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This document has been drawn up in accordance with the AIM Rules and has been issued in connection with the application for the admission of the entire issued ordinary share capital of New R&Q to trading on AIM. This document is not an approved prospectus for the purposes of Section 85 of the Financial Services and Markets Act 2000 and the Prospectus Rules of the Financial Conduct Authority. This document does not constitute an offer or invitation to purchase any securities.

New R&Q and its Directors (details of whom appear on page 14 of this document) accept responsibility, individually and collectively, for the information contained in this document and compliance with the AIM Rules for Companies. To the best of the knowledge and belief of New R&Q and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. Application will be made for the whole of the ordinary share capital of New R&Q to be admitted to trading on AIM, a market operated and regulated by the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.



Randall & Quilter Investment Holdings Ltd.

(Incorporated and registered in Bermuda with registered number 47341)

Appendix to AIM Schedule 1 Announcement

Further Information on Randall & Quilter Investment Holdings Ltd. In connection with its Proposed Admission to AIM

It is expected that Admission will become effective and dealings for normal settlement in New R&Q Shares will commence on 5 July 2013. All New R&Q Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all the dividends and other distributions declared, paid or made in respect of New R&Q Shares after Admission.

The whole of this document should be read. An investment in New R&Q involves a significant degree of risk, may result in the loss of the entire investment and may not be suitable for all recipients of this document. Investors should consider carefully the risk factors which are set out in Part II of this document. All statements regarding New R&Q's business should be viewed in light of these risk factors.

This Appendix has been prepared in accordance with Schedule One and the Supplement to Schedule One of the AIM Rules for Companies published by the London Stock Exchange. It includes, amongst other things, all information that would otherwise have had to be included in an AIM admission document and which is not currently public, that is, which is not available at an address in the UK or at a website address accessible to users in the UK (collectively, the "Public Record"). The Public Record can be accessed freely on www.londonstockexchange.com and on New R&Q's website on www.rqih.com where this Appendix, which is dated 17 May 2013, will be available. This Appendix should be read in conjunction with the Form of Announcement to be made by New R&Q at least 20 business days prior to Admission (the "Announcement Form") and the Public Record. This Appendix and the Announcement Form together constitute "the Announcement".

Numis Securities Limited ("Numis"), which is authorised and regulated by the Financial Conduct Authority, is acting as nominated adviser and broker for New R&Q in relation to the Admission and is not acting for and will not be responsible to any other person other than New R&Q for providing the protections afforded to its customers or for advising any other person on the contents of this document or any transaction or arrangement referred to in this document. Numis's responsibilities as the nominated adviser and broker to New R&Q under the AIM Rules are solely owed to the London Stock Exchange. No representation or warranty, express or implied, is made by Numis as to any of the contents of this document. Numis has not authorised the contents of, or any part of, this document and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by Numis for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which New R&Q and its Directors are solely responsible.

To the extent information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading.

The distribution of this document in certain jurisdictions may be restricted by law and therefore this document may not be distributed or published in any jurisdiction except under circumstances which result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

THIS DOCUMENT DOES NOT CONSTITUTE AN INVITATION OR OFFER TO SELL OR EXCHANGE OR THE SOLICITATION OF AN INVITATION OR OFFER TO BUY OR EXCHANGE ANY SECURITY OR TO BECOME A MEMBER OF NEW R&Q. NONE OF THE SECURITIES REFERRED TO IN THIS DOCUMENT SHALL BE SOLD, ISSUED, EXCHANGED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

Securities may not be offered or sold in the United States unless they are registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or are exempt from such registration. The New R&Q Shares will not be, and are not required to be, registered with the United States Securities and Exchange Commission (“**SEC**”) under the Securities Act in reliance on the exemption from registration provided by Section 3(a)(10) thereof. With the exception of New York, where New R&Q will be registered as a broker-dealer, neither New R&Q nor the New R&Q Shares will be registered under the securities laws of any state of the United States. The New R&Q Shares will be issued pursuant to the Scheme in reliance on available exclusions or exemptions from such state law registration requirements. **Neither the SEC nor any state securities commission or regulatory authority has approved or disapproved the New R&Q Shares or passed an opinion upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.**

The permission of the Bermuda Monetary Authority is required, pursuant to the provisions of the Exchange Control Act 1972 and related regulations, for all issuances and transfers of shares (which includes the New R&Q Shares) of Bermuda companies to or from a non-resident of Bermuda for exchange control purposes, other than in cases where the Bermuda Monetary Authority has granted a general permission. The Bermuda Monetary Authority, in its notice to the public dated June 1, 2005, has granted a general permission for the issue and subsequent transfer of any securities of a Bermuda company from and/or to a non-resident of Bermuda for exchange control purposes for so long as any “Equity Securities” of the company (which would include the New R&Q Shares) are listed on an “Appointed Stock Exchange” (which would include AIM). In granting the general permission, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of New R&Q or the correctness of any of the statements made or opinions expressed in this document.

FORWARD-LOOKING STATEMENTS

This document includes certain forward-looking statements, which can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “projects”, “expects”, “intends”, “may”, “will”, “seeks” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions and include the statements on target internal rate of return contained herein. These forward-looking statements relate to matters that are not historical facts and include statements regarding the Group and its subsidiaries and its directors’ current intentions, beliefs or expectations concerning, amongst other things, the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Group operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not an assurance of future performance. The Group’s actual results of operations, financial condition and liquidity, and the development of the business sector in which the Group operates, may differ materially from those suggested by the forward-looking statements contained in this document. Therefore, even if the Group’s results of operations, financial condition and liquidity, and the development of the industry in which the Group operates, are consistent with the forward looking statements contained in the document, there can be no assurance that those results or developments will prove to have been indicative of results or developments in subsequent periods. All forward-looking statements in this document rely on a number of assumptions concerning future events and are subject to a number of uncertainties and other factors, many of which are outside the Group’s control that could cause actual results to differ materially from such statements. Other than in accordance with the Group’s obligations under the AIM Rules, the Group undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Kenneth Edward Randall, <i>Group Chairman and Chief Executive Officer</i> Alan Kevin Quilter, <i>Deputy Group Chief Executive Officer</i> Thomas Alexander Booth, <i>Group Chief Financial Officer</i> Kevin Paul McNamara, <i>Non-Executive Director</i> Michael Gordon Smith, <i>Non-Executive Director</i> Philip Andrew Barnes, <i>Non-Executive Director</i>
Company Secretary	Michael Logan Glover
Registered Office, and Business Address of each of the Directors	Randall & Quilter Investment Holdings Ltd. Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal Place of Business	Randall & Quilter Investment Holdings Ltd. FB Perry Building 40 Church Street PO Box 2062 Hamilton HM HX Bermuda
Website	www.rqih.com
Nominated Adviser and Broker	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Legal advisers to Old R&Q and New R&Q as to English Law	Mills & Reeve LLP 130 Fenchurch Street London EC3M 5DJ
Legal advisers to Old R&Q and New R&Q as to Bermuda Law	Conyers Dill & Pearman Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Auditors to New R&Q and the Group and Reporting Accountant	Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD
UK Registrars to Old R&Q, Custodian for the Depositary Interests and Registrar to the Depositary Interests	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ

Registrars to New R&Q

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Corner House,
Church and Parliament Street
Hamilton HM FX
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**Tax advisers to Old R&Q
and New R&Q**

Smith & Williamson
25 Moorgate
London EC2R 6AY

**Regulatory advisers to
Old R&Q and New R&Q**

KPMG LLP
15 Canada Square
London E14 5GL

SHARE CAPITAL STATISTICS

Number of New R&Q Shares in issue at Admission	70,966,335
Maximum number of New R&Q Shares subject to Existing Incentive Awards, or to be issued on vesting or exercise of Existing Incentive Awards, immediately following Admission	1,140,000
AIM symbol	RQIH
ISIN No. for the New R&Q Shares	BMG7371X1065

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Appendix	17 May 2013
Admission and dealings in New R&Q Shares to commence on AIM	8.00 a.m. on 5 July 2013
CREST accounts credited (where applicable)	5 July 2013
Expected date of dispatch of certificates for New R&Q Shares (where applicable)	by 19 July 2013

Note: All references to times in this timetable are to London time. Each of the times and dates are indicative only and may be subject to change. If the scheduled dates for the hearings at Court (which are required to effect the Scheme) change, Old R&Q will give notice of the changes by issuing an announcement through the Regulatory Information Service.

DEFINITIONS

“2012 Accounts”	the audited accounts of the Group for the year ended 31 December 2012;
“Admission”	admission of the New R&Q Shares to trading on AIM in accordance with the AIM Rules;
“AIM”	the AIM market of the London Stock Exchange;
“AIM Rules”	the rules governing the operation of AIM, comprising the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
“Announcement”	the pre-Admission announcement pursuant to Rule 2 and Schedule One of the AIM Rules to be made by New R&Q on or about the date of this Appendix, together with this Appendix;
“Annual General Meeting”	the annual general meeting of Old R&Q convened for 12 June 2013 to consider and, if thought fit, to approve, amongst other things, various matters in connection with the Scheme, and any adjournment thereof;
“Annual Report”	the annual report of Old R&Q, including the audited financial statements of the Group for the year ended 31 December 2012;
“Appendix”	this document;
“Bermuda Companies Law”	the Companies Act 1981 of Bermuda as may be amended or replaced from time to time;
“BMA”	the Bermuda Monetary Authority;
“Board” or “Directors”	the directors of Old R&Q or New R&Q (as applicable);
“Circular”	the circular to Old R&Q Shareholders explaining and seeking approval for the Scheme, dated on or about the date of this document;
“City Code”	the City Code on Takeovers and Mergers (as amended from time to time) issued by the Panel on Takeovers and Mergers in the UK;
“Companies Act”	the Companies Act 2006;
“Court”	the High Court of Justice of England and Wales;
“Court Meeting”	the meeting of the Old R&Q Shareholders convened by order of the Court pursuant to section 895 and 899 of the Companies Act for 12 June 2013 to consider and, if thought fit, approve the Scheme, and any adjournment thereof;
“CREST”	the system for the paperless settlement of sales and purchases of securities and the holding of uncertificated securities operated by Euroclear under the CREST Regulations;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended (including pursuant to the Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009);
“DI Depository”	Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS99 6ZZ;

“Director”	means a director of Old R&Q or after the Effective Time a director of New R&Q;
“Effective Time”	the time when the Scheme becomes effective in accordance with clause 7 of the Scheme, expected to be on 5 July 2013;
“Euroclear”	Euroclear UK & Ireland Limited, the central securities depository for the United Kingdom, Republic of Ireland, Isle of Man, Jersey and Guernsey;
“Existing Incentive Awards”	the options to acquire Old R&Q Shares that have been issued to employees and directors of Old R&Q or a member of the Group;
“FCA”	the Financial Conduct Authority;
“FSMA”	the Financial Services and Markets Act 2000;
“Group” or “R&Q Group”	prior to the Effective Time, Old R&Q and its subsidiary undertakings and, following the Effective Time, New R&Q and its subsidiary undertakings;
“London Stock Exchange”	London Stock Exchange plc;
“New R&Q”	Randall & Quilter Investment Holdings Ltd., an exempted company with limited liability incorporated under Bermuda Companies Law with registered number 47341;
“New R&Q Bye-laws”	the bye-laws of New R&Q adopted, conditional upon effect of the Scheme, by New R&Q pursuant to a board and a shareholder resolution dated 14 May 2013;
“New R&Q Depository Interests”	a depository interest representing and underlying a New R&Q Share;
“New R&Q Memorandum”	the memorandum of association adopted by New R&Q on incorporation;
“New R&Q Preference A Share”	the one cumulative redeemable preference A share of £1 in the capital of New R&Q proposed to be issued to the current holder of the Old R&Q Preference A Share, following redemption and cancellation of the Old R&Q Preference A Share, at the Effective Time;
“New R&Q Preference B Share”	the one cumulative redeemable preference B share of £1 in the capital of New R&Q proposed to be issued to the current holder of the Old R&Q Preference B Share, following redemption and cancellation of the Old R&Q Preference B Share, at the Effective Time;
“New R&Q Shareholder”	a registered holder of New R&Q Shares;
“New R&Q Shares”	ordinary shares of 2 pence each in the capital of New R&Q;
“New Shares”	the ordinary shares of 2 and 6/91 pence each in the capital of Old R&Q created following the cancellation of the Scheme Shares and to be issued credited as fully paid to New R&Q pursuant to the Scheme;
“Numis”	Numis Securities Limited, 10 Paternoster Square, London EC4M 7LT, United Kingdom;

“Official List”	the official list of the UK Listing Authority;
“Old R&Q”	Randall & Quilter Investment Holdings plc, a public limited company incorporated in England & Wales with registered number 03671097 which, conditional on the Scheme becoming effective, will be re-registered as a private limited company and renamed RQIH Limited;
“Old R&Q Preference A Share”	the one cumulative redeemable preference A share of £1 in the capital of Old R&Q proposed to be redeemed and cancelled at the Effective Time;
“Old R&Q Preference B Share”	the one cumulative redeemable preference B share of £1 in the capital of Old R&Q proposed to be redeemed and cancelled at the Effective Time;
“Old R&Q Preference Shares”	the Old R&Q Preference A Share and the Old R&Q Preference B Share;
“Old R&Q Shares”	the fully paid ordinary shares of 2 and 6/91 pence each in the capital of Old R&Q;
“Old R&Q Shareholder”	a holder of Old R&Q Shares;
“PRA”	the Prudential Regulation Authority;
“Proposal”	the proposal relating to the implementation of the Scheme;
“Public Record”	information available at an address in the UK or at a website address accessible to users in the UK;
“Registrars”	in relation to: <ul style="list-style-type: none"> (i) Old R&Q, Computershare Investors Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom; (ii) New R&Q, Computershare Investor Services (Bermuda) Limited, Corner House, Church and Parliament Street, Hamilton HM FX, Bermuda;
“R&Q Shareholder”	prior to the Effective Time, a holder of Old R&Q Shares and, following the Effective Time, a holder of New R&Q Shares;
“Scheme”	the scheme of arrangement proposed to be made under sections 895 to 899 of the Companies Act between Old R&Q and the holders of Scheme Shares, as set out in Part 4 of the Circular, with or subject to any modification, addition or condition approved or imposed by the Court;
“Scheme Record Time”	6.00 p.m. (London time) on the later of 4 July 2013 and the business day immediately preceding the Effective Time;
“Scheme Shares”	<ul style="list-style-type: none"> (a) all the Old R&Q Shares in issue at the date of the Scheme Circular; (b) all (if any) additional Old R&Q Shares in issue at the Scheme Voting Record Time; and (c) all (if any) further Old R&Q Shares which may be in issue immediately before the confirmation by the Court of the reduction of capital provided for by clause 1 of the Scheme

in respect of which the original or any subsequent holders shall be bound by the Scheme or in respect of which the original or any subsequent holders shall have agreed in writing to be so bound,

but excluding for the avoidance of doubt: (i) any Old R&Q Shares held by New R&Q; (ii) the Old R&Q Preference A Share; and (iii) the Old R&Q Preference B Share;

“Scheme Voting Record Time”	6.00 p.m. (London time) on 10 June 2013 or, if the Court Meeting is adjourned by 48 hours or more, 6.00 p.m. on the day which is two days before the date fixed for the adjourned meeting or, if Old R&Q gives notice of the adjourned meeting and an entitlement time is specified in that notice, the time specified in that notice;
“Securities Act”	the United States Securities Act of 1993, as amended;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority” or “UKLA”	the United Kingdom Listing Authority, being the competent authority for the listing in the UK, which is part of the Financial Conduct Authority;
“uncertificated” or “in uncertificated form”	in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“United States” or “US”	the United States of America;
“£”, “pounds”, “penny” or “pence”	the lawful currency of Great Britain; and
“€” or “Euros”	the basic unit of currency in those participating member states of the European Union known as the Eurozone.

PART I

INFORMATION ON NEW R&Q

1. INTRODUCTION

New R&Q was incorporated as an exempted company with limited liability in Bermuda on 22 January 2013 with registered number 47341 and is expected to be tax resident in the United Kingdom.

New R&Q is the proposed new parent company of Old R&Q, a UK incorporated company whose shares have been quoted on AIM since 20 December 2007. Under the Scheme it is proposed that, at the Effective Time, New R&Q will become the new parent company of Old R&Q and the ultimate holding company of the Group.

The R&Q Group is an investor, service provider and underwriting manager in the non-life insurance market. Old R&Q owns and acquires insurance companies in run-off and legacy insurance debt and participates on active and run-off syndicates at Lloyd's, primarily through its active insurer in Bermuda. Its principal service operations are in the UK, US and Bermuda and are focused on portfolio administration and management, premium credit control, reinsurance collections, claims management and accounting services. The Group owns a Lloyd's Managing Agency and manages four syndicates both on a 'first party' and 'turnkey' basis. The Group also owns three Managing General Agent business units in the UK, writing niche books of business on behalf of third party insurance carriers.

Further information on the business and corporate structure of the Group is set out in paragraphs 3 and 4 below.

Following the Effective Time, it is intended that Old R&Q will be re-registered as a private limited company and re-named "RQIH Limited". New R&Q will continue to be named Randall & Quilter Investment Holdings Ltd.

2. BACKGROUND AND REASONS FOR ADMISSION

The Scheme and Admission of New R&Q is being proposed for regulatory, operational and commercial reasons.

The Board considers that the introduction of a new parent company incorporated in Bermuda should enable the Group to develop an improved regulatory and operational platform to support its continued growth and development. In particular, the Scheme is an integral step in the Group's aim to secure enhanced transparency and certainty on its medium to long-term capital requirements in the face of a series of delays in the implementation of the Solvency II regime for EEA based insurance groups.

The Group will work during the remainder of 2013 and 2014 towards securing a positive determination from the BMA to become Group Worldwide Supervisor for the R&Q Group as the BMA phases in a new enhanced risk based supervisory regime for insurance groups.

The Scheme should also provide the Group with a strong base in a premier insurance domicile with excellent access to the US market.

The Board also considers that the Bermuda domiciled parent will facilitate the development of new business relationships and opportunities, especially in the growing insurance linked securities market. The enhanced presence in Bermuda should increase the number of acquisition opportunities the Group sources, particularly of captive insurance companies, where Bermuda is one of the world's leading domiciles. It should also facilitate access to third party capital to support the Group's managed underwriting operations.

3. THE GROUP'S BUSINESS

The Group is:

- an **investor** in run-off (legacy) related insurance assets and a capital provider to its own managed specialist active Lloyd's syndicate;
- a **niche service provider** to the run-off, live and captive insurance industry with a well diversified blue-chip client base; and
- a newly developed **underwriting manager** with a fully authorised Lloyd's managing agency, managing four syndicates with capacity of c.£150 million as well as an owner of three MGA business units, providing approximately £30 million to £40 million of specialist premium income to third party syndicates and insurers.

The Group comprises three divisions:

Insurance Investments:

- Currently owns 10 non-life insurance companies, three former captives, one cell in the Group's segregated accounts company (all in run-off) and an active Class 3A insurer in Bermuda
- Participates on four Group managed Lloyd's syndicates (two writing run-off business and two which are active)
- As at 31 December 2012 owned £6.6 million of insurance receivables
- Sources and acquires new run-off assets and insurance receivables through acquisition, novation or portfolio transfer

Insurance Services:

- Provides niche services to the run-off, live and captive insurance markets
- Focuses on portfolio administration and management, premium credit control, reinsurance collections, claims management and accounting services
- Generates a good balance between third party and owned company revenue
- Has good operating margins, a number of multi year contracts and strong revenue visibility and cash generation

Underwriting Management:

- Currently manages four Lloyd's syndicates (two of which write run-off business and two which are active) through its own full scale Lloyd's Managing Agency with 2013 capacity of over £150 million both on a 'first party' and 'turnkey' basis
- Currently owns three MGA business units providing specialist distribution (approximately £30 million to £40 million of premium) to third party insurers
- Has developed a highly scalable platform
- Generates management fee, commission and service income as well as profit commissions on underwriting results

The Group aims to:

- grow its cash profit stream from the fee and commission income from its service and underwriting management divisions and underwriting profits to support its strong cash distribution commitment to shareholders; and
- continue the realisation of its insurance investments for reinvestment in new insurance related assets.

The Board considers the Group has strong growth prospects, particularly through:

- its underwriting management operations (both from the growth of its existing active syndicate and through new “turnkey” opportunities); and
- the acquisition of attractive new run-off insurance assets in its smaller end niche.

4. HISTORY OF THE GROUP

The business was started in 1991 by Ken Randall who was joined in early 1992 by Alan Quilter, the founding shareholders. The Group was formed to provide services to the international insurance and reinsurance markets. The Group’s principal subsidiary, Eastgate, became one of the largest third party service providers to the insurance industry, initially specialising in the field of run-off but later expanding outside of the run-off sector in the UK and US into other claims handling and administrative service operations to the live underwriting market. In 2000, the UK service business was sold to Capita plc.

Ken Randall and Alan Quilter thereafter focused on the Group’s business in the USA until non-competition restrictions with Capita expired in 2003, when they rebuilt the Group’s UK market presence, principally by the acquisition of Cavell Management Services from Norwich Winterthur.

In 2003, the Group formed a managing agency at Lloyd’s to assume the management of Lloyd’s syndicates in run-off.

During its early years the principal focus of the Group was the generation of service fee income, although the Group did acquire three small insurers in run-off; in 1992 the Group acquired Ludgate Insurance Company Limited from MMI Companies Inc; in 2000 La Metropole SA, a Belgian composite insurance company was acquired from the Travelers Group and in 2004 Transport Insurance Company was acquired from Great American Insurance Company. During the late 1990s and early 2000s, the Group managed solvent insurance companies in run-off belonging to Dukes Place, a fund which had been established by US private equity investors, with assistance from the Group’s founders. In 2006, the relationship with Dukes Place ended and the Group proceeded to acquire solvent insurance companies in run-off for its own account using internal cash resources and external debt. During that year the Group acquired three such companies from the ACE Group, one from Tryg Baltica and one from Exxon Mobil. Since the mid 1990s the Group has also acquired insurance receivables for its own account to supplement the liquidity management solutions it offered third parties.

In late 2007, the Group was admitted to trading on London Stock Exchange’s AIM, raising £31 million, £20 million of which was retained within the Group to repay the Group’s existing debt and to provide funds to acquire new legacy insurance assets.

In 2008, the Group entered into the captive management market by acquiring one of the leading independent managers in Bermuda, Quest Management Services and a segregated accounts cell company providing rent-a-captive cells. This supplemented the Group’s general insurance related service offering in one of the world’s leading insurance domiciles.

In 2009 the Group secured an in principle licence to establish a class 3A Bermudian insurer to undertake certain intra-group reinsurances. The Group also acquired in 2009 a Guernsey based captive owned by the Woolworths retail group which had recently gone into administration. Subsequently, this entity has been utilised by the Group as a consolidator for other Guernsey acquisitions, resulting in increased capital efficiency. The Group also acquired in 2009 the R K Carvill legacy portfolio, its first broker run-off.

During 2010, the Group acquired a French reinsurer in run-off, La Licorne, from MAAF Assurances. It also acquired certain of Guy Carpenter’s legacy related insurance services businesses in the US and UK, which comprised the Reinsurance Solutions operations encompassing the management of the ECRA and CMC US based run-off pools. During the same year, the Group acquired JMD Insurance

Services, a niche service group focused on credit control and binder management and two North American based coverholder audit firms with longstanding Lloyd's clients.

2010 also saw the Group expand its Lloyd's managing agency and secure permissions and licences from Lloyd's to become a "turnkey" managing agent for third party syndicates in Lloyd's.

During 2011, the Group acquired a UK based motor insurer in run-off, Principle Insurance, reinsured to close run-off Syndicate 102, which it had been managing for Lloyd's for six years and gained its first third party turnkey syndicate client; managing Syndicate 1897, a marine and energy focused account, on behalf of Skuld, Scor and the Group itself. The Group's own Lloyd's participations were predominantly supported by the Group's Bermudian insurance company. The Group also developed its managing general agent operations, establishing a number of coverholders writing specialist business on behalf of third party insurers and Lloyd's syndicates.

In 2012, the Group reinsured to close former run-off syndicate 1208, acquired Alma insurance, a run-off reinsurer in Finland, and acquired five additional captives in run-off. It also established two new MGA businesses following the transfer of a yachts and marine trades account from Validus and the acquisition of an underwriting agent specialising in high net worth business, called Synergy.

For the start of the 2013 underwriting year, the Group launched a new specialist property and liability Lloyd's Syndicate 1991. The underwriting team previously worked at Axis Capital, where they built up a similar account, focused on exclusive relationships with a select number of coverholders. The team has developed excellent pricing and monitoring tools and appoints specialist third party administrators, whom it closely oversees, to manage claims. Data is transmitted directly between the syndicate and the coverholders rather than via the placing broker as is customary. The syndicate is supported by a mixture of traditional Lloyd's Names (private capital), industry capital, and the Group itself which has a participation of approximately 23 per cent.

During the first part of 2013, the Group has completed two further captive related deals; the acquisition of Hickson Insurance in the Isle of Man and the novation of certain policies from the Virgin Group's Guernsey based captive. The Group has also received in principle approval to establish a new insurance company in Malta to consolidate its EEA based run-off businesses and provide a platform with strong execution credentials for the acquisition and transfer of new run-off assets.

On 25 April 2013, Old R&Q announced that it had conducted a placing with institutional investors of 20,833,333 Old R&Q Shares at 120 pence per Old R&Q Share to raise approximately £25.0 million (approximately £24.1 million net of expenses) (the "**Placing**"). Old R&Q Shareholders approved the Placing at a general meeting held on 10 May 2013 and the proceeds of the Placing are to be used by the R&Q Group to, amongst other things, support the R&Q Group's growing Lloyd's participations, to help finance the acquisition of a strong pipeline of legacy insurance companies, captives and portfolios in run-off and insurance debt, to develop opportunities to provide exit solutions/liquidity to the expanding Insurance Linked Securities market and for general working capital purposes.

5. CORPORATE STRUCTURE OF THE GROUP FOLLOWING THE EFFECTIVE TIME

New R&Q will be inserted above Old R&Q as parent company of the Group. For regulatory reasons and to enhance operational efficiency, a number of former inactive or dormant Group companies will be dissolved ahead of the Scheme. The Group will however retain all continuing insurance and service companies and will maintain its divisional reporting under Insurance Investments, Insurance Services and Underwriting Management.

6. DIRECTORS OF NEW R&Q

Kenneth Edward Randall, *Group Chairman and Chief Executive Officer, age 64*

Ken Randall is a certified accountant and has worked in the Insurance industry for almost 40 years. During the early 1980s, Ken was Head of Regulatory Services at Lloyd's which was then a self-regulated institution. From 1985 until 1991 Ken served as Chief Executive of the Merrett Group,

which managed a number of prominent syndicates at Lloyd's and had other insurance interests. In 1991, Ken left Merrett to set up his own business. In 1992 he teamed up with Alan Quilter. Over the next eight years they developed the Eastgate Group into the UK's largest third party provider of insurance services with 1,300 employees and a turnover of over £80 million per annum. Eastgate was sold to Capita plc in November 2000. Following the sale of Eastgate, Ken and Alan refocused the R&Q Group onto the acquisition of non-life legacy run-off portfolios. Following the expiry of non-competition agreements, R&Q again developed an insurance servicing business in London and the USA; initially the Group's service offering focused on legacy portfolios. In 2007 Ken presided over the Group's admission to AIM. Ken remains a significant shareholder, Chairman and Chief Executive Officer of the Group.

Alan Kevin Quilter, Deputy Group Chief Executive Officer, age 62

Alan Quilter is a chartered accountant and has worked in the London insurance market since 1969. Between 1980 and 1987, he headed the Market Financial Services Group at Lloyd's before becoming managing director of Cheval Investment Management, a specialist investment management company focused on insurance markets in the UK. In 1992, Alan joined Ken Randall to develop what became the R&Q Group. He was chief financial officer of the Group and its predecessors until June 2011 when he became Group Chief Operating Officer. Following Admission Alan will be Deputy Chief Executive Officer of the Group.

Thomas Alexander Booth, Group Chief Financial Officer, age 38

Tom Booth joined the Group in October 2009 and was appointed to the Board in January 2011. With over 10 years of experience in the insurance sector Tom held the position of Corporate Finance Director at Numis Securities Limited between 2006 and 2009 where he was responsible for an extensive client base. Prior to this he advised and raised significant capital for a range of underwriting and other insurance related entities whilst at Aon Capital Advisory. Tom graduated from Trinity Hall, Cambridge University with an MA in Modern Languages and holds an MBA in Finance.

Kevin Paul McNamara, Non-Executive Director, age 65

Paul McNamara is a chartered accountant. He spent his professional career with Ernst & Young LLP (or its predecessor firms) which he joined from Cambridge University in 1970, becoming a Partner in 1979. He retired in March 2007. His experience had been with major audit clients of the firm particularly for insurance related entities including Lloyd's brokers, Lloyd's syndicates and a major UK general insurer. He was also involved with several Lloyd's corporate capital raising assignments primarily for new investor groups. He was a director of a Bermudian mutual insurance company for several years and was its chairman for four years until November 2006. He now serves as an alternate director and consultant to that company. He was, for a number of years, the partner in charge of the Ernst & Young insurance practice and served for 14 years on the management council of the firm.

Michael Gordon Smith, Non-Executive Director, age 67

Michael Smith is a solicitor, having spent his professional career at city solicitors Titmuss Sainer & Webb (now international law firm Dechert) of which he was senior partner from 1990 to 1998, retiring from legal practice in 2001. He was a corporate lawyer, having specialised from the mid 1980's in the London and international insurance markets, with a concentration on capital transactions of all types. He has been a non-executive director of a number of Lloyd's Agencies, including ACE Underwriting Agencies Limited from 1998 until 2004, when he joined the main board of Brit Insurance Holdings PLC, where he was a member of the audit, remuneration and nomination committees and chairman of the latter, from which he resigned in 2010. From 2004, he was one of the independent non-executive directors of R&Q Managing Agency Limited, the managing agent of Goshawk Syndicate 102 in run-off at Lloyd's. In May 2010 he resigned as non-executive director of R&Q Managing Agency Limited to take on the role of a director the Underwriting Management Division of Old R&Q. In 2012,

he became a non-executive director of W. R. Berkley Syndicate Management Limited and (in 2013) of W. R. Berkley Insurance (Europe) Limited. He is also involved as a trustee of a number of UK charities.

Philip Andrew Barnes, *Non Executive Director, age 52*

Philip Barnes is a chartered accountant and has worked in the insurance industry for almost 30 years. After qualifying with a national firm of accountants in the UK, Philip moved to Bermuda in 1984 where he continued his career with Deloitte. In 1986, Philip joined the captive management operations of Alexander & Alexander which was subsequently acquired by Aon. During his almost 25 year career with Aon, Philip oversaw the growth and development of the Bermuda office into the leading manager of captives and reinsurance companies on the island. During this time, Philip served on the Executive Committee of the Bermuda Insurance Managers Association including two years as President in 2007/8. Philip was appointed to the Bermuda Insurance Advisory Committee in 2005 and continues as an active member of this key Government appointed committee. Philip left Aon at the end of 2010 after 12 years as Managing Director and since then, has undertaken several consulting and advisory appointments and is a non-executive director of several captives and reinsurance companies.

7. CURRENT TRADING AND PROSPECTS

The Group's audited results for the year ended 31 December 2012 were announced on 25 April 2013 and are being sent to Old R&Q Shareholders with this document. The results contain the following statements in relation to prospects of the Group:

“We have invested very heavily in the development of the Underwriting Management Division over the last three years; 2013 should see the Division move firmly into profit. The business is well positioned to benefit from the substantial growth opportunities offered by the expansion of newly launched Syndicate 1991 and from the management of new third party syndicates wishing to use the Lloyd's platform.

Furthermore, the Group has an exciting pipeline of attractive acquisition opportunities. The proceeds from the proposed placing, together with our innovation and improved infrastructure following the establishment of the EEA insurance company consolidation vehicle in Malta should ensure we are able to turn a number of these opportunities into completed transactions and continue to monetise our existing assets.

The service business should benefit from the focus we have placed on improving operational efficiency and our niche offering. Expansion into the active market is also expected to compensate for the relative scarcity of traditional large run-off service opportunities. Our captive management business is growing steadily and we remain focused on continuing to develop the platform in line with the healthy pipeline of opportunities.”

and

“The global investment markets remain challenging with ultra low interest rates persisting and ever tightening credit spreads but we remain pro-active in ensuring that our portfolios are well diversified and optimised in terms of risk-reward.

Overall, we look forward to the future with confidence.”

On 25 April 2013, Old R&Q announced that it had conducted a placing with institutional investors of 20,833,333 Old R&Q Shares at 120 pence per Old R&Q Share to raise approximately £25.0 million (approximately £24.1 million net of expenses) (the “**Placing**”). Old R&Q Shareholders approved the Placing at a general meeting held on 10 May 2013 and the proceeds of the Placing are to be used by the R&Q Group to, amongst other things, support the R&Q Group's growing Lloyd's participations, to help finance the acquisition of a strong pipeline of legacy insurance companies, captives and portfolios in run-off and insurance debt, to develop opportunities to provide exit solutions/liquidity to the expanding Insurance Linked Securities market and for general working capital purposes.

8. FINANCIAL INFORMATION

The Group's audited financial statements and annual reports for the three years ending 31 December 2010, 31 December 2011 and 31 December 2012 are available on the Group's website at: <http://www.rqih.com/investors/financial/>.

9. SCHEME AND ADMISSION

New R&Q will become the ultimate parent company of the Group by way of the Scheme. The Scheme is a scheme of arrangement pursuant to sections 895 to 899 of the Companies Act. The key features of the Scheme are set out below.

Shares

Under the Scheme:

- (a) all Old R&Q Shares will be cancelled;
- (b) the resulting reserve in Old R&Q will be capitalised by the issue by Old R&Q of the fully-paid New Shares to New R&Q so that New R&Q will own all the Old R&Q Shares; and
- (c) R&Q Shareholders (other than the Old R&Q Preference A Share and the Old R&Q Preference B Share) at the Scheme Record Time will receive one New R&Q Share for each Old R&Q Share cancelled under the Scheme.

New R&Q initial share capital

On 4 February 2013, one ordinary share of £1.00 comprised in the capital of New R&Q was issued to Alan Quilter for Alan Quilter to hold pending implementation of the Scheme Proposal. This share was subdivided into 50 New R&Q Shares on 14 May 2013. To facilitate implementation of the Scheme Proposal, Alan Quilter has agreed with Old R&Q and New R&Q that, so as to take into account the 50 New R&Q Shares already held by him, he will gift 50 Old R&Q Shares to New R&Q (which shall be accepted into the contributed surplus account of New R&Q in accordance with Bermuda law) so that, on completion of the Scheme, the New R&Q Shares to which he will be entitled, when aggregated with the 50 New R&Q Shares already held by him, will equal the number of Old R&Q Shares held by him in advance of the implementation of these steps. In the event that the Scheme has not become effective by 31 July 2013 (or such later date as Alan Quilter, Old R&Q and New R&Q may agree), New R&Q has agreed, subject to compliance with Bermuda law to distribute from its contributed surplus account these 50 Old R&Q Shares back to Alan Quilter.

Old R&Q Preference A Share and Old R&Q Preference B Share

Old R&Q has issued the Old R&Q Preference A Share and the Old R&Q Preference B Share. Such shares were issued by Old R&Q to the holders thereof as part consideration for the acquisition of two companies which are presently members of the R&Q Group (namely R&Q Reinsurance Company (UK) Limited (CN 01315641) (previously Brandywine Reinsurance Company (UK) Limited) and R&Q Reinsurance Company (previously ACE American Reinsurance Company)).

Old R&Q has written to the holders of the Old R&Q Preference Shares in relation to their holding of Old R&Q Preference Shares, suggesting that:

- (a) subject to the Scheme becoming effective, the Old R&Q Preference A Share and the Old R&Q Preference B Share be redeemed by Old R&Q and cancelled, and the holders of the Old R&Q Preference Shares be allotted and issued the New R&Q Preference A Share and the New R&Q Preference B Share by New R&Q; and
- (b) the New R&Q Preference Shares carry the same rights as the Old R&Q Preference Shares.

If the holders of the Old R&Q Preference Shares decide to accept such proposal, such arrangements will take effect from the Effective Time.

Re-registration of Old R&Q

At the Effective Time, Old R&Q will be re-registered as a private limited company named RQIH Limited.

Admission

Application will be made to the London Stock Exchange for the New R&Q Shares to be admitted to trading on AIM and dealings are expected to commence on 5 July 2013. The admission of Old R&Q Shares is also expected to be cancelled on that date.

Court Meeting and Annual General Meeting

The approval of the Scheme by a majority in number, representing 75 per cent. in value, of those Old R&Q Shareholders present and voting either in person or by proxy, is required at the Court Meeting. Therefore, the proposed resolution at the Court Meeting will be decided by way of a poll.

In accordance with the articles of association of Old R&Q, the special resolutions and ordinary resolutions proposed at the Annual General Meeting would ordinarily be voted on by a show of hands. However, under Old R&Q's articles of association, the Chairman will require them to be put to a poll so that Old R&Q Shareholders' views can be fully represented and so that the same procedure is used for all the resolutions under consideration. On the poll, each Old R&Q Shareholder present in person or by proxy will have one vote for each Old R&Q Share held. The approval of the Court is also required for the Scheme to become effective.

For more information regarding the Scheme please refer to the Circular setting out the Scheme of Arrangement and Notices of Court Meeting and Annual General Meeting, which is available on New R&Q's website www.rqih.com.

10. EXISTING INCENTIVE AWARD ARRANGEMENTS

As at the date of this document, 14 employees or former employees of the Group ("**Option Holders**") hold options over an aggregate of 1,140,000 Old R&Q Shares ("**Share Options**") pursuant to the Randall & Quilter Long Term Incentive Plan ("**Old R&Q Share Option Scheme**") or pursuant to standalone option agreements entered into on terms substantially similar to the Old R&Q Share Option Scheme.

New R&Q has agreed with each Option Holder that if an Option Holder exercises their Share Options following the Effective Time, the Option Holder will be allotted and issued a number of New R&Q Shares equal to the number of Old R&Q Shares they would have been issued had they exercised their Share Options before the Effective Time. New R&Q has confirmed to each Option Holder that following the Effective Time, the terms and conditions of the Old R&Q Share Option Scheme will continue to apply in respect of the Share Options, except that, as set out above, Option Holders will be allotted and issued New R&Q Shares rather than Old R&Q Shares.

In order to assist with the orderly implementation of the Scheme, each Option Holder has agreed with Old R&Q that they will not exercise their Share Options until the Effective Time.

After the Effective Time, New R&Q intends to adopt an employee incentivisation plan substantially on the same terms as the Old R&Q Share Option Scheme and the Group will continue to offer equity incentives and profit shares to key people in certain of the new underwriting ventures to help retain and attract the best industry talent.

11. DIVIDEND AND DISTRIBUTION POLICY

The R&Q Group will maintain the total distributions to shareholders at 8.4 pence per share in respect of the 2013 financial year, absent unforeseen circumstances. Thereafter the R&Q Group will follow a standard progressive distribution policy that reflects its financial performance and remains committed to providing strong cash returns to shareholders, subject to compliance with Bermuda law.

PART II

RISK FACTORS

This Part II describes the risks associated with holding shares in New R&Q, the industry in which it operates and the Proposal. Generally, the Group is subject to risk factors both internal and external to its businesses. The factors below should not be read in isolation but should be considered by R&Q Shareholders together with all other information contained in this document before making any decisions in relation to the matters set out in this document. There may also be additional risk factors or uncertainties, currently unknown to the Group or which it currently considers to be immaterial, which may have an adverse impact on the business, results or financial condition of the Group. The material risks known to the Group are summarised below and are not set out in any order of priority.

RISKS THAT MAY RESULT FROM THE CHANGE OF DOMICILE

Maintenance of UK tax resident status

Changes in tax law and practice could lead to unexpected increases in the overall tax rate and tax compliance costs of the Group. Furthermore, while Directors expect that New R&Q will continue to be regarded as tax resident in the United Kingdom, if New R&Q were, nonetheless, to be treated as tax resident in any other jurisdiction, it could lead to an increase in the overall effective tax rate and tax compliance costs of the Group.

New R&Q will be subject to laws and regulations in different jurisdictions which may give rise to conflicts

As a Bermuda incorporated company, New R&Q will be required to comply with Bermuda law and regulations, where applicable. As all of the New R&Q Shares will be admitted to trading on AIM, conflicts may arise between the obligations of New R&Q under applicable Bermuda law and regulations and the AIM Rules. If an irreconcilable conflict were to occur, it is possible that this could result in New R&Q no longer being able to comply fully with all applicable laws and regulations.

Further, it is possible that an irreconcilable conflict could arise between the laws or regulations in the UK and Bermuda which might apply to New R&Q in relation to mergers and takeovers and related matters. However, having taken appropriate advice, the Board considers that under the current laws and regulations of the UK and Bermuda, the risk of material and irreconcilable legislative or regulatory conflicts is low.

The rights of New R&Q Shareholders will be governed by Bermuda law and regulations following the Scheme becoming effective

The rights afforded to New R&Q Shareholders will be governed by applicable Bermuda law and regulations and by the New R&Q Bye-laws. The rights of the New R&Q Shareholders under Bermuda law will be different and in certain circumstances the treatment of shareholders could be less favourable than it would have been under UK law. A summary of the more significant of these differences is set out in paragraph 10 of Part 3 of the Circular.

The role of the Bermuda Monetary Authority as a group worldwide supervisor

There is no guarantee that the BMA will determine that it should become Group Worldwide Supervisor for the Group nor that it will gain equivalent status under the proposed Solvency II legislation which would adversely affect the recognition of its role by the Group's other principal supervisors. Either of these events would diminish the benefit of the Group's change of domicile for regulatory and operational reasons.

Risks Relating to New R&Q Shares

New R&Q is a Bermuda company and it may be difficult for shareholders to enforce judgments against New R&Q, its directors and its executive officers

New R&Q is a Bermuda exempted company. As a result, the rights of holders of New R&Q Shares will be governed by Bermuda law and the New R&Q Memorandum and New R&Q Bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Some of the directors of New R&Q will not be residents of the United Kingdom, and a substantial portion of New R&Q's assets are located outside the United Kingdom. As a result, it may be difficult for investors to effect service of process in the United Kingdom on those persons or to enforce judgments obtained in foreign courts against New R&Q or those persons who may be liable under foreign law, although The Judgments (Reciprocal Enforcement) Act 1958 of Bermuda may, in certain cases, facilitate the enforcement of a judgment obtained in a foreign court which is situated in a country to which The Judgments (Reciprocal Enforcement) Act 1958 applies.

The New R&Q Bye-laws restrict shareholders from bringing legal action against New R&Q's officers and directors

The New R&Q Bye-laws contain a broad waiver by New R&Q Shareholders of any claim or right of action, both individually and on behalf of New R&Q, against any of New R&Q's officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver limits the right of New R&Q Shareholders to assert claims against New R&Q's officers and directors unless the act or failure to act involves fraud or dishonesty.

The New R&Q Bye-laws contain anti-takeover provisions that may discourage a change of control

The New R&Q Bye-laws contain provisions that could make it more difficult for a third party to acquire New R&Q without the consent of the board of directors. In particular, these provisions include limitations on the acquisition of additional shares above certain thresholds (as further set out in the New R&Q Bye-laws).

These provisions could make it more difficult for a third party to acquire New R&Q, even if the third party's offer may be considered beneficial by many New R&Q Shareholders. As a result, New R&Q Shareholders may be limited in their ability to obtain a premium for their shares.

Employment Restrictions

Under Bermuda law, non-Bermudians (other than spouses of Bermudians, holders of Permanent Residents' Certificates and holders of Working Residents' Certificates) may not engage in any gainful occupation in Bermuda without a valid government work permit. A work permit may be granted or renewed upon showing that, after proper public advertisement, no Bermudian, spouse of a Bermudian, or holder of a Permanent Resident's or Working Resident's Certificate who meets the minimum standards reasonably required by the employer has applied for the job. A work permit is issued with an expiry date and no assurances can be given that any work permit will be issued or, if issued, renewed upon the expiration of the relevant term. The success of New R&Q may depend in part on the continued service of key employees in Bermuda.

New R&Q is not subject to the Takeover Code

The Takeover Code will not apply to New R&Q and Bermuda law does not contain any provisions similar to those contained in The Takeover Code applicable in the UK which are designed to regulate the way in which takeovers are conducted. As a result, a takeover offer for New R&Q will not be regulated by the UK Panel on Takeover and Mergers. The New R&Q Bye-laws contain certain takeover protections, although these will not provide the full protections afforded by The Takeover Code and enforcement of such provisions will be the responsibility of the board of directors of New R&Q and

not any regulatory authority. The relevant provisions of the New R&Q Bye-laws are summarised in paragraph 3 of Part III of this document.

Investment in AIM traded securities, share price volatility and liquidity

Investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for new R&Q's securities cannot be guaranteed. It is possible that an active trading market may not develop and continue upon Admission, meaning that investors may not be able to sell their New R&Q Shares.

As a result of fluctuations in the market price of the New R&Q Shares, investors may not be able to sell their New R&Q Shares. Investors may therefore realise less than, or lose all of, their investment. The price at which the New R&Q Shares are quoted and the price which investors may realise for their New R&Q Shares will be influenced by a large number of factors, some specific to the Group and its operations and some which may affect the quoted insurance sector or quoted companies generally and which are outside the Group's control. These factors could include the performance of the Group, large purchases or sales of the New R&Q Shares, legislative changes in the insurance industry, general economic, political or regulatory conditions, or changes in market sentiment towards the New R&Q Shares.

The results of the Group may fluctuate significantly as a result of a variety of factors, many of which may be outside the Group's control. Period to period comparisons of the Group's results may not be meaningful and investors should not rely on them as indications of the Group's future performance. The Group's results may fall below the expectations of securities analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the Group's operating performance. Any of these events could result in a decline in the market price of the New R&Q Shares.

Publicly traded securities, from time to time, experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. The market price of the New R&Q Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control, including: variations in operating results in Randall & Quilter's reporting periods; changes in market valuation of similar companies; announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; loss of a major customer; additions or departures of key personnel; any shortfall in revenues or net income or any increase in losses from levels expected by securities analysts; future issues or sales of New R&Q Shares; and stock market price and volume fluctuations, which are particularly common with respect to the securities of similar companies. Any of these events could result in a material decline in the price of the New R&Q Shares meaning New R&Q Shareholders may not be able to sell their New R&Q Shares or realise their investment on a sale.

No prior public market

Prior to Admission there has been no public trading market for the New R&Q Shares. Although Old R&Q Shares were admitted to trading on AIM, it can give no assurance that an active trading market for the new R&Q Shares will develop or, if developed, be sustained. If an active trading market is not developed or maintained, the liquidity and trading price of the New R&Q Shares could be adversely affected.

A change of control of New R&Q, or any intermediate holding company, may be difficult to effect under applicable insurance laws

Under FSMA, any person proposing to acquire "control" (defined to be a holding greater than or equal to 10 per cent. of the voting rights) over a UK authorised person must give prior notification to the FCA of his intention to do so. The FCA has three months to consider that person's application to acquire "control". In considering whether to approve such application, the FCA must be satisfied that

both the acquirer is a fit and proper person to have such “control” and that the interests of consumers would not be threatened by such acquisition of “control”. Failure to make the relevant prior application could result in action being taken against New R&Q by the FCA. It could also result in criminal sanctions being applied to the proposed controller, and restrictions on the exercise of rights connected to the acquired shares, and an order for the sale or transfer of the improperly acquired shares. Similar considerations may apply in respect of the Group’s regulated interests in other jurisdictions including in certain States of the US. Restrictions are in the Articles in relation to these changes of control issues, details of which are set out in paragraph 3 of Part III.

Market risk – the value of New R&Q Shares may go down as well as up

Following Admission, it is likely that New R&Q’s share price will fluctuate and may not always accurately reflect the underlying value of the business. The value of New R&Q Shares may go down as well as up and investors may lose some or all of the original sum invested. The price that investors may realise for their holdings of New R&Q Shares, when they are able to do so, may be influenced by a large number of factors, some of which are specific to New R&Q and others of which are extraneous. Such factors may include the possibility that the market for the New R&Q Shares will be less liquid than for other equity securities and that the price of the New R&Q Shares will be relatively volatile.

Future sales of New R&Q Shares may affect their market price

New R&Q is unable to predict whether substantial amounts of New R&Q Shares will be sold in the open market following Admission. Any sales of substantial amounts of New R&Q Shares in the public market, the perception that such sales might occur, or the potential issue of further equity could materially adversely affect the market price of the New R&Q Shares.

Holding company structure and restrictions on dividends and distributions

New R&Q is a holding company and it is not currently envisaged that it will conduct business for its own account. Dividends from subsidiaries, together with any investment income, are expected to be New R&Q’s main source of funds to pay expenses and dividends and distributions, if any. All dividends and distributions will be subject to the future financial performance of the Group including results of operations and cash flows, the Group’s financial position and capital requirements, general business conditions, legal, tax, regulatory (particularly relating to capital requirements) and any contractual restrictions on the payment of dividends and any other factors the Directors deem relevant in their discretion, which will be taken into account at the time. Accordingly, it is uncertain when dividends will be declared by New R&Q to its Shareholders and such dividends will be at the discretion of the Board. The dividend and distribution policy mentioned in Part I of this document should not be construed as a dividend and distribution forecast. The members of the Group other than New R&Q may from time to time be subject to restrictions on their ability to make distributions to New R&Q, as a result of a number of factors including lack of distributable reserves, restrictive covenants contained within loan agreements, regulatory, fiscal or other restrictions. There can be no assurance that such restrictions will not have a material adverse effect on the Group’s results or financial condition. All or any of these requirements may affect the ability of the Group to pay a dividend or make distributions.

Risks relating to tax

Any change in the Group’s tax status or in taxation legislation could affect the Group’s ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in New R&Q Shares are based on current UK tax law and practice which is subject to change. The taxation of an investment in the Group depends on the individual circumstances of investors.

RISKS RELATING TO THE GROUP AND ITS INDUSTRY

External Factors

Possible volatility of R&Q Shares

The market price of New R&Q Shares may be affected by a variety of factors including, but not limited to, changes in market sentiment regarding New R&Q Shares, variations in the Group's operating results compared with the expectations of market analysts and investors, its business developments or those of its competitors, the operating performance of its competitors, speculation about the Group's business, or regulatory changes affecting the Group's operations. R&Q Shareholders should be aware that the value of New R&Q Shares can decrease as well as increase and may not always reflect the underlying asset value or prospects of the Group.

General economic climate and natural disasters

The markets in which the Group operates are directly affected by many national and international factors that are beyond its control. Any one of the following factors, among others, may cause a substantial decline in the financial markets in which the Group operates: legislative, legal and regulatory changes; economic and political conditions in the UK, continental Europe, the US and elsewhere in the world; changes in the supply and demand of capital, industrial disruption, concerns about terrorism and war; natural disasters; the level and volatility of equity, property and commodity markets; the level and volatility of interest rates and foreign currency exchange rates and concerns over inflation and changes in institutional and consumer confidence levels. Uncertain economic prospects or declines in investment markets for any of the foregoing reasons could adversely affect the operations, business and profitability of the Group.

Industry wide developments

The availability and price of insurance coverage and the number and nature of insurance companies entering run-off have been affected in the past by industry wide factors such as asbestos and environmental liability claims, other liability claims such as directors' and officers' liability and medical malpractice and major hurricanes. Similar or new industry wide factors in future may result in changes in market conditions or governmental intervention in the insurance markets, which may affect the ability of the Group to obtain suitable reinsurance protection or potential businesses or companies for acquisition as well as impact the general insurance rating environment and demand for the Group's insurance products offered by both its active syndicates and Managing General Agents.

Market and Liquidity Risk

Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The cash position of each of the insurance companies is monitored on a regular basis to ensure that sufficient funds are available to meet liabilities as they fall due. Funds required to meet immediate and short term needs are invested in money market funds or short term deposits. Funds in excess of those required to meet short term needs are managed by external fund managers or placed in UCITS funds or Collective Investment Schemes. The investment performance of the fund managers and pooled funds is closely monitored throughout the year by the Group investment committee and insurance company boards.

Certain significant management contracts are structured such that fees are payable by clients quarterly or annually in advance, thus providing the Group's Insurance Services Division with working capital. The cash position of each of the service companies is monitored on a regular basis to ensure that sufficient funds are available to meet liabilities as they fall due.

Group Cash Flow Risk

The Group must actively manage its cash flow to ensure that operating cash flow requirements, debt repayments (together with interest payable) and claims payments can be met and the Group's distribution policy sustained. The Group undergoes a thorough annual budgeting process, which

includes a monthly Group cash flow projection, against which actual movements are regularly monitored through, for example, the weekly circulation of the cash balances in each of the Group's entities. If cash flows are not managed, this will adversely affect the Group's ability to meet debt and claims repayments and sustain its distribution policy.

Investment performance

The insurance companies in run-off owned by the Group and the syndicates (both run-off and active) on which the Group participates hold significant investments to support their liabilities and their earnings will be affected by the returns achieved on their investment portfolios. Therefore despite the Group's asset and liability management strategies, changes in credit spreads, interest rates, credit ratings, default rates and other economic variables could substantially affect the Group's profitability. The capital value of the Group's investments may fall as well as rise and the income derived from them may fluctuate. A fall in such capital values may adversely affect the Group's solvency position.

Interest rate/Credit risk

The Group's main exposure to fluctuation in interest rates arises in its effect on the value of funds invested in bonds. In order to mitigate this risk, the Group investment committee and insurance company boards, together with the external investment managers, attempt to anticipate any future interest rate movement and to take appropriate action to mitigate its effect on the value of investments held. The Group is also exposed to credit risk through holding collateralised loan obligations, mortgage backed securities, corporate bonds and loans, depending on actual default rate and/or changes in the perceived default rates, which may fluctuate over time. The Group is therefore exposed to absolute loss and mark to market movements in the valuations of these securities. In order to mitigate this risk the vast majority of securities held by the Group are investment grade and credit spread duration is kept low.

Currency fluctuations

The Group will have businesses with funds, assets, investments and liabilities denominated in currencies other than sterling and may, from time to time, experience losses resulting from fluctuations in the values of US dollars, Euros and other non-UK currencies, which could adversely affect its operating results. Where possible, the Group manages the impact of this risk by broadly matching the currency of assets and liabilities. The Group however holds the surplus of the US insurance companies in US dollars and there is thus an impact on the Group's consolidated net asset position as a result of any fluctuations between Sterling and the US dollar. The Group has in the past hedged this exposure at times and the cost-benefit of such protection is regularly assessed.

Strategic Risk

Capital Management

Growth within the Group may be constrained by the availability of capital. As part of the yearly budget process, the Directors work together with the finance team to consider any requirements for capital to expand the Group's existing operations and to fund the likely acquisition pipeline of legacy insurance assets or investment in further syndicate participations. This capital requirement is monitored on an ongoing basis. The visibility of pipeline acquisitions is however limited and the ability to complete transactions on the terms desired uncertain.

The majority of the Group's insurance entities are subject to external risk based or minimum capital requirements. The Directors have overall responsibility for managing the Group's overall capital base and for maintaining sufficient capital within the Group's insurance entities, including the Funds at Lloyd's requirement to support its syndicate participations to satisfy external regulatory requirements. The Group receives timely information regarding the levels of capital each entity is required to hold and the prevailing surpluses, which facilitates the Group's active capital management strategy. The Group is also required to meet its Group Capital Adequacy Requirement under the Insurance Group's Directive. This obligation requires constant monitoring both of the Group's capital resources and

requirements, which may vary, especially following new insurance company acquisitions. The Group has recently established more robust monitoring and forecasting processes designed to confirm compliance on a daily basis.

The Group has a five year credit facility with Clydesdale Bank which has over three years until expiration. There is no guarantee that the Group will be able to secure refinancing of this facility or alternative finance on comparable terms.

Competition Risk

The Group operates in a competitive environment and faces competition from current and potential competitors. The Group may not be able to compete effectively with such competitors, particularly those with far greater capital resources.

Distribution and third party capital support

The Group's active underwriting operations are dependent on maintaining strong relationships with insurance brokers and delegated authorities, who are the key source of distribution. The ability of the syndicates and Managing General Agents to maintain or grow their underwriting is also dependent on the continued support of the existing third party capital providers or the ability of the Group to secure alternative sources of capital.

Business Growth and Integration Risk

The Group's operations have grown significantly in recent years both organically and through acquisition. Where growth occurs without requisite management controls in place there is an increased risk that business objectives are not aligned, new business targets not met and costs not adequately managed. The Directors seek to mitigate this risk through detailed budgeting, a regular flow of management information, including the preparation and analysis of monthly management accounts, and regular communication within the divisions.

Failure to Deliver Strategic Objectives

All operations within the Group are expected to work together to meet strategic divisional and Group objectives. Where there is a lack of understanding, cooperation or potentially even conflict across divisions, there is a risk that these objectives will not be met. The Directors seek to mitigate this risk through regular reporting in the various divisional and Group committees outlined above and through a clearly communicated strategy disseminated across the Group. The Group's P.R. representatives also help ensure that the full breadth of the business is understood both internally and externally.

Legal and Regulatory Risk

Regulatory Risk

The insurance industry is heavily regulated in most jurisdictions. The majority of the insurance companies owned by the Group are subject to the insurance regulatory system in the jurisdictions in which they operate. These companies, and any future acquisitions by the Group, may not be able to maintain the necessary licences, permits and permissions, authorisations or accreditations in jurisdictions in which they currently engage in business or may only be able to do so only at significant cost.

Regulatory agencies covering the Group's jurisdictions will have broad administrative power over many aspects of the Group's insurance business, which for this purpose comprises Insurance and Reinsurance companies, captives, protected cell companies, corporate members of Lloyd's and various intermediaries, both active and in run-off. These powers may influence, amongst other things, premium rates, marketing and selling practices, advertising, licensing agents, policy forms, capital adequacy and permitted investments. At the same time, government regulators that operate in the jurisdictions will be concerned primarily with the protection of policyholders rather than shareholders or creditors.

In the United Kingdom, the Group is subject to regulation by the Council of Lloyd's, the PRA and the FCA, whilst in the United States, the Group is subject to the regulations of each of the States in which the Group insurance entity is admitted. Each of these regulatory authorities has substantial powers of intervention in relation to the companies and the markets which they regulate, with the ability to remove, restrict or modify the authorisations and licences required by carriers and markets such as Lloyd's to conduct insurance business. Such authorisations and licences are fundamental to the Group's business. Group companies operating within the Lloyd's regulatory environment are also potentially subject to levies made by the Council of Lloyd's to maintain and support the New Central Fund.

In particular, the Council of Lloyd's has wide discretionary powers to regulate members' underwriting at Lloyd's. It may, for instance, vary the method by which the solvency ratio of Lloyd's and that of its members is calculated, vary the investment criteria applicable to funds at Lloyd's or restrict the level of profits distributed. Any of these actions could affect the amount of the Group's underwriting capacity and, consequently, the return on an investment in a given year of account.

Similarly, the PRA and the FCA have wide regulatory powers under FSMA and the Financial Services Act 2012, including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation, to investigate marketing and sales practices and to require the maintenance of adequate financial resources. The PRA and the FCA have the power to take a range of investigative, disciplinary or enforcement actions, including public censure, restitution, fines or sanctions and to award compensation. The PRA and FCA may make enquiries of the companies which they regulate regarding compliance with regulations governing the operation of business and, like all UK regulated financial service companies, the Group faces the risk that the PRA and the FCA could find that the Group has failed to comply with applicable regulations or has not undertaken corrective action as required.

Regulators in other jurisdictions where the Group operates have broadly similar powers to those of the PRA, FCA and US State regulatory authority.

In addition, the relevant members of the Group may not be able to comply fully with, or obtain appropriate exemptions from, any amendments to a regulatory regime. Failure to comply with or to obtain appropriate exemptions under any applicable laws could result in restrictions on the Group's ability to conduct business in one or more of the jurisdictions in which it operates and could result in the imposition of fines and other sanctions, each of which could have a material adverse effect on its reputation, financial condition and/or operating results.

Failure to comply with applicable regulations and solvency requirements, including the proposed Solvency II legislation, could result in an impediment to business development and/or a variety of sanctions. The Group's failure to gain and/or maintain a sufficiently high Solvency II rating for its Lloyd's managing agency could in particular impede its business development in the Underwriting Management Division. The Directors are responsible for ensuring that best practice is applied to ensure regulatory compliance.

The Group also faces the potential risk of an onerous Group solvency test under the proposed Solvency II legislation which may result in the Group being deemed to be insufficiently capitalised. As a result, the Group will work during the remainder of 2013 and 2014 towards securing a positive determination from the BMA to become Group Worldwide Supervisor for the R&Q Group as the BMA phases in a new enhanced risk based supervisory regime for insurance groups and additionally utilise the new insurance company consolidator in Malta.

In addition, changes in the laws and regulations to which the Group's insurance operations are subject could have a material adverse effect on the Group's business and may increase the costs of complying with such laws and regulations.

A curtailment of certain of the licences held by Lloyd's or a deterioration in the credit rating and standing of Lloyd's could also adversely affect the Group's business and its future development, especially of its active underwriting operations.

Changes in the interpretation of existing tax laws

The Group operates in several tax jurisdictions around the world. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

There are also specific rules governing the taxation of policyholders. The Group will be unable accurately to predict the impact of future changes in tax law on the taxation of insurance policies in the hands of policyholders. Amendments to existing legislation (particularly if there is the withdrawal of any tax relief or an increase in tax rates) or the introduction of new rules may affect the future long-term business and the decisions of policyholders. The impact of such changes could have a material adverse effect on the Group's business and/or operating results.

Litigation Risk

The extent and complexity of the legal and regulatory environment in which the Group operates and the products and services the Group offers mean that many aspects of the business involve substantial risks of liability. Any litigation brought against the Group or any companies within it in future could have a material adverse effect on the Group.

In addition, litigation may have a material adverse effect upon the Group's business in that legal decisions between third parties may expand the apparent scope of legal liabilities, which in turn could increase the amount of claims which have to be paid by the Group, thereby reducing profits. The Group's owned insurance companies are also exposed to potential tort claims including claims for punitive or exemplary damages that could have a materially adverse effect on profitability.

Operational Risk

Key Man Dependency

Appropriate succession planning arrangements are considered by the Directors to ensure that business operations are not disrupted by the loss of key staff. The Group has developed strength and depth across its management structures and believes its Human Resource policies are appropriate to retain such staff and recruit any appropriately skilled people required. The Group also purchases limited amounts of Key Man Insurance in respect of its key underwriters. However, the Group's reputation and standing is still significantly linked to the involvement of its founding directors, Ken Randall and Alan Quilter. A significant amount of knowledge, especially with regard to the terms of acquisition and detail of certain of the insurance company subsidiaries also lies with Ken Randall especially and is not easily replaceable.

Reliance on Group I.T and Communications

The Group may be unable to operate efficiently or in a timely manner in the event of a partial or complete failure of the I.T infrastructure and/or telephone systems. This is particularly important for the Group's active underwriting operations. The Group has reviewed its IT and telephony operations and has now contracted with a third party outsourcing partner to provide resilience and performance improvements across the IT estate. The improvements are already in place for the Group's live underwriting operation and have already undergone disaster recovery testing to demonstrate the effectiveness of the new IT model.

Risk Management – Insurance Companies and Syndicates

The activities of the Group's insurance companies and Lloyd's Syndicates expose each of them to financial and non-financial risks.

Other than as reported in Note 2a and Note 3 to the 2012 Accounts, the Parent Company and its other subsidiaries bear no financial responsibility for any liabilities or obligations of individual risk bearing entities. Should any of the insurance companies cease to be able to continue as a going concern, any loss to the Parent company and its other subsidiaries is restricted to the book value of their investment in that individual insurance company and any intra group balances due by them or due to them.

Although the Directors strategically manage the risks within the Group, it is the responsibility of the Directors of the insurance companies to adhere to the Group's ethos in managing their company's exposure to these risks and, where possible, introduce controls and procedures that mitigate the effects of the exposure to risk.

Insurance Risk

The very nature of insurance business is that insurers are exposed to the possibility that claims will arise on business written. The risk attaching to insurance contracts is based on the fortuity that events will occur which will lead to a claim under the contract.

The main insurance risks which affect the insurance companies and Lloyd's syndicates (both run-off and active) on which the Group participates are:

- **Pricing risk** - the risk that coverage provided by the Group's insurance policies is inadequately priced, resulting in underwriting losses which in turn could lead to capital impairment.
- **Claims risk** - a series of claims in respect of a latent liability that the insurance industry is not currently aware of and/or a higher level of attritional losses and catastrophe related losses than anticipated and/or modelled on the policies underwritten in the active syndicates.
- **Reinsurance risk** - the risk that the reinsurers of the insurance companies will dispute the coverage of losses and/or inadequate or inappropriate reinsurance cover, especially of large catastrophe related losses in the active syndicates on which the Group participates.
- **Legal risk** - changes in statute or legal precedent.
- **Reserving risk** - failure to adopt the correct reserving techniques exposes the Group to reserving risk and may present liquidity issues. The Directors actively manage this risk through the appointment of both internal and external actuaries to perform all reserve calculations.
- **Exposure Management** - the risk of failure to identify, monitor and manage accumulations of losses from catastrophic or generic events.

Commutations and accelerated run-offs may not be possible

A major element of the Group's proposed operations is for the Group insurance companies to enter into commutations with its policyholders, thereby allowing them to accelerate the run-off process. However, changes in market conditions (such as the availability of insurance from other insurers, and developments which may increase the policyholder's perception that it should retain the cover rather than commute the cover) may result in policyholders being reluctant to enter into commutations at all or on terms which are unfavourable to the Group insurance companies. The inability to commute policies successfully on favourable terms due to changes in market conditions could adversely affect the Group's profits, and its ability to accelerate the run-off and extract capital from the businesses and the operations of the Group insurance companies. Furthermore, the terms of any reinsurance contracts may impose constraints on the extent to which claims may be settled or commuted without the reinsurer's consent. Such consent may not be forthcoming.

Reinsurance Receivables

There is a credit risk on reinsurance receivables in the owned companies and managed syndicates. Reinsurance receivables are evaluated each quarter as to credit risk and existing bad debt provisions are evaluated as to adequacy.

The carrying value (i.e. original acquisition cost) of the insurance debt acquired by the Group in the Insurance Investments Division may also prove to be overstated and/or may not be realisable.

There is also a risk that the Group is unable to realise the carrying value of certain life policies which are carried as a debtor in Syndicate 102.

There is a risk that structured settlements with a number of life companies which had been negotiated prior to the Group's acquisition of R&Q Reinsurance Company and Transport Insurance Company to settle certain of their liabilities may not pay out if the life companies were to default.

Lloyd's market risks relating to 1992 and prior business

No corporate members, including members of the Group, participated in Lloyd's in 1992 and prior years' business. Equitas was established to reinsure and run-off the 1992 and prior years' non-life liabilities of Lloyd's "Names" or Lloyd's underwriters. National Indemnity Company, a member of the Berkshire Hathaway group of companies, has reinsured Equitas Insurance Limited's liabilities and another member of the Berkshire Hathaway group, Resolute Management Services Limited, has taken over responsibility for the run-off. However, in the event that Equitas Insurance Limited and National Indemnity Company were to fail or were to meet their respective liabilities by a proportionate cover plan and then pay claims at the appropriate reduced rate, the Group, and other insurance businesses which the Group may acquire in the future, could still be adversely affected. This is because, in those circumstances, Lloyd's would be required to consider whether it wished to make good any shortfall or replenish the regulatory deposits that may have been used to meet policyholder claims. This could require the use of the Central Fund following prior approval of Lloyd's members in an extraordinary general meeting. If the Central Fund is used for these purposes, an additional Central Fund levy could be imposed, subject to approval by vote, on all Lloyd's members underwriting on the relevant years of account.

Terrorism

The Group is exposed to the impact of terrorist activity on certain of its businesses and cannot rely upon individual governments to underwrite its exposure. Following the terror attacks on the United States on 11 September 2001, the implementation of legislation in jurisdictions such as the United Kingdom, Australia and the United States provides for a governmental backstop by way of reinsurance protection for certain insured risks. There is no guarantee, however, that this protection will be extended to provide the Group with coverage for any exposure to such events. Given current global tensions, future terrorist activity leading to insurance losses is possible and any such losses could have a material adverse effect on the Group's financial condition and/or operating results.

Contingent liabilities exist in relation to two of the Group's subsidiaries

Each of the Group Insurance Companies operates financially on a standalone basis. The Group's stated policy is that it bears no financial responsibility for any obligations or liabilities of any Group Insurance Company. There are two exceptions to this stated policy:

- R&Q Reinsurance Company (UK) Limited ("**R&Q Re (UK)**") and Old R&Q entered into an assignment, assumption and indemnity agreement to counter-indemnify the ACE Group in respect of two guarantees given by ACE in favour of the ILU for certain policies written by R&Q Re (UK). This counter-indemnity is unlimited in amount.
- As a condition of the acquisition of Chevanstell, Old R&Q entered into a deed of indemnity with Tryg Forsikring to counter-indemnify it in respect of four guarantees given in respect of certain policies written by Chevanstell. The aggregate limit of this indemnity is £9 million.

The Directors believe the likelihood of either of these counter-indemnities ever being called upon is remote.

ACE American Insurance Company

Under the terms of the 2006 acquisition of R&Q Reinsurance Company (“**R&QRe US**”) from the ACE group and the terms of a settlement agreement agreed between certain ACE entities and R&Q entities in January 2013, in certain circumstances, Old R&Q is required to arrange for up to \$5 million additional capital to be contributed to R&QRe US. The amount of capital to be contributed will be calculated on terms which are equivalent to the ACE American Insurance Company’s (“**ACE Company**”) indemnification obligation under certain provisions of a surplus maintenance reinsurance agreement (under which ACE Company underwrote a 70 per cent. share of a \$50 million) (“**SMRA**”) and an excess surplus maintenance reinsurance agreement (under which the ACE Company underwrote a 70 per cent. share of a further \$10 million layer of reinsurance) (“**ESMRA**”), in each case entered into between the ACE Company and R&QRe. Current actuarial projections for R&QRe US indicate that ultimate losses will not trigger a claim on the ESMRA and any paid claim under the SMRA will not occur for many years however there can be no guarantee that such actuarial projections will prove to be accurate.

Acquisition pipeline

Potential acquisitions may not be available

The Group has previously made numerous acquisitions and the Directors expect to continue to make such acquisitions. There is no guarantee, however, that there will be any potential acquisitions in the future which meet the Group’s criteria.

Further, the insurance run-off industry is competitive. Existing and new competitors may compete with the Group in identifying, assessing and acquiring future run-off companies and businesses, resulting in the Group either being unable to acquire such run-off companies and/or businesses, or only acquiring them at a higher price than the current targets allow, therefore impacting on the Group’s growth and profitability.

The acquisition of insurance companies, businesses or portfolios will normally require the approval of the relevant regulator, in respect of, not only the Group, but also of its controllers and potentially the Group’s directors and officers. There is no guarantee that the relevant regulators will provide such approval or that the conditions on which the regulators will grant such approval will be acceptable.

Future acquisitions will carry risks

The Group may acquire other run-off insurance companies and portfolios of policies if appropriate opportunities become available. Any future acquisition, due to its nature as a run-off business, may have unanticipated litigation or a level of claims against which the Group may have no effective or full redress against the vendors of the company or portfolio of policies, or have much leeway in managing or settling. There may also be integration costs as a result of the acquisition, including potential redundancy related costs. Also, the Group may be unable to manage the run-off of the acquired company or portfolio of policies in accordance with the projections modelled by the Group at the time of the acquisition. Further, any acquisitions may significantly affect the Group’s results or operations because the acquisitions will require the attention of the Group’s management and may require the diversion of other resources. The negotiation of potential acquisitions as well as the integration of an acquired insurance company or portfolio of policies could result in a substantial diversion of management resources, due to the numerous additional risks such as potential losses from unanticipated litigation or levels of claims or an inability to generate sufficient earnings to offset acquisition costs and financial exposures. Further, any future acquisitions may expose the Group to operational challenges and risks.

If the Group failed to manage appropriately the run-off of the acquisitions or these operational challenges and risks arising from these acquisitions, there might be a material adverse effect on its business, financial condition or results of operations. No assurance can be given that the Group will be able to manage future acquisitions profitably or to integrate such acquisitions successfully without substantial costs, delays or other problems.

Market and Liquidity Risk

Currency Risk

The Group insurance companies are potentially exposed to currency risk in respect of liabilities generated through regular trading activity which are denominated in currencies other than Sterling. The most significant foreign currencies to which the companies are exposed are the US Dollar and the Euro. Group policy requires that the Directors seek to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. However, in certain asset classes, much better priced investment opportunities exist in Sterling and Euros rather than US Dollar denominated investments due to an aversion to non-US risk by US investors following the recent credit crisis. In certain of the Group's insurance company portfolios we have therefore put in place rolling foreign exchange hedges to mitigate any foreign exchange mismatch between the investments held and the underlying liabilities, rather than directly hold assets and liabilities in the same currency.

Reliance on Investment Income

The Group's accounting policy in its consolidated financial statements, in relation to the insurance company subsidiaries is not to discount insurance reserves and only to take a provision for future run-off operating expenses if estimated investment income is insufficient over the Group as a whole to cover future anticipated operating expenses. Each Group insurance company is modeled in detail to ascertain the quantum of any provision required, taking into account estimated investment returns, average funds held and operating costs over the expected life of the run-off.

The investments held in the insurance company subsidiaries are however subject to market risks, which include interest rate and credit risk, dealt with in detail below. Returns may not therefore meet expectations or losses may materialise. To mitigate these risks the Group has an Investment Committee, formed of all the Executive Directors which advises the boards of the insurance company subsidiaries on asset allocation and manager selection. The Investment Committee is also assisted by an independent investment advisor. Timely and accurate performance information is regularly made available to both the Group Investment Committee and boards of insurance company subsidiaries to assist active management, which the Group believes is vital in this prolonged period of low interest rates and economic uncertainty.

The level of funds held in the insurance company subsidiaries may also decrease faster than anticipated due to accelerated claims payments and this may have an impact on the sufficiency of investment income to meet operating expenses, provided the latter does not reduce proportionately.

Risk Management – Service Companies

The activities of the Group's service companies expose each of them to financial and non-financial risks.

Although the Directors strategically manage the risks within the Group, it is the responsibility of the Directors of the service companies to adhere to the Group's ethos in managing the companies' exposures to these risks and, where possible, introduce controls and procedures that mitigate the effects of the exposure to risk.

Credit write back

The R&Q Group is a provider of legacy services to (re)insurers, brokers and a variety of insurance related third parties. As part of this service offering the R&Q Group may acquire a broker in run-off or a service provider who specialises in broker related issues or the management of difficult or aged portfolios. In doing so the R&Q Group becomes responsible for the on-going administration and all contractual obligations and must ensure that funds held within such companies are meticulously identified and tracked as they pass through the fiduciary process. In acquiring legacy brokers or portfolios of this nature it is possible that the R&Q Group may inherit a shortfall or an excess of held

funds within the company's debtor and creditor ledgers. In such instances the R&Q Group must make good any shortfalls and may, after an extensive review, take credit for any excess cash.

Before taking credit for any excess cash, the R&Q Group must follow its own strict write back policy and the Board must be satisfied that the funds remain unexplained credit balances. The Board undertakes to pay any third party who subsequently comes forward and lays claim to the balance and is able to provide reasonable evidence of ownership. In reality this is extremely unlikely to happen as credit write backs are, in the main, related to aged transactions/payments (between 6 and 25 years) caused by poor or inefficient accounting practices of the relevant entity prior to acquisition which made identification extremely difficult.

Dependence on Clients

The service companies derive a significant proportion of their income from management contracts, which vary in length by up to five years. Failure to retain key clients on renewal will have an adverse impact on income. The Group enjoys a diverse client base with no single contract accounting for more than 10 per cent. of service income.

Risk Management – Underwriting Management

Strategic/Capital Risk

The Group manages the Lloyd's syndicates in return for a managing agency fee, management charges and profit commission out of which it must meet retained expenses. The Group must maintain certain regulatory solvency surpluses to maintain an adequate capital base and to this end, the Group monitors its financial position by way of quarterly management accounts and weekly cash flow reports and action would be taken to maintain the regulatory solvency position where appropriate.

Operational risk

This is the risk that errors caused by people, processes, systems or external events lead to losses to the Lloyd's syndicates. The Group seeks to manage this risk with detailed policies and procedures addressing each potential source of operational risk and a structured programme of testing of processes and systems by internal audit.

Legal and Regulatory Risk

The Group's approval as a Managing Agent of Lloyd's syndicates is subject to continuing approval by the Council of Lloyd's, the FCA and the PRA. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to a Lloyd's Managing Agent and the operation of its managed Syndicates.

General

Forward-looking statements

This document includes forward-looking statements concerning the Group. Forward-looking statements are based on current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about the Group. Subject to the New R&Q's continuing obligations under the AIM Rules and applicable laws and regulations, the Group undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Influence of significant shareholders

On 13 May 2013, being the latest date prior to the printing of this document, Ken Randall and his family owned approximately 27.82 per cent. of the Old R&Q Shares. As a result, Ken Randall could exercise significant influence over matters requiring shareholder approval, which, amongst other things, could delay or prevent an outside party from acquiring or merging with the Group, which may reduce the market price of the New R&Q Shares in future.

PART III

ADDITIONAL INFORMATION

1. STATUS

- 1.1 New R&Q was incorporated as an exempted company with limited liability on 22 January 2013 in Bermuda under Bermuda Companies Law with the name Swallow's Nest Limited and registered number 47341.
- 1.2 The name of New R&Q was changed to Randall and Quilter Investment Holdings Ltd. by a resolution of its shareholders passed on 25 February 2013.
- 1.3 New R&Q has not traded since incorporation and has undertaken no activities other than those associated with its administration, the Scheme and Admission.
- 1.4 The registered office of New R&Q is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda and its principal place of business is FB Perry Building, 40 Church Street, PO Box 2062, Hamilton HM HX, Bermuda. The telephone number for New R&Q is +1 (441) 295 2185. New R&Q's website address is the same as Old R&Q's website address which is www.rqih.com.
- 1.5 Old R&Q's shares have been traded on AIM since 20 December 2007.
- 1.6 The New R&Q Shares are denominated in pounds.
- 1.7 New R&Q intends to prepare its first accounts for the period from incorporation to 31 December 2013 and thereafter shall prepare its annual accounts to 31 December each year (being the same date to which Old R&Q prepares its annual accounts).
- 1.8 The Directors confirm that, having made due and careful enquiry, Old R&Q has adhered to all legal and regulatory requirements involved in having its securities traded on AIM.
- 1.9 Without prejudice to the generality of paragraph 1.8 above, the Directors confirm that Old R&Q has complied with the continuous disclosure requirements of AIM. All significant changes in Old R&Q's financial or trading position since the end of the financial year ended 31 December 2012 are in the Public Record and have been the subject of announcements available on the Group's website (www.rqih.com) and the London Stock Exchange website (www.londonstockexchange.com).
- 1.10 Copies of the New R&Q Memorandum and the New R&Q Bye-laws are available at www.rqih.com.

2. SHARE CAPITAL

- 2.1 As above, New R&Q was incorporated on 22 January 2013. On incorporation, the subscribers to New R&Q's Memorandum were David J. Doyle and Christopher G. Garrod (directors of New R&Q's Bermuda law legal advisers) and Michael B. Ashford (Head of Codan Services Limited, a provider of corporate secretarial services in Bermuda). These persons were not issued any shares in the capital of New R&Q.
- 2.2 At a meeting of the provisional directors of New R&Q held on 4 February 2013, one share of £1.00 in the capital of New R&Q was issued and allotted to Alan Quilter. On 14 May 2013 this share was sub-divided into 50 ordinary shares of £0.02 each ("**Initial Shares**") and New R&Q's authorised share capital was increased to £1,600,002 divided into 80,000,000 ordinary shares of £0.02 each, one cumulative redeemable preference A share of £1.00 and one cumulative redeemable preference B share of £1.00. As at the date of this document, New R&Q's issued share capital comprises only the Initial Shares.

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- 2.3 On 14 May 2013, New R&Q's Board and New R&Q's shareholders passed resolutions to approve:
- 2.3.1 subject to the Scheme taking effect, the adoption of the New R&Q Bye-laws, and the allotment and issue of the relevant New R&Q Shares; and
 - 2.3.2 subject to the Scheme taking effect and subject to the holders of the Old R&Q Preference Shares agreeing the proposals in relation to the Old R&Q Preference Shares set out in paragraph 9 in Part I of this document, the allotment and issue of the New R&Q Preference A Share and the New R&Q Preference B Share.
- 2.4 At Admission the issued share capital of New R&Q will be:
- 2.4.1 70,966,335 New R&Q Shares;
 - 2.4.2 one New R&Q Preference A Share; and
 - 2.4.3 one New R&Q Preference B Share.
- 2.5 IFG Trust Company (Channel Islands) Limited holds 393,338 Old R&Q Shares as trustee of the Randall & Quilter Investment Holdings Plc Employee Benefit Trust. IFG Trust (Channel Islands) Limited has waived voting rights in respect of these shares. These shares are deemed to be held as treasury shares. No other shares in the capital of Old R&Q or New R&Q are held as treasury shares.

3. NEW R&Q MEMORANDUM AND NEW R&Q BYE-LAWS

- 3.1 The New R&Q Memorandum provides that the objects for which New R&Q is formed and incorporated are unrestricted.
- 3.2 The New R&Q Bye-laws were adopted, subject to the Scheme taking effect, on 14 May 2013 by the Board and the shareholders in place of those originally adopted on incorporation.
- 3.3 The following paragraphs summarise certain key provisions in the New R&Q Bye-laws:

3.3.1 *Share capital*

The share capital of New R&Q comprises the New R&Q Shares, the New R&Q Preference A Share and the New R&Q Preference B Share.

Subject to the provisions of the New R&Q Bye-laws relating to authority, pre-emption rights or otherwise and to any resolutions of New R&Q passed in a general meeting pursuant thereto, the unissued shares of New R&Q shall be at the disposal of the Board who may, without prejudice to any rights previously conferred on the holders of any existing shares or class or series of shares, offer, allot, grant options over or otherwise dispose of the shares to such persons, at such times and upon such terms and conditions as New R&Q may by resolution of Directors determine.

3.3.2 *Transfer of registered shares*

A shareholder may transfer all or any of his shares in any manner which is permitted by any applicable legislation (subject to the restrictions in the New R&Q Bye-laws) and is approved by the Board. New R&Q must maintain a register of shareholders in accordance with the relevant Bermuda legislation.

Subject to the New R&Q Bye-laws, any shareholder (other than holders of the New R&Q Preference A Share and the New R&Q Preference B Share), may transfer all or any of his shares by an instrument of transfer in the usual or common form or in any other form approved by the Board provided always that New R&Q shall accept for registration an instrument of transfer in a form prescribed by the London Stock Exchange or by CREST. An instrument of transfer need not be under seal. The instrument of transfer shall

be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so and no execution shall be required by the transferee in the case of a transfer in a form prescribed by CREST.

Subject to the New R&Q Bye-laws, the Board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any Employees' Share Scheme (as defined in the New R&Q Bye-laws) upon which a restriction on transfer imposed thereby still subsists, provided that the refusal does not prevent dealings in shares of that class in New R&Q taking place on an open and proper basis. The Board may decline to recognise any instrument of transfer unless: (1) the instrument of transfer is in respect of only one class of share; (2) the instrument of transfer is lodged at New R&Q's registered office (the "**Registered Office**") or such other place in Bermuda at which the register of shareholders is kept in accordance with the Bermuda Companies Law or the Registration Office (as defined in the New R&Q Bye-laws) (as the case may be) accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and (3) if applicable, the instrument of transfer is duly and properly stamped.

Subject to the AIM Rules, if the Board refuses to register a transfer of any share, it shall, within two (2) months after the date on which the instrument of transfer was lodged with New R&Q, send to each of the transferor and transferee notice of the refusal. Subject to the Bermuda Companies Law and any other applicable laws and regulations, the Board may permit transfers of shares of any class held in uncertificated form to be effected by means of any method of transferring or dealing in securities introduced by AIM or any other relevant system, including CREST, or operated in accordance with the AIM Rules or the CREST Regulations as appropriate and which have been approved by the Board for such purpose.

Subject to the AIM Rules and the Bermuda Companies Law and any other applicable laws and regulations, the registration of transfers of shares or of any class of shares may be suspended at such times and for such period as the Directors may from time to time determine and either generally or in respect of any class of shares provided that the register of shareholders shall not be closed for more than thirty (30) days in any year. The Directors shall, subject always to the Bermuda Companies Law, any other applicable laws and regulations and the facilities and requirements of any relevant system concerned and the New R&Q Bye-laws, have the power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to the evidencing of title to and transfer of interests in shares in the capital of New R&Q in the form of depositary interests or similar interests, instruments or securities, and to the extent such arrangements are so implemented, no provision of the New R&Q Bye-laws shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer thereof or the shares in the capital of New R&Q represented thereby. The Directors may from time to time take such actions and do such things as they may, in their absolute discretion, think fit in relation to the operation of any such arrangements.

3.3.3 *Alteration of capital*

New R&Q may from time to time by ordinary resolution in accordance with the Bermuda Companies Law increase its capital, consolidate and divide all or any of its capital into shares of larger amount than its existing shares, divide its shares into several

classes and, without prejudice to any special rights previously conferred on the holders of existing shares, attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by New R&Q in general meeting, as the Directors may determine, sub divide its shares, or any of them, into shares of smaller amount than is fixed by New R&Q's Memorandum, change the currency denomination of its share capital, make provision for the issue and allotment of shares which do not carry any voting rights and cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

3.3.4 ***Authority to allot relevant securities***

Subject to the Bermuda Companies Law, the New R&Q Bye-laws and the AIM Rules (if applicable), the Board may exercise any power of New R&Q to allot any shares in New R&Q or to grant rights to subscribe for, or to convert any security into, shares in New R&Q if they are authorised to do so by resolution of shareholders.

3.3.5 ***Power of New R&Q to investigate interests in shares and failure to disclose interests in shares***

New R&Q may by notice in writing (a "**Disclosure Notice**") require a person whom New R&Q knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the Disclosure Notice is issued, to have been interested in shares in the issued capital of New R&Q: (a) to confirm that fact or (as the case may be) to indicate whether or not it is the case; and (b) where he holds or has during that time held an interest in such shares, to provide such further information as the Directors may require to satisfy their obligations under the AIM Rules. Unless otherwise determined by the Directors, no shareholder holding shares representing 0.25 per cent. (0.25%) or more of the shares in the issued capital of New R&Q (excluding treasury shares) shall be entitled: (a) in respect of any such shares, to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares, or to exercise any other right conferred by membership in relation to any such meeting; or (b) to receive payment of any dividend in respect of any such shares; or (c) to transfer any such shares otherwise than: (i) pursuant to acceptance of a take-over offer to acquire all of the shares in New R&Q (other than shares already held by the offeror at the date of the offer); (ii) through a recognised investment exchange or other recognised market; or (iii) in any other manner which the Directors are satisfied is bona fide and at arm's length (hereinafter referred to as an "**arm's length sale**"), if he or any person appearing to be interested in such shares has been given a Disclosure Notice and has failed to provide to New R&Q the information therein required within fourteen (14) days from the date of such notice provided that upon receipt by New R&Q of notice that the relevant shares have been transferred pursuant to an arm's length sale or upon all information required by the Disclosure Notice being given, such restrictions shall cease to apply in respect of such shares and any distribution withheld shall be paid.

3.3.6 ***Borrowing powers***

The Board may exercise all the powers of New R&Q to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of New R&Q and, subject to the Bermuda Companies Law, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of New R&Q or of any third party.

The Board shall restrict the borrowings (as defined in the New R&Q Bye-laws) of New R&Q and exercise all voting and other rights or powers of control exercisable by New R&Q in relation to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the group (exclusive of any group company's borrowings which are owed to another group company) will not, without the previous sanction of New R&Q in general meeting, exceed: (a) £100,000,000; or (b) any higher limit fixed by ordinary resolution of New R&Q which is applicable at the relevant time.

3.3.7 *Dividends*

Subject to the Bermuda Companies Law, the AIM Rules and the New R&Q Bye-laws, the Board may from time to time by ordinary resolution declare dividends in any currency to be paid to the New R&Q Shareholders according to their respective rights and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the Board.

The New R&Q Bye-laws provide certain prescribed income entitlements to the New R&Q Preference A Share and the New R&Q Preference B Share.

All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of New R&Q until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to New R&Q. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute New R&Q a trustee in respect thereof.

Whenever the Board has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of New R&Q or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any shareholders upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, and such appointment shall be effective and binding on the shareholders. The Board may resolve that no such assets shall be made available to shareholders with registered addresses in any particular territory or territories where, in the absence of a registration statement or other special formalities, such distribution of assets would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the shareholders aforesaid shall be to receive cash payments as aforesaid. New R&Q Shareholders affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of shareholders for any purpose whatsoever.

3.3.8 *Distribution of assets on liquidation*

If New R&Q shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Bermuda Companies Law, and subject to the rights of the New R&Q

Preference A Share and the New R&Q Preference B Share set out in the New R&Q Bye-laws, divide among the shareholders *in specie* or kind the whole or any part of the assets of New R&Q and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the shareholders as the liquidator with the like authority shall think fit, and the liquidation of New R&Q may be closed and New R&Q dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

3.3.9 ***Pre-emption rights***

Subject to the provisions of the New R&Q Bye-laws, New R&Q may not allot New R&Q Shares or rights to subscribe for, or to convert securities into, New R&Q Shares or New R&Q Shares that immediately before the sale are held as treasury shares (together, the “**Equity Securities**”) to a person unless: (a) it has made an offer to each person who holds New R&Q Shares to allot to him on the same or more favourable terms a proportion of those securities that is as nearly as practicable equal to the proportion in nominal value or, if the shares have no nominal value, number of New R&Q Shares held by him of the aggregate of the issued New R&Q Shares; and (b) the period during which any such offer may be accepted has expired or New R&Q has received notice of the acceptance or refusal of every offer so made.

Such pre-emption rights do not apply in relation to the allotment of bonus shares, to a particular allotment of Equity Securities if these are, or are to be, wholly or partly paid up otherwise than in cash, to the allotment of Equity Securities that would be held under an Employees’ Share Scheme (as defined in the New R&Q Bye-laws).

3.3.10 ***Disapplication of pre-emption rights***

Where the Directors are authorised to allot shares pursuant to the New R&Q Bye-laws, New R&Q may by special resolution resolve that the pre-emption rights summarised above in paragraph 3.3.9 of this Part III: (a) does not apply to an allotment of Equity Securities in connection with a rights issue to be made pursuant to that authorisation; or (b) applies to such allotment of Equity Securities having, in the case of New R&Q Shares, a nominal amount (or, in the case of other Equity Securities, giving the right to subscribe for, or to convert into, New R&Q Shares having a nominal amount) not exceeding the aggregate sum specified in the resolution.

3.3.11 ***General meetings***

Each general meeting, other than an annual general meeting, shall be called a special general meeting. General meetings may be held in any part of the world as may be determined by the Board.

The Board may whenever it thinks fit call special general meetings, and shareholders holding at the date of deposit of the requisition not less than one tenth of the paid up capital of New R&Q carrying the right of voting at general meetings of New R&Q shall at all times have the right, by written requisition to the Board or the Secretary of New R&Q, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such a meeting shall be held within two (2) months after the deposit of such requisition. If, within twenty-one (21) days of such deposit the Board fails to proceed to convene such a meeting the requisitionists themselves may do so in accordance with the Bermuda Companies Law.

An annual general meeting and any special general meeting at which the passing of a special resolution is to be considered shall be called by not less than twenty-one (21) clear days' notice. All other special general meetings may be called by not less than fourteen (14) clear days' notice but a general meeting may be called by shorter notice if it is so agreed: (a) in the case of a meeting called as an annual general meeting, by all the shareholders entitled to attend and vote thereat; and (b) in the case of any other meeting, by a majority in number of the shareholders having the right to attend and vote at the meeting, being a majority together holding not less than ninety five per cent. (95%) in nominal value of the issued shares giving that right.

At any general meeting of New R&Q any two (2) shareholders entitled to vote and present in person or by proxy at the commencement of business at the meeting form a quorum for all purposes provided that if New R&Q shall at any time have only one (1) shareholder, one (1) shareholder present in person or by proxy shall form a quorum.

If within fifteen (15) minutes (or such longer time not exceeding one hour as the chairman of the meeting may determine to wait) after the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of shareholders, shall be dissolved. In any other case it shall stand adjourned to such time and place as the original meeting, or to such other day, and at such other time and place, as the Board may decide and in the latter case not less than seven (7) clear days' notice of the adjourned meeting shall be given in any manner in which notice of a meeting may lawfully be given for the time being. If at such adjourned meeting a quorum is not present within fifteen (15) minutes from the time appointed for holding the meeting, the meeting shall be dissolved.

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the New R&Q Bye-laws, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded: (a) by the chairman of such meeting; (b) by at least three shareholders present in person or by proxy for the time being entitled to vote at the meeting; (c) by a shareholder or shareholders present in person or by proxy and representing not less than one tenth of the total voting rights of all shareholders having the right to vote at the meeting; or (d) by a shareholder or shareholders present in person or by proxy and holding shares in New R&Q conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all shares conferring that right.

3.3.12 *Forfeiture of shares*

If a call remains unpaid after it has become due and payable the Board may give to the person from whom it is due notice: (a) requiring payment of the amount unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment and the date for payment to be made; (b) specifying a further date, not earlier than the expiration of seven (7) clear days from the date provided in the notice given in accordance with this Bye-law, on or before which the payment required by the notice is to be made; and (c) stating that if the notice is not complied with the shares on which the call was made will be liable to be forfeited, and otherwise complying with the AIM Rules. Subject to the AIM Rules, if the requirements of any such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that

effect, and such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share but not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a shareholder in respect of the forfeited shares but nevertheless shall remain liable to pay to New R&Q all moneys which at the date of forfeiture were presently payable by him to New R&Q in respect of the shares, with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate as the Board determines. He shall also be liable to satisfy all claims and dividends (if any) which New R&Q might have enforced in respect of the share at the time of forfeiture or surrender. The Board may enforce payment thereof if it thinks fit, and without any deduction or allowance for the value of the forfeited shares, at the date of forfeiture, or for any consideration received on its disposal but his liability shall cease if and when New R&Q shall have received payment in full of all such moneys in respect of the shares or if payment is wanted in whole or in part by the Board. Any sum which, by the terms of issue of a share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, whether on account of the nominal value of the share or by way of premium, shall notwithstanding that time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.

Notwithstanding any such forfeiture, the Board may at any time, before any shares so forfeited shall have been sold, re allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

3.3.13 *Indemnity and insurance*

The Directors, secretary and other officers for the time being of New R&Q and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of New R&Q and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of New R&Q from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to New R&Q shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to New R&Q shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Each New R&Q Shareholder agrees to waive any claim or right of action he might have, whether individually or by or in the right of New R&Q, against any Director or officer on account of any action taken by such Director or officer, or the failure of such Director or officer to take any action in the performance of his duties with or for New R&Q; provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such director or officer.

New R&Q may purchase and maintain insurance for the benefit of any Director or officer against any liability incurred by him under the Bermuda Companies Law in his capacity as a Director or officer or indemnifying such Director or officer in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or officer may be guilty in relation to New R&Q or any subsidiary thereof.

3.3.14 *Controllers and aggregate holdings*

Pursuant to the New R&Q Bye-laws (defined terms in this paragraph 3.3.14 having the meanings set out below):

“**Controller**” means a person who is a controller of New R&Q within the meaning given to that expression in section 422 of FSMA; and

“**Increased Control**” means an increase in the percentage of shares or voting rights in respect of any shares in New R&Q in which a person is interested from:

- below 10% to 10% or more but less than 20%;
- below 20% to 20% or more but less than 33%;
- below 33% to 33% or more but less than 50%; or
- below 50% to 50% or more,

as expressed in Section 180 of FSMA (as amended from time to time).

“**Relevant Person**” means any person who would, if he acquired any additional share or shares or any interest in any such share or shares, in accordance of the New R&Q Bye-laws, become a Controller of New R&Q or have Increased Control in respect of New R&Q’s shares after the date of adoption of the New R&Q Bye-laws.

The Directors, in their absolute discretion, may give notice (an “**Affected Share Notice**”) to the registered holder of any share which, on being acquired by such person, resulted in that person becoming a Controller or having Increased Control (the “**Relevant Share**”), and to any other person who appears to the Directors to be interested in the Relevant Share and to the Operator (in the case of a Relevant Share held in uncertificated form), stating that (as set out in more detail below) such Relevant Person shall not be entitled to cast votes on shareholder resolutions of New R&Q in respect of the Relevant Share(s) and/or requiring such Relevant Person to transfer title to that Relevant Share (the “**Affected Share**”). The registered holder of a share in respect of which such an Affected Share Notice has been served or any other person on whom an Affected Share Notice in respect of that share has been served (including the Operator) may make representations to the Directors as to why such share should not be treated as a Relevant Share and if, after considering such representations and such other information as seems to them relevant, the Directors consider that either the share should not be treated as a Relevant Share or they are satisfied, acting reasonably, that the registered holder has all approvals necessary for it to add the Relevant Shares without detriment to New R&Q, or its subsidiaries or their respective businesses, they shall forthwith withdraw the Affected Share Notice served in respect of such share.

As set out above, a registered holder of an Affected Share upon whom an Affected Share Notice has been served shall not (if such Affected Share Notice specified that the following provisions are to apply) be entitled, in respect of such share, to attend or to speak at any general meeting of New R&Q or any meeting of the holders of any class of shares or to vote at any such meeting and the rights to attend (whether in person or by proxy), to speak and to demand and vote on a poll which would have attached

to the Affected Share shall vest in the Chairman of such meeting. The manner in which the Chairman exercises or refrains from exercising any such rights shall be entirely at his discretion. The Chairman of any such meeting as aforesaid shall be informed by the Directors of any share becoming or being deemed to be an Affected Share. The persons on whom such Affected Share Notice has been served (if such Affected Share Notice specified the following provisions are to apply) shall within 21 days of receiving such Affected Share Notice (or such longer period as may in such Affected Share Notice be prescribed by the Directors), make disposal of the interests in such Affected Share(s) (the “**Disposal**”) so that no Relevant Person has an interest in that share and, upon such Disposal being made to the satisfaction of the Directors, such Affected Share shall cease to be a Relevant Share.

If after 21 days from the date of service on the registered holder of an Affected Share of an Affected Share Notice (or such longer period as the Directors may have prescribed), the Directors are not satisfied that a Disposal has been made of or in relation to the Affected Share the subject thereof, the Directors may arrange for the sale of the Affected Share on behalf of the registered holder so that it ceases to be or to be capable of being treated as an Affected Share at the best price reasonably obtainable at the relevant time. The manner, timing and terms of any such Disposal made or sought to be made by the Directors (including but not limited to the price or prices at which the same is made) shall be such as the Directors determine, based upon advice from bankers, brokers or other appropriate persons consulted by them for the purpose and the Directors shall not be liable to any person for any of the consequences of reliance on such advice.

For so long as an Affected Share is held in uncertificated form, in circumstances where the Directors are obliged, pursuant to the New R&Q Bye-laws, to arrange for the sale of the Affected Share, the Directors may make such arrangements on behalf of the registered holder of the Affected Share as they may think necessary to transfer title to that Affected Share through a relevant system.

3.3.15 *Voting rights*

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the New R&Q Bye-laws, at any general meeting on a show of hands every shareholder present in person (or being a corporation, is present by a duly authorised representative), or by proxy shall have one vote and on a poll every shareholder present in person or by proxy, or in the case of a shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.

Subject to the Bermuda Companies Law, the New R&Q Preference A Share and the New R&Q Preference B Share shall not be entitled to receive notice of, attend or vote at general meetings of New R&Q (and shall not be counted in any quorum at any general meeting of New R&Q).

3.3.16 *Class rights*

Subject to Bermuda Companies Law and the New R&Q Bye-laws, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not New R&Q is being wound up) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal

value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

3.3.17 *Appointment and removal of directors*

Unless otherwise determined from time to time by New R&Q in general meeting, the number of Directors shall not be less than two (2). The Directors are elected or appointed by ordinary resolution in the first place at the statutory meeting of shareholders and thereafter at the annual general meeting in accordance with the New R&Q Bye-laws or at any special general meeting and, subject to the New R&Q Bye-laws, shall hold office until the next appointment of Directors or until their successors are elected or appointed in accordance with the New R&Q Bye-laws. Any general meeting may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.

Notwithstanding any other provisions in the New R&Q Bye-laws, at each annual general meeting one third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one third) shall retire from office by rotation.

A director's office shall be vacated if, amongst other things, he is prohibited by law from being a director, becomes bankrupt, becomes of unsound mind or is absent from board meetings for six consecutive months without special leave of absence from the Board.

New R&Q may by ordinary resolution of which notice has been given, remove any Director before his period of office has expired notwithstanding anything in the New R&Q Bye-laws or in any agreement between him and New R&Q.

3.3.18 *Management of New R&Q by the Board*

The business of New R&Q is managed by the Board, which may exercise all such powers as are not required the New R&Q Bye-laws and the Bermuda Companies Law to be exercised by New R&Q in general meeting.

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of any equality of votes the chairman of the meeting shall have an additional or casting vote.

The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to committees, consisting of such Director or Directors and other persons as it thinks fit, provided that the majority of the members of the committee are Directors and that no meeting of the committee shall be quorate for the purpose of exercising any of its powers, authorities or discretions unless a majority of those present are Directors. The Board may make any such delegation on such terms and conditions as it thinks fit and may revoke or vary any such delegation or revoke the appointment of and discharge any such committees either wholly or in part, but no person dealing in good faith shall be affected by any revocation or variation. Insofar as any such power or discretion is delegated to a committee, any reference in the New R&Q Bye-laws to the exercise by the Directors of the power or discretion so delegated shall be read and construed as if it were a reference to the exercise thereof by such committee. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the Board.

The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be two (2). An alternate

Director shall be counted in a quorum in the case of the absence of a Director for whom he is the alternate provided that he shall not be counted more than once for the purpose of determining whether or not a quorum is present.

The New R&Q Bye-laws provide for unanimous written resolutions of directors to be as valid as though passed at a meeting of the Board.

Subject to the AIM Rules, a Director who is in any way, whether directly or indirectly, interested in a transaction or arrangement with New R&Q shall, at the meeting of the Board at which the question of entering into the transaction is first taken into consideration (or if the Director did not at the date of that meeting know his interest existed in the transaction at the first meeting of the Board after he knows that he is or has become interested), declare in accordance with the Bermuda Companies Law the nature of his interest.

Save as provided in the New R&Q Bye-laws, a Director who has declared his interest may vote and count in the quorum in respect of any contract, arrangement, transaction or any other proposal whatsoever.

Subject to the AIM Rules, the Directors shall be paid out of the funds of New R&Q for their services subject to such limit (if any) as the Directors may from time to time determine not exceeding in the aggregate an annual sum (excluding amounts payable under any other provision of the New R&Q Bye-laws) (if any) as New R&Q by ordinary resolution may determine which the Directors may decide to divide among them in such proportion and manner as they agree or, failing agreement, equally. Any such fee shall be distinct from any remuneration or other amounts payable to a Director under other provisions of the New R&Q Bye-laws and shall accrue from day to day.

Any Director who, by request, goes or resides in a country other than the person's habitual country of residence for any purpose of New R&Q or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other bye-law of the New R&Q Bye-laws.

3.3.19 ***Distributions on liquidation, reduction of capital or otherwise to shareholders***

The holders of the New R&Q Shares shall, on a return of assets on liquidation, reduction of capital or otherwise, be entitled to be paid the surplus assets of New R&Q remaining after payment of its liabilities (subject to the rights of holders of any preferred shares in New R&Q then in issue having preferred rights in the return of capital) in respect of their holdings of New R&Q Shares *pari passu* and *pro rata* to the number of New R&Q Shares held by each of them.

In respect of the New R&Q Preference A Shareholder, on a return of capital (whether or not on liquidation) or capital reduction or otherwise, the surplus assets of New R&Q remaining after the payment of its liabilities shall be applied in paying to the New R&Q Preference A Shareholder, in priority to any other shareholder (including, without limitation, any other preference shareholder) unless the amount being returned is to be distributed to shareholders as if it were a dividend, in which case an order of priority as between the New R&Q Preference A Shareholder and the New R&Q Preference B Shareholder is set out in the New R&Q Bye-laws.

In respect of the New R&Q Preference B Shareholder, on a return of capital (whether or not on liquidation) or capital reduction or otherwise, the surplus assets of New R&Q

remaining after the payment of its liabilities shall be applied in paying to the New R&Q Preference B Shareholder, in priority to any other shareholder (including, without limitation, any other preference shareholder) other than the New R&Q Preference A Shareholder, unless the amount being returned is distributed to the shareholders as if it were a dividend, in which case an order of priority as between the New R&Q Preference B Shareholder and the New R&Q Preference A Shareholder is set out in the New R&Q Bye-laws.

3.3.20 *Changes to the New R&Q Memorandum and New R&Q Bye-laws*

No New R&Q Bye-law shall be rescinded, altered or amended and no new bye-law shall be made until the same has been approved by a resolution of the Directors and confirmed by a special resolution of the shareholders. A special resolution shall be required to alter the provisions of the New R&Q Memorandum or to change the name of New R&Q.

4. WORKING CAPITAL

The Directors have no reason to believe that the working capital available to New R&Q or the Group will be insufficient for at least 12 months from the date of Admission.

5. DIRECTOR'S INTERESTS

5.1 The interests of the Directors and the persons "connected" with the Directors within the meaning set out in the New R&Q Bye-laws in the New R&Q Shares on Admission, are expected to be as follows:

<i>Director</i>	<i>Number of Old R&Q Shares</i>	<i>Number of New R&Q Shares</i>	<i>Percentage of issued capital on Admission</i>
Ken Randall	19,741,947 ⁽¹⁾	19,741,947 ⁽¹⁾	27.82
Alan Quilter	4,246,456 ⁽²⁾	4,246,456 ⁽²⁾	5.98
Paul McNamara	129,106	129,106	0.18
Michael Smith	25,000	25,000	0.04
Tom Booth	0	0	0
Philip Barnes	0	0	0

(1) This number includes 2,204,429 Old R&Q Shares held by Kenneth Randall's connected persons and 1,302,072 Old R&Q Shares that Kenneth Randall has conditionally agreed to sell to Phoenix Asset Management Partners Limited pursuant to an agreement dated 25 April 2013, as announced by Old R&Q on 25 April 2013. R&Q Shareholders should also note that Kenneth Randall has charged the Old R&Q Shares that he holds in his name as security for a loan facility, as announced by Old R&Q on 5 October 2009.

(2) This number includes 200,000 Old R&Q Shares held by Alan Quilter's connected persons.

5.2 On Admission, the following Directors will hold the following interests in Old R&Q Shares pursuant to Existing Incentive Awards.

<i>Director</i>	<i>Shares subject to Existing Incentive Awards</i>	<i>Acquisition Price per share</i>	<i>Grant date</i>
Thomas Alexander Booth	100,000	2p	8 December 2009
Thomas Alexander Booth	150,000	2 6/91p	30 April 2011
Thomas Alexander Booth	250,000	2 6/91p	17 December 2012

Under the terms of his service agreement, Thomas Booth has become contractually entitled to be granted a further option over New R&Q Shares subject to service and performance criteria.

5.3 Save as disclosed above, none of the Directors or any connected person has any interest in the share capital of New R&Q.

6. ADDITIONAL INFORMATION ON THE DIRECTORS

6.1 The Directors currently hold, and have during the five years preceding the date of this document held, the following directorships or partnerships:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Kenneth Edward Randall	Alma Vakuutus Oy Chevanstell Limited Dukes Place Holding LP GoldStreet Insurance Company Heath Development Partnership Heath Yacht Charters LLP Ken Randall Associates Limited La Licorne Compagnie de Reassurances SA La Metropole Compagnie Belgie d'Assurances SA Lovellrandall LLC Malling Investments Limited Pangaea Trading Partners LLP R & Q Reinsurance Company (Belgium) R&Q (EC3) Limited R&Q (Malta) Limited R&Q Capital No1 Limited R&Q Consultants Limited R&Q Intermediaries (Bermuda) Limited R&Q Liquidity Management Limited R&Q Ludgate No. 1 Limited R&Q Managing Agency Limited R&Q No 1 Limited R&Q Oast Limited R&Q Quest Management Services Limited R&Q Re (Bermuda) Ltd R&Q Reinsurance Company R&Q Reinsurance Company (UK) Limited R&Q Secretaries Limited Randall & Peel Partnership Randall & Quilter America Holdings Randall & Quilter Bermuda Holdings Limited Randall & Quilter II Holdings Limited Randall & Quilter Investment Holdings plc Randall & Quilter Underwriting Management Holdings Limited Randalllovell LLC RC Partners LLP Renaissance Capital Partners Limited Renaissance Capital Partners LLC RLLR, LLC SLP Partnership Transport Insurance Company	Arran Insurance Company Limited Cavell BCS, Inc LDMS Limited R&Q Services Holding Inc R&Q Solutions LLC (formerly R&Q USA, Inc) Randall & Quilter Captive Holdings Limited Randall & Quilter IS Holdings Limited

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Alan Kevin Quilter	A.M. Associates Insurance Services Limited Alma Vakuutus Oy Chevanstell Limited Dukes Place Holding LP JMD Specialist Insurance Services Group Limited John Heath & Company Inc Ken Randall Associates Limited La Licorne Compagnie de Reassurances SA La Metropole Compagnie Belgie d'Assurances SA Principle Insurance Company Limited R & Q Reinsurance Company (Belgium) R&Q (EC3) Limited R&Q Audit & Inspection Limited R&Q Broker Services Limited R&Q Capital No. 2 Limited R&Q Capital No1 Limited R&Q CG Limited R&Q Consultants Limited R&Q Insurance Services Limited R&Q Intermediaries (Bermuda) Limited R&Q KMS Management Limited R&Q Ludgate No. 1 Limited R&Q No 1 Limited R&Q Oast Limited R&Q Quest Insurance Management (IOM) Limited R&Q Quest Management Services Limited R&Q Re (Bermuda) Ltd R&Q Reinsurance Company (UK) Limited R&Q Secretaries Limited R&Q Services Holding Inc R&Q Solutions LLC Randall & Quilter America Holdings Inc Randall & Quilter Captive Holdings Limited Randall & Quilter II Holdings Limited Randall & Quilter Investment Holdings plc Randall & Quilter IS Holdings Limited Randall & Quilter Underwriting Management Holdings Limited Reinsurance Solutions Limited RSI Solutions International INC SLP Partnership	Arran Insurance Company Limited Callidus Secretaries Limited Callidus Solutions Limited Cavell BCS, Inc Chevanstell Management Limited JMD Specialist Insurance Services Limited KMS Employment Limited KMS Insurance Services Limited LDMS Limited Markitas Limited Markitas Management Company Limited Markitas Re Limited Peter Blem Associates Limited R&Q Archive Services Limited R&Q Commercial Risk Services Limited R&Q Liquidity Management Limited R&Q MGA Limited R&Q Reinsurance Solutions LLC R&Q Risk Services Canada Limited R&Q Solutions LLC (formerly R&Q USA, Inc) Randall & Quilter Canada Holdings Limited RedQuince Limited Requiem America Inc. Requiem Limited Syndicated Services Company Inc GoldStreet Insurance Company Transport Insurance Company

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Thomas Alexander Booth	Alma Vakuutus Oy Chevanstell Limited Principle Insurance Company Limited R & Q Reinsurance Company (Belgium) R&Q (Malta) Limited R&Q Capital No. 2 Limited R&Q Capital No1 Limited R&Q Liquidity Management Limited R&Q Malta Holdings Limited R&Q Re (Bermuda) Ltd R&Q Reinsurance Company (UK) Limited Randall & Quilter Captive Holdings Limited Randall & Quilter II Holdings Limited Randall & Quilter Investment Holdings plc Randall & Quilter IS Holdings Limited Randall & Quilter Underwriting Management Holdings Limited GoldStreet Insurance Company Transport Insurance Company R&Q Reinsurance Company	8 Warrington Crescent Limited
Kevin Paul McNamara	R&Q Services Holding Inc Randall & Quilter Investment Holdings plc Professional Asset Indemnity Limited	
Michael Gordon Smith	Dalmeny Investments Limited The National Hospital for Neurology and Neurosurgery Development Foundation Michael Smith Associates Limited Randall & Quilter Investment Holdings plc Randall & Quilter Underwriting Management Holdings Limited The Foyle Foundation W. R. Berkley Syndicate Management Limited W. R. Berkley Insurance (Europe) Limited	Brit Insurance Holdings Limited Brit Insurance Holdings NV CFC Underwriting Limited Horseshoe Wharf Management Limited R&Q Managing Agency Limited The Oval Cricket Relief Trust Wigcave Investments Limited
Philip Andrew Barnes	Hiscox Insurance Company (Bermuda) Limited International Center for Captive Insurance Education Lukan Indemnity Company Ltd	AMEC (Bermuda) Ltd Anchor Underwriting Managers Ltd Aon (Bermuda) Ltd Aon Group (Bermuda) Ltd Aon Insurance Managers (Bermuda) Ltd Aon Insurance Managers (USVI) Ltd Applied BioSystems Insurance Company Ltd Aramont Company Ltd Arter Re Insurance Company, Ltd Ashford Company Limited Asset Holding Group Ltd Asset Insurance Company Ltd

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Philip Andrew Barnes <i>continued</i>		AssuranceOne, Ltd Atlantic Services Limited Atlas Indemnity Ltd Avion Assurance Ltd Bear Insurance Company Ltd Bison Insurance Company Limited Bridgewood Insurance Company Limited British Patriot Re Limited Canterbury Insurance Company Limited Cassatt Insurance Company Ltd CBS Insurance Company Limited Chesterbrook Insurance Limited Church University Insurance Company Clariant Reinsurance Ltd East Atlantic Casualty Co. Ltd E.M.A. Ltd FACET Insurance Limited Fairtide Insurance Ltd Forest Insurance Limited Four Star Insurance Company, Ltd General Security Insurance Company Ltd Generali Reassurance (Bermuda) Ltd Glendale Holdings Ltd Glendale Insurance Company, Ltd Greif Insurance Company Limited Grow Group Insurance Ltd Haverstraw Insurance Corp. Ltd Icelandic Power Insurance Ltd International Risk Management Group Ltd Kenwood Holdings Ltd Kenwood Insurance Company Ltd Klippan Insurance Ltd Lahey Clinic Insurance Company Limited Marias Falls Insurance Co. Limited Marigold Indemnity, Limited Marshall Insurance Group Ltd McAuley Insurance Company, Ltd MDI Insurance Company Ltd Mendocino Limited Morgan Stanley International Insurance Limited Mustang Re Limited New Sky, Ltd New Vision Insurance, Ltd Niagara Insurance Company NorthSouth Insurance Company Limited Oakwood Worldwide Insurance Company Limited Pancarelian Ltd Physicians Insurance Company Ltd Providence Insurance Company Ltd Remedy Insurance Group, Ltd RHS MedInsur, Ltd River City Insurance Limited

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Philip Andrew Barnes <i>continued</i>		Rosewood Indemnity Ltd Six Pines Insurance Limited Snap On SecureCorp Insurance Co. Ltd Suffolk Insurance Ltd Sunbelt Re Limited Taisei Reinsurance (Bermuda) Limited Tate & Lyle Management & Finance Limited The Chicago Standard Holding Company, Ltd The Chicago Standard Insurance Company Ltd The Equinox Indemnity Co. Ltd/(Berkil Insurance) Transrisk Limited Traverse Insurance Ltd TSC Reassurance (Bermuda) Ltd UIC Bermuda Ltd United Health Risk, Ltd Wasatch Insurance Limited Westport Insurances Ltd Wetterau Insurance Company Limited White Rock Insurance (Americas) Ltd White Rock Insurance (SAC) Ltd Whitney Bay Insurance (Bermuda) Ltd Wingfoot Insurance Company Limited Woburn Insurance Ltd WTC Insurance Corporation Ltd

- 6.2 None of the Directors has any unspent convictions in relation to indictable offences.
- 6.3 Save as set out in paragraph 6.10 below, none of the Directors have been the subject of any public criticism by any statutory or regulatory authority (including a recognised professional body).
- 6.4 None of the Directors has been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.
- 6.5 None of the Directors has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.
- 6.6 No asset of any Director has at any time been the subject of a receivership.
- 6.7 None of the Directors is or has been bankrupt nor been the subject of any form of individual voluntary arrangement.
- 6.8 None of the Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.9 There are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for any member of the Group.

6.10 **Kevin Paul McNamara**

In June 2010 Kevin Paul McNamara (and Ernst & Young) were reprimanded as a consequence of some of the complaints laid by the Executive Council of the Joint Disciplinary Scheme of the UK Accounting bodies being upheld. These complaints related to the audits of Equitable Life Assurance Society carried out between 1997 and 1999.

7. **DIRECTORS' SERVICE AGREEMENTS**

7.1 The services of the Directors will be provided to New R&Q under letters of appointment or service agreements, certain key terms of which are summarised out below.

7.2 **Executive Directors**

The following terms have been agreed by the executive Directors in relation to their service agreements with members of the R&Q Group, in each case to take effect from Admission:

7.2.1 a service agreement will be entered into between (1) New R&Q and (2) Kenneth Edward Randall under which Mr Randall will serve as Group Chairman and Chief Executive Officer. The agreement will be terminable by either party on 12 months' written notice, such notice not to expire before the second anniversary of Admission. Under the agreement, Mr Randall will receive a salary (subject to annual review) of US\$500,000 per annum and other benefits commensurate with his position, including permanent health insurance, life assurance and private medical insurance and certain other allowances in connection with relocation to Bermuda. Mr Randall will be entitled to participate in a bonus scheme. Any bonus payable to Mr Randall will be at the discretion of the Remuneration Committee. Mr Randall will be subject to non competition, non poaching and non solicitation restrictive covenants for a period of 12 months following termination of his employment;

7.2.2 a service agreement will be entered into between (1) R & Q Insurance Services Limited and (2) Alan Kevin Quilter under which Mr Quilter will serve as Deputy Group Chief Executive Officer. The agreement will be terminable by either party on 12 months' written notice, such notice not to expire before the second anniversary of Admission. Under the agreement, Mr Quilter will receive a salary (subject to annual review) of £250,000 per annum and other benefits commensurate with his position, including pension contributions equivalent to 15 per cent. of salary, permanent health insurance, life assurance and private medical insurance. Mr Quilter will be entitled to participate in a bonus scheme. Any bonus payable to Mr Quilter will be at the discretion of the Remuneration Committee. Mr Quilter will be subject to non competition, non poaching and non solicitation restrictive covenants for a period of 12 months following termination of his employment; and

7.2.3 a service agreement will be entered into between (1) New R&Q and (2) Thomas Alexander Booth under which Mr Booth will serve as Group Chief Financial Officer. The agreement will be terminable by either party on 12 months' written notice, such notice not to expire before the second anniversary of Admission. Mr Booth will receive a salary (subject to annual review) of US\$400,000 per annum and other benefits commensurate with his position, including pension contributions equivalent to 15 per cent. of salary, permanent health insurance, life assurance and private medical insurance and certain other allowances in connection with relocation to Bermuda. Under the service agreement, Mr Booth will, subject to certain conditions, his performance in relation to defined performance criteria, and at the sole discretion of the Remuneration Committee, be granted option awards over ordinary shares of the Company at an exercise price of 2p with a market value of up to £250,000 on 31 October 2013, 5 April 2014 and 5 April 2015. Mr Booth will be entitled to participate in a bonus scheme with any bonus payable to Mr Booth under such scheme

being at the sole discretion of the Remuneration Committee having regard to his performance against defined performance criteria. In addition, Mr Booth will be entitled to receive, on or around 15 October 2013, a bonus payment in relation to the performance of his duties in Bermuda following the R&Q Group's redomicile, subject to certain conditions and the attainment of certain objectives by the R&Q Group. Mr Booth will be subject to non competition, non poaching and non solicitation restrictive covenants for a period of 12 months following termination of his employment.

As Mr Booth holds options over Old R&Q Shares, the new service agreement will also contain additional arrangements to facilitate the receipt by Mr Booth of New R&Q Shares on the exercise of these options and any future awards following the Effective Date. The number of options over R&Q Shares held by Mr Booth at the date of this document are set out in paragraph 5.2 of this Part III, above.

7.3 Non-executive Directors

Paul McNamara, Michael Smith and Philip Barnes have each entered into a letter of appointment dated 14 May 2013 as a non-executive director of New R&Q on the following terms:

- 7.3.1 In the case of Paul McNamara, the appointment as non-executive Director can be terminated in accordance with the New R&Q Bye-laws or by either party upon 30 days notice, such notice to expire no earlier than 31 December 2013. The basic annual fee is £50,000;
- 7.3.2 In the case of Michael Smith, the appointment as non-executive Director can be terminated in accordance with the New R&Q Bye-laws or by either party upon 30 days notice, such notice to expire no earlier than 31 December 2013. The basic annual fee is £50,000; and Michael Smith is an independent non-executive director of Randall & Quilter Underwriting Management Holdings Limited at an annual fee of £100,000 for which there is no letter of appointment and which is terminable at any time; and
- 7.3.3 In the case of Philip Barnes, the appointment as non-executive Director is for an initial term of one year from 14 May 2013 and can be terminated in accordance with the New R&Q Bye-laws or by either party upon 30 days notice, such notice to expire at any time after 13 May 2014. The basic annual fee is US\$100,000.

The aggregate remuneration paid (including pension fund contributions and benefits in kind) to the Directors by members of the Old R&Q Group in respect of the year ended 31 December 2012 was £1.8 million and for the year ending 31 December 2013 by members of the New R&Q Group will be approximately £2 million. It is estimated that the aggregate remuneration (including pension fund contributions and benefits in kind but excluding bonuses payable to the Directors by members of the New R&Q Group in respect of the next financial year (under arrangements in force at the date of this document) is expected to be £2.1 million.

- 7.4 Save as disclosed in the Public Record, there are no service agreements in existence between any of the Directors and New R&Q which cannot be determined by New R&Q without payment of compensation (other than statutory compensation) within one year and no such agreements are proposed.
- 7.5 Save as disclosed in the Public Record, there are no service agreements with New R&Q or any member of the Group which provide for benefits upon termination of employment.
- 7.6 Save as disclosed in the Public Record, there is no contract or arrangement to which New R&Q is a party and in which any Director is materially interested and which is significant in relation to the business of New R&Q and no amount or benefit has been or is intended to be paid or given to any promoter of New R&Q.

- 7.7 The average number of the Group's permanent employees during each of the three financial periods immediately preceding the date of this document, the last of which ended on 31 December 2012, are as follows:

	<i>Number of Employees at the end of the financial period indicated</i>		
	<i>31 December 2012</i>	<i>31 December 2011</i>	<i>31 December 2010</i>
Group Execs & Support Services	64	67	61
Insurance Services	213	226	255
Insurance Investments	9	9	10
Underwriting	76	58	24
Total Numbers	<u>362</u>	<u>360</u>	<u>350</u>

8. SUBSTANTIAL SHAREHOLDERS

- 8.1 On Admission insofar as it is known to the Directors at the date of this document, the following persons will be interested in three per cent or more of the New R&Q Shares:

<i>Name</i>	<i>Number of New R&Q Shares</i>	<i>Percentage of New R&Q Shares</i>
Kenneth Edward Randall	17,537,518	24.71
Alan Kevin Quilter	4,046,456	5.70
Numis Nominees Limited	5,350,478	7.54
Phoenix Asset Management Partners Ltd	7,031,261	9.91
MAM Funds plc	4,062,227	5.72
JO Hambro	4,833,333	6.81
Hargreave Hale	2,395,833	3.38

- 8.2 Save as disclosed in paragraph 8.1 of this Part III, so far as New R&Q and the Directors are aware, no persons are, at the date of this Appendix, or will be, following Admission, directly or indirectly interested in three per cent. or more of the issued share capital of New R&Q.
- 8.3 Save as disclosed in paragraph 8.1, of this Part III, New R&Q and the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over New R&Q immediately following Admission.
- 8.4 Save as disclosed in the Public Record, New R&Q and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of New R&Q.
- 8.5 The persons, including the Directors, referred to in paragraph 8.1 of this Part III, do not have any voting rights in respect of the issued share capital of New R&Q (issued or to be issued) which differ from any other New R&Q Shareholder.

9. EXISTING INCENTIVE AWARD ARRANGEMENTS

As at the date of this document, 14 employees or former employees of the Group (“**Option Holders**”) hold options over an aggregate of 1,140,000 Old R&Q Shares (“**Share Options**”) pursuant to the Randall & Quilter Long Term Incentive Plan (“**Old R&Q Share Option Scheme**”) or pursuant to standalone option agreements entered into on terms substantially similar to the Old R&Q Share Option Scheme.

New R&Q has agreed with each Option Holder that if an Option Holder exercises their Share Options following the Effective Time, the Option Holder will be allotted and issued a number of New R&Q Shares equal to the number of Old R&Q Shares they would have been issued had they exercised their

Share Options before the Effective Time. New R&Q has confirmed to each Option Holder that following the Effective Time, the terms and conditions of the Old R&Q Share Option Scheme will continue to apply in respect of the Share Options, except that, as set out above, Option Holders will be allotted and issued New R&Q Shares rather than Old R&Q Shares.

In order to assist with the orderly implementation of the Scheme, each Option Holder has agreed with Old R&Q that they will not exercise their Share Options until the Effective Time.

After the Effective Time, New R&Q intends to adopt an employee incentivisation plan substantially on the same terms as the Old R&Q Share Option Scheme and the Group will continue to offer equity incentives and profit shares to key people in certain of the new underwriting ventures to help retain and attract the best industry talent.

10. MATERIAL CONTRACTS

The attention of Old R&Q Shareholders is drawn to the material contracts disclosed in paragraph 13.2 (a share sale and purchase agreement dated 30 June 2004 between Great American Insurance Company and Old R&Q for the purchase of the entire issued share capital of Transport Insurance Company) of Old R&Q's AIM Admission Document published in 2007 and available at <http://cdn.rqih.com/uploads/files/aim-admission.pdf> ("**2007 Admission Document**"). In addition, Old R&Q Shareholders should note the following material contracts:

10.1 NOMAD and broker agreement

New R&Q, the Directors and Numis have agreed the terms of an agreement pursuant to which Numis will act as nominated adviser and broker to New R&Q as required by the AIM Rules. Numis shall provide, amongst other things, advice and guidance to New R&Q and the directors of New R&Q as they may require from time to time as to the nature of their responsibilities and obligations to ensure compliance by New R&Q on a continuing basis with the AIM Rules for Companies. New R&Q has agreed to pay Numis a retainer fee as well as payment of any disbursements and expenses reasonably incurred by Numis in the course of carrying out its duties as nominated advisor and broker. The agreement will be terminable on one month's notice given by either Numis or New R&Q. The agreement will also contain provisions for early termination in certain circumstances and an indemnity given by New R&Q to Numis in relation to the provision by Numis of its services under the agreement.

10.2 Shore broker agreement

New R&Q and Shore Capital Stockbrokers Limited ("**Shore Capital**") intend to enter into a broker agreement pursuant to which New R&Q will appoint Shore Capital to act as joint broker to New R&Q for the purposes of the AIM Rules. New R&Q has agreed to pay Shore Capital an annual retainer fee of £25,000 (plus VAT if applicable) payable quarterly in advance for its services as joint broker under the agreement. The agreement will continue until terminated by either New R&Q or Shore Capital giving one month's written notice to the other (such notice not to expire prior to an initial one year period).

10.3 Placing Agreement

On 25 April 2013, Old R&Q, Numis and Shore Capital entered into a placing agreement (the "**Placing Agreement**") pursuant to which Numis and Shore Capital, as agents for Old R&Q, agreed conditionally to use their reasonable endeavours to procure placees for 20,833,333 Old R&Q Ordinary Shares at a price of £1.20 per Old R&Q Ordinary Share (the "**Placing**"). The Placing Agreement contains customary warranties from Old R&Q in favour of Numis and Shore Capital and an indemnity pursuant to which Old R&Q agreed to indemnify Numis and Shore Capital in relation to certain liabilities that they may incur in respect of the Placing.

In consideration for the services to be provided to Old R&Q by Numis and Shore Capital in connection with Admission and the Placing, Old R&Q agreed to pay Numis and Shore Capital

certain fees and commissions and certain other costs and expenses incidental to Admission and/or the Placing.

10.4 Registrars' agreement

Prior to Admission, New R&Q intends to enter into an agreement with the Registrars pursuant to which the Registrars will provide registry services for New R&Q. The terms agreed include a general indemnity in relation to losses suffered by either party as a result of breach of the agreement, fraud, wilful default or negligence. The agreement will be terminable on six months' notice on either side following expiry of the initial three year fixed term. Either party will be able to terminate the agreement on notice to the other in the event of the other party's persistent material breach or insolvency. If the agreement is terminated by New R&Q otherwise than as a result of the Registrars' fraud, negligence, wilful default or material breach, New R&Q will be responsible for the Registrars' reasonable costs in transferring the register to a new registrar.

10.5 Depositary Agreement

Prior to Admission, New R&Q intends to enter into a depositary services and custody services agreement with the DI Depositary ("**Depositary Agreement**"). The Depositary Agreement relates to the DI Depositary's appointment as DI Depositary and Custodian in relation to the New R&Q Shares, including the issue and cancellation of depositary interests and maintaining the Depositary Interests register. The Depositary Agreement will be terminable on not less than six months' notice following expiry of an initial one year fixed term. On termination, the parties will phase out the DI Depositary's operations in an efficient manner without adverse effect on members and the DI Depositary will deliver to New R&Q (or as it may direct) all documents and other records relating to the Depositary Interests which are in its possession and which are the property of New R&Q.

10.6 Depositary Deed

Prior to Admission, New R&Q intends to enter into a deed poll with the DI Depositary ("**Deed Poll**"). The Randall & Quilter Investment Holding Depositary Interests ("**Depositary Interests**") will be created pursuant to and issued on the terms of the Deed Poll. The Deed Poll will be executed by the DI Depositary, in favour of the holders of the Depositary Interests from time to time. Prospective holders of Depositary Interests should note that they will have no rights against Euroclear or its subsidiaries in respect of the underlying New R&Q Shares or the Depositary Interests representing them.

Randall & Quilter Investment Holdings Limited Securities will be transferred to an account of the DI Depositary or its nominated custodian ("**Custodian**") and the DI Depositary will issue Depositary Interests to participating members.

The DI Depositary will pass on to holders of Depositary Interests any stock or cash benefits received by it as holder of New R&Q Shares on trust for such Depositary Interest holder. Depositary Interest holders will also be able to receive from the DI Depositary notices of meetings of holders of New R&Q Shares and other information to make choices and elections issued by New R&Q to New R&Q Shareholders.

In summary, the Deed Poll will contain, amongst other things, provisions to the following effect:

- the DI Depositary will hold (itself or through the Custodian), as bare trustee, the underlying securities issued by New R&Q and all and any rights and other securities, property and cash attributable to the underlying securities for the time being held by the DI Depositary or Custodian pertaining to the Depositary Interests for the benefit of the holders of the Depositary Interests. The DI Depositary will re-allocate securities or distributions allocated to it or the Custodian pro rata to the New R&Q Shares held for

the respective accounts of the holders of Depositary Interests but will not be required to account for fractional entitlements arising from such re-allocation;

- holders of Depositary Interests will warrant, amongst other things, that the securities in New R&Q transferred or issued to the DI Depositary or Custodian for the account of the Depositary Interest holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of New R&Q's articles of association or any contractual obligation, or applicable law or regulation binding or affecting such holder;
- the DI Depositary and any Custodian must pass on to Depositary Interest holders, or exercise on their behalf, all rights and entitlements received by the DI Depositary or the Custodian in respect of the underlying securities. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form which they are received, together with amendments and additional documentation necessary to effect such passing-on, or exercised in accordance with the Deed Poll. If arrangements are made which allow a holder to take up rights in New R&Q's securities requiring further payment, the holder must put the DI Depositary or its appointed agent in cleared funds before the relevant payment date or other date notified by the DI Depositary if it wishes the DI Depositary to exercise such rights;
- the DI Depositary will be entitled to cancel Depositary Interests and treat the holders as having requested a withdrawal of the underlying securities in certain circumstances including where a Depositary Interest holder fails to furnish to the DI Depositary such certificates or representations as to material matters of fact, including his identity, as the DI Depositary deems appropriate;
- the Deed Poll will contain provisions excluding and limiting the DI Depositary's liability to a maximum of £5 million. For example, the Depositary will not be liable to any Depositary Interest holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the DI Depositary will not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent;
- the DI Depositary will be entitled to charge holders of Depositary Interests such fees and expenses for the provision of its services under the Deed Poll as are notified to the holders of Depositary Interests from time to time;
- the holders of Depositary Interests will be required to agree and acknowledge with the DI Depositary that it is their responsibility to ensure that any transfer of Depositary Interests by them which is identified by the CREST system as exempt from stamp duty reserve tax is so exempt, and to notify the DI Depositary if this is not the case, and to pay to Euroclear any interest, charges or penalties arising from non-payment of stamp duty reserve tax in respect of such transaction;
- the DI Depositary will be entitled to make deductions from any income or capital arising from the underlying securities, or to sell such underlying securities and make deductions from the sale proceeds therefrom, in order to discharge the indemnification obligations of Depositary Interest holders;
- the DI Depositary will be able to terminate the Deed Poll by giving 30 days' notice. During such notice period holders may cancel their Depositary Interests and withdraw

their deposited property and, if any Depositary Interests remain outstanding after termination, the DI Depositary must, among other things, deliver the deposited property in respect of the Depositary Interests to the relevant Depositary Interest holders or, at its discretion, sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the DI Depositary, together with any other cash held by it under the Deed Poll pro rata to holders of Depositary Interests in respect of their Depositary Interests; and

- the DI Depositary or the Custodian will be able to require from any holder information as to the capacity in which Depositary Interests are or were owned and the identity of any other person with or previously having any interest in such Depositary Interests and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of Depositary Interests and such information as is required for the transfer of the relevant New R&Q Shares to the holders. Holders agree to provide such information requested and consent to the disclosure of such information by the DI Depositary or Custodian to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that New R&Q's articles of association require disclosure to New R&Q of, or limitations in relation to, beneficial or other ownership of New R&Q's securities, the holders of Depositary Interests are to comply with New R&Q's instructions with respect thereto.

It should also be noted that holders of Depositary Interests may not have the opportunity to exercise all of the rights and entitlements available to holders of the New R&Q Shares including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of Depositary Interests to give prompt instructions to the DI Depositary to vote the underlying shares on their behalf.

10.7 **Lloyd's Syndicate on demand guarantees and loan agreement**

£600,000 guarantee

In December 2012, R&Q Reinsurance Company (UK) Limited ("**R&Q Re UK**") entered into an on demand guarantee in favour of the Society of Lloyd's in relation to the solvency requirements of R&Q Managing Agency Limited ("**RQMA**") in standard form for £600,000. On the occurrence of a solvency event of RQMA (such as its winding up or insolvency), R&Q Re UK is to pay to Lloyd's an amount or amounts not exceeding in aggregate £600,000. Such amounts are to be held by Lloyd's on trust for R&Q Re UK subject to the meeting of payments to any liquidator or administrator of RQMA, any receiver of the assets of RQMA or any person appointed as a substitute agent by the Franchise Board. These payments will be made as thought necessary by the Franchise Board.

This on demand guarantee is effective from 21 December 2012 and is terminable upon one year's notice by R&Q Re UK upon Lloyd's.

£375,000 guarantee

In April 2004, RQIH entered into a deed to provide an interest-free subordinated loan of £375,000 to Cavell Managing Agency Limited (now known as R&Q Managing Agency Limited) in order to enable RQMA to maintain its registration as an underwriting agent. The loan is repayable only upon full payment or satisfaction of all creditors of RQMA and with the consent of Lloyd's.

10.8 **The Syndicate 1991 2013 Borrower Group – agreement in respect of a credit facility**

In December 2012, the member of Lloyd's syndicate 3330 (as constituted for the 2012 year of account) ("**Lender**"), acting on the direction of RQMA, the managing agent of Lloyd's Syndicate

3330, made available to the members of Lloyd's syndicate 1991 (as constituted for the 2013 year) a sterling loan facility for £6,000,000, reducing to £3,000,000 from 30 April 2013.

The facility was made available to be utilised for the general purposes of the insurance business of the members of Syndicate 1991 ("**Borrower Group**") underwritten through RQMA as managing agent as members of Lloyd's syndicate 1991 as constituted for the 2013 year of account.

The Lender charged the Borrower Group a fee of 0.75 per cent. of the maximum amount of the Facility together with interest at UK LIBOR (12 months) plus 2 per cent. calculated daily.

The facility was extended on 3 May 2013 and an additional fee equal to 0.25 per cent. of the maximum amount of the facility was agreed to be paid by the Borrower Group in consideration for the facility's extension. Simultaneously with the extension, the deemed reduction of the facility on 30 April 2013 to £3,000,000 was disapplied.

As amended, each loan advanced under the facility is to be repaid in full on 31 December 2013 (or as may otherwise be agreed).

10.9 **Syndicate 1208 – buy back agreements**

Contemporaneous with the RITC Syndicate 1208, 2007 year of account, into Syndicate 3330, 2012 year of account managed by RQMA, Henry Colthurst ("**HC**") bought shares in R&Q Capital No. 1 Limited, for full value, representing 9.99 per cent. of R&Q Capital No.1 Limited's issued share capital. In May 2012, RQIH entered into four call option agreements with HC to buy back these shares in two tranches in accordance with a pre-agreed pricing formulae. The first tranche of the buyback is exercisable in respect of A Shares during the option period 14 June 2013 – 29 May 2015 and in respect of the B Shares during the option period 15 June 2015 – 31 July 2015. The second tranche of the buyback is exercisable in respect of both the A Shares and the B Shares during the option period 1 October 2015 to 30 October 2015. The current estimated cost to RQIH is in the region of £5.07 million.

In May 2012, Randall & Quilter Underwriting Management Holdings Limited ("**RQUM**") entered into a put option agreement with HC pursuant to which HC has the right to require RQUM to pay to HC 45 per cent. of the profit in relation to the contract of reinsurance to close by the Syndicate of the 2007 underwriting year of Lloyd's syndicate 1208 for the three consecutive accounting periods ending 31 December 2014, less any sums received by HC (as dividend or sale proceeds) in relation to the A Shares or B Shares following exercise of the call option referred to above. The amount payable will be calculated either as at the exercise date of the call option for the first tranche of B Shares (as referred to above) or, if the first B Shares call option has not been exercised, as at the exercise date of the put option.

10.10 **Excess Surplus Maintenance Reinsurance Agreement and Contingent Capital Contribution**

As a condition of the 2006 acquisition of R&Q Reinsurance Company ("**R&QRe US**") from the ACE group, ACE American Insurance Company ("**ACE Company**") underwrote a 70 per cent. share of a \$50 million surplus maintenance reinsurance agreement ("**SMRA**") which responds to the event that the net assets of R&QRe US fall below \$25 million. Pursuant to a settlement agreed between ACE entities and R&Q entities in January 2013 the ACE Company has entered into an excess surplus maintenance reinsurance agreement ("**ESMRA**") with R&QRe US, under which the ACE Company has underwritten a 70 per cent. share of a further \$10 million layer of reinsurance. The ACE Company's maximum aggregate liability under ESMRA is \$7 million.

In consideration for, and as a condition precedent to, the ACE Company's obligations under the ESMRA, Randall & Quilter Investment Holdings Plc ("**RQIH**") is required to arrange for up to \$5 million additional capital to be contributed to R&QRe US. The amount of capital to be

contributed will be calculated on terms which are equivalent to the ACE Company's indemnification obligation under the SMRA (except that RQIH's participation will be 30 per cent. rather than 70 per cent.). Current actuarial projections for R&QRe US indicate that ultimate losses will not trigger a claim on the ESMRA and any paid claim under the SMRA will not occur for many years.

Under ESMRA, R&QRe US must obtain the Ace Company's prior consent to the commutation of any inuring reinsurance program where the remaining unpaid limit of the program exceeds \$5 million. The Ace Company's consent is also required for any amendment to inuring reinsurance programs where the Ace Company would be put in a worse economic position.

10.11 ACE INA international Holdings, Ltd.

As at paragraph 13.3 of the 2007 Admission Document, Old R&Q entered into a share sale and purchase agreement on 5 January 2005 with ACE INA international Holdings, Ltd. ("**Ace**") and Century Indemnity Company ("**Century**") and Old R&Q for the purchase of the entire issued share capitals of R&Q Reinsurance Company (UK) Limited ("**R&Q Re UK**"), R&Q Reinsurance Company (Belgium) ("**R&Q Belgium**") and R&Q Reinsurance Company ("**R&Q Re US**") (together the "**R&Q Re Companies**") for a total consideration of \$3.00 in cash, plus the issue of the Preference A Share and the Preference B Share ("**2006 SPA**").

The parties settled a number of disputes that arose between certain ACE entities and certain Old R&Q entities in relation to alleged breaches of the 2006 SPA pursuant to the terms of the settlement agreement referred to in paragraph 10.10 above.

10.12 Clydesdale Facility Agreement

A facility agreement entered into on 11 October 2011 between (1) Randall & Quilter Captive Holdings Limited (2) Randall & Quilter IS Holdings Limited (together the "Borrowers") (3) Randall & Quilter Investment Holdings plc (4) Randall & Quilter Investment Holdings plc, Randall & Quilter Captive Holdings Limited, Randall & Quilter IS Holdings Limited, KMS Insurance Management Limited, R&Q Insurance Services Limited, R&Q Broking Services Limited, R&Q Consultants Limited, Reinsurance Solutions Limited and R&Q Quest Management Services Limited (together the "Guarantors") and (5) Clydesdale Bank PLC was used to refinance an existing facility with RBS of up to £12,291,000 and \$12,413,000 and to provide Old R&Q with access to an additional £10,000,000 which could be used to finance acquisitions. At 15 May 2013 (being the latest practicable date prior to publication of this document) amounts in the region of £11.7 million and \$10.5 million were drawn down and outstanding under the facility. The facility may, subject to certain conditions, continue to be drawn down until 11 October 2015. Any re-drawing of the facility will be subject to any covenant support required by Clydesdale Bank PLC in respect of the Borrowers.

The obligations of the Borrowers under the Facility Agreement are guaranteed by the Guarantors and R&Q Solutions LLC (which acceded to the Facility Agreement at a later date) and are secured by each Guarantor (except in the case of Randall & Quilter Investments Holdings plc) and R&Q Solutions LLC by the grant of fixed and floating charges over assets and also by Randall & Quilter Investment Holdings plc by a pledge of shares of Randall & Quilter America Holdings Inc., by Randall & Quilter America Holdings Inc by a pledge of shares of R&Q Services Holding Inc., by R&Q Services holding Inc. by a pledge of shares of R&Q Solutions LLC, by Randall & Quilter Captive Holdings Limited by the grant of a share charge over the shares of Randall & Quilter Bermuda Holdings Limited and by Randall & Quilter Bermuda Holdings Limited by the grant of a third party share charge over the shares of R&Q Quest Management Services Limited.

10.13 Clydesdale Overdraft Facility

An overdraft facility for a £2,000,000 overdraft was made available in 2011 by Clydesdale Bank Plc to Randall & Quilter IS Holdings Limited. No monies were ever drawn under this facility and the facility has since been cancelled.

10.14 Clydesdale Subordination Deed

A subordination deed dated 11 October 2011 between (1) certain members of the R&Q Group (as intra-group debtors) (2) Clydesdale bank PLC and (3) certain members of the Group (as subordinated creditors) relating to unsecured intra-group loans under which the subordinated creditors agreed that payments due to them from the intra-group debtors could be suspended in certain circumstances by the giving of notice by Clydesdale Bank PLC.

11. SETTLEMENT, UK REGISTERED SHAREHOLDERS AND CREST

R&Q Shareholders will be able to hold their New R&Q Shares either in certificated form or in uncertificated form, as detailed below.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. Euroclear is unable to take responsibility for the electronic settlement of shares issued by non-UK companies, such as New R&Q. This means that the New R&Q Shares may not themselves be admitted to CREST. However, to enable investors to settle its international securities under the CREST system, New R&Q has arranged for the DI Depository to issue Depository Interests in respect of the underlying New R&Q Shares. With effect from the Effective Time, CREST members will be able to hold and transfer interests in New R&Q Shares within CREST, pursuant to these Depository Interest arrangements. The New R&Q Shares will not themselves be admitted to CREST, rather the DI Depository will issue Depository Interests in respect of the underlying New R&Q Shares. In relation to those Scheme Shareholders who wish to hold and transfer interests in New R&Q Shares through CREST, New R&Q's register of members will show the DI Depository Nominee as the legal holder of the relevant New R&Q Shares who will hold those shares as nominee for the DI Depository which in turn will hold its interest in the New R&Q Shares on bare trust for the relevant holders. This means that the beneficial interest in the New R&Q Shares will remain with the holder of the Depository Interests representing the underlying New R&Q Shares, who will receive all the rights attaching to the New R&Q Shares as it would have done if such holder of Depository Interests had been on New R&Q's register of members itself. Depository Interests will be created and issued pursuant to a deed poll executed by the DI Depository under English law. These Depository Interests may be held and transferred within the CREST system. Depository Interests will have the same security code (ISIN) as the underlying New R&Q Shares and will not require a separate admission to trading in AIM. If you hold your Old R&Q Shares in uncertificated form as at the Scheme Record Time, your CREST account will automatically be credited with equivalent Depository Interests at or about the Effective Time.

A holder of Depository Interests wishing to withdraw the underlying New R&Q Shares to hold them in certificated form may do so at any time using standard CREST messages.

If a New R&Q Shareholder holds their Old R&Q Shares in certificated form and they wish to hold their New R&Q Shares in uncertificated form in CREST, they will need to contact their broker to obtain a CREST Transfer Form. This should be completed and executed by the R&Q Shareholder and returned to their broker as soon as possible and in any event in good time in order to allow the shares to be dematerialised in accordance with Euroclear's procedures. In any event, dematerialisation must be completed before the Scheme Record Time.

For further information about Depository Interests or if you have any queries in relation to CREST Transfer Forms, please consult your broker or other professional adviser.

12. MARKETING AND TRADING OF NEW R&Q SHARES

New R&Q will apply for all New R&Q Shares to be admitted to trading on AIM.

As New R&Q is incorporated in Bermuda, the Takeover Code will not apply to New R&Q. As such, on Admission, any offer made for the share capital of New R&Q will not need to be made in accordance with the provisions of the Takeover Code.

13. TAXATION

13.1 Introduction

The following paragraphs, which are intended as a general guide only and not a substitute for detailed tax advice, are based on current legislation and on what is understood to be current HM Revenue & Customs (“HMRC”) practice. They summarise certain limited aspects of the UK taxation consequences of the Scheme and the holding and disposing of New R&Q Shares. Except where express reference is made to the position of non-UK residents, these paragraphs apply only to Old R&Q Shareholders who are resident in the UK for tax purposes. They relate only to such Old R&Q Shareholders who hold their Old R&Q Shares and who will hold their New R&Q Shares directly as an investment (other than under individual savings accounts, “ISAs”) and who are absolute beneficial owners of those Old R&Q Shares or New R&Q Shares. Unless they expressly provide to the contrary, these paragraphs do not deal with certain types of shareholders, such as persons who hold or who have acquired Old R&Q Shares or New R&Q Shares (or options or rights in respect thereof) in the course of trade or by reason of their, or another’s, employment, collective investment schemes, insurance companies, or persons who are resident in a jurisdiction other than the UK.

Any holder of Old R&Q Shares or New R&Q Shares, who is in any doubt as to their taxation position or who is resident or otherwise subject to taxation in any jurisdiction other than the UK, should consult an appropriate professional adviser immediately.

13.2 Distributions received from New R&Q

No tax will be withheld by New R&Q when it pays a dividend.

A UK resident individual shareholder who receives a dividend from the New R&Q will be entitled to a tax credit, currently at the rate of 1/9th of the cash dividend paid (or 10 per cent. of the aggregate of the net dividend and related tax credit). The individual is treated as receiving for tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual’s tax liability on that gross income.

An individual shareholder who is not liable to income tax at a rate greater than the basic rate (currently 20 per cent.) will have no income tax to pay in respect of the dividend.

The higher rate of income tax on dividends is currently 32.5 per cent. for individuals paying income tax at 40 per cent. and 37.5 per cent. for individuals paying income tax at 45 per cent. This means that an individual shareholder who is taxed on the dividend in the 40 per cent. bracket will have further income tax to pay at a rate of 22.5 per cent. of the cash dividend paid plus the related tax credit (or 25 per cent. of the net dividend). An individual shareholder in the 45 per cent. bracket will have further income tax to pay at a rate of 27.5 per cent. of the cash dividend paid plus the related tax credit (or approximately 30.56 per cent. of the net dividend).

UK resident shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from HMRC.

A UK resident corporate shareholder will not generally be liable to corporation tax on any dividend received from New R&Q. Any distribution treated as a capital receipt by a Shareholder who is subject to corporation tax would be subject to corporation tax on chargeable gains at their marginal rate (the current main rate of corporate tax effective from 1 April 2013 being 23 per cent.).

Whether a shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by New R&Q and to claim payment of any part of the tax credit will depend, in general, on the provisions of any double taxation convention which exists between the shareholder's country of residence and the UK. A non-UK resident shareholder may also be subject to foreign taxation on dividend income.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed in the jurisdiction in which they are resident.

13.3 Inheritance tax

If any R&Q Shareholder is regarded as domiciled in the UK for inheritance tax purposes, UK inheritance tax may be payable in respect of the Old R&Q Shares or New R&Q Shares on the death of the Shareholder or on any gift of the shares, subject to available exemptions and reliefs. Shares traded on AIM are treated as unquoted for Business Property Relief ("BPR") purposes and consequently the Old R&Q Shares and New R&Q Shares may qualify for 100 per cent. BPR. BPR is available if the shares were held for two years or more before the inheritance tax event, provided the other criteria for qualification are also satisfied.

The UK inheritance tax position of a R&Q Shareholder receiving New R&Q Shares under the Scheme should not be affected by the Scheme. The availability of BPR for New R&Q Shares after the Scheme has been effected should follow the R&Q Shareholder's current position for Old R&Q Shares.

13.4 Future returns of value

In prior years, and to reflect the source of profits being generated by the Group, the Board has opted to make returns of cash (by means of a Return of Value) to Old R&Q Shareholders through the issue of various classes of shares. Broadly, under a Return of Value a Shareholder would have a choice of whether to accept a share providing them with a special dividend, or alternatively a share which would provide them with an equivalent capital distribution.

From time to time the Board may consider a future Return of Value to shareholders. The implementation of the Scheme as set out in this document should not alter the tax analysis for UK tax resident individuals and their ability to be offered a choice of share providing them with a proposed special dividend or equivalent capital distribution under a potential Return of Value in the future.

Shareholders should nevertheless take their own tax advice at that time.

13.5 Disposal of New R&Q Shares

A subsequent disposal of New R&Q Shares by a New R&Q Shareholder who is an individual resident in the UK may, depending on their circumstances, including the availability of any exemptions, reliefs and/or allowable losses, give rise to a chargeable gain or allowable loss for the purposes of UK taxation on chargeable gains. Any gain accruing to a corporate New R&Q Shareholder from a disposal of New R&Q Shares (other than corporates exempt from UK taxation on chargeable gains) will be included in such shareholder's profits chargeable to corporation tax and taxed at the appropriate rate.

Any gain accruing to an individual New R&Q Shareholder will be taxed at the appropriate rate of capital gains tax. The principal factors which will determine the amount of capital gains tax payable by an individual are the level of the annual allowance of tax-free capital gains in the tax year in which the disposal takes place, the extent to which the New R&Q Shareholder realises any other capital gains in that year and the extent to which the New R&Q Shareholder has incurred capital losses in that or any earlier tax year.

A subsequent disposal of New R&Q Shares by a New R&Q Shareholder who is an individual not resident in the UK for tax purposes but who carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment and has used, held or acquired the New R&Q Shares for the purposes of such trade, profession or vocation or such branch, agency or permanent establishment may, depending on individual circumstances, give rise to a chargeable gain or allowable loss for the purposes of UK taxation on chargeable gains. An individual New R&Q Shareholder who ceases to be resident (for tax purposes) in the UK, or falls to be regarded as resident in a territory outside the UK for the purposes of double taxation relief arrangements for a temporary period (a period of several tax years may be regarded as “temporary”) and who disposes of the shares during that period may be liable on that shareholder’s return to the UK to tax on any chargeable gain realised on the disposal (subject to any available exemption or relief).

On the basis that a New R&Q Shareholder was able to “roll over” any chargeable gain or allowable loss which would otherwise have arisen on the disposal of such holder’s Old R&Q Shares on implementation of the Scheme (as set out above in the section entitled “UK taxation consequences of the Scheme”), any chargeable gain or allowable loss on the disposal of New R&Q Shares should be calculated taking into account the original date of acquisition and allowable original cost to the Old R&Q Shareholder of acquiring the Old R&Q Shares from which the New R&Q Shares are derived.

In general, any chargeable gain or allowable loss on a disposal of New R&Q Shares will be calculated by reference to the consideration received for the disposal of the New R&Q Shares less the allowable cost to the shareholder of acquiring such New R&Q Shares. It should be noted that the amount of any capital gain will be calculated using the pounds sterling values of acquisition cost and disposal proceeds, such that foreign currency movements could affect the amount of any gain.

For corporate shareholders only, indexation allowance on the relevant proportion of the original allowable cost should be taken into account for the purposes of calculating a chargeable gain (but not an allowable loss) arising on a disposal or part disposal of New R&Q Shares.

13.6 UK stamp duty and SDRT on transfers of New R&Q Shares

The statements in this paragraph summarise the current position on UK stamp duty and SDRT and are intended as a general guide only. They assume that the New R&Q Shares will not be registered in a register kept in the UK by or on behalf of New R&Q. New R&Q has confirmed that it does not intend to keep such a register in the UK.

Stamp duty should generally not need to be paid on an instrument executed outside the United Kingdom transferring New R&Q Shares.

No SDRT will generally be payable in respect of any agreement to transfer New R&Q Shares.

13.7 Changes in tax treatment

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by New R&Q or its shareholders in respect of its shares. New R&Q has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any

legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31 March 2035, be applicable to New R&Q or to any of New R&Q's operations or to its shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by New R&Q in respect of real property owned or leased by New R&Q in Bermuda.

14. THE GROUP

On the Scheme becoming effective, New R&Q will hold 100 per cent. of the issued share capital of Old R&Q and will be the parent company of the Group. As the parent company of the Group, New R&Q will have the interests set out below in the following principal subsidiaries (as formerly held by Old R&Q).

<i>Principal activity and name of subsidiaries</i>	<i>Country of incorporation/ registration</i>	<i>Percentage of ordinary shares held by</i>		<i>Overall effective percentage of capital held by New R&Q</i>
		<i>New R&Q</i>	<i>New R&Q subsidiary undertakings</i>	
Insurance Investments Division				
Randall & Quilter II Holdings Limited	England	100	-	100
Chevanstell Ltd	England	-	100	100
Goldstreet Insurance Company	USA	-	100	100
La Metropole Compagnie Belge d'Assurance SA	Belgium	-	100	100
R&Q Insurance (Guernsey) Ltd	Guernsey	-	100	100
R&Q Reinsurance Company	USA	-	100	100
R&Q Reinsurance Company (Belgium)	Belgium	-	100	100
R&Q Reinsurance Company (UK) Ltd	England	-	100	100
Transport Insurance Company	USA	-	100	100
R&Q Liquidity Management Ltd	England	-	100	100
R&Q Capital No 1 Ltd	England	-	90.01	90.01
R&Q Capital No 2 Ltd	England	-	100	100
La Licorne Compagnie de Reassurances SA	France	-	100	100
R&Q Re (Bermuda) Ltd	Bermuda	-	100	100
Chevanstell Management Ltd	England	-	100	100
Principle Insurance Company Limited	England	100	-	100
Capstan Insurance Company Limited	Guernsey	-	100	100
Alma Vakuutus OY	Finland	-	100	100
Insurance Services Division				
Randall & Quilter IS Holdings Limited	England	100	-	100
R&Q Insurance Services Ltd	England	-	100	100
R&Q KMS Management Ltd	England	-	100	100
R&Q Audit & Inspection Ltd	England	-	100	100
R&Q Archive Services Limited	England	-	100	100
R&Q Broker Services Ltd	England	-	100	100
JMD Specialist Insurance Services Group Ltd	England	-	100	100
JMD Specialist Insurance Services Ltd	England	-	100	100
R&Q CG Limited	England	-	100	100
Callidus Secretaries Ltd	England	-	100	100
Callidus Solutions Ltd	England	-	100	100
R&Q Consultants Ltd	England	-	100	100
ReQuiem Ltd	England	-	100	100
Reinsurance Solutions Ltd	England	-	100	100
Randall & Quilter America Holdings Inc	USA	100	-	100
R&Q Services Holding Inc	USA	-	100	100
ReQuiem America Inc	USA	-	100	100
Syndicated Services Company Inc	USA	-	100	100

<i>Principal activity and name of subsidiaries</i>	<i>Country of incorporation/ registration</i>	<i>Percentage of ordinary shares held by</i>		<i>Overall effective percentage of capital held by</i>
		<i>New R&Q</i>	<i>New R&Q subsidiary undertakings</i>	<i>New R&Q</i>
Insurance Services Division continued				
John Heath & Company Inc	USA	-	100	100
Excess and Treaty Management Corp	USA	-	100	100
R&Q Solutions LLC	USA	-	100	100
RSI Solutions International Inc	USA	-	100	100
R&Q Quest Management Services USA LLC	USA	-	100	100
Randall & Quilter Canada Holdings Ltd	Canada	100	-	100
A. M. Associates Insurance Services Ltd	Canada	-	100	100
Randall & Quilter Captive Holdings Limited	England	100	-	100
Randall & Quilter Bermuda Holdings Ltd	Bermuda	-	100	100
R&Q Quest Management Services Ltd	Bermuda	-	100	100
R&Q Quest (SAC) Ltd	Bermuda	-	100	100
R&Q Intermediaries (Bermuda) Ltd	Bermuda	-	100	100
Randall & Quilter Nordic Holdings APS	Denmark	-	100	100
Triton Insurance Management AS	Denmark	-	100	100
R&Q Triton AS	Norway	-	100	100
R&Q Triton Claims AS	Norway	-	100	100
R&Q Caledonian Insurance Management Services Ltd	Gibraltar	-	100	100
Caledonian Insurance Brokers Ltd	Gibraltar	-	75	75
R&Q Quest Insurance Management (IOM) Ltd	Isle of Man	-	100	100
R&Q Jersey PCC	Jersey	-	100	100
R&Q Quest PCC LLC	USA	-	100	100
R&Q Quest Management Services (Cayman) Ltd	Cayman Islands	-	100	100
Underwriting Management				
Randall & Quilter Underwriting Management Holdings Limited	England	100	-	100
R&Q Managing Agency Ltd	England	-	100	100
R&Q MGA Ltd	England	-	100	100
R&Q Risk Services Canada Limited	Canada	-	100	100
R&Q Commercial Risk Services Limited	England	-	100	100
R&Q Just Underwriting Group Limited	England	-	100	100
Altus Management Partners LLP	England	-	100	100
R&Q Marine Services Limited	England	-	75	75
KMS Insurance Services Ltd	England	-	100	100
KMS Employment Ltd	England	-	100	100
Synergy Insurance Services (UK) Ltd	England	-	100	100
Others				
R&Q (EC3) Ltd	England	100	-	100
R&Q Secretaries Ltd	England	100	-	100
Ken Randall Associates Ltd	England	100	-	100
R&Q No. 1 Ltd	England	100	-	100
Malling Investments Ltd	England	-	100	100
R&Q Oast Ltd	England	100	-	100
R&Q Ludgate No. 1 Ltd	England	100	-	100

15. CORPORATE GOVERNANCE

The Board of New R&Q is responsible for the overall corporate governance of New R&Q and is committed to the principles underpinning best practice in corporate governance, applied in a manner that meets AIM standards and best addresses the Board's accountability to New R&Q Shareholders.

Bermuda has no detailed corporate governance regime applicable to New R&Q, however, the Directors of New R&Q are subject to common law fiduciary obligations and similar statutory duties (including a duty to exercise certain care, diligence and skill) imposed on them pursuant to Bermuda Companies Law.

16. LITIGATION

Save as disclosed below, no member of the Group (including New R&Q) is or has been engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which New R&Q is aware) during the period covering at least the 12 months preceding the date of this document which may have, or have had in the recent past significant effects on New R&Q and/or the Group's financial position or profitability:

16.1 General

The nature of the Group's business and the industry in which it operates means that the Group is routinely and constantly involved in a number of litigation proceedings (including arbitrations). The directors consider these proceedings to be part of the ordinary course of business of the Group and are satisfied that the Group's accounts make appropriate provision for this litigation. In their management of the Group and their assessment of the financial affairs of the Group, the directors have taken into account the large volume of litigation and the fact that the Group will be successful in certain matters and unsuccessful in others.

16.2 ACE INA International Holdings Limited

In the first half of 2012 RQIH and R&Q Re US commenced litigation against various companies within the ACE group concerning disputes relating back to the acquisition of R&Q Re US by the group in 2006. This dispute was resolved in January 2013 by way of a comprehensive settlement agreement on terms which had no material financial impact on group companies but which removed a material source of uncertainty for the group.

17. GENERAL

17.1 The costs, charges and expenses payable by New R&Q in connection with or incidental to the Scheme and Admission, including registration and stock exchange fees, legal and accounting fees and expenses are estimated to amount to £655,000, excluding VAT.

17.2 Save as disclosed in this Appendix, or as otherwise disclosed in the Public Record, no person (other than the Group's professional advisers otherwise disclosed in this Appendix, and trade suppliers) has received, directly or indirectly, from the Group within the twelve months preceding the date of this Appendix, or entered into contractual arrangements (not otherwise disclosed in this Appendix or the Public Record) to receive, directly or indirectly, from the Group on or after Admission, any of the following:

- (a) fees totalling £10,000 or more;
- (b) securities in the Group with a value of £10,000 or more;
- (c) any other benefit with a value of £10,000 or more at the date of this Appendix.

17.3 Save as disclosed in this Appendix or as otherwise disclosed in the Public Record, there has been no significant change in the Group's financial or trading position since the end of the financial period ended 31 December 2012.

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- 17.4 Save as disclosed in the Public Record, the Directors are unaware of any exceptional factors which have influenced the Group's activities.
- 17.5 Save as disclosed in the Public Record, the Group is not dependent on patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to New R&Q's business.
- 17.6 Save as disclosed in the Public Record, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Group.
- 17.7 No paying agent has been appointed by New R&Q.
- 17.8 No Director nor any member of his immediate family nor any person connected with him (within the meaning set out in the New R&Q Bye-laws) has a Related Financial Product (as defined in the AIM Rules) referenced to New R&Q Shares.
- 17.9 Save as disclosed in this Appendix or the Public Record, the Directors are unaware of any trends, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for the current financial year.
- 17.10 Save as disclosed in the Public Record, the Directors are not aware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 17.11 Numis has given and has not withdrawn its written consent to the inclusion of its name in this document in the context in which it appears.

18. RELATED PARTY TRANSACTIONS

- 18.1 Details of related party transactions entered into by the Group up to and including 31 December 2012 are disclosed in the Public Record, primarily in Old R&Q's published annual reports for each relevant period.
- 18.2 Save for the agreements and arrangements entered into between New R&Q and Old R&Q and disclosed in this document, New R&Q has not entered into any related party transactions since incorporation.

Dated: 17 May 2013

