STRATEGY | INNOVATION | EXPERTISE

Randall & Quilter Investment Holdings Ltd.

(“R&Q” or the “Group”)

Interim results for the 6 months ended 30 June 2018 and trading update

Good performance in first half year with a 40% increase in pre-tax profit on continuing operations.

Significant legacy acquisition agreed subject to regulatory approval

Full year profits expected to substantially exceed market expectations if regulatory approval and completion of the acquisition occurs before year-end

The Board of Randall & Quilter Investment Holdings Ltd. (AIM:RQIH), the specialist non-life legacy insurance investor and capacity provider to US and European MGA business, announces the Group's interim results for the 6 months ended 30 June 2018.

Group summary financial performance

£000s	**H1 2018**	**H1 2017**	**FY 2017**
Group results			
Operating profit	7,887	7,465	27,949
Profit before tax continuing	7,780	5,599	9,830
Profit before tax	5,527	5,435	23,461
Profit after tax	4,974	5,945	22,970
Earnings per share (basic)	3.6p	7.9p	25.4p
Balance sheet information			
Total gross assets	1,138,108	833,606	1,065,791
Cash and Investments	584,163	441,908	602,753
Total net insurance contract provisions	769,059	582,719	722,535
Shareholders' equity	167,490	108,817	166,772
Key statistics			
Investment return on free assets	0.7%	1.4%	1.6%
Return on tangible equity (annualised)	6.8%	15.4%	17.3%
Net tangible assets per share	117.6p	88.6p	105.3p
Net asset value per share	133.0p	124.5p	132.9p
Distribution per share	3.6p	3.5p	8.9p

Operational Highlights

- Net proceeds, c.£47m, of placing and open share offer in November 2017 fully deployed to strengthen the AM Best credit ratings of Accredited and Malta to A- (Excellent).
- Insurance Services Division sold in January 2018 which completes the execution of our strategy to refocus the business on legacy and program underwriting management.
- Largest ever legacy reinsurance contract completed for a premium of $108.5m and a reinsurance limit of $146m.
- Interim distribution (return of capital) proposed at 3.6p per share (2017: 3.5p).
- New management team functioning well.

Post-period end

- Corporate restructuring and Group wide rebranding of program management as "Accredited".
- Program management contracts secured which are expected to generate Gross Written Premiums ("GWP") of $200m per annum and further contracts scheduled to be signed before year end which are expected to increase annualised GWP to approaching $500m per annum.
- New business pipelines for legacy and program management remain strong, with our post-Brexit solutions generating significant industry interest in program management.
- Agreement (subject to regulatory approval) to acquire Global Re US, our largest legacy acquisition to date.
- Agreement (subject to regulatory approval) to acquire MPS Risk Solutions Limited.

Ken Randall, Group Chairman and CEO said:

"I am delighted to report pre-tax profits for continuing operations in the first half of 2018 of £7.8m, a 40% improvement over 2017.

Following the disposals of our Lloyd's Managing Agency and Insurance Services business in November 2017 and January 2018 respectively, our focus is now firmly on legacy and program management. Both activities have strong growth potential.

The proceeds from these disposals, together with the £47m placing and open offer in November 2017 have been deployed.

As regards legacy, we are today announcing the acquisition of Global Re US, our largest legacy acquisition to date and have a number of further transactions, some of which are well advanced. Two weeks ago we announced the completion of our largest ever legacy reinsurance for a US Risk Retention Group with a premium of $108.5m and a limit of $146m. These transactions demonstrate that we are gaining traction in larger sized deals.

These days disposing of legacy portfolios is viewed by the traditional insurance market as mainstream capital management and consequentially demand for run-off solutions is growing as owners and managers of non-life insurers carve out non-performing books of business and seek to achieve greater capital efficiency.

In program management, we have restructured our activities in the USA and Europe under the "Accredited" brand and are seeing a high level of interest on both continents. Accredited USA is licensed to write "admitted" insurance business in all 50 states and Accredited Europe is licensed to underwrite in all European member states. Both companies are rated A- (Excellent) by AM Best credit rating agency and this distinguishes their offering from competitors, especially in Europe.

By year end, we expect to have secured contracts which will generate future Gross Written Premiums ("GWP") in the region of US $500m per annum and we are making good progress towards increasing our average commission to 5% of GWP. This rapid growth is being driven by our comprehensive licences, strong credit

ratings and, in Europe, our ability to provide a credible "Brexit Solution" for UK insurers seeking continued access to EU insurance markets. I do, however, stress that there is a natural time lag between securing the business, generating GWP and then "earning" the premiums and commissions.

Profitability in the second half of the year is expected to be strong, even though commission earnings from program business will not start to contribute in a meaningful way until 2019 and beyond."

Chairman's Statement

I am delighted to report an 40% increase in operating profit for continuing operations in the first half year of £7.8m (H1 2017: £5.6m).

Last year, R&Q embarked on a new strategic direction designed to streamline the business and focus on legacy and providing much in-demand program underwriting services through our US and European Insurance platforms.

I am pleased to say that the first half of 2018 has seen the successful execution of this strategy. R&Q is now a much leaner organisation enabling our talents and resources to focus on these two growth markets following the divestment of our non-core operations (a process which began in 2016).

We are encouraged by the number of advanced negotiations with prospective counter-parties and also the larger size of some of the transactions in the pipeline for both legacy and program underwriting; good examples being the announcement this morning of our agreement to acquire Global Re US and the legacy reinsurance we have recently executed with a US based Risk Retention Group ("RRG") providing a limit of $146m for a premium of $108.5m.

Should regulatory approval be received and completion of the acquisition of Global Re US occur before the end of 2018, it is expected to result in the Group's profit for the full year 2018 being substantially ahead of market expectations.

A major milestone achieved in the first half of this year was the inaugural award of an A- (Excellent) financial strength rating by AM Best for our European insurer, (Accredited Insurance (Europe) Limited) and the affirmation of the same rating for our fully admitted US carrier, Accredited Surety & Casualty Company Inc. These upgrades were facilitated by the deployment of the net proceeds from the £47m placing and open offer in November 2017.

Times of market volatility and change create opportunities for nimble and entrepreneurial organisations like R&Q. We have continued to demonstrate this ability as reflected in the first half of 2018 and we are well-positioned for a strong full year.

While this progress is welcome and the opportunities are attractive, we remind investors of the need to be patient. In particular, commission income from program management partnerships – typically a fixed commission of the GWP – is welcome because it provides a regular source of revenue that counterbalances the unpredictable but typically larger gains from legacy acquisitions. We continue to enter new partnerships, but it naturally takes time for these revenues to flow through to the Profit & Loss account because commission earnings from program management, even where that business has already been secured, will not benefit the Group result until the premiums are fully earned. In future reports we shall be providing summary information to illustrate the projected earning profile for this business segment.

Legacy

The transactional nature of legacy acquisitions means it is difficult to predict with certainty when transactions will complete. On that note, we have been a little frustrated that a number of acquisitions we hoped to complete in the first half of 2018 will now close in the second half. However, this is not unusual as a bias to the second half of the year has long been a feature of this market and therefore R&Q's results.

Last year, R&Q completed 19 acquisitions or reinsurances. We anticipate a smaller number of transactions completing this year but the average size will be significantly higher. For example, in the first half of the year we completed the $108.5m RRG deal and we are hopeful of completing the acquisition of Global Re US before year-end. We are also witnessing a number of opportunities emerging out of the Lloyd's market following the Corporation of Lloyd's initiative to overhaul underperforming syndicates and lines of business.

Our commitment to Lloyd's run-offs was demonstrated by two transactions we undertook in late 2017 (Sportscover and ProSight) and our professionalism and experience in managing Lloyd's run-off over almost 30 years is well-recognised. We therefore hope to be involved in further Lloyd's legacy transactions later this year and into 2019. We also have a well-deserved reputation for being flexible and innovative when it comes to providing exit solutions for owners of discontinued business. In addition, to "RITCs", we are currently exploring a number of different approaches to how we can deploy our experience in managing run-off to the benefit of Lloyd's, owners of discontinued Lloyd's business and their policyholders.

We continue to see a good flow of new business opportunities outside Lloyd's. The European-wide Solvency II regulations and the associated equivalence regimes means legacy business can lead to onerous capital and reporting obligations for incumbent insurers. In addition, we expect to benefit from reorganisations occurring in response to the recent US tax reforms and OECD tax policies which could have a significant impact on some self-insurance entities, especially those that are off-shore.

There are also increasing opportunities emerging where acquirers of business decide to sell "run-off" books with a view to freeing up capital. 2018 has seen an unusually large number of major Property & Casualty ("P&C") M&A announcements and we expect this trend to continue.

Program Business (Accredited)

When we released our 2017 results earlier this year, we published a minimum target of 12 new program partnerships in 2018. I am pleased to say that R&Q is likely to exceed this number and we continue to see strong demand and interest for our program underwriting platforms on both sides of the Atlantic.

As of last month, R&Q had entered into seven new program partnerships in 2018 which we expect will generate more than $200m in annualised GWP. With a strong pipeline in place for the second half of the year, we anticipate we will have secured contracts which are expected to generate GWP of approaching $500m by year-end. Particularly notable is the progress in Europe where R&Q's European Insurance platform has entered into a number of new partnerships with European MGAs in 2018 and into new classes of business.

As a Group we have always seized upon opportunities which inevitably come from market turbulence and this is certainly true in our program business. The reduction of independent program management capacity in the US and Europe in 2018 caused by the difficulties experienced by some providers is combining with growing demand from entrepreneurial MGAs to find strong, well rated capacity partners to act as a bridge between them and their reinsurers, including new sources of reinsurance capacity.

We are also progressing the launch of a small number of program partnerships with "Fintech" components which highlights R&Q's potential to be a partner for disruptive technologies and initiatives.

R&Q's European strategy is also to provide a clear "Brexit-proof" strategy for MGAs and carriers at a time of continuing uncertainty despite little more than six months to go until the "Brexit" date of March 2019. Our Malta-domiciled Insurance platform will - after Brexit - remain licenced to write P&C business in all 27 remaining EU member states, while a newly established UK branch is planned which will service existing and new UK accounts.

As I noted above, R&Q Insurance (Malta) Limited received a significant boost earlier this year when credit rating agency AM Best awarded the business an A- (Excellent) financial strength rating following our capital raise in October last year. The AM Best rating was, therefore, an important endorsement to our policyholders and counterparties that they can have confidence in R&Q security.

Last year, we embarked on a strategic drive to streamline and simplify our business and, in this context, earlier this month we announced the name change of our Malta Insurance platform and a new, single brand-name, for our program underwriting division. This is Accredited. Our fully admitted US insurer, Accredited Surety & Casualty Company Inc, retains its name but R&Q Insurance (Malta) Limited, our European carrier, has been renamed Accredited Insurance (Europe) Limited. This name change reinforces both the importance of program underwriting to the Group as one of our two core businesses and also gives a very clear message to our clients and prospective clients.

Regardless of whether our clients are in the US or Europe, Accredited provides high quality and fully licenced capacity to act as a conduit between entrepreneurial MGAs and their reinsurers.

Investment Income

Investment returns are a major source of income for the Group. Our investments and cash holdings will continue to grow – especially as deferred legacy premiums are received. Investment performance in the first half year was a little disappointing, albeit in line with wider market experience. However, our external investment managers are confident that returns in the second half will show a distinct improvement.

Return of Capital

The Board is proposing a further shareholder distribution by way of a return of capital of 3.6p per share (2017: 3.5p) anticipated to be paid on the 7 November 2018.

Management

In January we announced a major management restructure to meet the requirements of the newly refocused business. It was also designed to bring greater clarity to reporting lines and individual responsibilities. The new management team has continued the process of building the business and is testament to the “bench strength” within the Group. Succession planning remains high on the Board’s agenda. I am extremely grateful for the continued hard work and support of all our managers and staff.

Outlook

Both legacy and program management pipelines remain strong and the wider industry challenges and resultant changes suggest that demand will continue to grow in both segments. With improved cash management and rising interest rates – especially in the USA – we also expect an up-tick in our investment income.

The Board anticipates trading in the second half of 2018 to be strong and, should the acquisition of Global Re US receive regulatory approval and be completed prior to year-end, expects the full year results will be substantially in excess of market expectations.

We look forward to the second half of 2018 and beyond with confidence.

Condensed Consolidated Income Statement for the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 (unaudited) £000	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2017 (audited) £000
Continuing operations				
Gross premiums written		157,643	112,989	187,947
Reinsurers' share of gross premiums		(45,278)	(9,254)	(39,255)
Premiums written, net of reinsurance		112,365	103,735	148,692
Change in gross provision for unearned premiums		(13,638)	(9,276)	16,553
Change in provision for unearned premiums, reinsurers' share		14,801	6,840	3,425
Net change in provision for unearned premiums		1,163	(2,436)	19,978
Earned premiums net of reinsurance		**113,528**	**101,299**	**168,670**
Investment income	6	2,620	3,781	8,187
Other income		5,738	3,644	8,154
		8,358	**7,425**	**16,341**
Total income	3	**121,886**	**108,724**	**185,011**
Gross claims paid		(77,989)	(56,778)	(142,013)
Reinsurers' share of gross claims paid		36,472	23,750	60,585
Claims paid, net of reinsurance		(41,517)	(33,028)	(81,428)
Movement in gross technical provisions		(16,483)	(23,242)	(10,765)
Movement in reinsurers' share of technical provisions		(8,904)	(17,119)	(16,839)
Net change in provision for claims		(25,387)	(40,361)	(27,604)
Net insurance claims incurred		**(66,904)**	**(73,389)**	**(109,032)**
Operating expenses		**(45,164)**	**(33,566)**	**(84,418)**
Result of operating activities before goodwill on bargain purchase and impairment of intangible assets	3	**9,818**	**1,769**	**(8,439)**
Goodwill on bargain purchase		1,173	6,422	24,666
Amortisation and impairment of intangible assets		(851)	(562)	(1,909)
Result of operating activities		**10,140**	**7,629**	**14,318**
Finance costs		(2,360)	(1,788)	(4,204)
Share of loss of associate		-	(242)	(284)
Profit from continuing operations before income taxes		**7,780**	**5,599**	**9,830**
Income tax (charge)/credit	7	(778)	371	(313)
Profit for the period from continuing operations	3	**7,002**	**5,970**	**9,517**
(Loss)/profit for the period from discontinued operations	4	(2,028)	(25)	13,453
Profit for the period		**4,974**	**5,945**	**22,970**
Attributable to equity holders of the parent:-				
Attributable to ordinary shareholders		4,508	6,026	22,914
Non-controlling interests		466	(81)	56
		4,974	**5,945**	**22,970**
Earnings per ordinary share from continuing and discontinued operations:-				
Basic	9	3.6p	7.9p	25.4p
Diluted	9	3.6p	7.9p	25.4p

Earnings per ordinary share from continuing operations:-				
Basic	9	5.2p	7.9p	10.5p
Diluted	9	5.2p	7.9p	10.5p

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 2018

	Six months ended 30 June 2018 (unaudited) £000	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2017 (audited) £000
Other comprehensive income:-			
Items that will not be reclassified to profit or loss:			
Pension scheme actuarial gains/(losses)	458	(116)	(1,002)
Deferred tax on pension scheme actuarial (gains)/losses	(78)	20	170
	380	(96)	(832)
Items that may be subsequently reclassified to profit or loss:-			
Exchange gains/(losses) on consolidation	2,622	(4,308)	(7,416)
Other comprehensive income	3,002	(4,404)	(8,248)
Profit for the period	4,974	5,945	22,970
Total comprehensive income for the period	7,976	1,541	14,722
Attributable to:-			
Equity holders of the parent	7,492	1,643	14,698
Non-controlling interests	484	(102)	24
Total comprehensive income for the period	7,976	1,541	14,722

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 2018

	Attributable to equity holders of the Parent						
	Share capital £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000
Six months ended 30 June 2018							
At beginning of period	2,517	62,257	901	101,097	166,772	(166)	166,606
Profit for the period	-	-	-	4,508	4,508	466	4,974
Other comprehensive income							
Exchange gains on consolidation	-	-	2,604	-	2,604	18	2,622
Pension scheme actuarial gains	-	-	-	458	458	-	458
Deferred tax on pension scheme actuarial gains	-	-	-	(78)	(78)	-	(78)
Total other comprehensive income for the period	-	-	2,604	380	2,984	18	3,002
Total comprehensive income for the period	-	-	2,604	4,888	7,492	484	7,976
Transactions with owners							
Issue of shares	1	23	-	-	24	-	24
Issue of Z shares	6,798	(6,798)	-	-	-	-	-
Cancellation of Z shares	(6,798)	-	-	-	(6,798)	-	(6,798)
At end of period	2,518	55,482	3,505	105,985	167,490	318	167,808

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

	Attributable to equity holders of the parent							
	Share capital £000	Share option costs £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000
Six months ended 30 June 2017								
At beginning of period	1,441	64	5,563	8,285	79,015	94,368	6	94,374
Profit/(loss) for the period	-	-	-	-	6,026	6,026	(81)	5,945
Other comprehensive income								
Exchange losses 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	-	-	-	(4,287)	(96)	(4,383)	(21)	(4,404)
Total comprehensive income for the period	-	-	-	(4,287)	5,930	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	3,998	84,945	108,817	(96)	108,721

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 2017

	Attributable to equity holders of the parent							
	Share capital £000	Share option costs £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000
Year ended 31 December 2017								
At beginning of year	1,441	64	5,563	8,285	79,015	94,368	6	94,374
Profit for the year	-	-	-	-	22,914	22,914	56	22,970
Other comprehensive income								
Exchange losses on consolidation	-	-	-	(7,384)	-	(7,384)	(32)	(7,416)
Pension scheme actuarial losses	-	-	-	-	(1,002)	(1,002)	-	(1,002)
Deferred tax on pension scheme actuarial losses	-	-	-	-	170	170	-	170
Total other comprehensive income for the year	-	-	-	(7,384)	(832)	(8,216)	(32)	(8,248)
Total comprehensive income for the year	-	-	-	(7,384)	22,082	14,698	24	14,722
Transactions with owners								
Share based payments	-	(64)	-	-	-	(64)	-	(64)
Issue of shares	1,076	-	64,308	-	-	65,384	-	65,384
Issue of X & Y shares	7,614	-	(7,614)	-	-	-	-	-
Cancellation of X & Y shares	(7,614)	-	-	-	-	(7,614)	-	(7,614)
Non-controlling interest in subsidiary acquired	-	-	-	-	-	-	(196)	(196)
At end of year	2,517	-	62,257	901	101,097	166,772	(166)	166,606

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

Condensed Consolidated Statement of Financial Position as at 30 June 2018

Company number 47341

	Note	30 June 2018 (unaudited) £000	30 June 2017 (unaudited) £000	31 December 2017 (audited) £000
Assets				
Intangible assets		19,430	31,406	20,712
Property, plant and equipment		680	3,596	3,035
Investment properties		1,930	422	426
Financial instruments		439,884	281,748	412,190
Reinsurers' share of insurance liabilities	8	261,727	201,054	253,482
Current tax assets		6,480	2,802	2,411
Deferred tax assets		6,437	5,908	10,907
Insurance and other receivables		257,261	146,010	170,273
Cash and cash equivalents		144,279	160,160	173,393
Assets held for sale	4	-	500	18,962
Total assets		1,138,108	833,606	1,065,791
Liabilities				
Insurance contract provisions	8	769,059	582,719	722,535
Financial liabilities		74,307	70,167	57,059
Deferred tax liabilities		7,355	1,764	6,890
Insurance and other payables	10	101,214	54,324	92,269
Current tax liabilities		7,447	5,779	7,426
Pension scheme obligations		10,918	10,132	11,214
Liabilities held for sale		-	-	1,792
Total liabilities		970,300	724,885	899,185
Equity				
Share capital		2,518	1,748	2,517
Share option costs		-	64	-
Share premium		55,482	18,062	62,257
Foreign currency translation reserve		3,505	3,998	901
Retained earnings		105,985	84,945	101,097
Attributable to equity holders of the parent		167,490	108,817	166,772
Non-controlling interests in subsidiary undertakings		318	(96)	(166)
Total equity		167,808	108,721	166,606
Total liabilities and equity		1,138,108	833,606	1,065,791

The Condensed Consolidated Financial Statements were approved by the Board of Directors on 18 September 2018 and were signed on its behalf by:

K E Randall A K Quilter

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

Condensed Consolidated Cash Flow Statement as at 30 June 2018

	Six months ended 30 June 2018 (unaudited) £000	Six months ended 30 June 2017 (unaudited) £000	Year ended 31 December 2017 (audited) £000
Cash flows from operating activities			
Profit for the year	4,974	5,945	22,970
Tax included in consolidated income statement	553	(510)	491
Finance costs	2,360	1,788	4,204
Depreciation and impairments	155	183	625
Share based payments	23	60	419
Share of losses of associates	-	242	284
Loss/(profit) on divestment	215	2	(15,190)
Goodwill on bargain purchase	(1,173)	(6,422)	(24,666)
Amortisation and impairment of intangible assets	851	732	1,909
Fair value loss/(gain) on financial assets	1,455	(1,958)	(2,728)
Loss on revaluation of investment property	847	-	-
Loss on net assets of pension schemes	84	168	514
(Increase)/decrease in receivables	(73,426)	2,597	8,121
Increase in deposits with ceding undertakings	(89)	(1,325)	(1,096)
Increase in payables	7,032	1,804	22,256
Increase in net insurance technical provisions	24,224	42,797	7,626
Net cash (used in)/from operating activities	(31,915)	46,103	25,739
Cash flows to investing activities			
Purchase of property, plant and equipment	(310)	(419)	(471)
Proceeds from sale of property, plant and equipment	24	-	-
Purchase of intangible assets	-	(188)	(419)
Sale of financial assets	32,540	5,319	6,133
Purchase of financial assets	(61,212)	(55,179)	(161,010)
Acquisition of subsidiary undertaking (offset by cash acquired)	4,592	10,355	106,186
Divestment (offset by cash disposed of)	16,511	988	17,773
Net cash used in investing activities	(7,855)	(39,124)	(31,808)
Net cash from financing activities			
Repayment of borrowings	(8,000)	(10,808)	(62,772)
New borrowing arrangements	25,040	15,100	54,537
Interest and other finance costs paid	(2,360)	(1,788)	(4,204)
Cancellation of shares	(6,798)	(4,545)	(7,614)
Receipts from issue of shares	1	17,291	64,901
Net cash from financing activities	7,883	15,250	44,848
Net (decrease)/increase in cash and cash equivalents	(31,887)	22,229	38,779
Cash and cash equivalents at beginning of period	174,502	141,656	141,656
Foreign exchange movement on cash and cash equivalents	1,664	(3,725)	(5,933)
Cash and cash equivalents at end of period	144,279	160,160	174,502
Share of Syndicates' cash restricted funds	21,205	8,586	43,898
Other funds	123,074	150,640	129,495
Cash and cash equivalents relating to continuing operations	144,279	159,226	173,393
Cash and cash equivalents relating to discontinued operations	-	934	1,109
Cash and cash equivalents at end of period	144,279	160,160	174,502

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 2018 and 2017 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 2017 other than as detailed below. There have been no amendments to accounting policies.

New standards effective from 1 January 2018:-

An additional standard, IFRS 15: Revenue from contracts with customers, has been applied when preparing these financial statements. The new standard has no material impact on the financial statements. No significant judgements were made when recognising income from these contracts and all related balances are classified as receivables and included within the other receivables line in the statement of financial position.

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:-

- Live – the Group partners with MGA's and their reinsurance providers to provide program capacity through its licensed platforms in the US and Europe and provides capital support for the Group's participation on Lloyd's Syndicates with live business
- Legacy – acquires legacy portfolios and insurance debt and provides capital support to the Group's managed Lloyd's Syndicates in run-off
- Other – primarily includes the holding company and other minor subsidiaries which fall outside of the segments above

The segmental presentation has been updated to show how the business is reported to the Board. Following the disposal of the ISD and UMD, the business has concentrated on two key areas, which are presented as Live and Legacy segments. The comparatives for the six months to June 2017 and the full year 2017 have been revised to reflect the new segmental analysis.

Segment result for the six months ended 30 June 2018 (unaudited)

Continuing operations

	Live £000	Legacy £000	Other £000	Consolidation adjustments £000	Total £000
Earned premium, net of reinsurance	21,822	91,706	-	-	113,528
Net investment income	634	(947)	7,362	(4,429)	2,620
External income	1,392	472	3,874	-	5,738
Internal income	-	603	7,609	(8,212)	-
Total income	**23,848**	**91,834**	**18,845**	**(12,641)**	**121,886**
Claims paid, net of reinsurance	(3,256)	(38,261)	-	-	(41,517)
Net change in provision for claims	(4,958)	(20,429)	-	-	(25,387)
Net insurance claims (increased)/released	(8,214)	(58,690)	-	-	(66,904)
Operating expenses	(12,274)	(21,687)	(19,415)	8,212	(45,164)
Result of operating activities before goodwill on bargain purchase	**3,360**	**11,457**	**(570)**	**(4,429)**	**9,818**
Goodwill on bargain purchase	-	1,173	-	-	1,173
Amortisation and impairment of intangible assets	(76)	(751)	(24)	-	(851)
Result of operating activities	**3,284**	**11,879**	**(594)**	**(4,429)**	**10,140**
Finance costs	(122)	(3,178)	(3,489)	4,429	(2,360)
Profit/(loss) on ordinary activities before income taxes	**3,162**	**8,701**	**(4,083)**	**-**	**7,780**
Income tax (charge)/credit	(316)	(870)	408	-	(778)
Profit/(loss) for the period	**2,846**	**7,831**	**(3,675)**	**-**	**7,002**
Non-controlling interests	(234)	(230)	(2)	-	(466)
Attributable to shareholders of parent	**2,612**	**7,601**	**(3,677)**	**-**	**6,536**
Segment assets	243,255	1,031,640	119,359	(256,146)	1,138,108
Segment liabilities	192,150	817,348	216,948	(256,146)	970,300

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

Continuing operations

	Live £000	Legacy £000	Other £000	Consolidation adjustments £000	Total £000
Earned premium, net of reinsurance	83,194	18,105	-	-	101,299
Net investment income	(7)	4,937	6,161	(7,310)	3,781
External income	947	(290)	2,987	-	3,644
Internal income	-	371	7,570	(7,941)	-
Total income	**84,134**	**23,123**	**16,718**	**(15,251)**	**108,724**
Claims paid, net of reinsurance	(6,232)	(26,796)	-	-	(33,028)
Net change in provision for claims	(63,652)	23,291	-	-	(40,361)
Net insurance claims (increased)/released	(69,884)	(3,505)	-	-	(73,389)
Operating expenses	(14,168)	(9,506)	(17,833)	7,941	(33,566)
Result of operating activities before goodwill on bargain purchase	**82**	**10,112**	**(1,115)**	**(7,310)**	**1,769**
Goodwill on bargain purchase	-	6,422	-	-	6,422
Amortisation and impairment of intangible assets	(91)	(448)	(23)	-	(562)
Result of operating activities	**(9)**	**16,086**	**(1,138)**	**(7,310)**	**7,629**
Finance costs	(42)	(2,865)	(6,191)	7,310	(1,788)
Share of loss of associate	(242)	-	-	-	(242)
Profit/(loss) on ordinary activities before income taxes	**(293)**	**13,221**	**(7,329)**	**-**	**5,599**
Income tax (charge)/credit	1,597	600	(1,826)	-	371
Profit/(loss) for the period	**1,304**	**13,821**	**(9,155)**	**-**	**5,970**
Non-controlling interests	(688)	759	10	-	81
Attributable to shareholders of parent	**616**	**14,580**	**(9,145)**	**-**	**6,051**
Segment assets	167,258	809,770	325,577	(469,499)	833,106
Segment liabilities	141,845	542,493	510,046	(469,499)	724,885

Segment result for the year ended 31 December 2017 (unaudited)

Continuing operations

	Live £000	Legacy £000	Other £000	Consolidation adjustments £000	Total £000
Earned premium, net of reinsurance	45,232	123,438	-	-	168,670
Net investment income	689	12,886	4,795	(10,183)	8,187
External income	1,890	5,018	1,246	-	8,154
Internal income	-	887	15,308	(16,195)	-
Total income	**47,811**	**142,229**	**21,349**	**(26,378)**	**185,011**
Claims paid, net of reinsurance	(31,017)	(50,411)	-	-	(81,428)
Net change in provision for claims	5,539	(33,143)	-	-	(27,604)
Net insurance claims (increased)/released	(25,478)	(83,554)	-	-	(109,032)
Operating expenses	(27,148)	(35,964)	(37,501)	16,195	(84,418)
Result of operating activities before goodwill on bargain purchase	**(4,815)**	**22,711**	**(16,152)**	**(10,183)**	**(8,439)**
Goodwill on bargain purchase	-	24,666	-	-	24,666
Amortisation and impairment of intangible assets	(750)	(1,114)	(45)	-	(1,909)
Result of operating activities	**(5,565)**	**46,263**	**(16,197)**	**(10,183)**	**14,318**
Finance costs	(19)	(5,297)	(9,071)	10,183	(4,204)
Share of loss of associate	(284)	-	-	-	(284)
Profit/(loss) on ordinary activities before income taxes	**(5,868)**	**40,966**	**(25,268)**	**-**	**9,830**
Income tax (charge)/credit	(1,047)	(4,232)	4,966	-	(313)
Profit/(loss) for the period	**(6,915)**	**36,734**	**(20,302)**	**-**	**9,517**
Non-controlling interests	9	117	(182)	-	(56)
Attributable to shareholders of parent	**(6,906)**	**36,851**	**(20,484)**	**-**	**9,461**
Segment assets	46,929	1,021,409	488,624	(510,133)	1,046,829
Segment liabilities	53,962	792,254	561,310	(510,133)	897,393

Geographical analysis

Continuing operations

As at 30 June 2018

	UK £000	North America £000	Europe £000	Total £000
Gross assets	425,796	780,159	274,459	1,480,414
Intercompany eliminations	(157,904)	(133,073)	(51,329)	(342,306)
Segment assets	267,892	647,086	223,130	1,138,108
Gross liabilities	400,308	723,099	189,199	1,312,606
Intercompany eliminations	(143,594)	(196,607)	(2,105)	(342,306)
Segment liabilities	256,714	526,492	187,094	970,300
Segmental income	104,880	13,272	3,734	121,886

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	13,534	84,747	10,443	108,724

As at 31 December 2017

	UK £000	North America £000	Europe £000	Total £000
Gross assets	541,667	780,277	235,018	1,556,962
Intercompany eliminations	(267,377)	(190,816)	(51,940)	(510,133)
Segment assets	274,290	589,461	183,078	1,046,829
Gross liabilities	510,877	717,080	181,361	1,409,318
Intercompany eliminations	(229,871)	(275,139)	(5,123)	(510,133)
Segment liabilities	281,006	441,941	176,238	899,185
Segmental income	52,335	118,548	14,128	185,011

4 Discontinued operations and disposal group

The sale of Insurance Services and Captive Management Divisions

On 13 January 2018 the Group completed the sale of its Insurance Services and Captive Management Operations ('ISD') to Davies Group ("Davies") a leading operations management, consultancy and digital solutions provider. The transaction involves the sale of the entire share capital of JMD Specialist Insurance Services Group Limited and its subsidiaries, R&Quiem Limited, John Heath & Company Limited and AM Associates Insurance Services Limited as well as Randall & Quilter Bermuda Holdings Limited and its Quest subsidiaries. The sale is presented within these financial statements as a discontinued operation for the interim period 6 months ending 30 June 2018 and for previous period comparatives, as it represented the sale of a major line of business within the R&Q Group.

The sale of R&Q Managing Agency Limited.

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 Limited ('RQMA') to Coverys, a leading provider of medical professional liability insurance based in Boston, Massachusetts. The sale received regulatory change of control approval by Lloyd's and the PRA, and was completed on 30 November 2017. RQMA is presented within these financial statements as a discontinued operation for the year ending 31 December 2017 and for previous period comparatives, as it represented the sale of a major line of business within the R&Q Group.

Profit for the period from discontinued operations

	RQMA 6m 2018	**ISD 6m 2018**	**Total 6m 2018**	**RQMA 12m 2017**	**ISD 12m 2017**	**Total 12m 2017**	**RQMA 6m 2017**	**ISD 6m 2017**	**Total 6m 2017**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Other Income	-	254	254	10,586	14,391	24,977	5,780	6,850	12,630
Operating expenses	-	(2,292)	(2,292)	(13,909)	(12,630)	(26,539)	(5,603)	(7,192)	(12,794)
Profit before tax	-	(2,038)	(2,038)	(3,323)	1,761	(1,562)	177	(342)	(164)
Income tax charge	-	225	225	(30)	(148)	(178)	-	139	139
Operating profit/(loss)	-	(1,813)	(1,813)	(3,353)	1,613	(1,740)	177	(203)	(25)
Disposal proceeds	-	17,216	17,216	16,799	-	16,799	-	-	-
Net assets of disposal group	-	(17,431)	(17,431)	1,606	-	1,606	-	-	-
(Loss)/gain on discontinued acti	-	(215)	(215)	15,193	-	15,193	-	-	-
Income tax charge on discontin activities	-	-	-	-	-	-	-	-	-
(Loss)/profit on discontinued activities	-	(215)	(215)	15,193	-	15,193	-	-	-
(Loss)/profit for the period	**-**	**(2,028)**	**(2,028)**	**11,840**	**1,613**	**13,453**	**177**	**(203)**	**(25)**

Cash flows for the period from discontinued operations

	RQMA 6m 2018	**ISD 6m 2018**	**Total 6m 2018**	**RQMA 12m 2017**	**ISD 12m 2017**	**Total 12m 2017**	**RQMA 6m 2017**	**ISD 6m 2017**	**Total 6m 2017**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net cash inflows/(outflows) from operating activities	-	(404)	(404)	(158)	166	8	(171)	(20)	(191)
investing activities	-	16,511	6,511	16,799	-	16,799	-	-	-
Net cash inflows/(outflows)	**-**	**16,107**	**6,107**	**16,641**	**166**	**16,807**	**(171)**	**(20)**	**(191)**

The major classes of assets and liabilities forming the disposal groups were as follows:

	ISD disposal 13 January 2018 £000	RQMA disposal 30 November 2017 £000
Assets		
Intangible assets	14,408	872
Property, plant & equipment	151	-
Other financial investments	62	-
Insurance and other receivables	2,940	1,524
Cash and cash equivalents	705	14
	18,266	2,410
Liabilities		
Insurance and other payables	835	804
Current tax liabilities	-	-
	835	804
Total net assets of the disposal group	17,431	1,606

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 2018	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Government and government agencies	-	27,137	-	27,137
Corporate bonds	-	295,536	-	295,536
Equities	22,405	-	-	22,405
Investment funds	20,907	37,951	29,691	88,549
Purchased reinsurance receivables	-	-	3,382	3,382
Total financial assets measured at fair value	**43,312**	**360,624**	**33,073**	**437,009**

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
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**

December 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Government and government agencies	-	141,278	-	141,278
Corporate bonds	-	159,961	-	159,961
Equities	19,314	1,832	-	21,146
Investment funds	26,069	37,089	19,973	83,131
Purchased reinsurance receivables	-		3,750	3,750
Total financial assets measured at fair value	**45,383**	**340,160**	**23,723**	**409,266**

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

	June 2018 £000	June 2017 £000	December 2017 £000
Opening balance	23,723	5,654	5,654
Total net (losses)/gains recognised in the Consolidated Income Statement	(112)	(192)	452
Additions/Reclassification	10,000	-	19,973
Disposals	(614)	-	(1,905)
Exchange adjustments	76	(270)	(451)
Closing balance	**33,073**	**5,192**	**23,723**

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 (Investment funds) relate to deposits with a private debt fund where the fund administrator obtains the prices used in the valuation of the underlying assets. While the fund provides full transparency on their underlying investments, the investments themselves are in many cases private and unquoted and are therefore classified as level 3 investment.

6. Investment income

Continuing operations

	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Interest income	4,075	1,823	5,459
Realised gains/(losses) on investments	238	(362)	1,191
Unrealised (losses)/gains on investments	(1,693)	2,320	1,537
	2,620	3,781	8,187

7. Income tax

Continuing operations

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	£000	£000	£000
Tax (charge)/credit	(778)	371	(313)

The tax charge in the Condensed Consolidated Income Statement is calculated on an effective tax rate method.

8. Insurance contract provisions and reinsurance balances

Gross	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Insurance contract provisions at 1 January	722,535	553,726	553,726
Claims paid	(77,989)	(56,778)	(142,013)
Increase in provisions arising from acquisition of subsidiary undertakings and syndicate participations	3,067	15,641	210,979
Increase in provisions arising from acquisition of reinsurance portfolios	75,841	76,783	84,498
Net increase in claims provisions	18,631	3,237	68,280
Increase in unearned premium reserve	13,638	9,276	(16,553)
Net exchange differences	13,336	(19,166)	(36,382)
As at period end	769,059	582,719	722,535

Reinsurance	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Reinsurers' share of insurance contract provisions at 1 January	253,482	202,732	202,732
Eliminations from commutations and reinsurers' share of gross claims paid	(36,472)	(23,750)	(60,585)
Increase in provisions arising from acquisition of subsidiary undertakings and syndicate participations	-	11,238	72,432
Increase in provisions arising from acquisition of reinsurance portfolios	-	-	771
Net increase in claims provisions	27,568	6,631	42,975
Increase in unearned premium reserve	14,801	6,840	3,425
Net exchange differences	2,348	(2,637)	(8,268)
As at period end	261,727	201,054	253,482

Net	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Net claims outstanding at 1 January	469,053	350,994	350,994
Net (claims paid)/commutation eliminations	(41,517)	(33,028)	(81,428)
Net increase in provisions arising from acquisition of subsidiary undertakings and syndicate participations	3,067	4,403	138,547

Net increase in provisions arising from acquisition of reinsurance portfolios	75,841	76,783	83,727
Net (decrease)/increase in claims provisions	(8,937)	(3,394)	25,305
Net (decrease)/Increase in unearned premium reserve	(1,163)	2,436	(19,978)
Net exchange differences	10,988	(16,529)	(28,114)
As at period end	507,332	381,665	469,053

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. When assessing the amount of any provision to be made, the future investment income and claims handling and all other costs of all the insurance company subsidiaries' and syndicates businesses in run-off are considered in aggregate. 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 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	No. 000's	No. 000's	No. 000's
Weighted average number of Ordinary shares	125,878	76,053	90,134
Effect of dilutive share options	-	94	-
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	125,878	76,147	90,134

	£000	£000	£000
Earnings per share for profit from continuing operations			
Profit for the period attributable to Ordinary shareholders	6,536	5,945	9,461
Basic earnings per share	5.2p	7.9p	10.5p
Diluted earnings per share	5.2p	7.9p	10.5p

	£000	£000	£000
Earnings per share for profit from discontinued operations			
Profit for the period attributable to Ordinary shareholders	(2,028)	(25)	13,453
Basic earnings per share	(1.6)p	-	14.9p
Diluted earnings per share	(1.6)p	-	14.9p

10. Insurance and other payables

	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Structured liabilities	407,762	415,669	399,252
Structured settlements	(407,762)	(415,669)	(399,252)
	-	-	-
Other creditors	101,214	54,324	92,269
	101,214	54,324	92,269

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.

11. Borrowings

The Company has entered into a guarantee agreement and debenture arrangement with its bankers, along with several of its subsidiaries in respect of the Group's overdraft and term loan facilities. The total liability to the bank at 30 June 2018 was £35,500k (31 December 2017: £18,500k).

A subsidiary has issued subordinated debt for €25m at a margin of 6.7% above EURIBOR and is repayable in 2025.

A subsidiary has issued subordinated debt for $20m at a margin of 7.75% above LIBOR and is repayable in 2023.

12. Issued share capital

Issued share capital as at 30 June 2018 amounted to £2,517,814 (31 December 2017: £2,517,512).

On 30 April the Group issued 15,094 ordinary shares at 159p raising approximately £24k.

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 an industry wide review. This suspension has now been lifted and the Company is in the process of finalising the small number of compensation payments that were affected. It is envisaged that this exercise will be largely completed during 2018. Whilst uncertainty still exists for the ultimate amounts payable, provision has been made for the Group's best estimate of the amounts that are expected to be paid.

14. Guarantees and Indemnities in Ordinary Course of Business

The Group has given various customary warranties and indemnities in connection with the disposals of RQMA and various ISD entities (to Coverys and Davies respectively).

The Group also gives various guarantees in the ordinary course of business.

15. 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. 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.

16. Business combinations and divestment

The Group made three business combinations during the first six months of 2018, 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:

	Jet Blue	Hawthorne	Sitex	**Goodwill on Bargain Purchase**
	£000	£000	£000	**£000**
Intangible assets	222	12	-	**234**
Other receivables	-	-	-	**-**
Cash & Investments	4,011	431	150	**4,592**
Other payables	(576)	(4)	-	**(580)**
Technical provisions	(2,875)	(192)	-	**(3,067)**
Tax & deferred tax	-	(6)	-	**(6)**
Net assets acquired	782	241	150	**1,173**
Consideration	-	-	-	**-**
Gross Deal Contribution	**782**	**241**	**150**	**1,173**

Jet Blue

With effect from 1 February 2018, the Group novated the workers' compensation policies of Jet Blue Airways Corporation ("Jet Blue"), a Bermuda based captive, to Accredited Insurance (Europe) Limited (formerly known as R&Q Insurance (Malta) Limited). The policies novated covered the deductible layer of policies issued by AIG to Jet Blue for policy years 2012-2016.

Hawthorne

On 13 March 2018, the Group completed the novation of the insurance liabilities from Hawthorne Machinery Self Insured ("Hawthorne") to Accredited Surety & Casualty Company. The liabilities novated cover workers' compensation policies for the coverage years 1990-2012 which were issued by various excess carriers.

Sitex

Effective 30 June 2018, the Group agreed the novation of the employer's and public liabilities policies of the Sitex Orbis cell within Windward Insurance PCC Limited, a cell company incorporated in Guernsey, to Capstan Insurance Company Limited. At the date of novation, there were no outstanding claims.

Divestment

On 13 January 2018 the Group completed the sale of its Insurance Services and Captive Management Operations ('ISD') to Davies Group ("Davies") a leading operations management, consultancy and digital solutions provider. The transaction involves the sale of the entire share capital of JMD Specialist Insurance Services Group Limited and its subsidiaries, R&Quiem Limited, John Heath & Company Limited and AM Associates Insurance Services Limited as well as Randall & Quilter Bermuda Holdings Limited and its Quest subsidiaries.

17. Related party transactions

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

	Six months ended 30 June 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
K E Randall and family	864	974	1,483
A K Quilter and family	210	253	374
M G Smith	2	2	3

18. 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 2018 £000	Six months ended 30 June 2017 £000	Year ended 31 December 2017 £000
Average			
US dollar	1.37	1.27	1.29
Euro	1.14	1.17	1.15
Spot			
US dollar	1.31	1.30	1.34
Euro	1.13	1.14	1.13

19. Events after the reporting date

On the 18 September 2018 the Group signed a definitive agreement to acquire, GLOBAL U.S. Holdings Incorporated from AXA DBIO, SCA, a subsidiary of investment funds managed by AXA Liabilities Managers SAS ("AXA LM"). The acquisition is subject to regulatory approval from the New York Department of Financial Services.

On the 17 September 2018 the Group signed an agreement to acquire, subject to regulatory approval from each of the MFSA, PRA and FCA, the entire issued share capital of MPS Risk Solutions Limited ('MPSRS') from its owners The Medical Protection Society Limited ('MPS').

Ends

Enquiries to:

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Shore Capital Stockbrokers Limited	
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Notes to Editors:

About R&Q

The overall mission of the Bermuda based Group is to:

- Generate profits and capital extractions from expert management of legacy non-life insurance acquisitions/reinsurances, including in Lloyd's; and
- Grow commission income from its licensed (and rated) carriers in the US and EU/UK, writing niche and profitable program business, largely on behalf of highly rated reinsurers.

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

The Group was founded by Ken Randall and Alan Quilter in 1991.

Legal Entity Identifier (LEI): 2138006K1U38QCGLFC94

Website: www.rqih.com