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

Interim results for the 6 months ended 30 June 2017

The Board of Randall & Quilter (AIM:RQIH), the specialist non-life legacy insurance investor and capacity provider of US and European MGA business, announces the Group's interim results for the 6 months ended 30 June 2017.

Highlights:

- H1 result significantly ahead of equivalent period in 2016. Pre-tax profit of £5.4m (H1 2016: £1.2m) and a tax credit of £0.5m, generating an EPS of 7.9p (H1 2016: 1.5p)

- Record contribution from legacy transactions completed in the first half year of £19.1m (2016: £2.7m), of which £12.7m arose from premiums in excess of undiscounted reserves assumed and £6.4m (2016: £2.7m) from goodwill on bargain purchase

- Excellent progress in deploying funds raised in the placing announced with the full year 2016 results. Additional capital has been injected into R&Q Insurance Malta and Accredited. Funds raised to pursue legacy transactions have already supported deals with others being finalised

- Positive movements in the Group's existing run-off portfolios with net reserve releases of £5.0m (H1 2016: £6.2m), aided by commutation activity in the US and favourable development in certain captive accounts

- An investment return of 1.4% on the Group's 'free' assets (H1 2016: 2.1%), due to favourable credit markets and rising yields on a predominantly US dollar based portfolio

- Proposed interim distribution per share increased to 3.5p (2016 3.4p) payable on or around October 11 , 2017

- Strong performance in the Group's principal carriers, R&Q Re Bermuda, Accredited and R&Q Insurance Malta, driven primarily by legacy loss portfolio transfer activity

- Continued growth in the underwriting of MGA/programme business, both in the US using Accredited, and more recently, in the UK and EU, using R&Q Insurance Malta. Two new accounts have been launched from each carrier respectively during the period. Underwriting risk is primarily ceded to highly rated reinsurers.

- Improving results from the s.1991 live syndicate participations as the account gains scale and benefits from favourable recent claims experience. Preliminary estimates of the impact on the Group's participation of the flooding and wind storm related losses from Hurricane Harvey appear to be modest net of reinsurance and annual CAT loss provisions. The syndicate purchases significant reinsurance protection which means that any potential deterioration of this estimate is not expected to have a material impact on the Group

- Solid results from core UK insurance services offset by weaker results in the US due to continued investment in developing the US healthcare and legacy operations

- Good progress with the disposal programme, aimed at simplifying the business through focusing on the Group's core activities of legacy and underwriting niche programme business on behalf of high quality reinsurers:
  - Lloyd's managing agency sold to Coverys for $22.6m, a gain of £12.6m over carrying value, subject to regulatory approval; and
  - Norwegian insurance manager, Triton sold during the period

- Book value per share excluding goodwill broadly flat at 106.5p (Dec 2016: 107.4p), after a substantial final distribution of 5.1p. This was a result of profitable trading, offset by unfavourable currency movements following strengthening of the pound against the US dollar during the period

Group summary financial performance

£000s	H1 17	H1 16	FY 2016
Group results			
Operating profit **(Group KPI)**	7,465	2,110	10,385
Profit before tax	5,435	1,229	8,478
Profit after tax	5,944	928	8,315
Earnings per share (basic) **(Group KPI)**	7.9p	1.5p	11.7p
Balance sheet information			
Total gross assets	833,606	590,701	786,212
Total net insurance contract provisions	381,665	218,968	350,994
Shareholders' equity	108,817	87,170	94,368
Key statistics			
Investment return on free assets	1.4%	2.1%	2.7%
Return on tangible equity (annualised)	15.4%	3.6%	13.5%
Net tangible assets per share	88.6p	81.8p	85.1p
Book value per share ex goodwill **(Group KPI)**	106.5p	98.1p	107.4p
Distribution per share **(Group KPI)**	3.5p	3.4p	8.6p

Ken Randall Chairman and Chief Executive Officer commented: "I am pleased to report that the Group delivered a very strong performance during the first half of the year. It is the Board's view, especially given the advanced state of a number of other legacy transactions and the growing pipeline that the results for the full year will be at least in line with expectations, absent unforeseen circumstances.

The outlook for the Group beyond the current year remains very promising. In the period, we have continued to simplify the business and announced the disposals of our Lloyd's Managing Agency business, subject to regulatory approval, as well as our insurance manager, Triton in Norway.

We have established and developed high quality and fully licensed platforms in multiple regulatory jurisdictions while retaining our entrepreneurial and innovative culture. We have widened our distribution network of brokers with the recent fundraising increasing the attractiveness of R&Q Insurance Malta and Accredited.

Our planned focus on legacy acquisitions and the use of Accredited and R&Q Insurance Malta as conduits for niche programme business to highly rated reinsurers looks increasingly well placed. There are good growth opportunities in both of these core operations and the Group's strong and growing market position is being driven by our central tenets of expertise and innovation."

Chairman's Statement

The Group delivered a strong financial performance during the first half of 2017 generating a pre-tax profit of £5.4m, a post-tax profit of £5.9m and EPS of 7.9p. This compares to £1.2m, £0.9m and 1.5p respectively in the prior year period. Distributions per share have been increased to 3.5p (H1 16: 3.4p) with a record date of September 29 and a payment date of October 11, subject to customary approvals. NTA increased by 3.5p per share despite the final 2016 distribution of 5.2p per share in the period.

As previously stated, the simplification of the Group's business model remains a priority for the Board. We have continued to rebalance our capital commitments to allow additional deployment in legacy transactions and to support our expansion in underwriting programme business, primarily on behalf of highly rated reinsurers. Agreements to dispose of certain non-core operations have already been announced and others are being actively worked on, with further progress expected before year end.

The Group's strong financial results in the period were primarily due to the excellent performance of our Insurance Investments Division and Accredited. Legacy acquisition activity was the key driver and our existing books continued to run-off favourably too. The growing scale of Syndicate 1991 together with some favourable claims movements resulted in an improved result from our 'live' syndicate participations. The service businesses were impacted by the operating losses from the developing US operations and certain one-off items in the captive management segment.

We continue to have attractive deal flow and we are well placed to take advantage of the considerable opportunities ahead. The increased opportunities we are identifying are being driven by a range of 'market' factors including the diversification of sources of underwriting capital, corporate M&A activity, solvency and rating agency capital pressures, Brexit and changes to tax laws. Rising investment yields, as seen in the US, are also supportive of our business model given our substantial and growing investment portfolio.

Strategy and business model

The overall mission and purpose of the Bermuda based Group is to offer investors profits and capital extractions from legacy non-life insurance acquisitions/reinsurances and grow commission income from its licensed carriers in the US and EU/UK writing niche and profitable programme business, largely on behalf of highly rated reinsurers.

Our main strategic objectives are to:

- acquire or reinsure run-off insurance companies/portfolios to produce attractive cash returns; and
- generate repeatable and growing commission income from Accredited and R&Q Insurance Malta, developing as attractive conduits for niche books of MGA business to highly rated reinsurers

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 underwrite programme business primarily on behalf of highly rated reinsurers.

Our aim is to continue to develop growing and sustainable profit streams to support our business model and increase book value and cash distributions to shareholders.

Divisional overview

Insurance Investments

£000s	**H1 2017**	**H1 2016**
Live income	15,082	12,483
Run-off Income	24,291	9,036
Total income	**39,373**	**21,519**
Result of operating activities (live and run-off)	**14,576**	**8,890**
Key metrics		
Net claims releases/(increases)		
• Insurance Companies	5,008	7,332
• Run-off Syndicates	(372)	(1,158)
Goodwill on bargain purchase	6,422	2,688
Live Syndicates' contribution to operating profit	(476)	(737)

(Decrease)/increase in fair value of insolvent insurance debt portfolio	(192)	264
Investment return on free assets	1.4%	2.1%

Investment return 1.4% is calculated as net investment income over average total investments excluding the syndicates, captive trusts and any reinsurance funds withheld.

Investment return is stated after fees of £444k and £200k in H1 2017 and H1 2016 respectively.

The Insurance Investments Division performed well during the first six months of trading in 2017 with an operating profit of £14.6m (H1 2016: £8.9m). There were reserve releases from a number of the owned insurance companies, especially the captive programmes assumed in the US, Bermuda and Guernsey. These were achieved through a combination of favourable settlements and interim reserve reassessments. Additional profit arose from continued commutation activity. No owned run-off book experienced net deterioration in the period. Syndicate 3330 continued to run-off favourably.

Eleven legacy transactions were completed in the first half year against just three in the same period in 2016. These included five acquisitions with goodwill on bargain purchase of £6.4m (H1 2016: £2.7m), five retrospective reinsurances (loss portfolio transfers or 'LPTs') and a UK Part VII transfer. The deals completed were diverse by geography too with acquisitions in the UK, US, Bermuda and Cayman Islands and LPTs in the US and UK. Liabilities assumed ranged from US workers' compensation, trucking liability and custom bonds to UK employers and general liability business. Of particular note is that the Group assumed over £72m of net insurance liabilities in the period, a clear demonstration of the larger deals we are now sourcing and completing.

R&Q Insurance Malta grew its balance sheet during the period through profitable trading and Tiers 1 and 2 capital infusions. The company continues to benefit from offering flexible and well-priced exit solutions to a growing number of interested parties in the UK and the rest of Europe looking to divest run-off books due to the increased capital charges and operational costs which they have to incur following the implementation of Solvency II.

R&Q Insurance Malta's comprehensive set of non-life EU insurance licenses, together with its underwriting, actuarial and MGA expertise is also being leveraged to underwrite quality MGA programmes in the UK and EU, primarily on behalf of well rated reinsurers. A UK motor and an Irish motor account have already been signed up and underwriting has commenced. These accounts alone are anticipated to generate up to £40m of annual premium with commission income accruing to R&Q Insurance Malta, as premium becomes earned. The number of further opportunities being presented to us, ranging from motor to surety and household accounts in the UK and EU is beyond our expectations, partially due to Brexit but primarily due to a lack of equivalent quality capacity in the market. A number of these opportunities are also well progressed and it is expected that there will be further updates as the year progresses. Some of the accounts may require a credit rating, the requirements and benefits of which are being actively assessed by the Group.

Meanwhile, our Bermuda based team continues to develop and expand the Group's infrastructure and exit solutions in the US and is able to offer the Group's fully licensed Admitted and 'A' rated paper for loss portfolio transfers and novations to corporates, self-insurers, Risk Retention Groups and domestic carriers alike. The benefits of this clearly contributed to the results in the first six months of the year with a significant portion of the legacy deal contribution emanating from two US based loss portfolio transfers. Meanwhile, the Group's captive buy-out offering continues to expand with new structures now being offered to the market.

We have also recently established a new insurance company in Rhode Island where new Part VII type legislation has been enacted. We are now working actively to offer a full finality solution to US insurers looking to dispose of books of business, subject to regulatory approvals.

As a result of the Group's recent track record of completing deals on both sides of the Atlantic and a significant marketing campaign, especially in the US, I am pleased to report that a number of additional transactions are expected to complete during the remainder of 2017. These transactions range from assumptions of US business from self-insured funds/groups to loss portfolio transfers and the purchase of onshore and offshore captives from US and UK domiciled sellers.

There has also been renewed interest in disposing of legacy business at Lloyd's with some well publicised potential transactions expected to conclude for the commencement of the 2018 underwriting year. The Group has deep expertise in Lloyd's legacy and is keen to increase its involvement again in this segment of the market, partnering with industry capital and infrastructure as required. The Group is thus well placed to benefit from the impact of the depressed premium rating environment in parts of the 'active' insurance market which is stimulating M&A activity and shareholder pressure to exit unprofitable lines and avoid capital loadings on legacy reserves.

The Division delivered an investment return of 1.4%, which was above our expectations and helped by markets which have remained generally favourable due to tightening credit spreads despite the rising yield environment in the US. Once again, our diversification and pro-active management delivered good returns.

Asset Class	**Share of Portfolio**
ABS	9.0%
CLO	3.8%
Bonds/Treasuries	40.1%
Equity	3.0%
Funds	7.1%
Cash/Cash Equivalents	37.0%
Total	**100%**

Credit Rating	**Share of Portfolio**
Cash	37%
AAA	17%
AA	11%
A	10%
BBB	12%
BB	2%
B	1%
Unrated	10%
Total	**100%**

The Group's asset allocations and credit ratings changed little during the period. The duration of the portfolios also edged upwards, which again has been a beneficial positioning but it remains short overall at between two and three years. The credit funds owned by most of the non-US subsidiaries performed well with their tactical positioning in credit and hedging through a small allocation to longer duration bonds. Our small and reduced equity portfolio also performed well. We continue with low interest rate duration and a structured credit focus. The average yield to worst is c. 2.5% gross of fees. The level of cash and invested funds has increased substantially over the last year primarily through legacy acquisition activity. To date, the third quarter of 2017 has seen continued positive investment performance.

The live syndicate participations showed improved results with significantly increased premium income and some notable improvements in the incurred and ultimate loss ratios in the 2014 and 2015 underwriting years due to favourable movements in a number of larger claims. Given higher premium volumes and improving loss ratios as the track record builds, it is anticipated that the syndicate results will continue to improve, and that the increasing maturity of the syndicate will erode the difference between the GAAP and Ultimate Year of Account results.

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 but we anticipate reducing our participation for 2018 but maintain our support for the syndicate.

The joint venture with Phoenix Asset Management Partners Limited continues, with the distressed insurance debt portfolio performing broadly to plan. The results were modestly impacted by a delay in the anticipated receipt of a dividend on one estate and a small adjustment to the expected final pay-out. Additional opportunities continue to be presented but competition has risen with a consequent impact on returns.

Insurance Services

£000s	H1 2017	H1 2016
Total revenue	14,565	12,855
• Of which intercompany	4,444	4,561
• Of which third party	10,121	8,294
Operating profit	141	1,189
Operating profit margin	1.0%	9.2%

Total revenue in the Insurance Services Division was ahead year on year, primarily as a result of higher internal revenue arising from the number of new entities and run-off books added during the past 12 months. There was also an increase in revenue from the UK premium credit control operations and US healthcare.

Operating profit was lower than in the prior year period despite the increase in revenues as a result of foreign exchange related losses on the USD credit write back balances, provisions in the captive management segment relating to the discontinued Gibraltar operation and bad debt on a start-up client which failed to launch. Costs associated with managing a large (third party) US claims pool were exacerbated due to delays arising from extended regulatory processes in generating exit solution revenue.

The operating profit margin in the core run-off service operations was above the targeted 20% but the aggregate figure continued to be impacted by the operating costs of the US healthcare and legacy broking units. US healthcare however began to generate more material revenues during the second quarter and this positive trend is expected to continue during the remainder of the year and beyond.

Run-off services

£000s	H1 2017	H1 2016
Total income	6,598	5,725
Operating profit	1,626	1,996
Operating profit margin	24.6%	34.8%

Run-off services showed a good increase in revenue in line with recent higher legacy acquisition activity. Whilst the profit margin during the period was still above target, it was lower than the prior year, primarily due to foreign exchange related losses on the US dollar denominated credit write back balances in the legacy broking unit.

Live Services

£000s	H1 2017	H1 2016
Total income	7,967	7,130
• Of which non-US	4,808	4,590
• Of which US	3,159	2,540
Operating (loss)/profit	(1,485)	(807)
• Of which non-US	(508)	369
• Of which US	(977)	(1,176)
Operating profit margin	(18.6%)	(11.3%)

The H1 2017 income in live services was higher against the prior year, primarily as a result of further good progress in the premium credit control and binder management unit and the start of revenues from the US healthcare operations. The operating loss from the non-US business resulted from certain costs relating to the discontinuation of the Gibraltar captive business and a provision against revenue previously booked on a start-up client which failed to launch operations. Otherwise the captive management operations performed to plan.

The US business continued to be impacted by costs associated with expanding the healthcare operations and maintenance of the US legacy broking unit. However, the operating loss was reduced against the prior year due to revenues being generated from the healthcare operation during the second quarter and a reduction in related operating costs during the latter part of the period.

Underwriting Management

£000s	**H1 2017**	**H1 2016**
Total revenue	75,652	10,412
Operating profit/(loss)	1,038	(1,676)
Operating profit margin	1.2%	(16.1)%
Key metrics		
Management fee revenue	4,823	4,841
MGA commission revenue	831	713
Profit commissions	-	16
Accredited		
• Profit/(loss) before tax	2,240	(599)
• Return on net tangible equity	11.8%	(3.9)%

The Underwriting Management result was much improved during the period due to an excellent result from Accredited. Total revenue increased substantially due to the large premiums received in Accredited related to two significant loss portfolio transfers completed in the period.

Management fee revenue from the syndicate management operations was flat year on year with increases from active Syndicate 1991 offsetting the reduced revenue from the run-off syndicate. New business income was below expectation due to a delay on a pipeline turnkey contract. It should be noted that the syndicate management operations have been shown in the notes of the accounts as a disposal group following the recent announcement that we have reached agreement to sell subject to regulatory approval our Lloyd's managing agency to Coverys for £12.6m above carrying value.

MGA commission rose in line with CRS's growth. CRS is our MGA which specialises in underwriting SME commercial insurance on behalf of a panel of Lloyd’s and other highly rated insurers. There were no related profit commissions in the six months.

Results in Accredited were strong, primarily owing to its legacy business activity. The use of this fully licensed onshore platform with an A- AM Best credit rating to write traditional loss portfolio transfer business as well as to provide finality solutions to risk retention groups and self-insured groups in the US is gaining traction fast. This is demonstration of the Group's use of its expanded infrastructure to leverage its sourcing of legacy transactions and its deep expertise in evaluating and managing such portfolios. In all cases, Accredited is protected from adverse development through intra-group reinsurance with our newly strengthened reinsurer in Bermuda, R&Q Re (Bermuda). This latter entity remains our core risk taking entity within the Group for new legacy business as well as our Lloyd's syndicate operations.

The period also saw the continued marketing and implementation of Accredited's live underwriting operations, which involves the writing of profitable and growing programmes, predominantly on behalf of highly rated authorised reinsurers. We are pleased to report that two new programmes were launched in the period with a number of additional and larger accounts expected to be signed up before the year end in classes ranging from surety to commercial auto, commercial property and general liability.

The bail business in Accredited continues to hold up well despite challenging political conditions and market pressures. Bad debts from agents are now tracking within expectations.

We are upbeat about the prospects for Accredited, where our focus is on generating fee income from new sources of US domestic business which will be reinsured to Lloyd's and other highly rated reinsurers and on writing legacy business requiring onshore licensed and rated paper. The expansion of new licences continues with further excellent progress being made in reaching our goal to provide Accredited with a full nationwide P&C underwriting reach. This will provide valuable new business flows and, together with the similar developing operations in R&Q Insurance Malta, an increasing commission income stream to the wider Group.

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 are identifying and recruiting high-quality individuals to supplement the existing teams charged with developing our two core business areas in the UK/EU and US.

Meanwhile, the recently announced disposals will mean that a large number of the Group's staff, especially related to the Lloyd's managing agency operations, will shortly be departing the Group. We thank them for their contribution to R&Q over the years and are confident that they will have an excellent future with Coverys.

We are also building on the strength and depth of our top management team with a particular focus on succession to help deliver the significant opportunities which lie ahead.

Outlook

The Board anticipates trading in the remainder of 2017 to be strong and believes that the full year results will at least be in line with expectations. This is due to better than forecast operating profits in the first six months and the continued high level of legacy transaction activity, especially in the US and Bermuda.

A number of the recently completed deals and those in the pipeline are structured as reinsurances with the ability for additional profits to be earned from investment income through the course of the book's run-off. Furthermore, the increased size of average reserves being assumed from these transactions provides better risk diversification and the potential to make more meaningful savings and profits, utilising our efficient and expert claims and reinsurance management.

Certain market and regulatory factors as well as the normal corporate cycle are highly supportive not just of our legacy acquisition activity but also our focus on underwriting niche MGA business through the use of R&Q Insurance Malta's and Accredited's licences, expertise and expanding balance sheets.

There is a good level of confidence in our ability to sign up a number of additional MGA accounts in both Accredited and R&Q Insurance Malta before year-end with a meaningful amount of associated annualised premium. This activity should begin to generate material commission income as premiums earn out through 2018 and beyond.

It is expected that book value will increase during the remainder of the year, save for possible unfavourable foreign exchange movements, and that we will continue with our progressive distribution policy.

Simplification of our business model continues to be a top priority. The Group has continued to focus the deployment of its capital, including that raised in the March placing and from a recently renewed and enlarged bank facility, in legacy transactions. This is where opportunities being presented to the Group are increasing as we continually evolve our product, infrastructure and distribution. A pleasing recent development is a resurgence in legacy opportunities at Lloyd's. This is in addition to the strong flow of opportunities in the US from self-insured groups and corporates with insurance liabilities in captives or retained on balance sheet through deductible programmes.

We look forward to 2017 and beyond with confidence, having delivered a strong financial performance during the first half of the year. Following the disposals already completed and those in progress, we believe our focus on our two core operations will grow profits and optimise long-term returns to shareholders.

{signed}
Chairman.

Condensed Consolidated Income Statement for the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 (unaudited) £000	Six months ended 30 June 2016 (unaudited) £000	Year ended 31 December 2016 (audited) £000
Continuing operations				
Gross premiums written		112,989	21,103	53,377
Reinsurers' share of gross premiums		(9,254)	(2,049)	(3,597)
Premiums written, net of reinsurance		103,735	19,054	49,780
Change in gross provision for unearned premiums		(9,276)	(1,733)	(6,065)
Change in provision for unearned premiums, reinsurers' share		6,840	94	2,360
Net change in provision for unearned premiums		(2,436)	(1,639)	(3,705)
Earned premiums net of reinsurance		**101,299**	**17,415**	**46,075**
Investment income	6	3,782	5,935	7,976
Other income		11,472	12,534	24,843
		15,254	**18,469**	**32,819**
Total income	3	**116,553**	**35,884**	**78,894**
Gross claims paid		(56,778)	(26,424)	(59,430)
Reinsurers' share of gross claims paid		23,750	26,032	113,599
Claims paid, net of reinsurance		(33,028)	(392)	54,169
Movement in gross technical provisions		(23,242)	(232)	(2,317)
Movement in reinsurers' share of technical provisions		(17,119)	121	(63,880)
Net change in provision for claims		(40,361)	(111)	(66,197)
Net insurance claims incurred		**(73,389)**	**(503)**	**(12,028)**
Operating expenses		**(41,414)**	**(35,625)**	**(71,897)**
Result of operating activities before goodwill on bargain purchase and impairment of intangible assets	3	**1,750**	**(244)**	**(5,031)**
Goodwill on bargain purchase		6,422	2,688	16,281
Amortisation and impairment of intangible assets		(732)	(364)	(943)
Result of operating activities		**7,440**	**2,080**	**10,307**
Finance costs		(1,788)	(877)	(1,889)
Share of loss of associate		(242)	(4)	(18)
Profit from continuing operations before income taxes		**5,410**	**1,199**	**8,400**
Income tax credit/(charge)	7	510	(301)	(145)
Profit for the period from continuing operations	3	**5,920**	**898**	**8,255**
Profit for the period from discontinued operations	4	25	30	60
Profit for the period		**5,945**	**928**	**8,315**
Attributable to equity holders of the parent:-				
Attributable to ordinary shareholders		6,026	1,067	8,414
Non-controlling interests		(81)	(139)	(99)
		5,945	**928**	**8,315**
Earnings per ordinary share from continuing and discontinued operations:-				
Basic	9	7.9p	1.5p	11.7p
Diluted	9	7.9p	1.5p	11.7p
Earnings per ordinary share from continuing operations:-				
Basic	9	7.9p	1.5p	11.7p

	Note			
Diluted	9	7.9p	1.5p	11.7p

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2017

	Six months ended 30 June 2017 (unaudited) £000	Six months ended 30 June 2016 (unaudited) £000	Year ended 31 December 2016 (audited) £000
Other comprehensive income:-			
Items that will not be reclassified to profit or loss:			
Pension scheme actuarial losses	(116)	(2,317)	(4,168)
Deferred tax on pension scheme actuarial losses	20	417	709
	(96)	(1,900)	(3,459)
Items that may be subsequently reclassified to profit or loss:-			
Exchange (losses)/gains on consolidation	(4,308)	4,853	8,742
Other comprehensive income	(4,404)	2,953	5,283
Profit for the period	5,945	928	8,315
Total comprehensive income for the period	1,541	3,881	13,598
Attributable to:-			
Equity holders of the parent	1,643	4,001	13,649
Non-controlling interests	(102)	(120)	(51)
Total comprehensive income for the period	1,541	3,881	13,598

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2017

	Share capital	Share option costs	Share premium	Retained profit	Total	Non-controlling interest	Total
	£000	£000	£000	£000	£000	£000	£000
Six months ended 30 June 2017 (unaudited)							
At beginning of period	1,441	64	5,563	87,300	94,368	6	94,374
Total comprehensive income for the period							
Profit/(loss) for the period	-	-	-	6,026	6,026	(81)	5,945
Other comprehensive income							
Exchange gains on consolidation	-	-	-	(4,287)	(4,287)	(21)	(4,308)
Pension scheme actuarial losses	-	-	-	(116)	(116)	-	(116)
Deferred tax on pension scheme actuarial losses	-	-	-	20	20	-	20
Total other comprehensive income for the period	-	-	-	(4,383)	(4,383)	(21)	(4,404)
Total comprehensive income for the period	-	-	-	1,643	1,643	(102)	1,541
Transactions with owners							
Issue of shares	307	-	17,044	-	17,351	-	17,351
Issue of X shares	4,545	-	(4,545)	-	-	-	-
Cancellation of X shares	(4,545)	-	-	-	(4,545)	-	(4,545)
At end of period	1,748	64	18,062	88,943	108,817	(96)	108,721

Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2016

	Share capital	Share option costs	Share premium	Retained profit	Total	Non-controlling interest	Total
	£000	£000	£000	£000	£000	£000	£000
Six months ended 30 June 2016 (unaudited)							
At beginning of period	1,437	64	11,369	73,651	86,521	57	86,578
Total comprehensive income for the period							
Profit/(loss) for the period	-	-	-	1,067	1,067	(139)	928
Other comprehensive income							
Exchange gains on consolidation	-	-	-	4,834	4,834	19	4,853
Pension scheme actuarial losses	-	-	-	(2,317)	(2,317)	-	(2,317)
Deferred tax on pension scheme actuarial losses	-	-	-	417	417	-	417
Total other comprehensive income for the period	-	-	-	2,934	2,934	19	2,953
Total comprehensive income for the period	-	-	-	4,001	4,001	(120)	3,881
Transactions with owners							
Issue of shares	4	-	247	-	251	-	251
Issue of V shares	3,603	-	(3,603)	-	-	-	-
Cancellation of V shares	(3,603)	-	-	-	(3,603)	-	(3,603)
At end of period	1,441	64	8,013	77,652	87,170	(63)	87,107

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Changes in Equity for the year ended 31 December 2016

	Share capital	Share option costs	Share premium	Retained profit	Total	Non-controlling interest	Total
	£000	£000	£000	£000	£000	£000	£000
Year ended 31 December 2015 (audited)							
At beginning of year	1,437	64	11,369	73,651	86,521	57	86,578
Total comprehensive income for the year							
Profit/(loss) for the year	-	-	-	8,414	8,414	(99)	8,315
Other comprehensive income							
Exchange gains on consolidation	-	-	-	8,694	8,694	48	8,742
Pension scheme actuarial gains	-	-	-	(4,168)	(4,168)	-	(4,168)
Deferred tax on pension scheme actuarial gains	-	-	-	709	709	-	709
Total other comprehensive income for the year	-	-	-	5,235	5,235	48	5,283
Total comprehensive income for the year	-	-	-	13,649	13,649	(51)	13,598
Transactions with owners							
Issue of shares	4	-	247	-	251	-	251
Issue of V&W shares	6,053	-	(6,053)	-	-	-	-
Cancellation of V&W shares	(6,053)	-	-	-	(6,053)	-	(6,053)
At end of year	1,441	64	5,563	87,300	94,368	6	94,374

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Financial Position as at 30 June 2017

Company number 47341

	Note	30 June 2017 (unaudited) £000	30 June 2016 (unaudited) £000	31 December 2016 (audited) £000
Assets				
Intangible assets		31,406	28,220	32,966
Investment in associates		-	9	-
Property, plant and equipment		3,596	1,093	3,396
Investment properties		422	2,339	407
Financial instruments		281,748	188,470	251,322
Reinsurers' share of insurance liabilities	8	201,054	195,598	202,732
Current tax assets		2,802	5,112	6,344
Deferred tax assets		5,908	5,882	3,014
Insurance and other receivables		146,010	111,267	143,875
Cash and cash equivalents		160,160	52,211	141,656
Assets held for sale	4	500	500	500
Total assets		833,606	590,701	786,212
Liabilities				
Insurance contract provisions	8	582,719	414,566	553,726
Financial liabilities		70,167	37,936	67,285
Deferred tax liabilities		1,764	2,517	2,893
Insurance and other payables	10	54,324	33,564	50,410
Current tax liabilities		5,779	7,171	7,656
Pension scheme obligations		10,132	7,840	9,868
Total liabilities		724,885	503,594	691,838
Equity				
Share capital		1,748	1,441	1,441
Other reserves		18,126	8,077	5,627
Retained earnings		88,943	77,652	87,300
Attributable to equity holders of the parent		108,817	87,170	94,368
Non-controlling interests in subsidiary undertakings		(96)	(63)	6
Total equity		108,721	87,107	94,374
Total liabilities and equity		833,606	590,701	786,212

The Condensed Consolidated Financial Statements were approved by the Board of Directors on 1 September 2017 and were signed on its behalf by:

K E Randall T A Booth

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Cash Flow Statement for the six months ended 30 June 2017

	Six months ended 30 June 2017 (unaudited) £000	Six months ended 30 June 2016 (unaudited) £000	Year ended 31 December 2016 (audited) £000
Cash flows from operating activities			
Profit before income taxes	5,435	1,229	8,478
Finance costs	1,788	877	1,889
Depreciation	183	325	617
Share based payments	60	251	251
Share of losses of associates	242	4	18
Loss/(profit) on disposal of subsidiary	2	(625)	(625)
Goodwill on bargain purchase	(6,422)	(2,688)	(16,281)
Amortisation of intangible assets	732	364	943
Fair value gain on financial assets	(1,958)	(4,015)	(3,848)
Loss on revaluation of investment property	-	25	65
Loss on net assets of pension schemes	168	543	1,012
Decrease in receivables	2,597	10,107	6,315
Increase in deposits with ceding undertakings	(1,325)	(267)	(469)
Decrease/(increase) in payables	1,804	(2,358)	11,999
Increase in net insurance technical provisions	42,797	1,750	69,902
	46,103	5,522	80,266
Sale of financial assets	5,319	9,721	19,177
Purchase of financial assets	(55,179)	(28,516)	(85,312)
Cash (used in)/generated from operations	(3,757)	(13,273)	14,131
Income taxes paid	-	-	(234)
Income taxes repaid	-	-	225
Net cash from/(used in) operating activities	(3,757)	(13,273)	14,122
Cash flows from investing activities			
Purchase of property, plant and equipment	(419)	(449)	(3,085)
Proceeds from sale of property, plant and equipment	-	-	61
Purchase of investment properties	-	(1,487)	-
Proceeds from sale of investment properties	-	-	359
Purchase of intangible assets	(188)	(49)	(288)
Acquisition of subsidiary undertaking (offset by cash acquired)	10,355	2,889	39,341
Proceeds from sale of subsidiary undertaking (offset by cash disposed of)	988	625	625
Net cash from investing activities	10,736	1,529	37,013
Net cash to financing activities			
Repayment of borrowings	(10,808)	(4,126)	(5,999)
New borrowing arrangements	15,100	747	30,677
Interest and other finance costs paid	(1,788)	(877)	(1,889)
Cancellation of shares	(4,545)	(3,603)	(6,053)
Issue of shares	17,291	-	-
Net cash from/(used in) financing activities	15,250	(7,859)	16,736
Net increase/(decrease) in cash and cash equivalents	22,229	(19,603)	67,871
Cash and cash equivalents at beginning of period	141,656	69,325	69,325
Foreign exchange movement on cash and cash equivalents	(3,725)	2,489	4,460
Cash and cash equivalents at end of period	160,160	52,211	141,656
Share of Syndicates' cash restricted funds	8,586	4,915	7,119
Other funds	151,574	47,296	134,537
Cash and cash equivalents at end of period	160,160	52,211	141,656

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

1. **Basis of preparation**

The Condensed Consolidated Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The Condensed Consolidated Financial Statements for the 2017 and 2016 half years are unaudited, but have been subject to review by the Group's auditors.

2. **Significant accounting policies**

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Group's Consolidated Financial Statements for the year ended 31 December 2016 other than as detailed below. There have been no amendments to accounting policies.

New standards effective from 1 January 2017:-

• IAS 7 Amendment: Disclosure initiative. (EU effective date: 1 January 2017); and
• IAS 12 Amendment: Recognition of deferred tax assets for unrealised losses. (EU effective date: 1 January 2017); and
• IFRS 2014-2016 annual improvement cycle, IFRS 12 Disclosure of Interests in Other Entities. (EU effective date: 1 January 2017)

These amendments will not result in any material impact on the interim financial statements of the group and there have been no amendments to the Group's accounting policies as a result of the new standards listed above.

3. **Segmental information**

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

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

Segment result for the six months ended 30 June 2017 (unaudited)

Continuing operations

	Insurance Investments Live £000	Insurance Investments Run-off £000	Insurance Investments Total £000	Insurance Services £000	Underwriting Management £000	Other Corporate £000	Consolidation adjustments £000	Total £000
Earned premium, net of reinsurance	15,033	17,857	32,890	-	68,409	-	-	101,299
Net investment income	49	6,393	6,442	520	597	1,839	(5,616)	3,782
External income	-	(330)	(330)	9,954	1,725	123	-	11,472
Internal income	-	371	371	4,091	120	3,507	(8,089)	-
Total income	**15,082**	**24,291**	**39,373**	**14,565**	**70,851**	**5,469**	**(13,705)**	**116,553**
Claims paid, net of reinsurance	(4,300)	(26,825)	(31,125)	-	(1,903)	-	-	(33,028)
Net change in provision for claims	(4,300)	23,219	18,919	-	(59,280)	-	-	(40,361)
Net insurance claims increased	(8,600)	(3,606)	(12,206)	-	(61,183)	-	-	(73,389)
Operating expenses	(6,958)	(11,606)	(18,564)	(14,254)	(8,553)	(8,132)	8,089	(41,414)
Result of operating activities before goodwill on bargain purchase	**(476)**	**9,079**	**8,603**	**311**	**1,115**	**(2,663)**	**(5,616)**	**1,750**
Goodwill on bargain purchase	-	6,422	6,422	-	-	-	-	6,422
Amortisation and impairment of intangible assets	-	(449)	(449)	(170)	(102)	(11)	-	(732)
Result of operating activities	**(476)**	**15,052**	**14,576**	**141**	**1,013**	**(2,674)**	**(5,616)**	**7,440**
Finance costs	-	(2,821)	(2,821)	(712)	(107)	(3,764)	5,616	(1,788)
Share of loss of associate	-	-	-	-	(242)	-	-	(242)
Profit/(loss) on ordinary activities before income taxes	**(476)**	**12,231**	**11,755**	**(571)**	**664**	**(6,438)**	**-**	**5,410**
Income tax credit/(charge)	-	(1,085)	(1,085)	(29)	1,470	154	-	510
Profit/(loss) for the period	**(476)**	**11,146**	**10,670**	**(600)**	**2,134**	**(6,284)**	**-**	**5,920**
Non-controlling interests	-	11	11	70	-	-	-	81
Attributable to shareholders of parent	**(476)**	**11,157**	**10,681**	**(530)**	**2,134**	**(6,284)**	**-**	**6,001**
Segment assets	43,315	823,912	867,227	73,029	101,966	260,383	(469,499)	833,106
Segment liabilities	48,000	604,172	652,172	68,395	88,048	385,769	(469,499)	724,885

Segment result for the six months ended 30 June 2016 (unaudited)

Continuing operations

	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	12,462	1,393	13,855	-	3,560	-	-	17,415
Net investment income	21	7,204	7,225	306	474	1,728	(3,798)	5,935
External income	-	140	140	9,587	1,992	815	-	12,534
Internal income	-	299	299	2,962	54	2,977	(6,292)	-
Total income	**12,483**	**9,036**	**21,519**	**12,855**	**6,080**	**5,520**	**(10,090)**	**35,884**
Claims paid, net of reinsurance	(2,474)	2,091	(383)	-	(9)	-	-	(392)
Net change in provision for claims	(4,206)	4,083	(123)	-	12	-	-	(111)
Net insurance claims (increased)/released	(6,680)	6,174	(506)	-	3	-	-	(503)
Operating expenses	(6,540)	(8,076)	(14,616)	(11,595)	(7,691)	(8,015)	6,292	(35,625)
Result of operating activities before goodwill on bargain purchase	**(737)**	**7,134**	**6,397**	**1,260**	**(1,608)**	**(2,495)**	**(3,798)**	**(244)**
Goodwill on bargain purchase	-	2,688	2,688	-	-	-	-	2,688
Amortisation and impairment of intangible assets	-	(195)	(195)	(71)	(98)	-	-	(364)
Result of operating activities	**(737)**	**9,627**	**8,890**	**1,189**	**(1,706)**	**(2,495)**	**(3,798)**	**2,080**
Finance costs	-	(1,140)	(1,140)	(443)	(118)	(2,974)	3,798	(877)
Share of loss of associate	-	-	-	-	(4)	-	-	(4)
Profit/(loss) on ordinary activities before income taxes	**(737)**	**8,487**	**7,750**	**746**	**(1,828)**	**(5,469)**	**-**	**1,199**
Income tax (charge)/credit	-	(1,044)	(1,044)	206	278	259	-	(301)
Profit/(loss) for the period	**(737)**	**7,443**	**6,706**	**952**	**(1,550)**	**(5,210)**	**-**	**898**
Non-controlling interests	-	(253)	(253)	392	-	-	-	139
Attributable to shareholders of parent	**(737)**	**7,190**	**6,453**	**1,344**	**(1,550)**	**(5,210)**	**-**	**1,037**
Segment assets	27,663	599,473	627,136	92,077	45,749	166,569	(341,330)	590,201
Segment liabilities	33,309	464,527	497,836	85,179	27,353	234,556	(341,330)	503,594

Segment result for the year ended 31 December 2016 (audited)

Continuing operations

	Insurance Investments			Insurance	Underwriting	Other	Consolidation	
	Live	Run-off	Total	Services	Management	Corporate	adjustments	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Earned premium, net of reinsurance	28,458	10,325	38,783	-	7,292	-	-	46,075
Net investment income	23	10,232	10,255	1,037	694	4,042	(8,052)	7,976
External income	-	456	456	19,977	4,142	268	-	24,843
Internal income	-	1,777	1,777	8,528	335	6,903	(17,543)	-
Total income	**28,481**	**22,790**	**51,271**	**29,542**	**12,463**	**11,213**	**(25,595)**	**78,894**
Claims paid, net of reinsurance	(6,095)	49,484	43,389	-	10,780	-	-	54,169
Net change in provision for claims	(10,739)	(44,787)	(55,526)	-	(10,671)	-	-	(66,197)
Net insurance claims (increased)/released	(16,834)	4,697	(12,137)	-	109	-	-	(12,028)
Operating expenses	(13,735)	(17,599)	(31,334)	(27,357)	(14,412)	(16,337)	17,543	(71,897)
Result of operating activities before goodwill on bargain purchase	**(2,088)**	**9,888**	**7,800**	**2,185**	**(1,840)**	**(5,124)**	**(8,052)**	**(5,031)**
Goodwill on bargain purchase	-	16,281	16,281	-	-	-	-	16,281
Amortisation and impairment of intangible assets	-	(566)	(566)	(164)	(193)	(20)	-	(943)
Result of operating activities	**(2,088)**	**25,603**	**23,515**	**2,021**	**(2,033)**	**(5,144)**	**(8,052)**	**10,307**
Finance costs	-	(2,085)	(2,085)	(1,294)	(284)	(6,278)	8,052	(1,889)
Share of loss of associate	-	-	-	-	(18)	-	-	(18)
Profit/(Loss) on ordinary activities before income taxes	**(2,088)**	**23,518**	**21,430**	**727**	**(2,335)**	**(11,422)**	**-**	**8,400**
Income tax (charge)/credit	-	(1,904)	(1,904)	730	549	480	-	(145)
Profit/(Loss) for the year	**(2,088)**	**21,614**	**19,526**	**1,457**	**(1,786)**	**(10,942)**	**-**	**8,255**
Non-controlling interests	-	(350)	(350)	449	-	-	-	99
Attributable to shareholders of parent	**(2,088)**	**21,264**	**19,176**	**1,906**	**(1,786)**	**(10,942)**	**-**	**8,354**
Segment assets	37,351	811,784	849,135	96,887	45,520	196,522	(402,352)	785,712
Segment liabilities	44,349	623,878	668,227	91,292	36,579	298,092	(402,352)	691,838

Internal income includes fees payable by the insurance companies to the Insurance Services Division in the period, which are contractually committed on an arm's length basis. External income contains no clients which generate more than 10% of the total external income.

Geographical analysis

Continuing operations

As at 30 June 2017

	UK £000	North America £000	Europe £000	Total £000
Gross assets	349,796	709,843	242,966	1,302,605
Intercompany eliminations	(219,712)	(191,647)	(58,140)	(469,499)
Segment assets	130,084	518,196	184,826	833,106
Gross liabilities	325,180	685,334	183,870	1,194,384
Intercompany eliminations	(213,547)	(249,730)	(6,222)	(469,499)
Segment liabilities	111,633	435,604	177,648	724,885
Segmental income	21,052	85,058	10,443	116,553

As at 30 June 2016

	UK £000	North America £000	Europe £000	Total £000
Gross assets	282,919	511,473	137,139	931,531
Intercompany eliminations	(197,776)	(91,475)	(52,079)	(341,330)
Segment assets	85,143	419,998	85,060	590,201
Gross liabilities	264,660	498,030	82,234	844,924
Intercompany eliminations	(194,380)	(144,740)	(2,210)	(341,330)
Segment liabilities	70,280	353,290	80,024	503,594
Segmental income	20,714	11,789	3,381	35,884

As at 31 December 2016

	UK £000	North America £000	Europe £000	Total £000
Gross assets	312,188	640,129	235,747	1,188,064
Intercompany eliminations	(206,717)	(134,274)	(61,361)	(402,352)
Segment assets	105,471	505,855	174,386	785,712
Gross liabilities	293,504	620,388	180,298	1,094,190
Intercompany eliminations	(200,497)	(191,832)	(10,023)	(402,352)
Segment liabilities	93,007	428,556	170,275	691,838
Segmental income	43,039	19,451	16,404	78,894

4 Discontinued operations and disposal group

On 23 June 2017 the Group announced that it had reached agreement to sell the entire share capital of its Lloyd's managing agency, R&Q Managing Agency Ltd ('RQMA') to Coverys, a leading provider of medical professional liability insurance based in Boston, Massachusetts. RQMA manages the operations of Syndicates 1991 and 3330. The R&Q Group will continue its participations in Syndicate 1991 and 3330. Subsequent to the sale, the R&Q Group will provide certain support services to Coverys.

The sale remains subject to regulatory change of control approval by Lloyd's and the PRA, anticipated to be received in late 2017 and the sale of the business is expected to be completed before 31 December 2017.

The assets and liabilities related to the sale of RQMA represent a disposal group and are presented as held for sale following shareholder approval of the decision to dispose of this operation. RQMA is presented within these financial statements as a discontinued operation at 30 June 2017 and for previous period comparatives, as it represents a major line of business within the R&Q Group.

Profit for the period from RQMA discontinued operations

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Other Income	4,801	4,332	8,904
Operating expenses	(4,776)	(4,302)	(8,826)
Profit from discontinued operations before tax	25	30	78
Income tax charge	-	-	(18)
Profit for the period from discontinued operations	25	30	60

The cashflows broadly equate to profits over time.

The agreement for the sale of RQMA includes a closing mechanism such that Coverys will acquire the company with net assets of £500k.

The carrying value of goodwill held against the Underwriting Management CGU, of which RQMA forms a part, is £871k. This will be reviewed for impairment at completion of the disposal of RQMA.

5. Fair Value

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.

June 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Government and government agencies	-	40,439	-	40,439
Corporate bonds	-	189,672	-	189,672
Equities	12,961	-	66	13,027
Cash based investment funds	30,815	892	-	31,707
Purchased reinsurance receivables	-	-	5,126	5,126
Total financial assets measured at fair value	**43,776**	**231,003**	**5,192**	**279,971**

June 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Government and government agencies	931	2,744	-	3,675
Corporate bonds	116,647	2,540	1,110	120,297
Equities	9,845	-	3,232	13,077
Cash based investment funds	46,047	-	-	46,047
Purchased reinsurance receivables	-	-	5,683	5,683
Total financial assets measured at fair value	**173,470**	**5,284**	**10,025**	**188,779**

December 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Government and government agencies	4,241	24,289	-	28,530
Corporate bonds	382	164,661	-	165,043
Equities	9,313	-	69	9,382
Cash based investment funds	42,789	-	-	42,789
Purchased reinsurance receivables	-	-	5,585	5,585
Total financial assets measured at fair value	**56,725**	**188,950**	**5,654**	**251,329**

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

	June 2017 £000	June 2016 £000	December 2016 £000
Opening balance	5,654	9,624	9,624
Total net (losses)/gains recognised in the Consolidated Income Statement	(192)	264	522
Purchases	-	-	354
Disposals	-	(1,307)	(6,193)
Exchange adjustments	(270)	1,444	1,347
Closing balance	**5,192**	**10,025**	**5,654**

Level 3 investments (purchased reinsurance receivables) have been valued using detailed models outlining the anticipated timing and amounts of future receipts. The net losses recognised in the Consolidated Income Statement in other income for the period amounted to £192k (2016: gains £264k). During the period the Group purchased no further reinsurance receivables (2016: £ Nil). 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 period under review.

6. Investment income

Continuing operations

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Interest income	1,824	1,920	4,127
Realised (losses)/gains on investments	(362)	73	3,191
Unrealised gains on investments	2,320	3,942	658
	3,782	5,935	7,976

7. Income tax

Continuing operations

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Tax (credit)/charge	(510)	301	145

8. Insurance contract provisions and reinsurance balances

Gross	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Insurance contract provisions at 1 January	553,726	376,802	376,802
Claims paid	(56,778)	(26,424)	(59,430)
Increase in provisions arising from acquisition of subsidiary undertakings and syndicate participations	15,641	7,853	107,121
Increase in claims provisions	80,020	26,656	61,747
Increase in unearned premium reserve	9,276	1,733	6,065
Net exchange differences	(19,166)	27,946	61,421
As at period end	582,719	414,566	553,726

Reinsurance	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Reinsurers' share of insurance contract provisions at 1 January	202,732	177,211	177,211
Proceeds from commutations and reinsurers' share of gross claims paid	(23,750)	(26,032)	(113,599)
Increase in provisions arising from acquisition of subsidiary undertakings and syndicate participations	11,238	-	64,581
Increase in claims provisions	6,631	26,153	49,719
Increase in unearned premium reserve	6,840	94	2,360
Net exchange differences	(2,637)	18,172	22,460
As at period end	201,054	195,598	202,732

Net	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Net claims outstanding at 1 January	350,994	199,591	199,591
Net (claims paid)/commutation proceeds	(33,028)	(392)	54,169
Increase in provisions arising from acquisition of subsidiary undertakings and syndicate participations	4,403	7,853	42,540
Increase in claims provisions	73,389	503	12,028
Increase in unearned premium reserve	2,436	1,639	3,705
Net exchange differences	(16,529)	9,774	38,961
As at period end	381,665	218,968	350,994

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

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

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

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

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

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

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

9. Earnings per share

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
	No. 000's	No. 000's	No. 000's
Weighted average number of Ordinary shares	76,053	71,864	72,004
Effect of dilutive share options	94	115	95
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	76,147	71,979	72,099
	£000	£000	£000
Earnings per share for profit from continuing operations			
Profit for the period attributable to Ordinary shareholders	5,945	1,067	8,414
Basic earnings per share	7.9p	1.5p	11.7p
Diluted earnings per share	7.9p	1.5p	11.7p
	£000	£000	£000
Earnings per share for profit from discontinued operations			
Profit for the period attributable to Ordinary shareholders	25	30	95
Basic earnings per share	-	-	-
Diluted earnings per share	-	-	-

Potentially issuable securities that would result in a loss per share if issued are not considered to have a dilution effect.

10. Insurance and other payables

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Structured liabilities	415,669	399,104	436,927
Structured settlements	(415,669)	(399,104)	(436,927)
	-	-	-
Other creditors	54,324	33,564	50,410
	54,324	33,564	50,410

Structured Settlements

No new structured settlement arrangements have been entered into during the period. The movement in these structured liabilities during the period is primarily due to exchange movements. The Group has paid for annuities from third party life insurance companies for the benefit of certain claimants. In the event that any of these life insurance companies were unable to meet their obligations to these annuitants, it is possible that any remaining liability may fall upon the respective insurance company subsidiaries. The subsidiary company may retain 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 not owned by the Group and the profits and losses of each cell not owned by the Group are not available for use by Quest, nor the Group, and as such these balances are not included in the Condensed Consolidated Statement of Financial Position. The amounts held on behalf of the segregated cells as at 30 June 2017 amounted to £33,078k (31 December 2016: £27,432k).

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 30 June 2017 amount to £6,847k (31 December 2016: £7,561k).

Insurance broking fiduciary funds

The Group holds insurance broking fiduciary funds, which are used to pay premiums to underwriters and settle claims to policyholders. As these are not available for use by the Group, they are not included in the Condensed Consolidated Statement of Financial Position. The amounts held as at 30 June 2017 amounted to £11,202k (31 December 2016: £12,988k).

11. Borrowings

The Company has entered into a guarantee agreement and debenture arrangement with its bankers, along with various of its subsidiaries in respect of the Group's overdraft and term loan facilities. The total liability to the bank at 30 June 2017 is £35,525k (31 December 2016: £31,874k).

12. Issued share capital

Issued share capital as at 30 June 2017 amounted to £1,747,925 (31 December 2016: £1,441,359).

On 28 March the Group issued 15,278,291 ordinary shares at 117p raising approximately £17.9m

13. Contingencies and commitments

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, 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. In 2016, the Financial Conduct Authority requested affected firms to suspend the payment of compensation amounts until further notice pending the outcome of a review of industry redress methodology. This suspension is still in force with the outcome expected to be communicated before the end of 2017. Notwithstanding the suspension, having regard to the review work undertaken, the potential impact of an adverse outcome on the small number of cases remaining to be resolved and the warranties, indemnities and insurance protections in place, the Directors have concluded no additional provision is required.

14. Goodwill

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

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

15. Acquisitions and divestment

The Group made five acquisitions during the first six months of 2017, 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:

	ICDC	Linco	US Captive	Octagon	AZICO	**2017**
	£000	£000	£000	£000	£000	**£000**
Intangible assets	64	-	609	-	-	**673**
Other receivables	191	31	-	-	789	**1,011**
Cash & Investments	9,433	283	2,868	4,009	20,705	**37,298**
Other payables	(446)	(15)	(42)	-	(415)	**(918)**
Technical provisions	(2,022)	-	(2,380)	-	(1)	**(4,403)**
Tax & deferred tax	(296)	-	-	-	-	**(296)**
Net assets acquired	6,924	299	1,055	4,009	21,078	**33,365**
Consideration	4,759	120	308	3,597	18,159	**26,943**
Goodwill on Bargain Purchase	**(2,165)**	**(179)**	**(747)**	**(412)**	**(2,919)**	**(6,422)**

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 2017:

- On 16 March 2017, the Group completed the purchase of the entire issued share capital of ICDC Ltd, a company incorporated in Vermont USA. It reinsured workers' compensation, commercial general liability, auto liability and auto physical damage and property risks in respect of a large US engine manufacturer.
- On 30 March 2017, the Group completed the purchase of the entire issue capital of Linco Limited. The Company is domiciled in Bermuda and provided reinsurance coverage for worker's compensation, general and automotive liability to linen supply companies.
- On 20 June 2017, the Group contracted to purchase the entire share capital of a US based Captive domiciled in Colorado. Full completion awaits merger approval. This entity provided multi-peril coverage to welding supply distributors from 1977 to 1988. Only product liability claims remain open due to welding supply companies being named in asbestos litigation (where typically only defence costs are incurred).
- On 30 June 2017, the Group contracted to purchase and the entire share capital of Octagon Insurance Group, a captive domiciled in the Cayman Islands and completed 31 August. Octagon wrote forced placed mortgage insurance for a US based bank from 1999 to 2017. As at the date of acquisition there were no outstanding insurance liabilities.
- On 30 June 2017, the Group completed the purchase of AstraZeneca Insurance Company Limited, a company incorporated in England and Wales. The Company's technical reserves relate primarily to UK Employers Liability claims in respect of policies written from 1994 to 2004

Divestment

On 30 June 2017 the Group completed the sale of the entire share capital of R&Q Triton AS to Gabler AS.

On 23 June 2017 the Group announced that it had reached agreement to sell the entire share capital of its Lloyd's managing agency, R&Q Managing Agency Ltd ('RQMA') to Coverys, a leading provider of medical professional liability insurance based in Boston, Massachusetts. The sale remains subject to regulatory change of control approval by Lloyd's and the PRA, anticipated to be received in late 2017. The sale of the business is expected to be completed before 31 December 2017.

16. Related party transactions

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

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
K E Randall and family	974	921	1,540
A K Quilter and family	253	212	364
T A Booth	62	46	96
M G Smith	2	1	2

During the period the Group recharged expenses totalling £4,593k to Lloyd's Syndicates 1991 and 3330 which are managed by the Group (2016: £4,632k).

17. 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:

	Six months ended 30 June 2017 £000	Six months ended 30 June 2016 £000	Year ended 31 December 2016 £000
Average			
US dollar	1.27	1.43	1.36
Euro	1.17	1.29	1.23
Spot			
US dollar	1.30	1.34	1.23
Euro	1.14	1.21	1.18

Independent Review Report to Randall & Quilter Investment Holdings Ltd. for the six months ended 30 June 2017

Introduction

We have been engaged by the Company to review the condensed set of Financial Statements in the interim financial report for the six months ended 30 June 2017 which comprise the condensed consolidated income statement, condensed consolidated statement of financial position, condensed consolidated cash flow statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements.

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the interim financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

PKF Littlejohn LLP
Chartered Accountants
Registered Auditor

1 Westferry Circus
Canary Wharf
London
E14 4HD

01 September 2017