auditors	418	407
- Other auditors	403	237
Advice on financial and accountancy matters	4	39
Other services under legislative requirements	107	112
Total	1,042	905

9. **Finance costs**

	2015 £000	2014 £000
Bank loan and overdraft interest	805	649
Subordinated debt interest	345	-
	1,150	649

10. **Profit/(loss) on ordinary activities before taxation**

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):-

	2015 £000	2014 £000
Employee benefits (Note 25)	38,240	34,804
Costs to acquire Accredited	-	750
Legacy acquisition costs (including aborted transactions)	828	463
Depreciation of fixed assets (Note 15)	719	676
Operating lease rental expenditure	1,898	1,559
Operating lease rental income	(10)	(42)
Amortisation of pre contract costs	191	329
Amortisation and impairment of intangibles (Note 14)	739	404

11. **Income tax charge**

a. ***Analysis of charge in the year***

	2015 £000	2014 £000
Current tax		
Current year	(176)	-
Adjustments in respect of previous years	(966)	1,208
Foreign tax	1,883	1,129
	741	2,337
Deferred tax	(669)	(1,900)
Income tax charge	72	437

b. ***Factors affecting tax charge for the year***

The tax assessed differs from the standard rate of corporation tax in the United Kingdom. The differences are explained below:-

	2015 £000	2014 £000
Profit/(loss) on ordinary activities before taxation	2,829	(2,309)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	573	(496)
Temporary differences	(495)	605
Capital allowances in excess of depreciation	(21)	(40)
Utilisation of tax losses	(17)	(415)
Tax losses carried back	67	-
Timing differences in respect of pension schemes	173	102
Unrelieved losses	33	10
Foreign tax rate differences	725	(537)
Adjustments to the tax charge in respect of prior years	(966)	1,208
Income tax charge for the year	72	437

c. ***Factors that may affect future tax charges***

In addition to the recognised deferred tax asset, the Group has other trading losses of approximately £43,824k (2014: £56,587k) in various Group companies available to be carried forward against future trading profits of those companies. The recovery of these losses is uncertain and no deferred tax asset has been provided in respect of these losses. Should it become possible to offset these losses against taxable profits in future years the Group tax charge in those years will be reduced accordingly.

The Group has available capital losses of £29,776k.

12. **Earnings and net assets per share**

a. ***Basic earnings per share***

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	2015 £000	2014 £000
Profit/(loss) for the year attributable to ordinary shareholders	2,986	(4,509)
	No. 000's	**No. 000's**
Shares in issue throughout the year	71,676	71,708
Weighted average number of ordinary shares issued	67	64
Weighted average number of Treasury shares held	-	(92)
Weighted average number of ordinary shares	71,743	71,680
Basic earnings per ordinary share	4.2p	(6.3p)

b. ***Diluted earnings per share***

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares for conversion of all potentially dilutive ordinary shares. The Group's earnings per share is diluted by the effects of outstanding share options.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	2015 £000	2014 £000
Profit/(loss) for the year attributable to ordinary shareholders	2,986	(4,509)
	No. 000's	**No. 000's**
Weighted average number of ordinary shares in issue in the year	71,743	71,680
Dilution effect of options	114	-
	71,857	71,680
Diluted earnings per ordinary share	4.2p	(6.3p)

c. ***Net asset value per share***

	2015 £000	2014 £000
Net assets attributable to equity shareholders as at 31 December	86,521	86,296
	No. 000's	**No. 000's**
Ordinary shares in issue as at 31 December	71,835	71,776
Less: shares held in treasury	-	(100)
	71,835	71,676
Net asset value per ordinary share	120.4p	120.4p

13. **Distributions**

The amounts recognised as distributions to equity holders in the year are:-

	2015 £000	2014 £000
Dividend to Q shareholders	-	1,844
Dividend to S shareholders	-	1,167
	-	3,011
Distribution on cancellation of T/P shares	3,590	1,745
Distribution on cancellation of U/R shares	2,441	1,270
	6,031	3,015
Total distributions to shareholders	6,031	6,026

14. **Intangible assets**

	US state licences & customer contracts £000	Arising on acquisition £000	Goodwill £000	Other £000	Total £000
Cost					
As at 1 January 2014	-	1,450	28,881	305	30,636
Exchange adjustments	-	(73)	704	-	631
Acquisition of subsidiaries	5,411	623	-	-	6,034
Additions	-	-	-	264	264
Disposals	-	-	-	-	-
As at 31 December 2014	5,411	2,000	29,585	569	37,565
Exchange adjustments	245	(65)	668	2	850
Acquisition of subsidiaries	-	3,297	-	-	3,297
Additions	-	-	-	550	550
Disposals	-	(323)	-	(135)	(458)
As at 31 December 2015	5,656	4,909	30,253	986	41,804
Amortisation/Impairment					
As at 1 January 2014	-	231	13,174	33	13,438
Exchange adjustments	-	(23)	656	-	633
Charge for the year	-	302	-	102	404
Disposals	-	-	-	-	-
As at 31 December 2014	-	510	13,830	135	14,475
Exchange adjustments	4	(29)	627	1	603
Charge for the year	150	372	-	217	739
Disposals	-	(322)	-	(88)	(410)
As at 31 December 2015	154	531	14,457	265	15,407
Carrying amount					
As at 31 December 2015	5,502	4,378	15,796	721	26,397
As at 31 December 2014	5,411	1,490	15,755	434	23,090

Goodwill acquired through business combinations has been allocated to cash generating units, (which are also operating and reportable segments) for impairment testing as shown in the table below, including the carrying amount for each unit.

Cash generating units	**2015 £000**	**2014 £000**
Insurance Investments Division ("IID")	474	474
Insurance Services Division ("ISD")	14,451	14,410
Underwriting Management Division ("UMD")	871	871
Total	15,796	15,755

The recoverable amount of these cash generating units is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management. As a result of the analysis, no impairment was required for these cash generating units.

Key assumptions used in value in use calculations

The calculation of value in use for the units is most sensitive to the following assumptions:-

- Discount rates, which represent the current market assessment of the risks specific to each cash generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The pre-tax discount rate applied to the cash flow projections is 10.0% (2014: 10.0%). The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC") with uplift for expected increases in interest rates. The WACC takes into account both debt and equity. The cost of equity is derived from the expected investment return.
- Reductions in operating expenses, which are linked to management expectations of the run-off of the insurance business managed by ISD.
- Growth rate used to extrapolate cash flows beyond the budget period, based on published industry standards. Cash flows beyond the four-year period are extrapolated using a 10.0% growth rate (2014: 10.0%).

The Directors believe that no foreseeable change in any of the above key assumptions would require an impairment of the carrying amount of goodwill.

15. **Property, plant and equipment**

	Computer equipment £000	Motor vehicles £000	Office equipment £000	Leasehold improvements £000	Total £000
Cost					
As at 1 January 2014	1,673	34	1,995	97	3,799
Exchange adjustments	11	1	5	49	66

Acquisition of subsidiaries	21	-	45	(21)	45
Additions	322	-	149	233	704
Disposals	(46)	-	(49)	-	(95)
As at 31 December 2014	1,981	35	2,145	358	4,519
Exchange adjustments	61	1	(16)	58	104
Acquisition of subsidiaries	-	-	-	-	-
Additions	121	-	78	2	201
Disposals	(330)	-	(332)	-	(662)
As at 31 December 2015	1,833	36	1,875	418	4,162
Depreciation					
As at 1 January 2014	993	12	1,300	54	2,359
Exchange adjustments	9	1	5	35	50
Charge for the year	302	10	316	48	676
Disposals	(45)	-	(49)	-	(94)
As at 31 December 2014	1,259	23	1,572	137	2,991
Exchange adjustments	39	-	17	39	95
Charge for the year	324	8	321	66	719
Disposals	(251)	-	(332)	-	(583)
As at 31 December 2015	1,371	31	1,578	242	3,222
Carrying amount					
As at 31 December 2015	462	5	297	176	940
As at 31 December 2014	722	12	573	221	1,528
As at 31 December 2013	680	22	695	43	1,440

As at 31 December 2015, the Group had no significant capital commitments (2014: none). The depreciation charge for the year is included in operating expenses.

16. Investment properties and financial assets

a. ***Investment properties***

	2015 £000	2014 £000
As at 1 January	973	1,019
Exchange adjustment	(3)	(46)
Disposals	(200)	-
As at 31 December	770	973

b. ***Financial investment assets at fair value through profit or loss (designated at initial recognition)***

	2015 £000	2014 £000
Equities	13,551	18,539
Debt securities - fixed interest rate	126,053	144,749
	139,604	163,288

In the normal course of business insurance company subsidiaries have deposited investments in 2015 of £Nil (2014: £65k) in respect of certain contracts in escrow which can only be released or withdrawn with the approval of the appropriate regulatory authority.

Included in the above amounts are £15,389k (2014: £35,915k) pledged as Funds at Lloyd's to support the Group's underwriting activities in 2015. Lloyd's has the right to apply these monies in the event the corporate member fails to meet its obligations. These monies are not available to meet the Group's own working capital requirements and can only be released with Lloyd's permission. Also included in the above amounts are £24,767k (2014 - £Nil) of funds withheld as collateral for certain of the Group's reinsurance contracts.

c. ***Shares in subsidiary and associate undertakings***

The Company had interests in the following subsidiaries and associate at 31 December 2015:-

		% of ordinary shares held via:-		
Principal activity and name of subsidiaries/associate	*Country of incorporation/ registration*	*The Company*	*Subsidiary and associate undertakings*	*Overall effective % of share capital held*
Insurance Investments Division				
Randall & Quilter II Holdings Limited	England and Wales	-	100	100

Alliance Insurance Agents Limited	Cyprus	-	100	100
Alma Vakuutus OY	Finland	-	100	100
Armitage International Insurance Company, Ltd	Bermuda	-	100	100
Berda Developments Limited	Bermuda	-	100	100
Capstan Insurance Company Limited	Guernsey	-	100	100
FNF Title Company Limited	Malta	100	-	100
Goldstreet Insurance Company	USA	-	100	100
Hickson Insurance Limited	Isle of Man	-	100	100
IC Insurance Limited	England and Wales	100	-	100
La Licorne Compagnie de Reassurances SA	France	-	100	100
La Metropole Compagnie Belge d'Assurance SA	Belgium	-	100	100
Pender Mutual Insurance Company Limited	Isle of Man	-	100	100
R&Q Capital No. 1 Limited	England and Wales	-	100	100
R&Q Capital No. 2 Limited	England and Wales	-	100	100
R&Q Capital No. 4 Limited	England and Wales	100	-	100
R&Q Capital No. 5 Limited	England and Wales	100	-	100
R & Q Cyprus Ltd	Cyprus	100	-	100
R&Q (Gibraltar) Limited	Gibraltar	100	-	100
R&Q Insurance (Malta) Limited	Malta	-	100	100
R&Q Liquidity Management Limited	England and Wales	-	100	100
R&Q Malta Holdings Limited	Malta	-	100	100
R&Q Re (Bermuda) Limited	Bermuda	-	100	100
R&Q Reinsurance Company	USA	-	100	100
R&Q Reinsurance Company (UK) Limited	England and Wales	-		100
RQLM Limited	Bermuda	100	-	100
Southern Illinois Land Company	USA	-	100	60
Transport Insurance Company	USA	-	100	100
Insurance Services Division				
Randall & Quilter IS Holdings Limited	England and Wales	-	100	100
Randall & Quilter Captive Holdings Limited	England and Wales	-	100	100
A. M. Associates Insurance Services Limited	Canada	-	100	100
Callidus Secretaries Limited	England and Wales	-	100	100
R&Q CalSol Limited	England and Wales	-	100	100
Excess and Treaty Management Corporation	USA	-	100	100
Grafton US Holdings Inc.	USA	-	60	60
JMD Specialist Insurance Services Group Limited	England and Wales	-	100	100
JMD Specialist Insurance Services Limited	England and Wales	-	100	100
John Heath & Company Inc	USA	-	100	100
LBL Acquisitions, LLC	USA	-	100	60
R&Q Archive Services Limited	England and Wales	-	100	100
R&Q Broker Services Limited	England and Wales	-	100	100
R&Q Captive Management LLC	USA	-	100	100
R&Q Central Services Limited	England and Wales	-	100	100
R&Q CG Limited	England and Wales	-	100	100
R&Q Healthcare Interests LLC	USA	-	100	100
R&Q Insurance Management (Gibraltar) Limited	Gibraltar		100	100
R&Q Insurance Management (IOM) Limited	Isle of Man	-	100	100
R&Q Insurance Services Limited	England and Wales	-	100	100
R&Q Intermediaries (Bermuda) Limited	Bermuda	-	100	100
R&Q KMS Management Limited	England and Wales	-	100	100
R&Q Market Services Limited	England and Wales	-	100	100
R&Q Quest (SAC) Limited	Bermuda	-	100	100
R&Q Quest Insurance Limited	Bermuda	-	100	100
R&Q Quest Management Services (Cayman) Limited	Cayman Isl.	-	100	100
R&Q Quest Management Services Limited	Bermuda	-	100	100
R&Q Quest PCC, LLC	USA	-	100	100
R&Q Services Holding Inc	USA	-	100	100
R&Q Solutions LLC	USA	-	100	100
R&Q Triton AS	Norway	-	100	100
R&Q Triton Claims AS	Norway	-	100	100
R&Quiem Financial Services Limited	England and Wales	-	100	100
R&Quiem Limited	England and Wales	-	100	100
Randall & Quilter America Holdings Inc	USA	-	100	100
Randall & Quilter Bermuda Holdings Limited	Bermuda	-	100	100
Randall & Quilter Canada Holdings Limited	Canada	-	100	100
Randall & Quilter Healthcare Holdings Inc.	USA	-	100	100
Reinsurance Solutions Limited	England and Wales	-	100	100
Requiem America Inc	USA	-	100	100
Risk Transfer Underwriting Inc.	USA	-	100	60
RSI Solutions International Inc	USA	-	100	100
Syndicated Services Company Inc	USA	-	100	100
Underwriting Management				
Randall & Quilter Underwriting Management Holdings Limited	England and Wales	-	100	100
Accredited Holding Corporation	USA	-	100	100
Accredited Surety & Casualty Company, Inc.	USA	-	100	100
Accredited Group Agency Inc.	USA	-	100	100
Accredited Bond Agencies Inc.	USA	-	100	100
DTW 1991 Underwriting Limited	England and Wales	-	100	100
R&Q Commercial Risk Services Limited	England and Wales	-	100	100
R&Q Managing Agency Limited	England and Wales	-	100	100
R&Q MGA Limited	England and Wales	-	100	100
R&Q Risk Services Canada Limited	Canada	-	100	100
Synergy Insurance Services (UK) Limited	England and Wales	-	100	100
Trilogy Managing General Agents Limited	England and Wales	-	30	30
Others				
RQIH Limited	England and Wales	100	-	100
R&Q Oast Limited	England and Wales	-	100	100
R&Q Secretaries Limited	England and Wales	-	100	100

17. **Insurance and other receivables**

	2015 £000	2014 £000
Receivables arising from direct insurance operations	14,444	20,158
Receivables arising from reinsurance operations	57,345	41,880
Insurance receivables	71,789	62,038
Trade receivables	5,221	5,218
Other receivables	23,288	20,932
Purchased reinsurance receivables	5,997	10,629
Prepayments and accrued income	13,565	15,966
	48,071	52,745
Total	119,860	114,783

Included in receivables arising from reinsurance operations is £4,063k (2014 - £Nil) in respect of amounts due under certain reinsurance contracts which are not expected to be received within 12 months.

Included in purchased reinsurance receivables is £2,656k (2014: £8,019k) which is expected to be received within 12 months. The remainder of the balance is expected to be received after 12 months.

Included in other receivables is an amount of £560k (2014: £280k) held in escrow in respect of the defined benefit scheme.

The carrying amounts disclosed above reasonably approximate their fair values at the period end date.

18. **Cash and cash equivalents**

	2015 £000	2014 £000
Cash at bank and in hand	69,325	46,770

Included in cash and cash equivalents is £502k (2014: £480k) being funds held in escrow accounts in respect of guarantees provided to the Institute of London Underwriters. The increase is due to exchange movements.

In the normal course of business, insurance company subsidiaries will have deposited funds in respect of certain contracts which can only be released with the approval of the appropriate regulatory authority.

The carrying amounts disclosed above reasonably approximate their fair values at the period end date.

Insurance broking fiduciary funds of £15,427k (2014: £22,994k), which are used to pay premiums to underwriters and settle claims to policy holders, are not included in the above cash balances.

19. **Insurance and other payables**

	2015 £000	2014 £000
Structured liabilities	357,802	347,848
Structured settlements	(357,802)	(347,848)
	-	-
Payables arising from reinsurance operations	5,402	4,569
Payables arising from direct insurance operations	893	1,396
Insurance payables	6,295	5,965
Trade payables	998	2,173
Other taxation and social security	1,077	724
Other payables	16,802	23,567
Accruals and deferred income	5,622	6,568
	24,499	33,032
Total	30,794	38,997

The carrying amounts disclosed above reasonably approximate their fair values at the period end date.

Included in other payables is £1,363k in respect of various liabilities arising in the Southern Illinois Land Company in respect of potential subsidence and workers compensation claims. The subsidence claims have been discounted and the potential undiscounted amount of all future payments is £12,439k.

Structured Settlements
No new structured settlement arrangements have been entered into during the year. 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 company 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 together with the reinsurance available to the relevant Group 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 annuities 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.

Segregated Cells

R&Q Quest (SAC) Limited ("Quest") is a segregated cell company in which assets and liabilities are held separately in segregated cells. The assets and liabilities of the segregated cells and the profits and losses of each cell are not available for use by Quest and as such only the assets and liabilities of the Group-owned cells are included in the Consolidated Statement of Financial Position. Excluding Group-owned cells, the amounts held on behalf of the segregated cells as at 31 December 2015 amount to £28,017k (2014: £40,018k).

RQLM Limited ("RQLM") is a segregated cell company in which assets and liabilities are held separately in segregated cells. The assets and liabilities of the segregated cells and the profits and losses of each are not available for use by the Group and as such only the assets and the liabilities of the Groups share of cells are included in the Consolidated Statement of Financial Position. The amounts held on behalf of the third parties as at 31 December 2015 amount to £7,668k.

20. Financial liabilities

	2015 £000	2014 £000
Amounts owed to credit institutions	37,492	27,117

Amounts due to credit institutions are payable as follows:-

	2015 £000	2014 £000
Less than one year	6,949	27,117
Between one to five years	16,284	-
Over five years	14,259	-
	37,492	27,117

As outlined in Note 31, £19,953k (2014: £24,879k) owed to credit institutions is secured by debentures over the assets of the Company and several of its subsidiaries.

During the year a subsidiary issued subordinated debt for €20m at a margin of 6.7% above EURIBOR and is repayable in 2025.

21. Insurance contract provisions and reinsurance balances

	2015			2014		
	Live £000	Run-off £000	Total £000	Live £000	Run-off £000	Total £000
Gross						
Insurance contract provisions at 1 January	16,189	346,694	362,883	8,105	315,843	323,948
Claims paid	(4,664)	(41,431)	(46,095)	(2,447)	(44,177)	(46,624)
Increases in provisions arising from the acquisition of subsidiary undertakings and Syndicate participations	-	12,147	12,147	-	28,082	28,082
Increase/(decrease) in claims provisions	12,018	15,873	27,891	6,842	31,076	37,918
Increase/(decrease) in unearned premium reserve	4,012	(92)	3,920	3,496	500	3,996
Net exchange differences	347	15,709	16,056	193	15,370	15,563
As at 31 December	**27,902**	**348,900**	**376,802**	**16,189**	**346,694**	**362,883**
Reinsurance						
Reinsurers' share of insurance contract provisions at 1 January	1,926	169,478	171,404	494	157,188	157,682
Reinsurers' share of gross claims paid	(292)	(25,922)	(26,214)	11	(26,486)	(26,475)
Increases in provisions arising from the acquisition of subsidiary undertakings and Syndicate participations	-	864	864	-	3,932	3,932
Increase/(decrease) in claims provisions	1,208	25,383	26,591	603	26,044	26,647
Increase/(decrease) in unearned premium reserve	(410)	81	(329)	868	(130)	738
Net exchange differences	10	4,885	4,895	(50)	8,930	8,880
As at 31 December	**2,442**	**174,769**	**177,211**	**1,926**	**169,478**	**171,404**
Net						
Net insurance contract provisions at 1 January	14,263	177,216	191,479	7,611	158,655	166,266
Net claims paid	(4,372)	(15,509)	(19,881)	(2,458)	(17,691)	(20,149)
Increases in provisions arising from the acquisition of subsidiary undertakings and Syndicate participations	-	11,283	11,283	-	24,150	24,150
Increase/(decrease) in claims provisions	10,810	(9,510)	1,300	6,239	5,032	11,271
Increase/(decrease) in unearned premium reserve	4,422	(173)	4,249	2,628	630	3,258

Net exchange differences	337	10,824	11,161	243	6,440	6,683
As at 31 December	**25,460**	**174,131**	**199,591**	**14,263**	**177,216**	**191,479**

The carrying amounts disclosed above reasonably approximate their fair values at the period end date.

Assumptions, changes in assumptions and sensitivity

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. The amounts presented above include estimates of future reinsurance recoveries expected to arise on the settlement of the gross insurance liabilities, including £30,792k (2014 - £Nil) in respect of the reinsurance contract collateralised by the funds withheld disclosed in Note 16 (b).

Provision is made at the period end 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.

As detailed in Note 3, significant uncertainty exists as to the likely outcome of any individual claim and the ultimate costs of completing the run off of the Group's insurance operations.

The provisions carried by the Group for its insurance liabilities 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 reviews by external actuaries. The use of external actuaries provides management with additional comfort that the Group's internally produced statistics and trends are consistent with observable market information and other published data.

As detailed in Note 2 (h), when preparing these Consolidated Financial Statements, provision is made for all costs of running off the business of the insurance company subsidiaries to the extent that these costs exceed the estimated future investment return expected to be earned by those subsidiaries. Provision is also made for all costs of running off the underwriting years for those Syndicates treated as being in run-off on which the Group participates. 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-off, using internally prepared budgets and forecasts of expenditure, investment income and actuarially assessed settlement patterns for the gross provisions. The gross costs of running off the business are estimated to be fully covered by the estimated future 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 and Syndicates within the Group are covered by a variety of treaty, excess of loss and stop loss reinsurance programmes.

The provisions disclosed in the Consolidated Financial Statements are sensitive to a variety of factors including:-

- Settlement and commutation activity of third party lead reinsurers
- Development in the status of settlement and commutation negotiations being entered into by the Group
- The financial strength of the Group's reinsurers and the risk that these entities could, in time, become insolvent or could otherwise default on payments
- Future cost inflation of legal and other advisors who assist the Group with the settlement of claims
- Changes in statute and legal precedent which could particularly impact provisions for asbestos, pollution and other latent exposures
- Arbitration awards and other legal precedents which could particularly impact upon the presentation of both inwards and outwards claims on the Group's exposure to major catastrophe losses

A 1 percent reduction in the net technical provisions would increase net assets by £1,996k (2014: £1,915k).

22. **Current and deferred tax**

Current tax

	2015 £000	2014 £000
Current tax assets	4,569	3,835
Current tax liabilities	(7,943)	(5,855)
Net current tax liabilities	(3,374)	(2,020)

Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rates of 18% for the UK (2014: 20%) and 34% for the US (2014: 34%).

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities during the year are shown below. The movement in deferred tax is recorded in the income tax charge in the Consolidated Income Statement.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances on a net basis.

	Deferred tax assets £000	**Deferred tax liabilities £000**	**Total £000**
As at 1 January 2014	5,292	(2,602)	2,690
Movement in year	2,569	(907)	1,662
As at 31 December 2014	7,861	(3,509)	4,352
Movement in year	(2,021)	682	(1,339)
As at 31 December 2015	5,840	(2,827)	3,013

The movement on the deferred tax account is shown below:-

	Accelerated capital allowances £000	Trading losses £000	Pension scheme deficit £000	Other temporary differences £000	Total £000
As at 1 January 2014	102	2,466	634	(512)	2,690
Movement in year	(68)	1,789	1,018	(1,077)	1,662
As at 31 December 2014	34	4,255	1,652	(1,589)	4,352
Movement in year	30	1,145	(681)	(1,833)	(1,339)
As at 31 December 2015	64	5,400	971	(3,422)	3,013

Movements in the provisions for deferred taxation are disclosed in the Consolidated Financial Statements as follows:-

	On acquisition of subsidiary £000	Exchange adjustment £000	Deferred tax in income statement £000	Deferred tax in statement of comprehensive income £000	Total £000
Movement in 2014	(1,243)	95	1,805	1,005	1,662
Movement in 2015	(1,431)	333	336	(577)	(1,339)

The analysis of the deferred tax assets relating to tax losses is as follows:-

	2015 £000	2014 £000
Deferred tax assets - relating to trading losses		
Deferred tax assets to be recovered after more than 12 months	5,071	3,465
Deferred tax assets to be recovered within 12 months	329	790
Deferred tax assets	5,400	4,255

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Directors have prepared forecasts which indicate that, excluding the deferred tax asset on the pension scheme deficit, the deferred tax assets will substantially reverse over the next six years.

The above deferred tax assets arise mainly from temporary differences and losses arising on the Group's US insurance companies in run-off. Under local tax regulations these losses and other temporary differences are available to offset against the US subsidiaries' future taxable profits in the Group's US Insurance Services Division as well as any future taxable results that may arise in the US insurance companies in run-off.

The Group's total deferred tax asset includes £5,400k (2014: £4,255k) in respect of trading losses carried forward. The tax losses have arisen in individual legal entities and will be used as future taxable profits arise in those legal entities, though substantially all of the unused tax losses for which a deferred tax asset has been recognised arises in the US subgroup.

The deferred tax assets are not wholly recoverable within 12 months.

23. Share capital

	Number of shares	Ordinary shares £000	Share premium £000	Treasury shares* £000	Total £000
At 1 January 2014	**71,776,080**	**1,435**	**23,392**	**(54)**	**24,773**
Issue of P-S shares	143,552,160	6,029	(6,029)	-	-
Redemption/Cancellation of P-S shares	(143,552,160)	(6,029)	-	-	(6,029)
Movement in treasury shares	-	-	-	(121)	(121)
At 31 December 2014	**71,776,080**	**1,435**	**17,363**	**(175)**	**18,623**
Issue of ordinary shares	58,759	2	37	-	39
Issue of T-U shares	143,596,678	6,031	(6,031)		-
Redemption/Cancellation of T-U shares	(143,596,678)	(6,031)	-	-	(6,031)
Movement in treasury shares	-	-	-	175	175
At 31 December 2015	**71,834,839**	**1,437**	**11,369**	**-**	**12,806**

* Nil shares (2014: 100,190)

	2015 £	2014 £
Allotted, called up and fully paid		

71,834,839 ordinary shares of 2p each		
(2014: 71,776,080 ordinary shares of 2p each)	1,436,695	1,435,522
1 Preference A Share of £1	1	1
1 Preference B Share of £1	1	1
	1,436,697	1,435,524

	2015 £	2014 £
Included in Equity		
71,834,839 ordinary shares of 2p each		
(2014: 71,776,080 ordinary shares of 2p each)	1,436,695	1,435,522
1 Preference A Share of £1	1	1
1 Preference B Share of £1	1	1
	1,436,697	1,435,524

Cumulative Redeemable Preference Shares

Preference A and B Shares have rights, inter alia, to receive distributions in priority to ordinary shares of distributable profits of the Company derived from certain subsidiaries:-

- Preference A Share:- one half of all distributions arising from the Company's investment in R&Q Reinsurance Company up to a maximum of $5,000k.
- Preference B Share:- one half of all distributions arising from the Company's investment in R&Q Reinsurance Company (UK) Limited up to a maximum of $10,000k.

The Preference A and Preference B Shares have been classified as equity on the basis that redemption dates are not prescribed in the Memorandum and Articles of Association and as such there is no contractual obligation to deliver cash. No distributions have been made to date by either R&Q Reinsurance Company or R&Q Reinsurance Company (UK) Limited.

Shares issued

During the year the Group issued T and U shares (with an aggregate value of £6,031k) (2014: P,Q, R, and S shares (with an aggregate value of £6,029k)) which were all cancelled. Of these amounts, £nil (2014: £5k) was payable to the Employee Benefit Trust.

On 10 December 2015 36,500 new shares were allotted to employees as part of their incentive package.

Share options

The Group historically operated a long term incentive plan "LTIP" which has now closed. However a small number of options continue to exist under this plan. The options have all vested but lapse on the tenth anniversary of the date of grant, or the holder ceasing to be an employee of the Group.

Notwithstanding the above the Group has granted options from time to time that are not part of any formal scheme although the terms of the grants do closely follow the terms of the predecessor Unapproved scheme which formed part of the LTIP referred to above.

Neither the Company nor the Group has any legal or constructive obligation to settle or repurchase the options in cash.

Treasury shares

During 2015, the Company transferred 100,190 ordinary shares to meet option exercises. At 31 December 2015 there were no shares held in Treasury.

Movements in the number of share options and their related exercise price are as follows:-

	Weighted average exercise price 2015 pence	Number of options 2015	Weighted average exercise price 2014 pence	Number of options 2014
Outstanding at 1 January	66.0	115,000	67.2	165,000
Exercised	2.0	(122,449)	19.1	(198,148)
Granted	2.0	142,449	2.0	148,148
At 31 December	56.5	135,000	66.0	115,000

The total number of options in issue during the year has given rise to a charge to the Consolidated Income Statementof £159k (2014: £213k) based on the fair values at the time the options were granted.

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

	2015 options	2014 options
Weighted average fair value	57.3 pence	91.1 pence
Weighted average share price	113.8 pence	157.1 pence
Exercise price	56.5 pence	66.0 pence
Expiry date	10 years after granting	10 years after granting
Vesting period	3 years	3 years
Volatility	21.0%	21.0%
Dividend yield	8.5%	8.5%
Expected option life	3 years	3 years
Annual risk free interest rate	0.91%	0.91%

The options outstanding at 31 December 2015 are all exercisable and had a weighted average remaining contractual life of 4.0 (2014: 4.1) years.

The range of prices on the outstanding share options is 2.0 pence to 70.0 pence.

24. **Employee Benefit Trust**

The Employee Benefit Trust has purchased no ordinary shares and released no ordinary shares deemed to be held in Treasury during the year to give a holding at the year end of £nil (2014: nil). The value at the year end was £nil (2014: £nil).

The EBT was formally closed on 18 December 2015.

25. **Employees and Directors**

Employee benefit expense for the Group during the year

	2015 £000	2014 £000
Wages and salaries	33,057	29,578
Social security costs	3,085	2,917
Pension costs	1,948	2,096
Share based payment charge	150	213
	38,240	34,804

Pension costs are recognised in operating expenses in the Consolidated Income Statementand include £1,948k (2014: £2,096k) in respect of payments to defined contribution schemes and £nil (2014: £nil) in respect of closed defined benefit schemes.

Average number of employees	2015 Number	2014 Number
Group executives & support services	79	72
Insurance Services Division	206	214
Insurance Investments Division	12	14
Underwriting Management Division	148	100
	445	400

Total number of employees as 31 December 2015 was 436 (2014: 463).

Remuneration of the Directors and key management

	2015 £000	2014 £000
Aggregate Director emoluments	1,417	1,511
Aggregate key management emoluments	1,418	1,496
Share based payments - Directors	150	197
Share based payments - key management	-	16
Director pension contributions	38	50
Key management pension contributions	42	97
	3,065	3,367
Highest paid Director		
Aggregate emoluments	727	800

Key management refers to employees who are Directors of subsidiaries within the Group but not members of the Group's Board of Directors.

Directors' emoluments

Name	Salary	Pension	Bonus	Share options	Overseas living expenses	Total	Total
	£000	£000	£000	£000	£000	£000	$000
K E Randall	326	-	-	-	-	326	500
A K Quilter	262	-	-	-	-	262	-
T A Booth	269	38	150	150	120	727	1,113
M G Smith	150	-	-	-	-	150	-
A H F Campbell	75	-	-	-	-	75	-
P A Barnes	65	-	-	-	-	65	100

T A Booth, K E Randall and P A Barnes have been remunerated in US dollars.

One Director has retirement benefits accruing under money purchase pension schemes (2014: Two). In the year, T A Booth was granted share options in respect of qualifying services under a long term incentive plan over 122,449 shares with a fair value of £150k (2014: 148,148 shares with a fair value of £197k) and the expense has been charged to the Consolidated Income Statement over the course of the vesting period.

26. **Pension commitments**

The Group operates one defined benefit scheme in the UK. The defined benefit scheme's assets are held in separate trustee administered funds. The pension cost was assessed by an independent qualified actuary. In his valuation, the actuary used the projected unit method as the scheme is closed to new employees. A full valuation of the scheme was completed as at 1 January 2012 by a qualified independent actuary.

On 2 December 2003, the scheme was closed to future accrual although the scheme continues to remain in full force and effect for members at that date.

a. ***Employee benefit obligations - amount disclosed in the Consolidated Statement of Financial Position***

	2015 £000	2014 £000
Fair value of plan assets	23,490	25,172
Present value of funded obligations	(28,887)	(33,434)
Net defined benefit liability	(5,397)	(8,262)
Related deferred tax asset	1,079	1,652
Liability in the Consolidated Statement of Financial Position	(4,318)	(6,610)

All actuarial (losses)/gains are recognised in full in the Consolidated Statement of Comprehensive Income in the period in which they occur.

b. ***Movement in the net defined benefit obligation and fair value of plan assets over the year***

	Present value of obligation	Fair value of plan assets	Deficit of funded plan
	£000	£000	£000
As at 31 December 2014	(33,434)	25,172	(8,262)
Interest (expense)/income	(1,113)	831	(282)
	(34,547)	26,003	(8,544)
Remeasurements:-			
Return on plan assets, excluding amounts included in interest expense	-	(1,075)	(1,075)
Gain from changes in demographic assumptions	2,513	-	2,513
Gain from changes in financial assumptions	2,496	-	2,496
Experience loss	(725)	-	(725)
	(30,263)	24,928	(5,335)
Employer's contributions	-	(62)	(62)
Benefit payments from the plan	1,376	(1,376)	-
As at 31 December 2015	**(28,887)**	**23,490**	**(5,397)**

	Present value of obligation	Fair value of plan assets	Net defined benefit liability
	£000	£000	£000
As at 31 December 2013	(28,570)	25,552	(3,018)
Interest (expense)/income	(1,237)	1,102	(135)
	(29,807)	26,654	(3,153)
Remeasurements:-			
Return on plan assets, excluding amounts included in interest income	-	(468)	(468)
Gain from changes in financial assumptions	(4,724)	-	(4,724)
Experience gain	165	-	165
	(34,366)	26,186	(8,180)
Employer's contributions	-	(82)	(82)
Benefit payments from the plan	932	(932)	-
As at 31 December 2014	**(33,434)**	**25,172**	**(8,262)**

The Group does not expect to contribute directly to the Scheme but expects to contribute £280k to an escrow account in the next accounting year.

c. ***Significant actuarial assumptions***

i) Financial assumptions

	2015	2014
Discount rate	3.9%	3.4%
RPI inflation assumption	3.1%	3.2%
CPI inflation assumption	2.3%	2.4%

	2015	2014
Pension revaluation in deferment:- - CPI, maximum 5%	2.3%	2.4%
Pension increases in payment:- - RPI, maximum 5%	3.1%	3.2%

ii) Demographic assumptions

Assumed life expectancy in years, on retirement at 60

	2015	**2014**
Retiring today		
- Males	27.4	29.5
- Females	29.9	31.8
Retiring in 20 years		
- Males	28.8	33.0
- Females	31.4	35.1

d. ***Sensitivity to assumptions***

The results of the IAS 19 valuation at 31 December 2015 are sensitive to the assumptions adopted.

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Assumption	**Change in assumption**	**Change in liabilities**
Discount rate	Decrease by 0.5%	Increase by 9%
Rate of inflation	Increase by 0.5%	Increase by 3%
Life expectancy	Increase by 1 year	Increase by 2%

The above sensitivity analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to significant actuarial assumptions has been estimated, based on the average age and the normal retirement age of members and the duration of the Scheme.

e. ***The major categories of plan assets are as follows***

			As at 2015 **£000**			**As at 2014** **£000**
	Quoted	**Un-quoted**	**Total**	**Quoted**	**Un-quoted**	**Total**
Cash and cash equivalents	-	297	297	-	107	107
Investment funds:-						
- equities	-	4,240	4,240	-	1,046	1,046
- bonds	-	17,408	17,408	-	13,583	13,583
- property	-	-	-	-	151	151
- cash	-	1,545	1,545	-	10,285	10,285
	-	**23,490**	**23,490**	**-**	**25,172**	**25,172**

f. ***Amount, timing and uncertainty of future cash flows***

The Group paid a single premium into the Scheme following the last full actuarial valuation as at 1 January 2012. Funding levels are monitored on an annual basis and the current agreed contribution rate is £280k per annum, which is based on the last triennial valuation as at 1 January 2012.

The present value of the defined benefit obligation has been estimated by projecting the results of the last full actuarial valuation as at 1 January 2012 to 31 December 2014. The table below shows an analysis by term to retirement of Scheme membership and past service liability as at the date of the last full actuarial valuation.

		Term to retirement					
	Pensioners	**0-5 years**	**6-10 years**	**11-15 years**	**16-20 years**	**21-25 years**	**26+ years**
Proportion of total liabilities (funding basis)	36.6%	26.2%	17.8%	12.3%	6.7%	0.4%	0.0%
Number of members	48	49	36	34	36	5	0

The duration of the liabilities of the Scheme is approximately 18 years as at 31 December 2015.

27. **Related party transactions**

The following Directors and connected parties received distributions during the year as follows:-

	2015 **£000**	**2014** **£000**

K E Randall and family	1,547	1,547
A K Quilter and family	357	357
T A Booth	78	60
M G Smith	2	2

During the year, the Group recharged expenses totalling £9,612k (2014: £9,842k) to Lloyd's Syndicates 3330 and 1991, which are managed by the Group.

28. **Operating lease commitments**

The Group leases a number of premises under operating leases, the total future minimum lease payments payable over the remaining terms of non-cancellable operating leases are:-

	2015 £000	2014 £000
Land and buildings		
No later than one year	961	271
Later than one year but no later than five years	1,100	2,185
Later than five years	-	365

29. **Acquisitions and divestments**

Acquisitions

The Group made seven acquisitions during 2015, all of which involve legacy transactions and have been accounted for using the acquisition method of accounting.

Legacy entities and businesses

The following table shows the fair value of assets and liabilities included in the Consolidated Financial Statements at the date of acquisition of the legacy businesses:

	IC £000	TanCayman £000	Kidde Re £000	ADIC £000	Golden Rule £000	L&L £000	FNF £000	Total £000
Intangible assets	181	-	-	-	-	3,116	-	**3,297**
Other receivables	259	-	-	-	-	-	132	**391**
Cash & Investments	24,292	98	250	79	59	15,477	2,321	**42,576**
Other payables	(24)	-	-	-	-	-	(20)	**(44)**
Technical provisions	(662)	-	-	(22)	-	(10,468)	(131)	**(11,283)**
Deferred tax	(366)			-	-	(1,091)	-	**(1,457)**
Net assets acquired	23,680	98	250	57	59	7,034	2,302	**33,480**
Consideration paid	17,060	-	-	-	-	-	1,569	**18,629**
Goodwill on bargain purchase	**(6,620)**	**(98)**	**(250)**	**(57)**	**(59)**	**(7,034)**	**(733)**	**(14,851)**

In all instances, goodwill on bargain purchase was recorded on the transactions. Goodwill on bargain purchase is calculated after the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition. It arises because the long-tail nature of the liabilities causes significant problems for former owners such as tying up capital and a 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 of the net assets.

In order to disclose the impact on the Group as though the legacy entities had been owned the whole year, assumptions would have to be made about the Group's ability to manage efficiently the run-off of the legacy liabilities prior to the acquisition. As a result, and in accordance with IAS 8, the Directors believe it is not practicable to disclose revenue and profit before tax as if the entities had been owned for the whole year.

Where significant uncertainties arise in the quantification of the liabilities, the Directors have estimated the fair value based on the currently available information and on assumptions which they believe to be reasonable.

The Group acquired the following legacy entities and businesses during 2015:

- On 25 September 2015, IC Insurance Limited ("IC") from AstraZeneca UK Limited and Imperial Chemicals Industries Limited. IC wrote product and general liabilities including pool arrangements and has been in run-off since 1992. Costs incurred in acquiring IC were £129k.
- On 30 September 2015, by way of novation, certain liabilities from TanCayman Insurance Company SPC Limited ("TanCayman"), a Cayman Islands domiciled segregated portfolio company. TanCayman wrote workers' compensation and employers' liability risks.
- On 16 October 2015, by way of novation, liabilities from Kidde Reinsurance Limited ("Kidde Re"), a Dublin based captive. Kidde Re wrote reinsurance liability business for various group companies.
- On 10 December 2015, by way of novation, liabilities from Automobile Dealers Insurance Company ("ADIC"), a Vermont based group captive. ADIC provided automotive, liability and workers' compensation policies from 2004 to 2009.
- On 21 December 2015, by way of novation, liabilities from Golden Rule, a Cayman Islands domiciled company. The policies transferred provided workers' compensation, general liability and automotive liability from 2000 to 2003.
- On 20 November 2015, the Court sanctioned a Part VII transfer under the Financial Services and Markets Act 2000 from Liverpool and London Steamship Protection and Indemnity Association Limited ("L&L"), a company limited by guarantee in England, to R&Q Insurance (Malta) Limited. The policies transferred provided marine protection and indemnity risks up to 2000. Costs incurred in the transfer amounted to £688k.

- On 23 December 2015, the entire issued share capital of FNF Title Company Limited ("FNF"), a company incorporated in Malta. FNF provided title insurance in the UK and other European states. Post-acquisition the portfolio has been transferred to R&Q Insurance (Malta) Limited. Costs incurred in the acquisition total £11k.

Divestment

On 27 February 2015, the Group completed the sale of its 75% ownership of R&Q Marine Services Limited to Hiscox. The agreed cash consideration was £6,750k, of which £5,063k was for the share owned by the Group. Contingent consideration was received of £1,347k, of which £1,010k was for the share owned by the Group and was received in February 2016.

30. **Non-controlling interests**

The following table shows the Group's non-controlling interests and movements in the year:-

31 December 2015	**2015**	**2014**
	£000	**£000**
Non-controlling interests		
Equity shares in subsidiaries	5	105
Share of retained earnings	589	3,055
Share of other reserves	(537)	1
	57	3,161
Movements in the year		
Balance at 1 January	3,161	1,371
(Loss)/profit for the year attributable to non-controlling interests	(229)	1,763
Exchange adjustments	2	27
Comprehensive (loss)/profit attributable to non-controlling interests	(227)	1,790
Non-controlling interests' share of dividends declared in the year	(2,861)	-
Changes in non-controlling interest in subsidiaries	(16)	-
Balance at 31 December	57	3,161

The Group now owns the non-controlling interests of R&Q Capital No. 1 Limited which had the economic benefit of 45% of the profit of the 2012 year of account of Syndicate 3330 in the 2014 and 2015 financial year. The Group owns 100% of R&Q Capital No. 1 Limited.

31. **Guarantees and debentures**

The Group has entered into a guarantee agreement and debenture arrangement with its bankers, along with several of its subsidiaries, in respect of the Group term loan facilities. The total liability to the bank at 31 December 2015 is £19,953k (2014: £24,879k).

The Group has the following external guarantees provided through subsidiaries:-

- R&Q Reinsurance Company (UK) Limited guarantee to MAAF Assurances in respect of La Reassurance Intercontinentale (now part of La Licorne Compagnie de Reassurances SA) up to €1,600k.

- In December 2013, the Group entered into a guarantee with the Institute of London Underwriters in respect of old policy liabilities which had previously been guaranteed by Tryg Forsikring AS and subsequently indemnified by Chevanstell Limited (transferred into R&Q Insurance Malta Limited in December 2013). The limit of this guarantee is £1,500k.

32. **Contingent liabilities**

Prior to its acquisition by the Group during 2014, a subsidiary undertook projects to advise members of defined benefit pension schemes where the members received incentivised transfer offers from their employer. Following the conclusion of an internal review earlier in the year, work continued on finalising the quantum of loss that clients of the subsidiary may have suffered and the amount of compensation that they might be entitled to, calculated actuarially, by reference to Financial Ombudsman Service guidelines. As a result of this work, and having regard to the warranties, indemnities and indemnity insurance in place at the time of acquisition, the Directors have concluded no further provision is required.

33. **Foreign exchange rates**

The Group used the following exchange rates to translate foreign currency assets, liabilities, income and expenses into sterling, being the Group's presentational currency:-

	2015		**2014**	
	Average	**Year end**	**Average**	**Year end**
US dollar	1.53	1.49	1.65	1.56
Euro	1.37	1.38	1.24	1.27

34. **Events after the reporting date**

Divestment

On the 26 February, the Group completed the sale of the Synergy business to Plum Underwriting. The agreed cash consideration was £625k.

Acquisition

On 24 March 2016, the Group acquired the entire issued share capital of Rank Insurance Limited, a Guernsey domiciled captive company in run-off, from Rank Overseas Holdings Limited.

The consideration paid by the Group was £1. Rank Insurance Limited had claims reserves as at 31 December 2015 amounting to £5k and shareholders' funds of £251k.

35. **Ultimate controlling party**

The Directors consider that the Group has no ultimate controlling party.