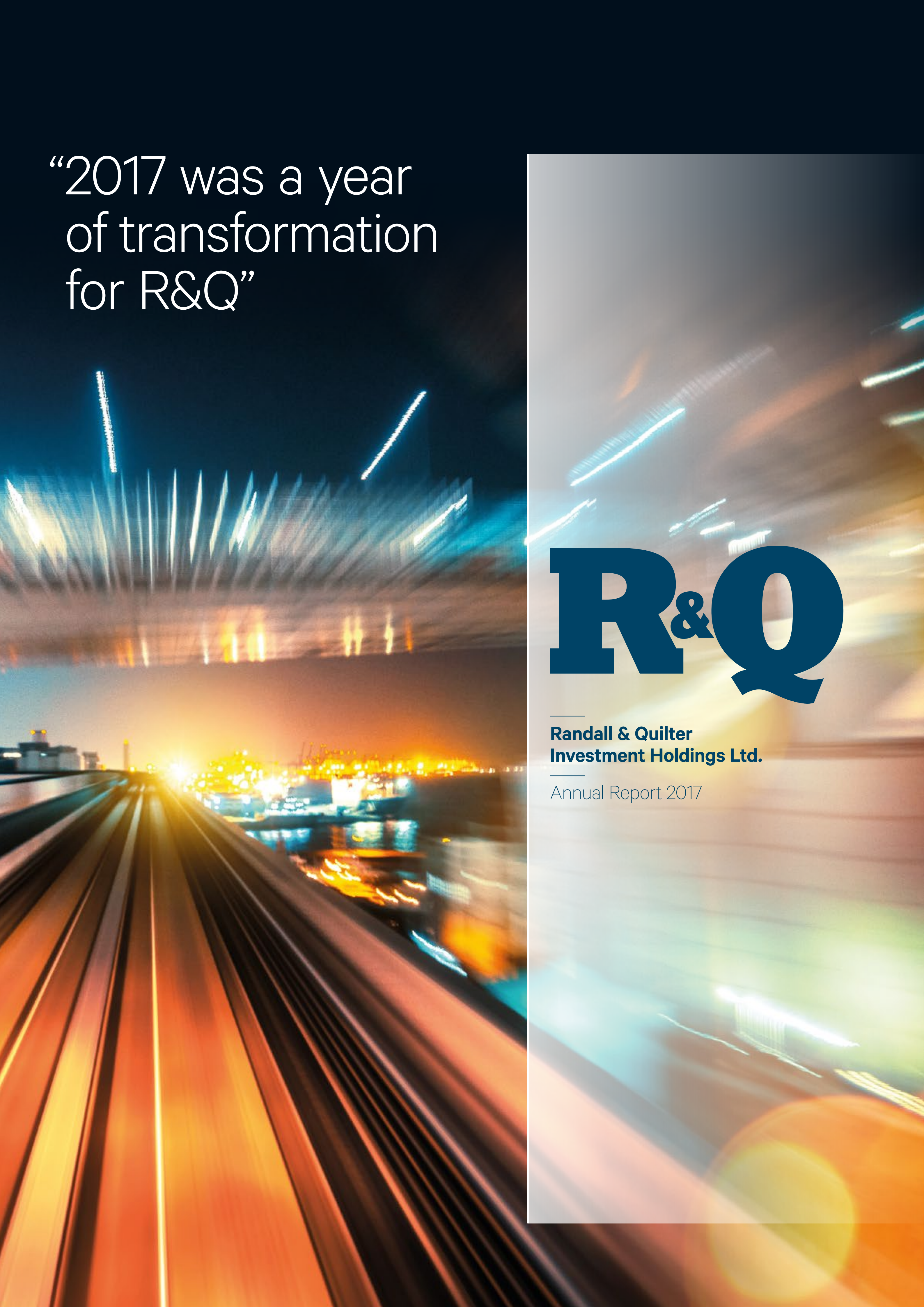


“2017 was a year of transformation for R&Q”

R&Q

Randall & Quilter Investment Holdings Ltd.

Annual Report 2017

The Bermuda based global program underwriting management and legacy acquisitions specialist

Mission

To deliver on our core strategy of providing program underwriting management services to MGA's and their reinsurers and creative finality solutions to owners of discontinued insurance businesses. By focusing on these two high-growth markets, we will provide our investors with complimentary revenue streams: regular and stable fee income from program business and the capital extraction from managing legacy portfolios.

2017 divisions

- Insurance Investments
- Underwriting Management
- Insurance Services

Contents

At a Glance

"2017 was a year of transformation for R&Q as we refocused and simplified the business around legacy acquisitions and insurance program underwriting management"

New Core Offerings

Program Underwriting Management

R&Q partners with MGAs and their reinsurance providers to provide program capacity through its licensed platforms in the US and Europe.

Both our EU and US platforms are A.M. Best A- (Excellent) rated for their financial strength, making R&Q the only dedicated program partner to provide A- rated capacity on both sides of the Atlantic.

Legacy Acquisitions

We have a proven track record in providing exit and restructuring solutions to owners of discontinued insurance and reinsurance companies and captives through:

- Outright acquisition
- Portfolio transfers
- Part VII transfers or Cross Border Mergers
- Novation
- Reinsurance

We provide customised solutions that benefit owners of discontinued or non-core operations as regards.

- Liquidity management
- Capital management
- Management focus
- Risk exposure and certainty
- Lloyd's Acquisitions and RITC's

Chairman's Statement

Ken Randall, Group Chairman and CEO, commented: "In summary, I believe the business is in good shape. With a strong and energised management team and we are very well placed to develop and profit from the multiple opportunities in our chosen business segments."

K E Randall
Chairman and Chief Executive Officer

Group summary financial performance

Group Performance	12 months 2017 £000	12 months 2016 £000
Group results		
Operating profit	27,949	10,386
Profit before tax	23,461	8,479
Underlying Profit before tax	11,661	8,479
Profit after tax	22,970	8,315
Earnings per share (basic)	25.4p	11.7p
Balance sheet information		
Total assets	1,065,791	786,212
Cash and Investments	602,753	392,978
Total insurance claims gross reserves	722,535	553,726
Shareholders' equity	166,772	94,368
Key statistics		
Investment return on invested assets	1.6%	2.7%
Return on tangible equity	17.3%	13.5%
NTA per share	105.3p	85.1p
Book value per share excluding goodwill	120.8p	107.4p
Distribution per share	8.9p	8.6p

2017 was a year of transformation for Randall & Quilter as we refocused and simplified the business around legacy acquisitions and insurance program underwriting management.

However, this did not divert the business from delivering strong underlying earnings growth of 38%. Pre-tax profits for the year were £23.5m including an £11.8m net profit from the sale of our Lloyd's Managing Agency.

As planned, the additional £47m net capital raised from new and existing shareholders in October has now been fully deployed by increasing the capital of Accredited Surety and Casualty Company Inc. and R&Q Malta. The resulting improvement in Accredited's A.M. Best credit rating and achieving a new A.M. Best A- (Excellent) rating for R&Q Malta has enhanced the range of opportunities available and enabled us to secure increased commission rates.

I am pleased to report that we have an excellent pipeline of new business in both program underwriting management and legacy acquisitions. 2017 saw a further increase in the profit contribution from legacy acquisitions. Program underwriting management business has been building steadily, especially towards the end of the year and we anticipate strong future profit growth from this business area, as commission earnings from new program launches gain momentum from the end of 2018 and beyond.

In 2018 and 2019 we should finally see a positive contribution from our residual participation on Lloyd's Syndicate 1991. There is also potential for an increase in investment earnings as we continue to build our "float" of cash and investments in an expected rising interest rate environment. In this regard, our float has more than doubled since 2015 and now totals over £600m. We shall continue to actively manage our investment portfolios in high quality, fixed income securities with overriding emphasis on protecting capital values whilst benefiting from the anticipated rises in global interest rates.

As a Group we have always seized upon opportunities which inevitably come from market turbulence and this is certainly true today as we witness major upheavals in the global insurance industry – especially those arising out of the challenges posed by Brexit and the emergence of new technologies.

We are progressing with the possible launches of a small number of "Fintech" program underwriting management initiatives and see long term growth potential through using our extensive insurance licences in the USA and Europe to deliver "disruptive" technologies to the market.

The business continues to deliver strong distributions to shareholders. The Board regularly reviews its distribution approach, and after due consideration it has decided to adopt the "return of capital" approach for the next distribution.

In summary, I believe the business is in good shape. With a strong and energised management team, we are very well placed to develop and profit from the multiple opportunities in our chosen business segments.

"2017 was a successful year for the Group"

Financial highlights

Pre-tax profit

£23.5m*

2017	23.5
2016	8.5

Underlying Profit Growth of

38%

EPS

25.4p*

2017	25.4
2016	11.7

Total Distributions per share

8.9p

2017	8.9
2016	8.6

Return on tangible equity

17.3%

2017	17.3
2016	13.5

Investment return

1.6%

2017	1.6
2016	2.7

Book Value per share excluding goodwill

120.8p

2017	120.8
2016	107.4

Cash and investments

£602.8m

2017	602.8
2016	393.0

* Including profit on disposal of R&Q's Lloyd's managing agency of £11.8m (net of costs).

Operational highlights

- Delivered on the strategy of creating a streamlined and focused business centred around two core offerings: legacy acquisitions and program underwriting management.
- A.M. Best adjusted Accredited's A- (Excellent) financial strength rating upwards from VI to VII and awarded R&Q Malta A- (Excellent) financial strength rating giving partners and counter-parties greater confidence in the financial strength of the business.
- Excellent contribution from 19 completed legacy transactions, with especially strong growth in North America.
- Two successful share offerings in the year raising a total of £65m of new capital. All £47m proceeds of funds raised in October 2017 have now been injected into our US and European insurance companies, Accredited Surety & Casualty Company, Inc. ("Accredited") and R&Q Insurance (Malta) Limited ("R&Q Malta").
- Sale of R&Q's Lloyd's managing agency (November 2017) and Insurance Services businesses (completed January 2018) to allow the Group to focus on its chosen core business activities.

"We have always seized upon opportunities which inevitably come from market turbulence"

Strategy and business model

The overall mission and purpose of the Group is to:

- Offer investors profits and capital extractions from legacy insurance and reinsurance acquisitions, and
- Generate fee and commission income from its licenced US and European carriers by selective delegation of underwriting to MGA's with niche and profitable business with support from high quality (re)insurance capital providers.

We have listened to our stakeholders and we have carefully watched the changing nature and requirements of the global insurance business. From this we have determined that our focus should be on two core areas that provide strong growth opportunities – arguably two of the strongest growth sectors in the global P&C insurance market – where our expertise and infrastructure gives us a competitive advantage.

Industry dynamics are fuelling this strong demand for legacy solutions and program underwriting management services. They combine to provide R&Q shareholders with distinct but complementary earnings: the potential of capital extraction and income generation from legacy acquisitions and regular fee income from program underwriting management.

We have retained a nominal participation on Syndicate 1991 for the 2018 Lloyd's year of account. The participations of the Group on the 2016 and 2017 years of account are finally expected to produce a profit for the Group in 2018 and 2019.

Legacy Acquisitions

Providing creative finality solutions to owners of discontinued ("run-off") insurance business has been at the heart of the R&Q Group and its predecessor companies for over twenty-five years.

Insurance Investments Division

Divisional Key Metrics	12 months 2017 £000	12 months 2016 £000
Result of operating activities (live & run-off)	25,356	23,515
Key metrics		
Goodwill on bargain purchase	24,666	16,281
Loss on Syndicate 1991 participation	(2,824)	(2,088)
Investment return on invested assets	1.6%	2.7%

We have always taken pride in being nimble and creative in applying solutions to owners of run-off businesses. In the past, this was often insurers who had ceased underwriting and we have already seen in Q1 2018 that this pattern continues with the recent announcements by the New Zealand insurance group CBL and the Danish insurer Alpha to stop underwriting.

But there are now many other reasons why owners of insurance businesses decide to free themselves of their liabilities. The European-wide Solvency II regulations and the associated equivalence regime means legacy business can lead to onerous capital and reporting obligations. In addition the recent US tax reforms and OECD tax policies could have a significant impact on some self-insurance entities, not least those that are off-shore.

There are also increasing opportunities emerging from industry M&A where acquirers of business decide to sell "run-off" books with a view to freeing up capital. Again, Solvency II and the wider recognition of effective capital management are fuelling this interest.

We continue to deliver a wide range of exit solutions to the captive and self insured sector, especially through the use of Accredited's statewide licences. Aside from regular captive and cell structures, deals have also been successfully completed with risk retention groups, self insured funds and corporate deductible buyback programs.

Finally, we see renewed opportunities in Lloyd's run off business and our expertise in this sector was reflected through the successful completion of two new Reinsurance to Close ("RITC") transactions: Prosight's Syndicate 1110 corporate members (effective from 1 July 2017) and Hamilton/Sportscover Syndicate 3334 in conjunction with AXA Liabilities Managers S.A.S. which completed on 1 January 2018.

“Industry dynamics are fuelling this strong demand for legacy solutions and program underwriting management services”

In total, we completed 19 legacy deals in 2017 (15 in 2016) and 64 since 2009. Our range of solutions was reflected in the different types of transactions: 6 acquisitions, 6 novations, 6 loss portfolio transfers, 1 transfer and 2 run-offs at Lloyd’s (one of which was effective on 1 January 2018).

2017 was the year that R&Q capitalised on its long-standing expertise and infrastructure to demonstrate its superior legacy offering. With an extensive pipeline of opportunities and the industry dynamics, we have every confidence in the future.

Legacy acquisition highlights

- 19 transactions in 2017
- Two new Lloyd’s “RITC” deals (one of which was effective on 1 January 2018)
- 2017 fundraisings providing additional balance sheet strength
- New drivers for legacy disposals including M&A and Solvency II

Program Underwriting Management

Our other core business is program underwriting management where R&Q uses its infrastructure – including A.M. Best A- rated insurers in the US and Europe – working with MGAs/MGUs and reinsurers to earn fee income for being their partner and insurance conduit which is mostly re-insured.

A.M. Best has adjusted Accredited’s A- (Excellent) financial strength rating to the next category, from VI to VII, to reflect the higher capital in the business and has recently affirmed our rating with a stable outlook. Again, this move has been well received by our existing clients and prospects. In addition, Accredited is US Treasury Listed to write Federal Bonds (one of the few national program managers that has a T listing).

Encouragingly, the program underwriting management pipeline is strong and we anticipate a lot of new activity in 2018 in both Europe and the US. Earlier this year, A.M. Best awarded R&Q Malta A- (Excellent) financial strength rating, the same as Accredited, and this gives our partners and counter-parties greater confidence in our financial strength and enables us to compete in new business lines where rated capacity is important.

Market disruption and the apparent retrenchment of some existing US providers is also providing R&Q with new opportunities in the US and the typical size of transactions we are negotiating is increasing significantly.

In Europe, Solvency II has exposed a number of undercapitalised fronting specialists. “Brexit”, and the current uncertainty over how it will impact financial services is creating new opportunities for R&Q which owns a European insurer, R&Q Malta licenced to operate across the European Union and which will continue to do so after “Brexit”.

As with legacy acquisitions, the industry dynamics are encouraging for the continued growth of program underwriting management and we believe R&Q is well-positioned to capitalise on the growing demand.

New Fintech/InsureTech initiatives are creating a disruptive force that is encouraging industry entrepreneurs to establish new platforms and ways of writing business. Typically, this is in the form of MGAs and R&Q’s insurance platforms can provide the infrastructure to support these new businesses and act as a conduit between them and their (re)insurance capital.

In addition to the encouraging industry dynamics, R&Q has built a superior offering in both the US and Europe.

We provide high-quality, A.M. Best A- (Excellent) rated insurance paper to our underwriting partners in both the US and Europe. Our US platform, Accredited, successfully expanded its nationwide P&C licences in 2017 which means we are now able to provide for nearly every type of P&C cover on behalf of our partners.

Unlike some of our competitors, we do not have any direct “channel conflicts” because we do not also participate in direct live underwriting and we select our underwriting partners carefully to ensure we can provide an exclusive service in their area of expertise.

In 2017, we signed 3 program partnerships in Europe and 5 in the US. In 2018, we anticipate signing a further 6 partnerships in Europe and a further 6 in the US.

R&Q typically earns commission revenues from program underwriting management partnerships. While this means it requires a lot of work by R&Q before we begin to earn fee income from new programs, the quality of revenue is very attractive because it is consistent and reliable. Our rated capacity and growing reputation in this field also enables us to compete and win new, more complex accounts where commission rates are often higher. Revenues from our program underwriting management business will be significantly higher in 2018.

"2017 was the year that R&Q capitalised on its long-standing expertise and infrastructure"

Program Underwriting Management highlights

- 8 new programs signed in 2017 (5 in US; 3 in Europe)
- 12 new programs expected in 2018 in US and Europe
- Market disruption in both US and Europe fuelling strong demand and activity
- Positive A.M. Best rating actions underpinning the R&Q offering

Insurance Services

The Insurance Services and Captive Management operations were sold in January 2018 to The Davies Group for £20m (£18.6m net).

Total Income for the year to 31st December 2017 was £29.7m (£29.5m 2016), this included third party income of £19m (£20m 2016) and the operating profit for 2017 was £1.7m (£2m 2016). The net proceeds of £18.6m have now been used to improve the balance sheets of both Accredited and R&Q Malta along with the proceeds from the capital raise in October 2017.

Underwriting Management Division

The Lloyd's Managing Agency business was sold to Coverys Group in November 2017. The remaining businesses in this division comprise Accredited Surety and Casualty Company, Inc. based in Florida, and, R&Q Commercial Risk Services Limited and Trilogy Managing General Agents Limited in London, which earn fees from underwriting SME commercial insurance risks on behalf of Lloyd's and other insurers. Going forward we expect these MGA's to provide additional business inflows to R&Q Malta..

Governance

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

Our people

As a result of the successful completion of the streamlining of the business our headcount is down significantly from 411 as at the 31 December 2016 to 234 in February 2018. We have also progressed a significant number of management changes to reflect the strategic changes we have made. This includes the expansion of our Executive Committee and promotion of experienced individuals from within the business to create an empowered Senior Management team.

- Mark Langridge, who has been with the Group for 9 years, has joined the main Board and became Group-wide head of legacy acquisitions and run off management
- Todd Campbell, who has been with the Group for 2 years was appointed President of Accredited. Todd heads our program underwriting management business for the USA.
- Paul Corver, now heads up the Group's Legacy M&A activities
- Carrie Hewitt has been appointed Group Actuary and Head of Capital Management
- Colin Johnson, who has been with the Group for 10 years, has been appointed CEO of UK and European Program Underwriting Management
- Sangeeta Johnson, is now Head of Operations

“We will continue to build on the improved financial performance of the Group in 2017 and look forward to 2018 and beyond with optimism”

Co-founder Alan Quilter has returned to his role as CFO in addition to having Board responsibility for the growing program underwriting management business.

Former CFO Tom Booth leaves the Group in 2018 and we wish him well in his future endeavours.

I would like to pay tribute to the hard work and dedication of all R&Q staff over the past year. Without their energy and commitment it would not have been possible to achieve the momentum and strategic delivery across business which provides the platform for our future growth.

Succession Planning

We have excellent bench strength throughout our senior and middle management and the Board continues to focus on ensuring there is a credible long-term succession plan in place for the future leadership of the Business.

Outlook

2017 was a successful year for the Group. We were pleased with the underlying improvement in financial performance but the wider story is that it was the year that R&Q has transformed itself into a business with a platform able to capitalise on our existing expertise and infrastructure.

I believe the Group is well positioned to benefit financially from the significant transformation achieved in 2017 and has a strong pipeline of potential new business both in legacy acquisitions and program underwriting management. The exact timing of legacy acquisitions can be uncertain, especially where regulatory approval is required. Our expectations for the full year remain unchanged, noting that the Group typically experiences a stronger trading result in the second half year. In 2018 this second half earnings bias will also reflect the delayed earnings pattern on commission received from our rapidly developing program underwriting management partnerships where we anticipate significant growth in the second half year.

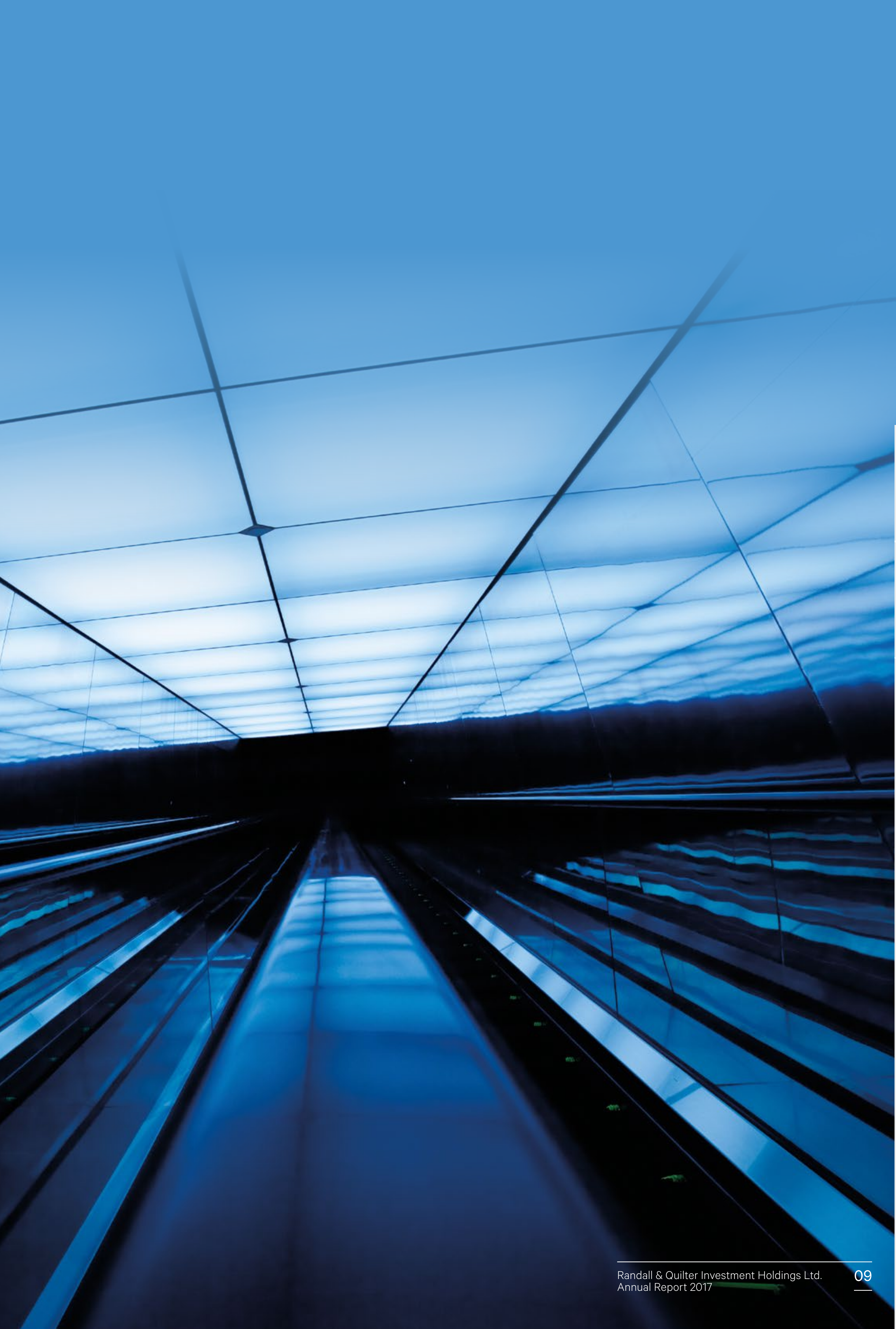
In summary, today’s R&Q is a simpler business focused around two core operations that provide strong long-term growth prospects and complementary earnings patterns.

We will continue to build on the improved financial performance of the Group in 2017 and look forward to 2018 and beyond with optimism.

Ken Randall
Chairman

Strategic Report

Contents



Group Strategy and Performance

In 2017 we achieved our strategic objectives of re-focusing the business on two core and strong-growth areas, divesting our non-core businesses and restructuring and strengthening our senior management team.

Mission

To deliver on our core strategy of providing program underwriting management services to MGAs and their reinsurers and creative finality solutions to owners of discontinued insurance businesses.

Strategic objectives	Progress in 2017	Strategic plan
To acquire legacy-related (re)insurance assets which, through structural innovation and active management, will generate attractive returns with short to medium term payback	Nineteen transactions completed (15 in 2016), including: Two Lloyd's RITC transactions – our first since 2013 Six acquisitions, six novations, six loss portfolio transfers	Continue to use Malta as a transferee company for EEA portfolio transfers as an inter-group consolidator. Expand retrospective reinsurance activity in US, especially in workers compensation, through Bermuda and US cell structures
To ensure R&Q's two AM Best A- rated operating platforms (Accredited and R&Q Malta) become leading program underwriting management managers which will provide the Group with regular and consistent earnings	Eight programs signed in 2017 Developed a strong pipeline of opportunities through marketing activities which will accrue in 2018	Convert the strong pipeline, and turn Accredited to be one of the fastest growing US program insurers in 2018 and R&Q Malta to benefit from the dislocation that is occurring in the European markets
Focus R&Q on two core business lines providing strong growth prospects and complimentary earnings	Active year including: Sale of Lloyd's Managing Agency Sale of insurance services businesses	Non-core disposals program completed, providing additional funds to inject into core business lines of legacy acquisitions and program underwriting management
Restructure business reporting lines and senior management to reflect new streamlined business	Management restructure in Q1 2018	Clearly defined reporting structure and business heads responsible for delivering the Group's strategic aims in 2018

Risk Management

The Group and its core businesses take risk, in order to attain rewards in an informed and controlled manner.

This translates into having regard to both potential upside and downside risk, in the context of the overall Group Strategy, that aims to optimise return on equity and shareholder value within the Group's defined risk appetite. The Board and Senior Management appreciate that ongoing success depends upon its collective understanding and management of the Group's known Risks and Exposures.

Risk Strategy

R&Q's overall Risk Strategy is underpinned by the following core objectives:

- To promptly identify and mitigate material risks and issues at a cost appropriate to the level of such exposure.
- To enhance value creation by recognising opportunities where risk levels may be increased, commensurate with stakeholders risk appetite, in order to optimise returns.
- To support decision making and improve and maintain transparency and accountability for risk throughout the organisation by way of comprehensive risk reporting and control.
- To protect R&Q's capital by supporting the implementation of a Solvency II (or equivalent) compliant framework where appropriate.
- To protect the R&Q Brand.

Overall Responsibility for Risk Management

The Board continues to have overall responsibility for ensuring that the Group has an appropriate and proportional approach to Risk Management and Internal Control across the Group, and that this approach is properly aligned with the Group's overall corporate strategy. The risks facing the Group continue to evolve and increase/decrease in potential impact and probability of crystallisation over time. Accordingly, the management of risk and uncertainty remains an iterative process. Risk Management is pervasive to all the Group's activities and this is reflected in the Risk Management governance framework outlined below.

Risk Appetite

The Group Risk Appetite Framework sets the boundaries within which risk taking should remain in order to meet the expectations of the capital providers and other stakeholders. For the Group, it is articulated via a series of quantitative and qualitative statements covering all defined categories of Risk.

Risk Appetite reflects the amount of risk taking which is acceptable to the Group Accordingly, risk appetite refers to the Group's attitude to risk taking and whether it is willing or able to tolerate a high or low level of exposure to specific risks or risk categories.

Risk Tolerance represents the Group's ability and willingness to bear risk. When considering this, factors such as the availability of capital, ability to raise capital, strength of underlying operational processes and procedures and strength of the organisation's operational culture are all relevant.

The Risk Appetite Framework, which is set at both Group level and for each of the key business units, is reviewed annually and/or when there are material changes to the overall Risk Profile of the Group/Business unit(s).

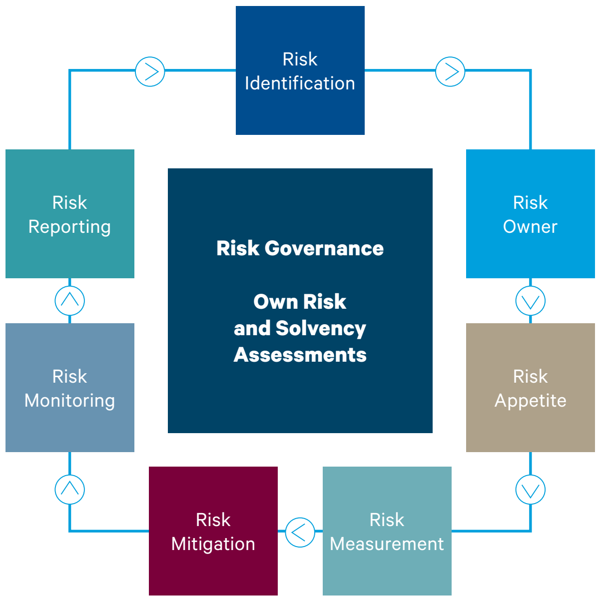
Risk Management Framework and Risk Management Function

The Group has a mature Risk Management Framework and Risk Function headed by the Group Chief Risk Officer, who, in addition to having a direct reporting line into the Group Actuary, also has reporting lines into the Chair of the Group Risk Committee and the Chief Executive Officer.

The Group Risk Function is responsible for designing, overseeing, implementing and improving the Risk Management Framework, and works closely with Group and Business Unit Senior Management, meeting regularly with them to monitor existing identified risks and uncertainties, identify new and Emerging Risks and to ensure that there are appropriate processes and procedures in place to mitigate these risks.

The Risk Function is also responsible for monitoring that the business meets regulatory expectations around Enterprise Risk Management and reporting on risk to the Board and the Risk Committee.

The following overarching process is adopted.



Risk Governance

Risk Management within the Group adopts an Enterprise Wide approach and accordingly, has regard to the Three Lines of Defence Model at both Group and individual business unit level as shown below.

Board of Directors and Group Executive Committee

Risk Management

First line

The Business
(Risk and Control Owners)

Business Unit/Subsidiary Board and Committees
Functional Business units

First Line of Defence
The First Line of Defence **owns risk** and is responsible for ownership and management of risks on a day-to-day basis. This includes the RQIH Board of Directors (and the Group Executive Committee), where ultimate accountability for the management and mitigation of Risk lies.

Within the business units, designated Risk Owners retain overall responsibility for managing their owned risks.

Second line

Direct Assurance
(Compliance, Legal etc)

Group/Business Unit/
Subsidiary Risk Committees

Second Line of Defence
The Second line of Defence **assesses, challenges and advises on risk objectively** and in addition provides independent oversight and support to the First Line.

The Second Line provides a key input into tactical and strategic decision making, and in addition, provides assurance to the Board that the Risk Profile and the Internal Control Framework is in line with Board and Stakeholder expectations, and where not, escalates material Risk issues.

Third line

Independent Assurance
(Internal/External Audit,
Independent Review etc)

Group/Business Unit/
Subsidiary Audit Committees

Third Line of Defence
The Third line of Defence **provides independent assurance of risk control** including the integrity and effectiveness of the Risk Management Framework, and that the overall system of internal control is operating effectively.

The Group Internal Audit Function is sourced in house and supplemented with Third Party resources as appropriate. Its activity is carried out in accordance with an annual pre agreed plan.

Group Risk Committee

The Group Risk Committee is a formally constituted Committee of the Group Board. The Committee has responsibility for maintaining, on behalf of the Board, the effectiveness of the Group's Risk Management Framework, systems of Internal Control, Risk Policies and Procedures and adherence to Risk Appetite. The Committee is chaired by a Non-Executive Director, Philip Barnes. The Committee meets at least quarterly and provides a report on its activity to the Board.

The key areas of focus of the Group Risk Committee and the Group Risk Management Function during 2017 were to ensure that the Risk Management Framework and oversight remains fit for purpose and embedded appropriately both at Group and Business Unit level. In addition, during 2017, the Committee has been considering the Risk Management Framework in the context of the Group's strategic aim to simplify and streamline its business model to focus on its core strengths and most profitable activities. This focus will continue during 2018 and is fundamental to ensuring that the needs and expectations of all stakeholders, internal and external, are met.

Own Risk and Solvency Assessments and Equivalents

The Own Risk and Solvency Assessment or Equivalent is defined as;

"The entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks a firm faces or may face and to determine the own funds necessary to ensure that overall solvency needs are met at all times."

R&Q's ORSA processes are well embedded within the individual business units and at the Group level. They have evolved and continue to evolve from the Group's already established Risk Management and Capital Assessment processes. These processes comprise the self-evaluation of the risk mitigation and capital resources needed to achieve the Group's strategic objectives on a current and forward-looking basis, given their risk profiles.

The Group is Bermuda domiciled and accordingly produces a Group Solvency Self-Assessment ("GSSA"). During 2018, the structure of the GSSA report and process will be further refined to align with the development of the Group Capital Model which is currently in progress.

Internal Control System

The Group's Internal Control System comprises the following key elements;

- **Documented Governance Arrangements** continue to evolve along with the overall business strategy.
- **Strategic Planning Process**, setting priorities for the forthcoming planning horizon, reviewed by the Board periodically to ensure the Group is focusing on its core strengths
- **Detailed Planning/Budgeting Process**, subject to detailed and ongoing oversight and scrutiny delivering forecasts/targets for Board review and approval.
- **Management Information Systems**, including, corporate reporting on financial/operating performance.
- **A defined Risk Appetite framework** governing management, control and oversight of key risks and issues.
- **Overall Group Capital Adequacy Planning** conducted biannually.
- **Compliance arrangements** throughout the Group
- **Internal Audit Function** providing third line assurance to the Board via the Audit Committee following a risk-based, approved annual Audit Plan, on the effectiveness of the Group's internal controls in respect of key risks identified.
- **Risk Management Function**, as described above.

The Board considers that the controls in place during 2017 were and continue to be relevant, proportional and appropriate for the needs of the Group, and in addition are sufficiently flexible to evolve with the changing needs of the business. A number of the Group's subsidiaries are regulated and accordingly are subject to the relevant degree of local regulatory oversight. Members of the Board and Senior Management regularly meet with the Group's various regulatory supervisors, conducting the relationship in an open and constructive manner.

Principal Risks and Uncertainties

The following table highlights the “top ten” risks and uncertainties currently facing the Group and receiving Senior Management attention. This list is not exhaustive and comprises a brief description of those risks and uncertainties that the Board considers to be the major strategic risks it faces, along with the main mitigating actions in place.

Risk Title/ Description	Risk Category	Mitigating Action	Focus in 2017	Movement in 2017
Management of Strategic Change/ Business Development and Growth The Group fails to effectively manage both the focus on its core competencies and simultaneous initiatives as it simplifies and streamlines its business model. The Group fails to identify and harness new business opportunities. The Group fails to raise the necessary capital/funds to finance its business growth. The Group's profitability is impaired following the establishment/acquisition of new business.	Strategic Risk	• There is a regular and active process for the management of relationships with external stakeholders and in particular, the Investment Community, which involves the Board and key members of the Senior Management Team. • The Board actively reviews budgets, current strategic priorities and returns on its various investments and initiatives to ensure that the Group continues to focus on core strengths and operates within its predefined Risk Appetite. • AM Best Public ratings for the Group and key strategic risk carrying subsidiaries. • Active management of cash flow. • Regular oversight and review of acquisitions pipeline including an initial screening process involving Senior Management. • Group Capital and Investment Committee approval. • Establishment of broader based Group Executive Committee.		
Reputational Risk/ Stakeholder Management Events elsewhere within the Group and individual strategies may be misaligned with the core activities of the Group and/or may have an adverse effect (notably, but not restricted to, reputational) on the organisation as a whole. The Group fails to control and monitor internal and external communication, including regarding its wide range of different stakeholders.	Group Risk Operational Risk	• This risk is actively overseen by the Group Board • All external communications are channelled via the Executive Board, • Business unit plans are scrutinised carefully as part of the annual and ongoing budgeting process to ensure consistency and alignment with the Group's strategic objectives. • See above – regular, ongoing and active process for communications with key stakeholders.		

Risk Title/ Description	Risk Category	Mitigating Action	Focus in 2017	Movement in 2017
Exposure Management (Reserving and Reinsurance) The Group adopts a reserving methodology that produces incorrect reserving. The Group fails to assess the quality of its program reinsurers prior to onboarding and/or the reinsurance arrangements fails to "follow the fortunes" of the underlying direct insurance contracts. The Group fails to monitor the growing gross underwriting exposures/reserves and aggregate exposure to reinsurers, following the planned onboarding of new legacy and program business.	Insurance Risk Credit Risk	• Internal Actuarial Best Estimates utilised in conjunction with an annual Independent Statement of Actuarial opinion as well as independent actuarial reviews on more significant reserves. • Board review of actuarial best estimates. • Reinsurance arrangements are individually scrutinised by Executive Management and adherence to predefined Risk Appetite (rating/collateral etc.) in terms of quality and concentration is closely monitored. • Active Management of Reinsurance aggregates by the Group Reinsurance Assets Committee.		
Management of Free Funds The Group fails to implement adequate control over cash flow and liquidity leading to financial shortfalls.	Liquidity Risk	• Dedicated Group Cash Flow/Treasury Management and Invested Assets capability, being further enhanced in 2018, providing focused effort and a tighter control regime. • Detailed cash flow reporting and monitoring of adherence to banking covenants. • Forward-looking monitoring of the Group's cash flow projecting the likely liquidity position over a twelve month planning horizon, embedded into the Cash flow monitoring mechanism. • Active and ongoing seeking of alternative financing options for deal funding. • Ongoing and proactive liaison/relationship management with the Group's bankers.		
Capital and Solvency Management The Group/Solo entities is/are not Solvency II (or equivalent, e.g. BMA, MFSA/NAIC etc.) compliant in accordance with local regulatory requirements and expectations.	Strategic Risk Regulatory and Legal/ Group Risk	• The Group actively manages its relationships with all regulators within whose jurisdictions it operates. • Oversight by, and active involvement of, the Group Actuary. • Active involvement of Risk Management, Compliance and Internal Audit functions. • Ongoing and iterative development of a fully integrated Group Capital Model.		
Investment Returns The Group fails to realise an adequate/optimal return in its investment float under its control and/or experiences a default on investments held.	Market Risk	• Group and subsidiary level Investment Committees (where appropriate) and/or oversight by the relevant Board. • Dedicated Group Cash Flow, Treasury Management and Invested Assets Function (further development planned for 2018) and embedded Key Risk Indicator to monitor Investment Concentration and returns. • Asset and Liability matching where relevant.		

Principal Risks and Uncertainties continued...

Risk Title/ Description	Risk Category	Mitigating Action	Focus in 2017	Movement in 2017
Legislative/Economic and Regulatory Change The Group or one of its component parts breaches legal or regulatory requirements of jurisdictions in which it operates. The Group fails to implement/adapt to emerging new regulatory/political/legislative changes (for example GDPR/"Brexit"/Modern Slavery).	Regulatory/ Legal Risk Operational Risk	• Dedicated Governance and Regulatory function • Regular liaison with local management and recruitment of local expertise where needed. • Active management of relationships with all local regulators where the Group has a presence. • Internal Working and Steering Groups to analyse interpret and oversee the implementation of all emerging external changes. • Active oversight by Group Risk Committee.		
Target Operating Model The Group fails to embed its new Business As Usual operational structure alongside its expansion and growth initiatives. The Group is reliant upon the knowledge and expertise of its key Directors and staff and fails to adequately plan for succession.	Operational Risk	• Recent realignment of Senior Management responsibilities including creation of a new Head of Operations position. • Establishment of broader based Group Executive Committee. • Development of Succession Plans at Group and Business Unit level. • Development of Reward Strategy commensurate with the Group's overall strategic objectives. • Performance Management process.		
Cyber Risk The Group fails to properly protect information compromising the confidentiality, availability or integrity of our data. The Group fails to keep abreast of increasing regulatory scrutiny in this areas (for example NAIC Model Law).	Operational Risk	• Appointment of new Chief Information Security Officer. • Information Security Governance Structure including Corporate Information Risk Policies, compliance, where practical, with relevant ISO/IEC 27000 series of standards. • A "lifecycle approach" is adopted to ensure that the process takes account of ongoing business change. • Cyber Liability insurance.		
Taxation Risk R&Q fails to identify its tax exposures arising from emerging UK and overseas legislation (Corporate Criminal Offences Act, FATCA, US Tax Reform) and/or fails to implement appropriate controls and processes to ensure compliance with all relevant laws.	Operational Risk Regulatory/ Legal Risk	• Appointment of new Head of Group Tax. • Tax review of all initiatives and deals. • Risk assessments against all emerging legislation.		

Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the Group's viability over a three-year period. This is based on the medium to longer-term strategic objectives of the Group and has been made taking account of the current financial position of the Group, the strategic planning process and assessment of the Group's principal risks and uncertainties as set out previously.

The Group's strategic planning process includes the annual budgeting and reforecasting process, annual assessment of individual entity and overall Group Capital Adequacy and regular review by the Group's Board of the Group's strategic priorities.

The Group's strategy provides the longer-term direction and is reviewed iteratively including relevant projections of medium to longer-term financial health and stability. Where appropriate, financial downside stress tests are applied as part of the Group's ongoing monitoring of its liquidity requirements and at solo entity level to ensure that the capital held at Group level is sufficient to cover its identified risks.

This approach, along with the processes forming part of the Group's Risk Management and overall Governance framework, ensures a robust assessment of its principal risks and mitigating actions.

The Directors have therefore concluded, based on the ongoing review of the Group's strategy and its capability to meet its strategic objectives, that there is a reasonable expectation that the Group has adequate resources and will continue to operate and meet its liabilities as they fall due over the period of their assessment and for the foreseeable future.

Governance

Contents

Board of Directors

The Board of Directors met 11 times in 2017. The Board approved a number of resolutions in writing and meetings were held by Committees of the Board. Board attendance was 94%.

A Audit Committee
R Remuneration & Nominations Committee
Ri Group Risk Committee
Re Reinsurance Asset Committee
C Group Capital & Investment Committee
D Group Disclosure Committee

Director – Kenneth Edward Randall (69)

Group Chairman and Chief Executive Officer

C D

Ken Randall is the founding chief executive of the Randall & Quilter Group and has been a pioneer in the acquisition and management of discontinued businesses for over 25 years.

Randall & Quilter Group's antecedents go back to 1991 when Ken founded the Eastgate Group with Alan Quilter after leaving the Lloyd's market. Over the next eight years they developed Eastgate into the UK's largest third-party provider of insurance services with 1,300 employees and a turnover of over £80 million per annum. Following the sale of Eastgate to Capita plc in November 2000, Ken and Alan refocused the Randall & Quilter Group onto the acquisition of non-life legacy run-off portfolios.

Ken led the Randall & Quilter Group admission to AIM in 2007 and remains a significant shareholder. He was a driving force in the Group's new strategic focus in 2017.

A certified accountant, Ken has worked in the insurance industry for more than 40 years. During the early 1980s, Ken was head of market regulation at Lloyd's which was then a self-regulated institution before becoming Chief Executive of a leading Lloyd's Insurance Group.

Director – Alan Kevin Quilter (67)

Group Deputy Chairman and Group Chief Financial Officer

C D Ri

Alan Quilter is the co-founder of the Randall & Quilter Group and has recently returned to the role of Group Chief Finance Officer and is responsible at Board level for Program Underwriting Management.

A chartered accountant, Alan has been a driving force in the development of the Randall & Quilter Group since co-founding the business and key milestones as Group Chief Finance Officer including the Company's admission to AIM in 2007.

Alan 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 a specialist investment management company focused on insurance markets in the UK. Alan joined Ken Randall as Chief Finance Officer (CFO) of the Eastgate Group, the predecessor company to the Randall & Quilter Group.

Director – Mark Langridge (54)

Executive Director

C Re

Mark has worked within the London insurance industry since 1980 when he began his career with the Prudential Corporation, qualifying as an accountant in 1987.

In 1993 he joined KWELM Management Services where, as Reinsurance Director, he was responsible for managing the legacy of the insolvent HS Weavers' underwriting pool which had liabilities of more than $9bn and which presented unique challenges for the P&C industry in London and internationally.

Following the closure of the KWELM estate in 2005, Mark set up and part owned the KMS Group before its acquisition by R&Q in 2008.

Prior to his appointment as Executive Director in January 2018, Mark was Chief Executive Officer of the R&Q Insurance Investments Division.

Philip Barnes (57)

Non-Executive Director

A R Ri

Philip Barnes is a Chartered Accountant and has worked in the insurance industry for the past 33 years. Philip is currently the President of the representative office of the Jardine Matheson Group of Companies in Bermuda.

A Fellow of the Institute of Chartered Accountants in England & Wales, Philip qualified with a national firm of accountants in the UK before continuing his career with Deloitte in Bermuda. He then joined Alexander & Alexander which was subsequently acquired by the global broker Aon. During his 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.

Philip has served on various industry and Government advisory committees over the years. He currently holds a number of non-executive directorships of Bermuda insurance and reinsurance companies.

Michael Smith (73)

Non-Executive Director

A R Re

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 1980s in the London and international insurance markets, with a concentration on capital transactions of all types. Michael is also a non-executive director of WR Berkley Syndicate Management Limited and a trustee of two charities, The Foyle Foundation (of which he is a Chairman) and the National Hospital Development Foundation.

Alastair Campbell (73)

Non-Executive Director

A R

Alastair Campbell qualified as a Chartered Accountant in 1968. After qualifying, he worked with PKF Littlejohn LLP, becoming a partner in 1970. Between 1984 and 1998 he acted as the Senior Partner and Chairman of the firm.

During his 40 years as a partner, he acted for a wide range of commercial entities, mainly in the service sector. Throughout his career he has been involved in the London Insurance Market and has extensive experience in the non-life insurance industry, acting for insurers, brokers and agents as auditor and adviser. He has extensive experience of advising on acquisitions and disposals, investigation work and of giving advice at Board level.

Following his retirement in 2010, he has worked as an independent consultant and expert witness on accounting related projects.

Management team restructure – objectives

Re-organisation objectives

- Clear definition of reporting lines.
- Improved co-ordination of financial reporting.
- Bringing together Actuarial, Solvency, AM Best Credit Rating and Risk Management.
- Enhance business development in core areas of legacy and program business.
- Common approach to:
  - Program Underwriting Management – Malta and Accredited.
  - Legacy – UK, US and Bermuda.
- Improve operational support across the Group.

Ken Randall
(CEO)

"With a strong and energised management team we are very well placed to develop and profit from the multiple opportunities in our chosen business segments"

Ken Randall
Chairman

Mike Glover
(Governance)

Alan Quilter
(Finance/Program Underwriting Management)

George Clarke
(Legal/CoSec/Compliance)

Mark Langridge
(Legacy)

Sangeeta Johnson
(Operations/Projects)

Carrie Hewitt
(Group Capital/Actuarial)

Steve Petch
(Head of Group Finance)

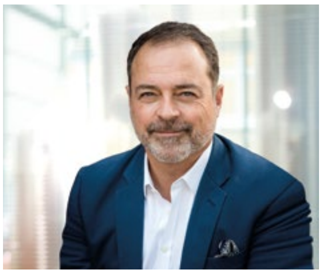
Colin Johnson
(CEO, UK and European Program Underwriting Management)

Todd Campbell
(President and CEO of Accredited)

Paul Corver
(M&A)

Senior Management Team

We have progressed a significant number of management changes to reflect the strategic changes we have made. This includes the expansion of our Executive Committee and the promotion of experienced individuals from within the business to create an empowered Senior Management Team.



Todd Campbell
President and Chief Executive Officer, Accredited

- Todd is the Chief Executive Officer and a Director of Accredited Surety and Casualty Company, Inc.
- He has 25 years of insurance leadership experience, including four years as CEO of a €40 million London based Lloyd's cover holder distributing and underwriting products throughout Europe; a decade as a corporate mergers and acquisitions and insurance attorney in Atlanta, GA; and prior CEO roles leading a US life insurer and a US property and casualty insurer.

Paul Corver
Head of M&A

- Oversees the Group's mergers and acquisitions activities of (re)insurance companies, portfolios, captives and self-insured liabilities.
- Is responsible for determining efficient post-acquisition structure and integration to achieve capital and governance efficiencies.
- Runs teams operating out of both the UK and Bermuda.
- Engaged in the insurance and reinsurance market since 1985.
- Predominant experience arises from managing companies in run-off, both solvent and insolvent.
- Former Head of Claims for the largest non-life UK insurance insolvency of its time – the KWELM companies.
- Set up and part owned the KMS Group prior to its acquisition by R&Q in 2008.
- Chairman, since 2008, of the Insurance and Reinsurance Legacy Association ("IRLA"), the UK Market body for legacy management professionals.

Colin Johnson
Chief Executive Officer of UK and European Program Underwriting Management

- Heads up the Group's UK and European Program Underwriting Management operations.
- Engaged in the insurance and reinsurance market since 1979.
- Various senior management roles at R&Q including CEO of Insurance Services (2012 to 2018).
- Former managing director and founder of Helix UK Limited, 1996 to 2009.
- Previously 17 years at Marsh North America and SBJ Group.

George Clarke
Group General Counsel

- Group General Counsel with a role that covers the varied legal aspects of the Group across both its operational and geographic spread.
- Since 2008 has overseen the legal aspects of the Group's insurance acquisitions and disposals across multiple business's and jurisdictions. He also has overseen the day to day legal work of the Group.
- Moved from Cameron McKenna in 1997 to the largest non-life UK insurance insolvency of its time, the KWELM companies, where he managed the legal aspects of those companies (UK and US) and their service companies.
- A founding member of the KMS Group management buyout which business was acquired by R&Q in 2008.

Sangeeta Johnson
Head of Operations

- Oversees the Group's Operations with responsibility for managing and leading the HR, IT and Internal Audit functions
- Responsible for effective management of Group projects to ensure successful delivery
- Joined R&Q in 2014 with responsibility for project managing disposals, transfers and acquisitions
- Over 25 years' experience in the insurance and reinsurance sectors.

Carrie Hewitt
Group Chief Actuary

- Carrie is the R&Q Group Chief Actuary. Carrie is responsible for Actuarial and Risk throughout the Group including pricing, reserving and capital modelling. She has been working in the General Insurance market for 20 years and joined R&Q in 2012.
- Carrie has a first class degree in Mathematics, is a Fellow of the Institute and Faculty of Actuaries and holds a Chief Actuary (with Lloyd's) Practicing Certificate.

Steve Petch
Head of Group Finance

- Steve oversees all financial reporting for the Group parent and its subsidiaries both in the UK and abroad.
- He manages the Group Finance function and has been with the Group since December 2004.
- Steve is a Fellow of the Chartered and Certified Accountants.

Mike Glover
Chief Governance Officer

- Fellow of the Chartered Institute of Secretaries and acts as Head of Governance for the Group
- Oversees the International Regulatory activities of the Group
- Former Compliance Director for ACE's European operations
- Began insurance career in 1987 within Lloyd's Regulatory Services division
- Managing Director of Callidus Solutions Limited, an associated compliance consultancy firm.

Governance Report

We set high standards of corporate governance, with a structure designed to establish, implement and maintain the effective controls essential to the Group's long-term success.

Committee Structure

RQIH Board

Group Audit Committee

Subsidiary Audit Committees
(where appropriate)

Group Remuneration & Nominations Committee

Group Risk Committee

Alastair Campbell
Chair of Audit Committee

Michael Smith
Chair of Remuneration & Nominations Committee and Reinsurance Asset Committee

Philip Barnes
Chair of Group Risk Committee

The Board of Directors

The Board of Directors is responsible for the strategic direction, investment decisions and effective control of the Group. The Board comprises three Executive Directors and three Non-Executive Directors. There were no changes to the composition of the Board during the year ended 31 December 2017. In January 2018 Tom Booth resigned as a Director and Mark Langridge was appointed in his place. The Board is supported by the following committees:

Audit Committee

The Audit Committee consists of the three Non-Executive Directors; it is chaired by Alastair Campbell. Generally the Executive Directors are attendees and members of the Finance, Actuarial and Internal Audit functions are invited where appropriate. The Group's auditors, PKF Littlejohn LLP, attended three meetings during 2017. The Audit Committee met five times in 2017; attendance was 100%. The Committee reports the conclusions from its meetings to the Board at each regularly scheduled Board meeting.

Activities

During 2017, the Audit Committee reviewed the Group's full-year and half-year financial statements and associated disclosures considering, among other things, the appropriateness of the Group's accounting policies, reports from the Actuarial function concerning the claims reserves in the financial statements established by the Group's insurance companies and syndicates, documentation supporting the treatment of key judgemental aspects of the financial statements, and the detailed reports of the external auditors on their audit work. The Committee also reviewed and approved the detailed audit plan of the external auditors for the audit of the 2017 financial statements. During the year the Committee reviewed the performance of the Group auditor and the appointments of the Group auditor and of those auditors of the significant overseas subsidiaries not audited by the Group auditor. The Committee received copies of internal audit reports issued by Internal Audit, carried out an internal review of the performance of the Internal Audit function, and received regular reports from the Head of Internal Audit including progress against the three-year internal audit plan and progress made by management on the implementation of internal audit recommendations. The Committee also considered and approved the work plan for Internal Audit for 2018.

Group Capital & Investment Committee ("GCIC")

The GCIC consists of the Executive Directors and the Group Chief Actuary and is chaired by the Chief Financial Officer.

Activities

In 2017, the GCIC met 14 times and considered over 30 transactions and investment opportunities. The GCIC's primary purpose is to oversee all aspects of the management of corporate, insurance and syndicate assets owned, managed and related arrangements entered into by or on behalf of Companies within the Group.

RQIH Board

Group Reinsurance Asset Committee

Group Capital & Investment Committee

Subsidiary Investment Committees
(where appropriate)

Group Disclosure Committee

Mark Langridge
Group Reinsurance Asset Committee
Group Capital & Investment Committee

Alan Quilter
Chair of the Group Capital & Investment Committee

Ken Randall
Chair of Group Disclosure Committee

Remuneration & Nominations Committee ("RemCo")

The RemCo consists of the Non-Executive Directors and is chaired by Michael Smith. The CEO is an attendee and other members of the Executive and senior management attend by request. The RemCo met five times during 2017.

Activities

The RemCo's primary focus is on setting the Group's Executive and senior management remuneration policy, in collaboration with the Board as a whole. The RemCo also considers share incentive plans, option grants and other performance related initiatives as well as approving management's general approach to employee annual bonuses and pay rises, specific awards for senior management and making recommendations as to succession planning.

Reinsurance Asset Committee ("RAC")

The RAC is chaired by Michael Smith and consists of the Head of Claims & Reinsurance (UK), CFO, CEO-Insurance Investments Division, UK Client Services Director, Chief Actuary, Head of Group Credit Control, President and Senior Vice President of US Insurance Services Division and the US General Counsel. The RAC met four times in 2017.

Activities

The RAC monitors and reports on the Group's owned insurance company reinsurance assets and recommends actions to protect such assets. The RAC also reviews bad and doubtful debt provisions proposed by the Group's owned insurance companies, reports on reinsurance litigation/arbitration and commutation activity, and makes recommendations on acceptable levels of security for the purchase of insurance and reinsurance cover.

Group Risk Committee ("GRC")

The GRC is chaired by Philip Barnes and consists of the Chief Governance Officer, CFO, Chief Risk Officer, Chief Actuary and the Head of Internal Audit. The CEO is an attendee. The GRC met four times during 2017 and attendance was 92%.

Activities

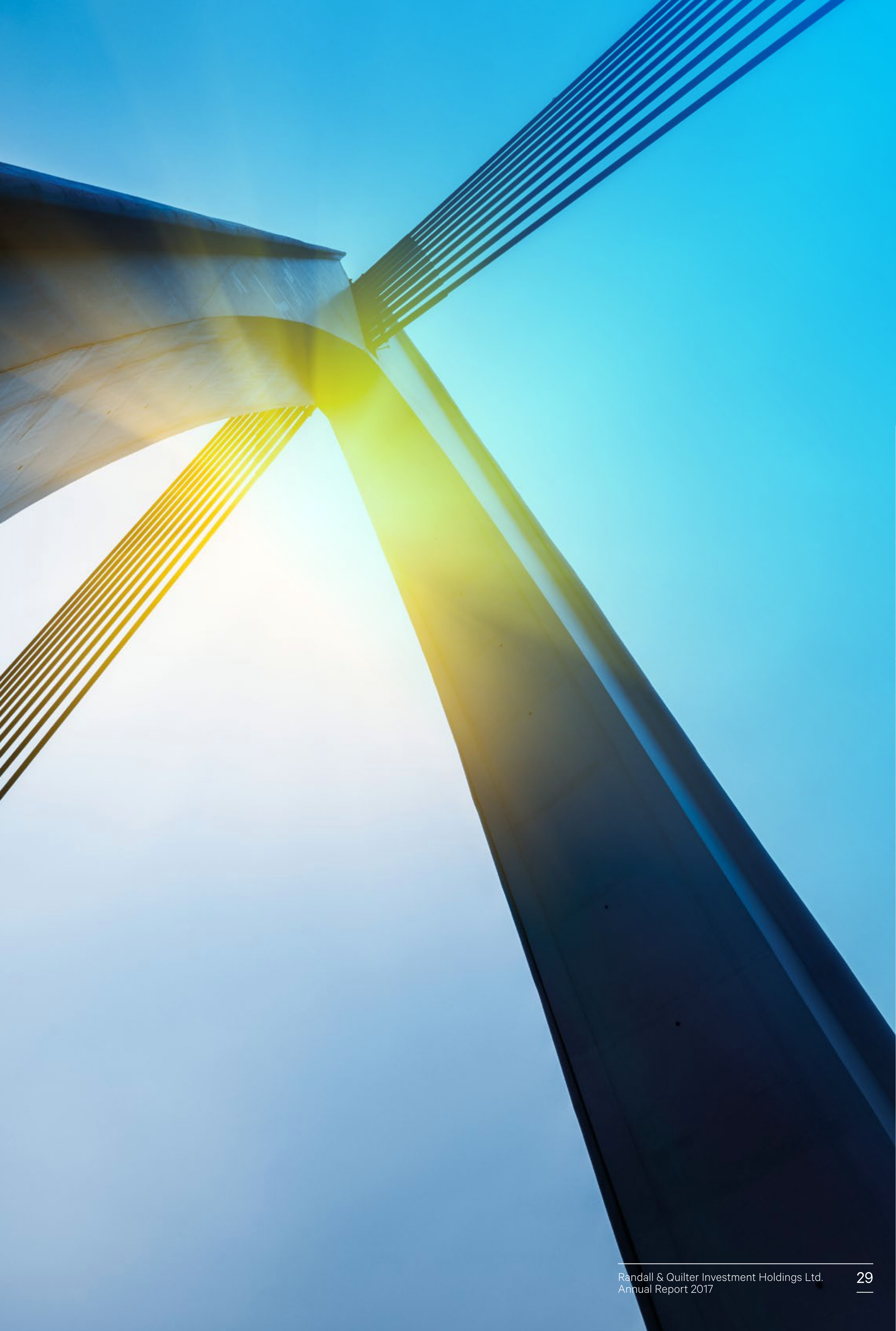
The GRC's activities are described in more detail on page 11 (Risk Management).

Group Disclosure Committee

The Disclosure Committee comprises the CEO, the CFO and the Group Company Secretary. The committee's purpose is to review the operation, adequacy and effectiveness of the Group's disclosure procedures and to assist the Board in fulfilling its responsibilities under the Market Abuse Regulation, AIM Rules and Disclosure Guidelines and Transparency Rules. The Disclosure Committee met formally on four occasions in 2017 and disclosure matters and share dealing applications were reviewed regularly throughout the year.

Financial Statements

Contents



Independent auditor's report to the members of Randall & Quilter Investment Holdings Ltd

Opinion

We have audited the financial statements of Randall & Quilter Investment Holdings Ltd. (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2017 which comprise the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity, consolidated statement of financial position and the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Parent Company's members, as a body. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, either individually or in aggregate, could reasonably be expected to influence the economic decisions of users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to the following level of materiality, the quantum and purpose of which is tabulated below.

Materiality measure	How we determined it	Key considerations and benchmarks	Quantum £
Financial statement materiality	10% of average profit before tax for the current year and the previous year excluding the profit from the disposal of R&Q Managing Agency in 2017.	We used average profit before tax for the current year and previous year.	1,000,000

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £50,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We reassessed materiality at the end of the audit and did not find it necessary to revise our planning materiality.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Group's activities, taking into account the geographic structure of the Group, the key subjective judgements made by the Directors, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain, and the overall control environment.

Based on this understanding we assessed those aspects of the Group's transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly.

The Group operates in a number of overseas locations. In establishing the overall approach to the Group audit we determined the type of work that needed to be performed by us, as the Group auditors, or the auditors of the overseas subsidiaries.

Where the work was performed by auditors of the overseas subsidiaries, we determined the level of involvement we needed as the Group auditors to have in their audit work to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. We carried out detailed audit reviews of the audit work carried out in Bermuda, Malta and the United States of America. We also kept in regular communication with those overseas auditors, as well as those auditors operating in France and Cyprus, through discussions and written instructions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the Group auditors. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Area	Reason	Audit response
Recognition of insurance program income	The Group has entered into a number of new insurance programs in the year. In accordance with IFRS, the income arising from these insurance programs should only be recognised as income within the income statement when the performance conditions associated with it have been met. It can be complex to determine the performance conditions associated with such income, giving rise to a requirement for management judgement and scope for error in accounting for such income.	We obtained an understanding and evaluated the design and implementation of controls that the Group has established in relation to the recognition of the new insurance program income. We also performed the following procedures: • We read the underlying insurance program agreements; • We tested on a sample basis whether amounts recognised were accurate and recorded in the correct accounting period based on the contractual obligations of the insurance agreements. Based on the procedures we performed, we found that the recognition of the insurance program income was supported by the evidence we obtained.
Valuation of insurance contract provisions	Total net insurance contract provisions at 31 December 2017 are £469.1 million. The methodologies and assumptions utilised to develop insurance contract provisions involve a significant degree of judgement. The liabilities are based on the estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not. In addition, classes of business where there is a greater length of time between initial claim event and settlement (such as historic asbestosis and environmental pollution classes) also tend to display greater variability between initial estimates and final settlements. A range of methods may be used to determine these provisions. We focused on this area as the underlying methods include a number of explicit and implicit assumptions relating to the expected settlement amounts and settlement patterns of claims and are subject to complex calculations which include application of management's judgement.	We evaluated whether the Group's actuarial methodologies were consistent with those used generally in the industry and with prior periods. We also evaluated the governance around the overall Group reserving process, including the scrutiny applied by the Group audit and risk committee, as well as Group level actuarial reviews. We performed the following procedures: • We tested on a sample basis the underlying data to source documentation to assess the completeness; • We reviewed any significant prior year reserve movements by reference to any significant adverse market development; • We performed independent re-projections and sensitivity analyses on selected classes of business and compared our re-projected claims reserves to those booked by management, and challenged management to understand any significant differences; • We also tested the calculations used in identifying reinsurers' share of any claims. Based on the procedures we performed, we found that the value of the insurance contract provisions was supported by the evidence we obtained.

<table>
<tr><th>Area</th><th>Reason</th><th>Audit response</th></tr>
<tr><td>Accounting for the acquisitions and disposals made in 2017</td><td>The Group completed 14 business combinations during the year ended 31 December 2017, giving rise to goodwill on bargain purchase of £24.7 million.

We focused our work on risk areas where management applies judgement in the accounting and valuation of the acquired assets and liabilities, particularly relating to the fair value of the insurance contract provisions acquired.

The insurance contract provisions assumed on acquisition must be discounted in the fair value assessment. This gives rise to a finite-life intangible asset as a result of the difference between the discounted fair value of the insurance contract provisions and the undiscounted insurance contract provisions measured in accordance with the Group's accounting policy. The intangible asset created by this comparison is amortised over the period of time the insurance contract provisions are expected to be settled.</td><td>We evaluated the design and tested the operating effectiveness of controls around the acquisition accounting.

We carried out the following testing:
• We walked through the controls in place within the accounting process and understood management's process to be in line with IFRS 3 Business Combinations.
• We read contracts, agreements and Board minutes relating to the acquisitions.
• We corroborated management's assumptions by comparing them to relevant available information. In particular, we challenged the discount rates and settlement patterns used to calculate the insurance contract provisions giving rise to the finite-life intangible asset.
• We validated and challenged key inputs and data used in valuation models by reference to historical data and our expectations.
• We evaluated the adequacy of the business combination disclosures made in Note 29 to the requirements in IFRS 3.

Based on the procedures we performed, we found the methodologies and the assumptions applied to be supported by the evidence we obtained. Using our knowledge of the run-off insurance industry we assessed the completeness of the identification of the assets acquired and assessed the appropriateness of the assets' useful economic lives. The assets identified and the lives assigned are consistent with our expectations.

For the disposals we carried out the following testing:
• We read contracts, agreements and Board minutes relating to the disposals.
• We evaluated the adequacy of the disclosures in Note 6 regarding the disposals.

Based on the procedures we performed, we found that the accounting for, and disclosure of, the disposals was supported by the evidence we obtained.</td></tr>
<tr><td>Carrying value of goodwill and intangible assets</td><td>The Group has goodwill of £14.7 million, including goodwill attributable to discontinued operations, and other intangible assets of £19.5 million as at 31 December 2017, contained within 3 cash generating units ("CGUs").

Goodwill must be tested for impairment on at least an annual basis. The determination of recoverable amount, being the higher of value-in-use and fair value less costs to dispose, requires judgement on the part of management in both identifying and then valuing the relevant CGUs. Recoverable amounts are based on management's view of variables and market conditions such as future price and volume growth rates, the timing of future operating expenditure, and the most appropriate discount and long term growth rates.</td><td>We evaluated the appropriateness of management's identification of the Group's CGUs and tested the operation of the Group's controls over the impairment assessment process, which we found to be satisfactory for the purposes of our audit. Our audit procedures included challenging management on the appropriateness of the impairment models and reasonableness of the assumptions used through performing the following:
• Benchmarking R&Q's key market-related assumptions in the models, including discount rates, long term growth rates and foreign exchange rates, against external data;
• Assessing the reliability of cash flow forecasts through a review of actual past performance and comparison to previous forecasts;
• Testing the mathematical accuracy and performing sensitivity analyses of the models;
• Understanding the commercial prospects of the assets, and where possible comparison of assumptions with external data sources.

We assessed the appropriateness and completeness of the related disclosures in Note 15 of the financial statements. Based on our procedures, we noted no material exceptions and considered management's key assumptions to be within reasonable ranges.

For the other intangible assets, we considered management's assessment of whether there is any indication of an impairment trigger, considering both internal and external sources of information. We assessed the sufficiency of the sensitivity analyses performed by management, focusing on what we consider to be reasonably possible changes in key assumptions.

Based on the procedures we performed, we found that the conclusion reached by management that there was no impairment of goodwill or intangible assets, was supported by the evidence we obtained.</td></tr>
</table>

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for the year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Ian Cowan.

PKF Littlejohn LLP

PKF Littlejohn LLP
Chartered Accountants and Registered Auditor

1 Westferry Circus
Canary Wharf
London
United Kingdom
E14 4HD

27 April 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Continuing operations					
Gross premiums written		187,947		53,377	
Written premiums ceded to reinsurers		(39,255)		(3,597)	
Net written premiums			148,692		49,780
Change in provision for unearned premiums, gross		16,553		(6,065)	
Change in provision for unearned premiums, reinsurers' share		3,425		2,360	
Net change in provision for unearned premiums			19,978		(3,705)
Earned premium, net of reinsurance			168,670		46,075
Gross investment income	7	8,187		7,972	
Other income	8	8,154		6,838	
			16,341		14,810
Total income			185,011		60,885
Gross claims paid		(142,013)		(59,430)	
Proceeds from commutations and reinsurers' share of gross claims paid		60,585		113,599	
Claims paid, net of reinsurance		(81,428)		54,169	
Movement in gross technical provisions		(10,765)		(2,317)	
Movement in reinsurers' share of technical provisions after adjusting for commutations		(16,839)		(63,880)	
Net change in provisions for claims		(27,604)		(66,197)	
Net claims provisions increased			(109,032)		(12,028)
Operating expenses	9		(84,418)		(56,096)
Result of operating activities before goodwill on bargain purchase			(8,439)		(7,239)
Goodwill on bargain purchase	29		24,666		16,281
Amortisation and impairment of intangible assets	15		(1,909)		(779)
Result of operating activities			14,318		8,263
Finance costs	10		(4,204)		(1,889)
Share of loss of associate			(284)		(18)
Profit from continuing operations before income taxes	11		9,830		6,356
Income tax (charge)/credit	12		(313)		684
Profit for the year from continuing operations			9,517		7,040
Profit for the period from discontinued operations	6		13,453		1,275
Profit for the year			22,970		8,315
Attributable to:					
Shareholders of the parent			22,914		8,414
Non-controlling interests			56		(99)
			22,970		8,315

	Note	2017	2016
Earnings per ordinary share from continuing and discontinued operations:			
Basic	13	25.4p	11.7p
Diluted	13	25.4p	11.7p
Earnings per ordinary share from continuing operations:			
Basic	13	10.5p	9.9p
Diluted	13	10.5p	9.9p

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 £000	2016 £000
Other Comprehensive Income:		
Items that will not be reclassified to profit or loss:		
Pension scheme actuarial losses	(1,002)	(4,168)
Deferred tax on pension scheme actuarial losses	170	709
	(832)	(3,459)
Items that may be subsequently reclassified to profit or loss:		
Exchange (losses)/gains on consolidation	(7,416)	8,742
Other comprehensive income	(8,248)	5,283
Profit for the year	22,970	8,315
Total comprehensive income for the year	14,722	13,598
Attributable to:		
Shareholders of the parent	14,698	13,649
Non-controlling interests	24	(51)
Total comprehensive income for the year	14,722	13,598

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Notes	Share capital £000	Share option costs £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000
		Attributable to equity holders of the Parent							
Year ended 31 December 2017									
At beginning of year		1,441	64	5,563	8,285	79,015	94,368	6	94,374
Profit/(loss) for the year		–	–	–	–	22,914	22,914	56	22,970
Other comprehensive income									
Exchange profits on consolidation		–	–	–	(7,384)	–	(7,384)	(32)	(7,416)
Pension scheme actuarial losses		–	–	–	–	(1,002)	(1,002)	–	(1,002)
Deferred tax on pension scheme actuarial losses		–	–	–	–	170	170	–	170
Total other comprehensive income for the year		–	–	–	(7,384)	(832)	(8,216)	(32)	(8,248)
Total comprehensive income for the year		–	–	–	(7,384)	22,082	14,698	24	14,722
Transactions with owners									
Share based payments		–	(64)	–	–	–	(64)	–	(64)
Issue of shares	24	1,076	–	64,308	–	–	65,384	–	65,384
Issue of X & Y shares		7,614	–	(7,614)	–	–	–	–	–
Cancellation of X & Y shares	14	(7,614)	–	–	–	–	(7,614)	–	(7,614)
Non-controlling interest in subsidiary acquired	30	–	–	–	–	–	–	(196)	(196)
At end of year		2,517	–	62,257	901	101,097	166,772	(166)	166,606

	Notes	Share capital £000	Share option costs £000	Share premium £000	Foreign currency translation reserve £000	Retained earnings £000	Total £000	Non-controlling interests £000	Total £000
		Attributable to equity holders of the Parent							
Year ended 31 December 2016									
At beginning of year		1,437	64	11,369	(409)	74,060	86,521	57	86,578
Profit/(loss) for the year		–	–	–	–	8,414	8,414	(99)	8,315
Other comprehensive income									
Exchange profits on consolidation		–	–	–	8,694	–	8,694	48	8,742
Pension scheme actuarial losses		–	–	–	–	(4,168)	(4,168)	–	(4,168)
Deferred tax on pension scheme actuarial losses		–	–	–	–	709	709	–	709
Total other comprehensive income for the year		–	–	–	8,694	(3,459)	5,235	48	5,283
Total comprehensive income for the year		–	–	–	8,694	4,955	13,649	(51)	13,598
Transactions with owners									
Issue of shares	24	4	–	247	–	–	251	–	251
Issue of V & W shares		6,053	–	(6,053)	–	–	–	–	–
Cancellation of V & W shares	14	(6,053)	–	–	–	–	(6,053)	–	(6,053)
At end of year		1,441	64	5,563	8,285	79,015	94,368	6	94,374

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

Consolidated Statement of Financial Position

As at 31 December 2017

Company Number 47341

	Note	2017 £000	2016 £000
Assets			
Intangible assets	15	20,712	32,966
Property, plant and equipment	16	3,035	3,396
Investment properties	17a	426	407
Financial instruments			
– Investments (fair value through profit and loss)	17b	405,516	245,744
– Deposits with ceding undertakings	4b	6,674	5,578
Reinsurers' share of insurance liabilities	22	253,482	202,732
Deferred tax assets	23	10,907	6,344
Current tax assets	23	2,411	3,014
Insurance and other receivables	18	170,273	144,375
Cash and cash equivalents	19	173,393	141,656
Assets held for sale	6	18,962	–
Total assets		1,065,791	786,212
Liabilities			
Insurance contract provisions	22	722,535	553,726
Financial liabilities			
– Amounts owed to credit institutions	21	55,889	65,931
– Deposits received from reinsurers		1,170	1,354
Deferred tax liabilities	23	6,890	2,893
Insurance and other payables	20	92,269	50,410
Current tax liabilities	23	7,426	7,656
Pension scheme obligations	26	11,214	9,868
Liabilities held for sale	6	1,792	–
Total liabilities		899,185	691,838
Equity			
Share capital	24	2,517	1,441
Share option costs		–	64
Share premium	24	62,257	5,563
Foreign currency translation reserve		901	8,285
Retained earnings		101,097	79,015
Attributable to equity holders of the parent		166,772	94,368
Non-controlling interests in subsidiary undertakings	30	(166)	6
Total equity		166,606	94,374
Total liabilities and equity		1,065,791	786,212

The Financial Statements were approved by the Board of Directors on 27 April 2018 and were signed on its behalf by:

K E Randall **A K Quilter**

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

Consolidated Cash Flow Statement

For the year ended 31 December 2017

Cash flows from operating activities	Note	2017 £000	2016 £000
Profit for the year		22,970	8,315
Tax included in consolidated income statement		491	163
Finance costs	10	4,204	1,889
Depreciation and impairments	16	625	617
Share based payments	24	419	251
Share of loss of associate		284	18
Profit on divestment		(15,190)	(625)
Goodwill on bargain purchase	29	(24,666)	(16,281)
Amortisation and impairment of intangible assets	15	1,909	943
Fair value gain on financial assets		(2,728)	(3,848)
Loss on revaluation of investment property	17	–	65
Loss on net assets of pension schemes		514	1,012
Decrease in receivables		8,121	6,315
Increase in deposits with ceding undertakings		(1,096)	(469)
Increase in payables		22,256	11,999
Increase in net insurance technical provisions		7,626	69,902
Cash generated from operations		25,739	80,266
Income taxes paid		–	(234)
Income taxes repaid		–	225
Net cash generated from operating activities		25,739	80,257
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(471)	(3,085)
Proceeds from sale of property, plant and equipment		–	61
Proceeds from sales of investment properties	17	–	359
Purchase of intangible assets	15	(419)	(288)
Sale of financial assets		6,133	19,177
Purchase of financial assets		(161,010)	(85,312)
Acquisition of subsidiary undertakings (offset by cash acquired)		106,186	39,341
Divestment (offset by cash disposed of)		17,773	625
Net cash used in investing activities		(31,808)	(29,122)
Cash flows from financing activities			
Repayment of borrowings		(62,772)	(5,999)
Proceeds from new borrowing arrangements		54,537	30,677
Interest and other finance costs paid	10	(4,204)	(1,889)
Cancellation of shares	14	(7,614)	(6,053)
Receipts from issue of shares		64,901	–
Net cash from financing activities		44,848	16,736
Net increase in cash and cash equivalents		38,779	67,871
Cash and cash equivalents at beginning of year		141,656	69,325
Exchange (losses)/gains on cash and cash equivalents		(5,933)	4,460
Cash and cash equivalents at end of year		174,502	141,656
Share of Syndicates' cash restricted funds		43,898	7,119
Other funds		129,495	134,537
Cash and cash equivalents relating to continuing operations	19	173,393	141,656
Cash and cash equivalents relating to discontinued operations	6	1,109	–
Cash and cash equivalents at end of year		174,502	141,656

In 2017 cash flows relating to the sale and purchase of financial assets, which were previously included within cash flows from operating activities, have been included within cash flows from investing activities. The 2016 comparative figures have been adjusted accordingly. This more appropriately reflects the Group's operating and investing activities.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. Corporate information

Randall & Quilter Investment Holdings Ltd. (the "Company") is a company incorporated in Bermuda and listed on AIM, a sub-market of the London Stock Exchange. The Company and its subsidiaries (together forming the "Group") carry on business worldwide as owners and managers of insurance companies, live and in run-off, as underwriting managers for active insurers, as participators in Lloyd's Syndicates, as purchasers of insurance receivables and as service providers to the non-life insurance market. The Consolidated Financial Statements were approved by the Board of Directors on 27 April 2018.

2. Accounting policies

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

a. Basis of preparation

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

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

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

New and amended standards adopted by the Group

In the current year, the Group has applied amendments to IFRSs issued by the IASB that are mandatory for an accounting period that begins on or after 1 January 2017.

IAS 7 Amendment: Disclosure initiative.

IAS 12 Amendment: Recognition of deferred tax assets for unrealised losses.

IFRS 2014-2016 annual improvement cycle, IFRS 12 Disclosure of Interests in Other Entities.

IAS 7 Amendment, Disclosure initiative

The amendments to IAS 7, Statement of Cash Flows, which form part of the IASB's Disclosure Initiative, require disclosure of the movements in liabilities arising from financing activities with cash and non-cash changes presented separately. The adoption of this amendment has given rise to an additional Consolidated Cash Flow Statement disclosure within Note 21.

IAS 12 Amendment, Recognition of deferred tax assets for unrealised losses

The revisions to IAS 12 Income Taxes clarify the accounting for deferred tax assets on unrealised losses and states that deferred tax assets should be recognised when a debt instrument is measured at fair value and that fair value is below the asset's tax base. It also provides further clarification on the estimation of probable future taxable profits that may support the recognition of deferred tax assets. The adoption of this amendment has not impacted on the consolidated financial statements as the clarifications to IAS 12 are consistent with Group existing interpretation and practice.

IFRS 2014–2016 annual improvement cycle

These improvements consist of amendments to the following IFRS.

IFRS 12 Disclosure of Interests in Other Entities. The amendments state that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as "held for sale". The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

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

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

2. Accounting policies continued...

a. Basis of preparation continued...

IFRS 9, Financial instruments (IASB effective date 1 January 2018)

IFRS 14, Regulatory deferral accounts (IASB effective date 1 January 2016)

IFRS 15, Revenue from contracts with customers (IASB effective date 1 January 2018)

IFRS 16, Leases (IASB effective date 1 January 2019)

IFRS 17, Insurance Contracts (IASB effective date 1 January 2021)

IFRS 2 Amendment. Classification and Measurement of Share-based Payment Transactions. (IASB effective date 1 January 2018)

IFRS 4 Amendment, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (IASB effective date 1 January 2018)

IFRS 10 and IAS 28 Amendments, Sale or contribution of assets between an investor and its associate or joint venture. (IASB have deferred the effective date)

IAS 40 Amendment, Transfer of Investment Property (IASB effective date 1 January 2018)

IFRS 2014–2016 improvement cycle (IASB effective date 1 January 2018). Amendments to IFRS 1, First-Time Adoption of International Financial Reporting Standards and IAS 28, Investments in Associates and Joint Ventures.

Of the upcoming accounting standard changes, the Group anticipates that IFRS 16 and IFRS 17 will have the most material impact to the financial statements presentation and disclosures. The accounting developments and implementation timelines of these standards are being closely monitored and the impacts of the standards themselves are being reviewed. Full impact analysis in respect of these standards is in the process of being completed. A brief overview of these standards is provided below:

IFRS 9 provides a reform of financial instruments accounting to supersede IAS 39 financial instruments: recognition and measurement. The standard contains the requirements for a) the classification and measurement of financial instruments; b) a new impairment methodology and c) general hedge accounting. IFRS 4 Amendment, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts contains an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. The Group meets the eligibility criteria and intends to take advantage of this temporary exemption and not apply this standard until the effective date of IFRS 17.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. Revenue from contracts accounted for under IFRS 4 is outside the scope of IFRS 15 however the Group will apply the new revenue recognition standard to non-insurance contracts. Furthermore, the Group will apply the new standard to non-insurance components of contracts traditionally considered to be insurance contracts. The new standard's requirement for accounting for variable consideration could change the timing of revenue recognition for non-insurance contracts issued by the Group. The Group will adopt this standard on 1 January 2018 and the current assessment of IFRS 15 is that it will be immaterial to the Group.

IFRS 16 "Leases" specifies how an IFRS reporter will recognise, measure, prepare and disclose leases. The standard replaces IAS 17 "Leases" and related interpretations. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors will continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting being substantially unchanged from its predecessor IAS 17. Lessees will be required to recognise lease assets and liabilities on the balance sheet. Additionally, the current rental charge in the consolidated income statement will be replaced with a depreciation charge for the lease assets and an interest expense for the lease liabilities. The standard is effective for annual periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 "Revenue from contracts with customers" has also been applied.

IFRS 17 was issued in May 2017. It will replace IFRS 4 on accounting for insurance contracts and has an effective date of 1 January 2021. The Group expects to adopt the new standard on this date. Under the IFRS 17 model, insurance contract liabilities will be calculated as the present value of future insurance cash flows with a provision for risk. The discount rate will reflect current interest rates. If the present value of future cash flows would produce a gain at the time a contract is issued the model would also require a "contractual service margin" to offset the day 1 gain. The contractual service margin would amortise over the life of the contract. There would also be a new income statement presentation for insurance contracts, including a revised definition of revenue, and additional disclosure requirements.

b. Selection of accounting policies

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

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

c. Consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company, and entities controlled by the Company (its subsidiaries), for the years ended 31 December 2017 and 2016. Control exists when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial results of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes non-controlling interests to have a deficit balance.

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

Certain Group subsidiaries underwrite as corporate members of Lloyd's on Syndicates managed by Coverys Managing Agency Limited. In view of the several and direct liability of underwriting members at Lloyd's for the transactions of Syndicates in which they participate, only attributable shares of transactions, assets and liabilities of those Syndicates are included in the Consolidated Financial Statements. The Group continues to conclude that it remains appropriate to consolidate its share of the result of these Syndicates and accordingly, as the Group is the sole provider of capacity on Syndicate 3330 and Syndicate 1110, these Financial Statements include 100.00% of the economic interest in those Syndicates. For Syndicate 1991, the Group provides 13.61% of the capacity on the 2015 year of account, 13.61% on the 2016 year of account and 16.96% on the 2017 year of account. These Consolidated Financial Statements include its relevant share of the result for those years and attributable assets and liabilities.

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

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in preparing the Consolidated Financial Statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income and within equity in the Consolidated Statement of Financial Position, separately from the equity attributable to the shareholders of the parent.

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

d. Going concern

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

e. Foreign currency translation

Functional and presentational currency

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

2. Accounting policies continued...

e. Foreign currency translation continued...

Transactions and balances

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

Group translation

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

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

f. Premiums

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

Unearned premiums

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

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

Acquisition costs

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

g. Claims

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

h. Insurance contract provisions and reinsurers' share of insurance liabilities

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

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

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

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

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

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

Provision for future claims handling costs
Provision for future run-off costs relating to the Group's run-off businesses is made to the extent that the estimate of such costs exceeds the estimated future investment income expected to be earned by those businesses.

Estimates are made for the anticipated costs of running off the business of those insurance subsidiaries and the Group's participation in Syndicates which have insurance businesses in run-off. Where insurance company subsidiaries have businesses in run-off and underwrite new business, management estimates the run-off costs and the future investment income relating to the run-off business. Syndicates are treated as being in run-off for the Group financial statements where they have ceased writing new business and, in the opinion of management, there is no current probable reinsurer available to close the relevant syndicate year of account.

Changes in the estimates of such costs and future investment income are reflected in the year in which the estimates are made.

When assessing the amount of any provision to be made, the future investment income and claims handling and all other costs of all the insurance company subsidiaries' and syndicates' businesses in run-off are considered in aggregate.

The uncertainty inherent in the process of estimating the period of run-off and the payout pattern over that period, the anticipated run-off administration costs to be incurred over that period and the level of investment income to be received are such that in the normal course of events unforeseen or unexpected future developments may cause the ultimate costs of settling the outstanding liabilities to differ from that previously estimated.

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

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

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

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

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

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

Disclosure of the position in relation to structured settlements is shown in Note 20.

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

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

2. Accounting policies continued...

l. Financial instruments continued...

Financial assets

i) Acquisition

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

ii) Financial assets at fair value through profit and loss

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

iii) Fair value measurement

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

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

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

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

iv) Insurance receivables and payables

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

v) Investment income

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

Financial liabilities

i) Borrowings

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

ii) Subordinated debt

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

Derivative financial instruments

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

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

m. Leases

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

n. Property, plant and equipment

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

The principal rates per annum used for this purpose are:

	%
Motor vehicles	25
Office equipment	8–50
IT equipment	20–25
Freehold property	2
Leasehold improvements	Term of lease

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

o. Goodwill

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

Goodwill acquired in a business combination is initially measured at cost, being the excess of the fair value of the consideration paid for the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at the cash generating unit level, as shown in Note 15, on a biannual basis or if events or changes in circumstances indicate that the carrying amount may be impaired.

p. Other intangible assets

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

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

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

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

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

US insurance authorisation licences

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

Rights to customer contractual relationships

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

2. Accounting policies continued...

q. Employee Benefits

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

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

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

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

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

r. Cash and cash equivalents

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

s. Finance costs

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

t. Operating expenses

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

Pre-contract costs

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

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

Onerous contracts

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

Arrangement fees

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

u. Other income

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

Management fees

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

Purchased reinsurance receivables

The Group accounts for these financial assets at fair value through profit and loss. Fair value is defined as the price at which an orderly transaction would take place between market participants at the reporting date and is therefore an estimate which requires the use of judgement.

Profit commission on managed Lloyd's Syndicates

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

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

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

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

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

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

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

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilised.

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

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

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

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

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

In the event that further information were to become available to the Directors of an insurance company subsidiary which gave rise to material additional liabilities, the going concern basis might no longer be appropriate for that company and adjustments would have to be made to reduce the value of its assets to their realisable amount, and to provide for any further liabilities which might arise in that subsidiary. The Group bears no financial responsibility for any liabilities or obligations of any insurance company subsidiary in run-off. Should any insurance company subsidiary cease to be able to continue as a going concern in the light of further information becoming available, any loss to the Group would thus be restricted to the book value of their investment in and amounts due from that subsidiary and any guarantee liability that may arise.

3. Estimation techniques, uncertainties and contingencies continued...

Claims provisions

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

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

The Group also contracts with independent external actuaries to obtain a Statement of Actuarial Opinion for the Lloyd's Syndicates that it participates on. This statement shows that the booked reserves are greater than or equal to their view of best estimate.

In the case of the Group's larger insurance companies in run-off, independent external actuaries provide a view of best estimate reserves and confirm that the held reserves are within their range of acceptable estimates.

The business written by the insurance company subsidiaries consists in part of long-tail liabilities, including asbestos, pollution, health hazard and other US liability insurance. The claims for this type of business are typically not settled until many years after policies have been written. Furthermore, much of the business written by these companies is reinsurance and retrocession of other insurance companies' business, which lengthens the settlement period.

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

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

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

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

Asbestos, pollution and health hazard claims

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

Insurance claims handling expenses

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

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

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

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

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

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

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

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

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

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

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

Provisions
Included in Other payables in Note 20 is the Directors' estimate of the Group's exposure to the various liabilities of the Southern Illinois Land Company.

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

4. Management of insurance and financial risks

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

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

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

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

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

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

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

The investment allocation (including surplus cash) at 31 December 2017 and 2016 is shown below:

	2017 £000	2016 £000
Government and government agencies	141,278	28,530
Corporate bonds	159,961	165,043
Equities	21,146	9,382
Cash based investment funds	83,131	42,789
Cash and cash equivalents	173,393	141,656
	578,909	387,400
	%	%
Government and government agencies	24.4	7.4
Corporate bonds	27.6	42.6
Equities	3.7	2.4
Cash based investment funds	14.3	11.0
Cash and cash equivalents	30.0	36.6
	100.0	100.0

Corporate bonds include asset backed mortgage obligations totalling £8,905k (2016: £20,832k).

Based on invested assets at external managers of £405,516k as at 31 December 2017 (2016: £245,744k), a 1 percentage increase/decrease in market values would result in an increase/decrease in the profit before income taxes for the year to 31 December 2017 of £4,055k (2016: £2,457k).

i) Pricing risk

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

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

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

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

2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Government and government agencies	–	141,278	–	141,278
Corporate bonds	–	159,961	–	159,961
Equities	19,314	1,832		21,146
Cash based investment funds	83,131	–	–	83,131
Purchased reinsurance receivables (Note 18)	–	–	3,750	3,750
Total financial assets measured at fair value	102,445	303,071	3,750	409,266

2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Government and government agencies	4,241	24,289	–	28,530
Corporate bonds	382	164,661	–	165,043
Equities	9,313	–	69	9,382
Cash based investment funds	42,789	–	–	42,789
Purchased reinsurance receivables (Note 18)	–	–	5,585	5,585
Total financial assets measured at fair value	56,725	188,950	5,654	251,329

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

	2017 £000	2016 £000
Opening balance	5,654	9,624
Total net gains recognised in the Consolidated Income Statement	452	522
Purchases	–	354
Disposals	(1,905)	(6,193)
Exchange adjustments	(451)	1,347
Closing balance	3,750	5,654

Level 3 investments (purchased reinsurance receivables) have been valued using detailed models outlining the anticipated timing and amounts of future receipts. The net gains recognised in the Consolidated Income Statement in other income for the year amounted to £452k (2016: £522k). The Group did not purchase further reinsurance receivables in 2017 (2016: purchases of £354k). Short term delays in the anticipated receipt of these investments will not have a material impact on their valuation.

Level 3 investments (equities) related to equity investments included on an acquisition in 2015, the valuation is calculated based on the fair value of the underlying assets and liabilities.

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

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

ii) Liquidity risk

As at 31 December 2017

Maturity date or contractual re-pricing date	Total	Less than one year £000	After one year but less than two years £000	After two years but less than three years £000	After three years but less than five years £000	More than five years £000
Debt securities	384,370	109,554	56,340	38,225	52,422	127,829

Interest rate ranges (coupon-rates)	Less than one year £000	After one year but less than two years £000	After two years but less than three years £000	After three years but less than five years £000	More than five years £000
Debt securities	0.49–8.25	0.05–7.50	0.40–4.95	1.43–5.88	1.01–7.68

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

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

ii) Liquidity risk continued...

As at 31 December 2016

Maturity date or contractual re-pricing date	Total	Less than one year £000	After one year but less than two years £000	After two years but less than three years £000	After three years but less than five years £000	More than five years £000
Debt securities	236,362	38,922	30,645	42,124	23,417	101,254

Interest rate ranges (coupon-rates)	Less than one year £000	After one year but less than two years £000	After two years but less than three years £000	After three years but less than five years £000	More than five years £000
Debt securities	0.5–1.75	1.375–7.62	0.875–6.9	1.34–5.75	1.233–6.3

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

iii) Interest rate risk

Fixed income investments represent a significant proportion of the Group's assets and the Group Capital & Investment Committee continually monitors investment strategy to minimise the risk of a fall in the portfolio's market value.

The fair value of the Group's investment portfolio of debt and fixed income securities is normally inversely correlated to movements in market interest rates. If market interest rates rise, the fair value of the Group's debt and fixed income investments would tend to fall and vice versa.

Debt and fixed income assets are predominantly invested in high-quality corporate, government and asset-backed bonds. The investments typically have relatively short durations and terms to maturity.

The Group is exposed to interest rate risk within the Group's financial liabilities. This exposure lies predominately with amounts owed to credit institutions and debentures secured over the assets of the Company and its subsidiaries.

b. Credit risk

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

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

As at 31 December 2017	A rated £000	B rated	Less than B £000	Other* £000	Exposures of less than £200k £000	Total £000
Deposits with ceding undertakings	2,911	300	–	1,655	1,808	6,674
Reinsurers' share of insurance liabilities	173,629	3,228	–	40,608	36,017	253,482
Receivables arising out of reinsurance contracts	40,971	2,545	–	9,443	10,159	63,118

As at 31 December 2016	A rated £000	B rated	Less than B £000	Other* £000	Exposures of less than £200k £000	Total £000
Deposits with ceding undertakings	2,973	286	–	–	2,319	5,578
Reinsurers' share of insurance liabilities	144,244	3,623	371	34,337	20,157	202,732
Receivables arising out of reinsurance contracts	45,987	2,261	269	9,134	14,341	71,992

* Other includes reinsurers who currently have no credit rating.

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

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

As at 31 December 2017	0–6 months %	6–12 months %	12–24 months %	> 24 months %
Percentage of receivables	69.6	3.1	5.5	21.8

As at 31 December 2016	0–6 months %	6–12 months %	12–24 months %	> 24 months %
Percentage of receivables	65.3	3.9	6.5	24.3

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

		Financial assets past due but not impaired			
As at 31 December 2017	Neither past due nor impaired £000	Past due 1–90 days £000	Past due more than 90 days £000	Assets that have been impaired £000	Carrying value in the balance sheet £000
Deposits with ceding undertakings	6,278	–	–	396	6,674
Reinsurers' share of insurance liabilities	163,809	–	–	89,673	253,482
Receivables arising out of reinsurance contracts	21,004	235	288	41,591	63,118

		Financial assets past due but not impaired			
As at 31 December 2016	Neither past due nor impaired £000	Past due 1–90 days £000	Past due more than 90 days £000	Assets that have been impaired £000	Carrying value in the balance sheet £000
Deposits with ceding undertakings	5,039	–	–	539	5,578
Reinsurers' share of insurance liabilities	81,520	–	–	121,212	202,732
Receivables arising out of reinsurance contracts	22,004	–	100	49,888	71,992

The Directors believe the amounts past due but not impaired are recoverable in full.

Credit risk is managed at the committees established by the Group and Coverys Managing Agency Limited ("Coverys").

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

Coverys is the Lloyd's Managing Agent which manages the Syndicates on which the Group participates historically and for the 2018 Year of account. Coverys has established Syndicate Management Committees in relation to each managed syndicate and the Group has representation on each of these committees with the exception of the S1991 Committee on which the Group now only has a nominal participation. The committees are responsible for establishing minimum security levels for all reinsurance purchases by the managed Syndicates by reference to appropriate rating agencies for agreeing maximum concentration levels for individual reinsurers and intermediaries, and for dealing with any other issue relating to reinsurance assets.

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

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

c. Currency risk

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

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

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

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

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

31 December 2017	Sterling £000	US dollar £000	Euro £000	Other £000	Total £000
Intangible assets	11,236	9,159	317	–	20,712
Reinsurers' share of insurance liabilities	110,573	92,167	50,742	–	253,482
Financial instruments	68,885	313,721	29,562	448	412,616
Insurance receivables	51,489	51,172	2,758	–	105,419
Cash and cash equivalents	105,141	65,223	2,994	35	173,393
Net assets held for sale in disposal group	10,228	6,942	–	–	17,170
Insurance liabilities and insurance payables	(294,338)	(387,819)	(81,817)	–	(763,974)
Deferred tax and pension scheme obligations	(11,436)	(6,278)	(390)	–	(18,104)
Trade and other (payables)/receivables	(6,372)	(22,084)	(5,102)	(384)	(33,942)
Total	45,406	122,203	(936)	99	166,772

31 December 2016	Sterling £000	US dollar £000	Euro £000	Other £000	Total £000
Intangible assets	17,735	14,729	481	21	32,966
Reinsurers' share of insurance liabilities	24,932	114,144	63,656	–	202,732
Financial instruments	18,351	200,032	32,764	582	251,729
Insurance receivables	28,624	60,506	2,111	–	91,241
Cash and cash equivalents	59,821	78,652	2,594	589	141,656
Insurance liabilities and insurance payables	(99,051)	(371,370)	(94,770)	–	(565,191)
Deferred tax and pension scheme obligations	(10,139)	(2,207)	(415)	–	(12,761)
Trade and other (payables)/receivables	(19,596)	(17,154)	(10,515)	(739)	(48,004)
Total	20,677	77,332	(4,094)	453	94,368

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

		31 December 2017		31 December 2016	
Currency	Changes in variables	Impact on profit £000	Impact on equity* £000	Impact on profit £000	Impact on equity* £000
Euro weakening	10%	687	85	291	379
US dollar weakening	10%	(3,626)	(11,109)	(901)	(7,060)
Euro strengthening	10%	(841)	(104)	(357)	(463)
US dollar strengthening	10%	4,436	13,578	1,098	8,629

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

d. Capital management

The Group's objectives with respect to capital sufficiency are to maintain capital at a level that provides a suitable margin over that deemed by the Group's regulators and supervisors as providing an acceptable level of policyholder protection, whilst remaining economically viable. The Group is regulated in Bermuda by the Bermuda Monetary Authority ("BMA"). The BMA assesses the capital and solvency adequacy of the Group and requires that sufficient capital is in place to meet the Bermuda Solvency Capital Requirement ("BSCR"). The BSCR generates a risk-based capital measure by applying capital factors to capital and solvency return elements, including investments and other assets, premiums and reserves, operational risk, and insurer-specific catastrophe exposure measures, in order to establish an overall measure of capital and surplus for statutory solvency purposes.

The Group maintains a capital level that provides an adequate margin over the Group's solvency capital requirements whilst maintaining local capital which meets or exceeds the relevant local minima including, where appropriate, those relating to maintenance of external ratings. This is monitored by way of a capital sufficiency assessment by the Group Risk Committee.

e. Insurance risk

The Group underwrites live business, providing market access to reinsurers through a network of managing general agents. This program underwriting management business, is underwritten in the USA by Accredited Surety and Casualty Inc. and in Europe by R&Q Insurance (Malta) Limited, both being A- credit rated risk carriers. The exposure to the Group is limited, to the credit risk of the reinsurers and the limited retentions on select lines of business program.

Entity	Annualised Premiums £000
Europe	85,559
US	45,651

The Group participates on Syndicates shown below:

Syndicate	Year of account	Syndicate Capacity £000	Group participation £000	Open/closed
1991	2018	126,750	50	Open
1991	2017	126,750	30,687	Open
1991	2016	129,740	17,693	Open
1991	2015	146,218	19,900	Closed
1110	2017	280,000	280,000	Open
1110	2016	210,000	210,000	Open
1110	2015	210,000	210,000	Closed
3330	2018	3,000	300	Open
3330	2017	3,500	3,500	Open

i) Underwriting risk

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

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

ii) Reserving risk

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

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

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

e. Insurance risk continued...

ii) Reserving risk continued...

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

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

Claims development information is disclosed below in order to illustrate the effect of the uncertainty in the estimation of future claims settlements by the Group. The tables compare the ultimate claims estimates with the payments made to date. Details are presented on an aggregate basis and show the movements on a gross and net basis, and separately identify the effect of the various acquisitions made by the Group since 1 January 2014.

The reserve movements in 2014 arise principally from new business being written in 2017 in Accredited.

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

Gross	**Group entities at 1 January 2014 £000**	**Entities acquired by the Group during 2014 £000**	**Entities acquired by the Group during 2015 £000**	**Entities acquired by the Group during 2016 £000**	**Entities acquired by the Group during 2017 £000**
Gross claims at :					
1 January/acquisition	315,843	28,082	12,147	107,121	210,979
First year movement	7,425	(4,656)	26	(2,793)	(32,808)
Second year movement	(1,300)	(8,667)	1,222	(26,891)	
Third year movement	43,440	13,043	(816)		
Fourth year movement	(43,781)	52,744			
Gross provision at 31 December 2017	321,627	80,546	12,579	77,437	178,171
Gross claims at :					
1 January/acquisition	315,843	28,082	12,147	107,121	210,979
Exchange adjustments	70,268	(521)	77	(7,507)	(2,324)
Payments	(193,401)	(27,315)	(1,500)	(21,801)	(26,717)
Gross provision at 31 December 2017	(321,627)	(80,546)	(12,579)	(77,437)	(178,171)
(Deficit)/surplus to date	(128,917)	(80,300)	(1,855)	376	3,767
Gross claims provisions – live business	–	–	24,873	23,188	4,114
Total gross insurance contract provisions (Note 22)	321,627	80,546	37,452	100,625	182,285

Net	**Group entities at 1 January 2014 £000**	**Entities acquired by the Group during 2014 £000**	**Entities acquired by the Group during 2015 £000**	**Entities acquired by the Group during 2016 £000**	**Entities acquired by the Group during 2017 £000**
Net claims at :					
1 January/acquisition	158,655	24,150	11,283	42,540	138,547
First year movement	(1,649)	(3,940)	9	(1,171)	(34,793)
Second year movement	(7,200)	(7,177)	1,037	(14,444)	
Third year movement	81,902	13,174	(656)		
Fourth year movement	(28,534)	47,478			
Net provision at 31 December 2017	203,174	73,685	11,673	26,925	103,754
Net claims at :					
1 January/acquisition	158,655	24,150	11,283	42,540	138,547
Exchange adjustments	36,699	6,125	103	(2,641)	(1,999)
Payments	12,786	(25,172)	(1,488)	(12,413)	(18,205)
Net claims provision at 31 December 2017	(203,174)	(73,685)	(11,673)	(26,925)	(103,754)
Surplus/(deficit) to date	4,966	(68,582)	(1,775)	561	14,589
Gross claims provisions – live business	–	–	23,817	22,076	3,949
Total net insurance contract provisions (Note 22)	203,174	73,685	35,490	49,001	107,703

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

Foreign exchange movements shown previously are offset by comparable foreign exchange movements in cash and investments held to meet insurance liabilities.

Additional information regarding movements in claims reserves are disclosed in Note 22.

5. Segmental information

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

- The segmental analysis relates to continuing operations with the discontinued operations disclosed in Note 6.
- Insurance Investments, which acquires/assumes legacy portfolios and insurance debt and provides capital support to the Group's managed Lloyd's Syndicates
- Insurance Services, which provides insurance related services (including captive management) to both internal and external clients in the insurance market
- Underwriting Management, which operates underwriting entities
- Other corporate activities, which primarily includes the Group holding company and other minor subsidiaries which fall outside of the segments above

Segmental results for continuing operations for the year ended 31 December 2017

	Insurance Investments			Insurance Services	Underwriting Management	Other Corporate	Consolidation adjustments	Total
	Live £000	Run-off £000	Total £000	£000	£000	£000	£000	£000
Earned premium, net of reinsurance	32,160	54,266	86,426	–	82,244	–	–	168,670
Net investment income	116	12,243	12,359	1,297	1,521	5,700	(12,690)	8,187
External income	–	498	498	5,180	1,750	726	–	8,154
Internal income	–	887	887	8,622	233	6,601	(16,343)	–
Total income	32,276	67,894	100,170	15,099	85,748	13,027	(29,033)	185,011
Claims paid, net of reinsurance	(9,873)	(50,418)	(60,291)	–	(21,137)	–	–	(81,428)
Net change in provision for claims	(10,092)	28,994	18,902	–	(46,506)	–	–	(27,604)
Net insurance claims (increased)/released	(19,965)	(21,424)	(41,389)	–	(67,643)	–	–	(109,032)
Operating expenses	(15,135)	(41,842)	(56,977)	(15,170)	(12,407)	(16,207)	16,343	(84,418)
Result of operating activities before goodwill on bargain purchase	(2,824)	4,628	1,804	(71)	5,698	(3,180)	(12,690)	(8,439)
Goodwill on bargain purchase	–	24,666	24,666	–	–	–	–	24,666
Amortisation and impairment of intangible assets	–	(1,114)	(1,114)	–	(773)	(22)	–	(1,909)
Result of operating activities	(2,824)	28,180	25,356	(71)	4,925	(3,202)	(12,690)	14,318
Finance costs	–	(5,316)	(5,316)	(1,777)	(220)	(9,581)	12,690	(4,204)
Share of loss of associate	–	–	–	–	(284)	–	–	(284)
Profit/(loss) on ordinary activities before income taxes	(2,824)	22,864	20,040	(1,848)	4,421	(12,783)	–	9,830
Income tax (charge)/credit	–	976	976	(856)	(1,224)	791	–	(313)
Profit/(loss) for the year	(2,824)	23,840	21,016	(2,704)	3,197	(11,992)	–	9,517
Non-controlling interests	–	(179)	(179)	114	9	–	–	(56)
Attributable to shareholders of parent	(2,824)	23,661	20,837	(2,590)	3,206	(11,992)	–	9,461
Segment assets	46,929	1,021,409	1,068,338	51,666	135,505	301,453	(510,133)	1,046,829
Segment liabilities	53,962	792,254	846,216	65,888	90,591	404,831	(510,133)	897,393

5. Segmental information continued...

Segmental results for continuing operations for the year ended 31 December 2016

	Insurance Investments			Insurance Services	Underwriting Management	Other Corporate	Consolidation adjustments	Total
	Live £000	Run-off £000	Total £000	£000	£000	£000	£000	£000
Earned premium, net of reinsurance	28,458	10,325	38,783	–	7,292	–	–	46,075
Net investment income	23	10,232	10,255	1,033	694	4,042	(8,052)	7,972
External income	–	456	456	4,491	1,623	268	–	6,838
Internal income	–	1,777	1,777	8,528	335	6,903	(17,543)	–
Total income	28,481	22,790	51,271	14,052	9,944	11,213	(25,595)	60,885
Claims paid, net of reinsurance	(6,095)	49,484	43,389	–	10,780	–	–	54,169
Net change in provision for claims	(10,739)	(44,787)	(55,526)	–	(10,671)	–	–	(66,197)
Net insurance claims (increased)/released	(16,834)	4,697	(12,137)	–	109	–	–	(12,028)
Operating expenses	(13,735)	(17,599)	(31,334)	(14,075)	(11,893)	(16,337)	17,543	(56,096)
Result of operating activities before goodwill on bargain purchase	(2,088)	9,888	7,800	(23)	(1,840)	(5,124)	(8,052)	(7,239)
Goodwill on bargain purchase	–	16,281	16,281	–	–	–	–	16,281
Amortisation and impairment of intangible assets	–	(566)	(566)	–	(193)	(20)	–	(779)
Result of operating activities	(2,088)	25,603	23,515	(23)	(2,033)	(5,144)	(8,052)	8,263
Finance costs	–	(2,085)	(2,085)	(1,294)	(284)	(6,278)	8,052	(1,889)
Share of loss of associate	–	–	–	–	(18)	–	–	(18)
Profit/(loss) on ordinary activities before income taxes	(2,088)	23,518	21,430	(1,317)	(2,335)	(11,422)	–	6,356
Income tax (charge)/credit	–	(1,904)	(1,904)	1,506	602	480	–	684
Profit/(loss) for the year	(2,088)	21,614	19,526	189	(1,733)	(10,942)	–	7,040
Non-controlling interests	–	(350)	(350)	449	–	–	–	99
Attributable to shareholders of parent	(2,088)	21,264	19,176	638	(1,733)	(10,942)	–	7,139
Segment assets	37,351	811,784	849,135	96,887	46,020	196,522	(402,352)	786,212
Segment liabilities	44,349	623,878	668,227	91,292	36,579	298,092	(402,352)	691,838

Internal income includes fees payable by the insurance companies to the Insurance Services Division in the period. These are contractually committed on an arm's length basis.

No income from any one client included within the external income generated more than 10% of the total external income.

Geographical analysis – continuing operations

As at 31 December 2017

	UK £000	North America £000	Europe £000	Total £000
Gross assets	548,898	773,046	235,018	1,556,962
Intercompany eliminations	(267,377)	(190,816)	(51,940)	(510,133)
Segment assets	281,521	582,230	183,078	1,046,829
Gross liabilities	509,374	716,791	181,361	1,407,526
Intercompany eliminations	(229,871)	(275,139)	(5,123)	(510,133)
Segment liabilities	279,503	441,652	176,238	897,393
Revenue from external customers	52,335	118,548	14,128	185,011

As at 31 December 2016

	UK £000	North America £000	Europe £000	Total £000
Gross assets	312,688	640,129	235,747	1,188,564
Intercompany eliminations	(206,717)	(134,274)	(61,361)	(402,352)
Segment assets	105,971	505,855	174,386	786,212
Gross liabilities	293,504	620,388	180,298	1,094,190
Intercompany eliminations	(200,497)	(191,832)	(10,023)	(402,352)
Segment liabilities	93,007	428,556	170,275	691,838
Revenue from external customers	28,727	15,754	16,404	60,885

6. Discontinued operations and disposal groups

a) The sale of R&Q Managing Agency Limited

On 23 June 2017 the Group announced that it had reached agreement to sell the entire share capital of its Lloyd's managing agency, R&Q Managing Agency Limited ("RQMA") to Coverys, a leading provider of medical professional liability insurance based in Boston, Massachusetts. The sale received regulatory change of control approval by Lloyd's and the PRA, and was completed on 30 November 2017. RQMA is presented within these financial statements as a discontinued operation for the year ending 31 December 2017 and for previous period comparatives, as it represented the sale of a major line of business within the R&Q Group.

b) The sale of Insurance Services and Captive Management Divisions

On 13 January 2018 the Group completed the sale of its Insurance Services and Captive Management Operations ("ISD") to Davies Group ("Davies") a leading operations management, consultancy and digital solutions provider. The transaction involves the sale of the entire share capital of JMD Specialist Insurance Services Group Limited and its subsidiaries, R&Quiem Limited, John Heath & Company Limited and AM Associates Insurance Services Limited as well as Randall & Quilter Bermuda Holdings Limited and its Quest subsidiaries. The sale is presented within these financial statements as a discontinued operation for the year-ending 31 December 2017 and for previous period comparatives, as it represented the sale of a major line of business within the R&Q Group.

Profit for the year from discontinued operations

For the year ended 31 December	RQMA 2017 £00	ISD 2017 £00	Total 2017 £00	RQMA 2016 £00	ISD 2016 £00	Total 2016 £00
Other Income	10,586	14,391	24,977	11,423	15,490	26,913
Operating expenses	(13,909)	(12,630)	(26,539)	(11,345)	(13,445)	(24,790)
Profit from discontinued operations before tax	(3,323)	1,761	(1,562)	78	2,045	2,123
Income tax charge	(30)	(148)	(178)	(72)	(776)	(848)
Operating profit/(loss)	(3,353)	1,613	(1,740)	6	1,269	1,275
Disposal proceeds	16,799	–	16,799	–	–	–
Net assets disposed of	1,606	–	1,606	–	–	–
Gain on disposal	15,193	–	15,193	–	–	–
Income tax charge on disposal	–	–	–	–	–	–
Profit on disposals	15,193	–	15,193	–	–	–
Profit for the year from discontinued operations	**11,840**	**1,613**	**13,453**	**6**	**1,269**	**1,275**

Cash flows for the year from discontinued operations

For the year ended 31 December	RQMA 2017 £00	ISD 2017 £00	Total 2017 £00	RQMA 2016 £00	ISD 2016 £00	Total 2016 £00
Net cash inflows/(outflows) from operating activities	(158)	166	8	172	(302)	(130)
Net cash inflows from investing activities	16,799	–	16,799	–	–	–
Net cash inflows/(outflows)	**16,641**	**166**	**16,807**	**172**	**(302)**	**(130)**

6. Discontinued operations and disposal groups continued...

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

	On disposal 30 November 2017 £000
Assets	
Intangible assets	872
Insurance and other receivables	1,524
Cash and cash equivalents	14
	2,410
Liabilities	
Insurance and other payables	804
Current tax liabilities	–
	804
Total net assets of the disposal group	1,606

No impairment losses were recognised on the reclassification of these operations as held for sale, or at the point of sale, as the sale proceeds exceeded the carrying amounts.

The major classes of assets and liabilities of the Insurance Services and Captive Management Divisions disposal group held for sale are as follows:

	Year ended 31 December 2017 £000
Assets classified as held for sale:	
Intangible assets	13,496
Insurance and other receivables	4,357
Cash and cash equivalents	1,109
	18,962
Liabilities directly associated with assets held for sale:	
Insurance and other payables	1,792
Current tax liabilities	–
	1,792
Total net assets of the disposal group	17,170

No impairment losses were recognised on the reclassification of these operations as held for sale, as the sale proceeds exceeded the carrying amounts.

7. Gross investment income

Continuing operations	2017 £000	2016 £000
Investment income	5,459	4,123
Realised net gains on financial assets	1,191	3,191
Unrealised gains on financial assets	1,537	658
	8,187	7,972

8. Other income

Continuing operations	2017 £000	2016 £000
Management fees	6,275	4,533
Insurance commissions	1,687	1,371
(Loss)/profit on divestment (Note 29)	(3)	625
Interest expense on pension scheme deficit	(257)	(213)
Purchased reinsurance receivables	452	522
	8,154	6,838

9. Operating expenses

Continuing operations	2017 £000	2016 £000
Costs of insurance company subsidiaries	9,745	9,080
Costs of syndicate participations	31,800	12,891
Pre-contract costs	226	244
Employee benefits	30,751	27,934
Other operating expenses	11,896	5,947
	84,418	56,096

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

Auditor remuneration

	2017 £000	2016 £000
Fees payable to the Group's auditors for the audit of the Parent Company and its Consolidated Financial Statements	120	110
Fees payable for the audit of the Group's subsidiaries by:		
– Group auditors	502	403
– Other auditors	341	431
Advice on financial and accountancy matters	74	4
Other services under legislative requirements	123	130
Total	1,160	1,078

The above includes the Group's share of the audit fee payable for syndicates 1110, 1991 and 3330 audits.

Fees payable included in the above table relating to the audit of the Group's discontinued operations for 2017 amount to £115k (2016: 97k).

10. Finance costs

Continuing operations	2017 £000	2016 £000
Bank loan and overdraft interest	1,419	712
Subordinated debt interest	2,785	1,177
	4,204	1,889

11. Profit on ordinary activities before taxation

Profit for continuing operations before taxation is stated after charging:

	2017 £000	2016 £000
Employee benefits (Note 25)	30,751	27,934
Legacy acquisition costs (including aborted transactions)	2,831	1,115
Depreciation and impairment of property, plant and equipment (Note 16)	625	617
Operating lease rental expenditure	1,929	2,359
Amortisation of pre-contract costs	226	244
Amortisation and impairment of intangibles (Note 15)	1,909	943

12. Income tax charge

a. Analysis of charge in the year

Continuing operations	2017 £000	2016 £000
Current tax		
Current year	124	(575)
Adjustments in respect of previous years	208	(841)
Foreign tax	336	769
	668	(647)
Deferred tax	(355)	(37)
Income tax charge/(credit) for the year	313	(684)

b. Factors affecting tax charge for the year

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

	2017 £000	2016 £000
Profit on continuing operations before taxation	9,830	6,356
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	1,892	1,271
Temporary differences	(6,219)	(5,670)
Capital allowances in excess of depreciation	71	57
Utilisation of tax losses	549	(49)
Timing differences in respect of pension schemes	(58)	63
Unrelieved losses	5,663	1,964
Foreign tax rate differences	(1,793)	2,521
Adjustments to the tax charge in respect of prior years	208	(841)
Income tax charge/(credit) for the year	313	(684)

c. Factors that may affect future tax charges

In addition to the recognised deferred tax asset, the Group has other trading losses of approximately £84,566k (2016: £47,153k) in various Group companies available to be carried forward against future trading profits of those companies. The increase is materially due to acquisitions in the year. The recovery of these losses is uncertain and no deferred tax asset has been provided in respect of these losses. Should it become possible to offset these losses against taxable profits in future years the Group tax charge in those years will be reduced accordingly.

The Group has available capital losses of £28,001k (2016: £27,461k).

13. Earnings and net assets per share

a. Basic earnings per share

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

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

	2017 £000	2016 £000
Profit for the year attributable to ordinary shareholders from:		
Continuing operations	9,461	7,139
Discontinued operations	13,453	1,275
	No. 000's	**No. 000's**
Shares in issue throughout the year	72,118	71,835
Weighted average number of ordinary shares issued	18,016	169
Weighted average number of ordinary shares	90,134	72,004
Basic earnings per ordinary share for:		
Continuing operations	10.5p	9.9p
Discontinued operations	14.9p	1.8p

b. Diluted earnings per share

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

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

	2017 £000	2016 £000
Profit for the year attributable to ordinary shareholders		
Continuing operations	9,461	7,139
Discontinued operations	13,453	1,275
	No. 000's	**No. 000's**
Weighted average number of ordinary shares in issue in the year	90,134	72,004
Dilution effect of options	–	95
	90,134	72,099
Diluted earnings per ordinary share:		
Continuing operations	10.5p	9.9p
Discontinued operations	14.9p	1.8p

c. Net asset value per share

	2017 £000	2016 £000
Net assets attributable to equity shareholders as at 31 December	166,772	94,368
	No. 000's	**No. 000's**
Ordinary shares in issue as at 31 December	125,876	72,118
Net asset value per ordinary share	132.5p	130.9p

14. Distributions

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

	2017 £000	2016 £000
Distribution on cancellation of X/V shares	4,545	3,603
Distribution on cancellation of Y/W shares	3,069	2,450
Total distributions to shareholders	7,614	6,053

15. Intangible assets

	US state licences & customer contracts £000	Arising on acquisition £000	Goodwill £000	Other £000	Total £000
Cost					
As at 1 January 2016	5,656	4,909	30,253	986	41,804
Exchange adjustments	1,193	358	4,179	8	5,738
Acquisition of subsidiaries	–	4,710	–	–	4,710
Additions	–	–	–	288	288
Disposals	–	–	–	–	–
As at 31 December 2016	6,849	9,977	34,432	1,282	52,540
Exchange adjustments	(528)	(352)	(1,768)	(4)	(2,652)
Acquisition of subsidiaries	–	5,256	572	–	5,828
Additions	–	–	–	419	419
Disposals	–	(140)	(1,806)	(37)	(1,983)
Transfer to discontinued operations	–	–	(12,561)	(1,212)	(13,773)
As at 31 December 2017	6,321	14,741	18,869	448	40,379
Amortisation/Impairment					
As at 1 January 2016	154	531	14,457	265	15,407
Exchange adjustments	49	119	3,047	9	3,224
Charge for the year	170	546	–	227	943
Disposals	–	–	–	–	–
As at 31 December 2016	373	1,196	17,504	501	19,574
Exchange adjustments	(35)	(12)	(1,348)	(4)	(1,399)
Charge for the year	178	1,094	572	65	1,909
Disposals	–	(140)	–	–	(140)
Transfer to discontinued operations	–	–	–	(277)	(277)
As at 31 December 2017	516	2,138	16,728	285	19,667
Carrying amount					
As at 31 December 2017	5,805	12,603	2,141	163	20,712
As at 31 December 2016	6,476	8,781	16,928	781	32,966

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

Cash generating units

	2017 £000	2016 £000
Insurance Investments Division	474	474
Insurance Services Division ("ISD")	14,228	15,583
Underwriting Management Division ("UMD")	–	871
Total	14,702	16,928

The recoverable amount of these cash generating units is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management.

In November 2017 the Group disposed of RQMA and DTW1991 to Coverys. As a result the goodwill relating to the UMD cash generating unit has been impaired.

Early in 2018 most of the ISD entities were sold to the Davies Group with the net sale proceeds exceeding the carrying value of goodwill above. As a result of the analysis, no impairment was required for these cash generating units at 31 December 2017.

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

- Discount rates, which represent the current market assessment of the risks specific to each cash generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The pre-tax discount rate applied to the cash flow projections is 10.0% (2016: 10.0%). The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC") with uplift for expected increases in interest rates. The WACC takes into account both debt and equity. The cost of equity is derived from the expected investment return.
- Reductions in operating expenses, which are linked to management expectations of the run-off of the insurance business managed by ISD.
- Growth rate used to extrapolate cash flows beyond the budget period, based on published industry standards. Cash flows beyond the four-year period are extrapolated using a 10.0% growth rate (2016: 10.0%).

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

16. Property, plant and equipment

	Computer equipment £000	Motor vehicles £000	Office equipment £000	Leasehold improvements £000	Freehold Property £000	Total £000
Cost						
As at 1 January 2016	1,833	36	1,875	418	–	4,162
Exchange adjustments	253	5	84	236	–	578
Additions	111	–	488	–	2,486	3,085
Disposals	(482)	–	(770)	(1)	–	(1,253)
As at 31 December 2016	1,715	41	1,677	653	2,486	6,572
Exchange adjustments	(119)	(2)	(38)	(105)	–	(264)
Additions	96	–	75	165	135	471
Disposals	(112)	–	(300)	–	–	(412)
Transferred to discontinued operations	(85)	–	(28)	(15)	–	(128)
As at 31 December 2017	1,495	39	1,386	698	2,621	6,239
Depreciation						
As at 1 January 2016	1,371	31	1,578	242	–	3,222
Exchange adjustments	240	5	82	203	–	530
Charge for the year	258	5	289	65	–	617
Disposals	(433)	–	(759)	(1)	–	(1,193)
As at 31 December 2016	1,436	41	1,190	509	–	3,176
Exchange adjustments	(116)	(2)	(36)	(95)	–	(249)
Charge for the year	156	–	137	64	52	409
Impairment	–	–	–	–	216	216
Disposals	(86)	–	(148)	–	–	(234)
Transferred to discontinued operations	(72)	–	(27)	(15)	–	(114)
As at 31 December 2017	1,318	39	1,116	463	268	3,204
Carrying amount						
As at 31 December 2017	177	–	270	235	2,353	3,035
As at 31 December 2016	279	–	487	144	2,486	3,396

As at 31 December 2017, the Group had no significant capital commitments (2016: none). The depreciation charge for the year is included in operating expenses.

17. Investment properties and financial assets
a. Investment properties

	2017 £000	2016 £000
As at 1 January	407	770
Exchange adjustment	19	61
Decrease in fair value during the year	–	(65)
Disposals	–	(359)
As at 31 December	426	407

The investment properties are measured at fair value derived from the valuation work performed at the balance sheet date by an independent property valuer. Properties that are under contract for sale have been valued at the agreed sale price.

Rental income from the investment properties for the year was £15k (2016: £15k) and is included in Other Income with the Consolidated Income Statement.

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

	2017 £000	2016 £000
Equities	21,146	9,382
Debt securities – fixed interest rate	384,370	236,362
	405,516	245,744

Included in the above amounts are £12,701k (2016: £13,744k) pledged as part of the Funds at Lloyd's in support of the Group's underwriting activities in 2017. Lloyd's has the right to apply these monies in the event the corporate member fails to meet its obligations. These monies are not available to meet the Group's own working capital requirements and can only be released with Lloyd's permission. Also included in the above amounts are £55,629k (2016: £60,986k) of funds withheld as collateral for certain of the Group's reinsurance contracts.

c. Shares in subsidiary and associate undertakings
The Company had interests in the following subsidiaries at 31 December 2017:

		% of ordinary shares held via:		
Principal activity and name of subsidiaries/associate	**Country of incorporation/ registration**	**The Company**	**Subsidiary and associate undertakings**	**Overall effective % of share capital held**
Insurance Investments Division				
Randall & Quilter II Holdings Limited	England and Wales	–	100	100
Agency Program Insurance Company (SAC) Limited	Bermuda	–	100	100
Berda Developments Limited	Bermuda	–	100	100
Capstan Insurance Company Limited	Guernsey	–	100	100
Constantia Insurance Company (Guernsey) Limited	Guernsey	–	100	100
FNF Title Company Limited	Malta	100	–	100
Goldstreet Insurance Company	USA	–	100	100
Hickson Insurance Limited	Isle of Man	–	100	100
La Licorne Compagnie de Reassurances SA	France	–	100	100
Pender Mutual Insurance Company Limited	Isle of Man	–	100	100
R&Q Alpha Company Limited	England and Wales	100	–	100
R&Q Beta Company Limited	England and Wales	100	–	100
R&Q Capital No. 1 Limited	England and Wales	–	100	100
R&Q Capital No. 2 Limited	England and Wales	–	100	100
R&Q Capital No. 4 Limited	England and Wales	100	–	100
R&Q Capital No. 5 Limited	England and Wales	100	–	100
R&Q Capital No. 6 Limited	England and Wales	–	100	100
R&Q Capital No. 7 Limited	England and Wales	–	100	100
R & Q Cyprus Ltd	Cyprus	100	–	100
R&Q Delta Company Limited	England and Wales	100	–	100
R&Q Gamma Company Limited	England and Wales	100	–	100
R&Q Insurance (Europe) Limited	Malta	–	100	100
R&Q Insurance (Malta) Limited	Malta	–	100	100
R&Q Ireland Claims Services Limited#	Ireland	–	100	100

Principal activity and name of subsidiaries/associate	Country of incorporation/ registration	% of ordinary shares held via: The Company	% of ordinary shares held via: Subsidiary and associate undertakings	Overall effective % of share capital held
R&Q Ireland Company Limited by Guarantee#	Ireland	–	100	100
R&Q Liquidity Management Limited˜	England and Wales	–	100	100
R&Q Malta Holdings Limited	Malta	–	100	100
R&Q Re (Bermuda) Limited	Bermuda	–	100	100
R&Q Reinsurance Company	USA	–	100	100
R&Q Reinsurance Company (UK) Limited	England and Wales	–		100
R&Q RI Insurance Company Limited	USA	–	100	100
RQLM Limited	Bermuda	100	–	100
Southern Illinois Land Company Inc.	USA	–	100	60
Transport Insurance Company	USA	–	100	100
United States Sports Insurance Company LLC	USA	–	100	100
Insurance Services Division				
Randall & Quilter IS Holdings Limited	England and Wales	–	100	100
Randall & Quilter Captive Holdings Limited	England and Wales	–	100	100
A. M. Associates Insurance Services Ltdˆ	Canada	–	100	100
Callidus Solutions Ltd	England and Wales	–	51	51
R&Q CalSol Limited˜	England and Wales	–	100	100
Excess and Treaty Management Corporation	USA	–	100	100
Grafton US Holdings Inc.	USA	–	60	60
ICDC Ltd	USA	–	100	100
JMD Market Services Limitedˆ	England and Wales	–	100	100
JMD Specialist Insurance Services Group Limitedˆ	England and Wales	–	100	100
JMD Specialist Insurance Services Limitedˆ	England and Wales	–	100	100
John Heath & Company Incˆ	USA	–	100	100
LBL Acquisitions, LLC	USA	–	100	60
R&Q Archive Services Limited˜	England and Wales	–	100	100
R&Q Broker Services Limited˜	England and Wales	–	100	100
R&Q Captive Management LLCˆ	USA	–	100	100
R&Q Central Services Limited	England and Wales	–	100	100
R&Q CG Limited˜	England and Wales	–	100	100
R&Q Healthcare Interests LLC	USA	–	100	100
R&Q Insurance Management (Gibraltar) Limited	Gibraltar		100	100
R&Q Insurance Management (IOM) Limited	Isle of Man	–	100	100
R&Q Insurance Services Limited	England and Wales	–	100	100
R&Q Intermediaries (Bermuda) Limitedˆ	Bermuda	–	100	100
R&Q KMS Management Limited˜	England and Wales	–	100	100
R&Q Quest (SAC) Limited	Bermuda	–	100	100
R&Q Quest Insurance Limited	Bermuda	–	100	100
R&Q Quest Management Services (Cayman) Limitedˆ	Cayman Islands	–	100	100
R&Q Quest Management Services Limitedˆ	Bermuda	–	100	100
R&Q Quest PCC, LLCˆ	USA	–	100	100
R&Q Services Holding Inc	USA	–	100	100
R&Q Solutions LLC	USA	–	100	100
R&Quiem Financial Services Limited	England and Wales	–	100	100
R&Quiem Limitedˆ	England and Wales	–	100	100
Randall & Quilter America Holdings Inc	USA	–	100	100
Randall & Quilter Bermuda Holdings Limitedˆ	Bermuda	–	100	100
Randall & Quilter Canada Holdings Limited	Canada	–	100	100
Randall & Quilter Healthcare Holdings Inc.	USA	–	100	100
Reinsurance Solutions Limited˜	England and Wales	–	100	100
Requiem America Inc	USA	–	100	100
Risk Transfer Underwriting Inc.	USA	–	100	60
RSI Solutions International Inc	USA	–	100	100
Syndicated Services Company Inc	USA	–	100	100
Underwriting Management				
Randall & Quilter Underwriting Management Holdings Limited	England and Wales	–	100	100
Accredited Holding Corporation	USA	–	100	100
Accredited Surety & Casualty Company, Inc.	USA	–	100	100
Accredited Group Agency Inc.	USA	–	100	100
Accredited Bond Agencies Inc.	USA	–	100	100
R&Q Commercial Risk Services Limited	England and Wales	–	100	100

17. Investment properties and financial assets continued…

Principal activity and name of subsidiaries/associate	Country of incorporation/ registration	% of ordinary shares held via: The Company	Subsidiary and associate undertakings	Overall effective % of share capital held
R&Q MGA Limited	England and Wales	–	100	100
R&Q Risk Services Canada Limited	Canada	–	100	100
R&Q SIS Limited~	England and Wales	–	100	100
Trilogy Managing General Agents Limited*	England and Wales	–	80	80
Others				
Octagon Insurance Group Ltd.	Cayman Islands	–	100	100
RQIH Limited	England and Wales	100	–	100
R&Q Oast Limited	England and Wales	–	100	100
R&Q Secretaries Limited~	England and Wales	–	100	100

has a November year end due to Irish Law Society connection.
* has an April year end as acquired during the year, will be aligned in 2018.
~ dissolved in 2018.
^ disposed of in 2018.

18. Insurance and other receivables

	2017 £000	2016 £000
Receivables arising from direct insurance operations	42,301	19,249
Receivables arising from reinsurance operations	63,118	71,992
Insurance receivables	105,419	91,241
Trade receivables	5,995	4,117
Other receivables	35,412	28,509
Purchased reinsurance receivables	3,751	5,585
Prepayments and accrued income	19,696	14,923
	64,854	53,134
Total	170,273	144,375

Included in receivables arising from reinsurance operations is £11,220k (2016: £9,664k) in respect of amounts due under certain reinsurance contracts which are expected to be received after 12 months.

Included in purchased reinsurance receivables is £2,550k (2016: £4,271k) which is expected to be received within 12 months. The remainder of the balance is expected to be received after 12 months.

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

19. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	173,393	141,656

Included in cash and cash equivalents is £561k (2016: £608k) being funds held in escrow accounts in respect of guarantees provided to the Institute of London Underwriters. The decrease is due to exchange movements.

Included in cash and cash equivalents is an amount of £1,400k (2016: £840k) held in respect of the defined benefit scheme.

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

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

Insurance broking fiduciary funds of £11,826k (2016: £12,988k), which are used to pay premiums to underwriters and settle claims to policy holders on behalf of clients, are not included in the above cash balances.

20. Insurance and other payables

	2017 £000	2016 £000
Structured liabilities	399,252	436,927
Structured settlements	(399,252)	(436,927)
	-	-
Payables arising from reinsurance operations	36,544	7,003
Payables arising from direct insurance operations	3,171	3,108
Insurance payables	39,715	10,111
Trade payables	1,859	1,437
Other taxation and social security	1,424	871
Other payables	43,252	28,908
Accruals and deferred income	6,019	9,083
	52,554	40,299
Total	92,269	50,410

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

Included in other payables is £1,052k (2016: £1,429k) in respect of various liabilities arising in the Southern Illinois Land Company Inc. in respect of potential subsidence and workers compensation claims. The subsidence claims have been discounted and the potential undiscounted amount of all future payments is £13,900k (2016: £15,061k). The decrease is due to exchange movements.

Structured Settlements

No new structured settlement arrangements have been entered into during the year. The movement in these structured liabilities during the period is primarily due to exchange movements. The Group has paid for annuities from third party life insurance companies for the benefit of certain claimants. In the event that any of these life insurance companies were unable to meet their obligations to these annuitants, any remaining liability would fall upon the respective insurance company subsidiaries. The subsidiary company retains the credit risk in the unlikely event that the life insurance company defaults on its obligations to pay the annuity amounts. The Directors believe that, having regard to the quality of the security of the life insurance companies together with the reinsurance available to the relevant Group insurance companies, the possibility of a material liability arising in this way is very unlikely. The life companies will settle the liability directly with the claimants and no cash will flow through the Group. These annuities have been shown as reducing the insurance companies' liabilities to reflect the substance of the transactions and to ensure that the disclosure of the balances does not detract from the users' ability to understand the Group's future cash flows.

21. Financial liabilities

	2017 £000	2016 £000
Amounts owed to credit institutions	55,889	65,931

Amounts due to credit institutions are payable as follows:

	2017 £000	2016 £000
Less than one year	4,104	21,697
Between one to five years	15,500	11,373
Over five years	36,285	32,861
	55,889	65,931

As outlined in Note 31, £18,500k (2016: £31,874k) owed to credit institutions is secured by debentures over the assets of the Company and several of its subsidiaries.

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

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

21. Financial liabilities continued…

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from the financing activities are those for which cash flows were, or future cash flows will be, classified in the Group Consolidated Cash Flow Statement as cash flows from financing activities.

	2017 £000	2016 £000
Balance at 1 January	65,931	37,492
Financing cash flows (1)	(8,235)	24,678
Non-cash exchange adjustment	(1,807)	3,671
Balance at 31 December	55,889	65,931

1) Represents the net cash flows from the repayment of borrowings and the proceeds from new borrowing arrangements.

22. Insurance contract provisions and reinsurance balances

	2017			2016		
	Live £000	Run-off £000	Total £000	Live £000	Run-off £000	Total £000
Gross						
Insurance contract provisions at 1 January	42,793	510,933	553,726	27,902	348,900	376,802
Claims paid	(10,223)	(131,790)	(142,013)	(6,095)	(53,335)	(59,430)
Increases in provisions arising from the acquisition of subsidiary undertakings and Syndicate participations	–	210,979	210,979	–	107,121	107,121
Increases in provisions arising from acquisition of reinsurance portfolios	–	84,498	84,498	–	24,775	24,775
Increase in claims provisions	19,417	48,863	68,280	17,785	19,187	36,972
Increase/(decrease) in unearned premium reserve	4,039	(20,592)	(16,553)	3,093	2,972	6,065
Net exchange differences	(3,850)	(32,532)	(36,382)	108	61,313	61,421
As at 31 December	52,176	670,359	722,535	42,793	510,933	553,726
Reinsurance						
Reinsurers' share of insurance contract provisions at 1 January	3,412	199,320	202,732	2,442	174,769	177,211
Proceeds from commutations and reinsurers' share of gross claims paid	350	(60,935)	(60,585)	–	(113,599)	(113,599)
Increases in provisions arising from the acquisition of subsidiary undertakings and Syndicate participations	–	72,432	72,432	–	64,581	64,581
Increases in provisions arising from acquisition of reinsurance portfolios	–	771	771	–	2,635	2,635
Increase/(decrease) in claims provisions	(548)	43,523	42,975	951	46,133	47,084
Increase in unearned premium reserve	224	3,201	3,425	163	2,197	2,360
Net exchange differences	(1,104)	(7,164)	(8,268)	(144)	22,604	22,460
As at 31 December	2,334	251,148	253,482	3,412	199,320	202,732
Net						
Net insurance contract provisions at 1 January	39,381	311,613	350,994	25,460	174,131	199,591
Net (claims paid)/commutation proceeds	(10,573)	(70,855)	(81,428)	(6,095)	60,264	54,169
Increases in provisions arising from the acquisition of subsidiary undertakings and Syndicate participations	–	138,547	138,547	–	42,540	42,540
Increases in provisions arising from acquisition of reinsurance portfolios	–	83,727	83,727	–	22,140	22,140
Increase/(decrease) in claims provisions	19,965	5,340	25,305	16,834	(26,946)	(10,112)
Increase/(decrease) in unearned premium reserve	3,815	(23,793)	(19,978)	2,930	775	3,705
Net exchange differences	(2,746)	(25,368)	(28,114)	252	38,709	38,961
As at 31 December	49,842	419,211	469,053	39,381	311,613	350,994

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

Assumptions, changes in assumptions and sensitivity

The assumptions used in the estimation of provisions relating to insurance contracts are intended to result in provisions which are sufficient to settle the net liabilities from insurance contracts. The amounts presented above include estimates of future reinsurance recoveries expected to arise on the settlement of the gross insurance liabilities, including £77,507k (2016: £78,755k) in respect of the reinsurance contract collateralised by the funds withheld disclosed in Note 17 (b).

Provision is made at the period end date for the estimated ultimate cost of settling all claims incurred in respect of events and developments up to that date, whether reported or not.

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

The provisions carried by the Group for its insurance liabilities are calculated using a variety of actuarial techniques. The provisions are calculated and reviewed by the Group's internal actuarial team; in addition the Group periodically commissions independent reviews by external actuaries. The use of external actuaries provides management with additional comfort that the Group's internally produced statistics and trends are consistent with observable market information and other published data. Provisions for outstanding claims and IBNR are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. Insurance companies and Syndicates within the Group are covered by a variety of treaty, excess of loss and stop loss reinsurance programs.

As detailed in Note 2 (h), when preparing these Consolidated Financial Statements, provision is made for all costs of running off the business of the insurance company subsidiaries to the extent that these costs exceed the estimated future investment return expected to be earned by those subsidiaries. Provision is also made for all costs of running off the underwriting years for those Syndicates treated as being in run-off on which the Group participates. The quantum of the costs of running off the business and the future investment income has been determined through the preparation of cash flow forecasts over the anticipated period of the run-off, using internally prepared budgets and forecasts of expenditure, investment income and actuarially assessed settlement patterns for the gross provisions. The gross costs of running off the business are estimated to be fully covered by the estimated future investment income.

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

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

A 1 percent reduction in the net technical provisions would increase net assets by £4,691k (2016: £3,510k).

23. Current and deferred tax

Current tax

	2017 £000	2016 £000
Current tax assets	2,411	3,014
Current tax liabilities	(7,426)	(7,656)
Net current tax liabilities	(5,015)	(4,642)

Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rates of 17% for the UK (2016: 17%) and 21% for the US (2016: 34%).

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

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

23. Current and deferred tax continued...

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

	Deferred tax assets £000	Deferred tax liabilities £000	Total £000
As at 1 January 2016	5,840	(2,827)	3,013
Movement in year	504	(66)	438
As at 31 December 2016	6,344	(2,893)	3,451
Movement in year	4,563	(3,997)	566
As at 31 December 2017	10,907	(6,890)	4,017

The movement on the deferred tax account is shown below:

	Accelerated capital allowances £000	Trading losses £000	Pension scheme deficit £000	Other temporary differences £000	Total £000
As at 1 January 2016	64	5,400	971	(3,422)	3,013
Movement in year	(103)	(2,191)	707	2,025	438
As at 31 December 2016	(39)	3,209	1,678	(1,397)	3,451
Movement in year	–	1,042	228	(704)	566
As at 31 December 2017	(39)	4,251	1,906	(2,101)	4,017

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

	Exchange adjustment £000	Deferred tax in income statement £000	Deferred tax in statement of comprehensive income £000	Total £000
Movement in 2016	912	(1,183)	709	438
Movement in 2017	(238)	634	170	566

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

	2017 £000	2016 £000
Deferred tax assets – relating to trading losses		
Deferred tax assets to be recovered after more than 12 months	1,706	2,003
Deferred tax assets to be recovered within 12 months	2,545	1,206
Deferred tax assets	4,251	3,209

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

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

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

The Group's total deferred tax asset includes £4,251k (2016: £3,209k) in respect of trading losses carried forward. The tax losses have arisen in individual legal entities and will be used as future taxable profits arise in those legal entities, though substantially all of the unused tax losses for which a deferred tax asset has been recognised arises in the US subgroup.

24. Share capital

	Number of shares	Ordinary shares	Share premium £000	Total £000
At 1 January 2016	71,834,839	1,437	11,369	12,806
Issue of ordinary shares	283,117	4	247	251
Issue of V-W shares	143,835,277	6,053	(6,053)	–
Redemption/Cancellation of V-W shares	(143,835,277)	(6,053)	–	(6,053)
At 31 December 2016	72,117,956	1,441	5,563	7,004
Issue of ordinary shares	53,758,664	1,076	64,308	65,384
Issue of X-Y shares	175,079,030	7,614	(7,614)	–
Redemption/Cancellation of X-Y shares	(175,079,030)	(7,614)	–	(7,614)
At 31 December 2017	125,876,620	2,517	62,257	64,774

	2017 £	2016 £
Allotted, called up and fully paid		
125,875,620 ordinary shares of 2p each		
(2016: 72,117,956 ordinary shares of 2p each)	2,517,512	1,441,359
1 Preference A Share of £1	1	1
1 Preference B Share of £1	1	1
	2,517,514	1,441,361

	2017 £	2016 £
Included in Equity		
125,875,600 ordinary shares of 2p each		
(2016: 72,117,956 ordinary shares of 2p each)	2,517,512	1,441,359
1 Preference A Share of £1	1	1
1 Preference B Share of £1	1	1
	2,517,514	1,441,361

Cumulative Redeemable Preference Shares

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

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

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

Shares issued

During the year the Group issued 15,278,291 additional shares at 117p and 38,192,837 additional shares at 127p.

During the year the Group issued X and Y shares with an aggregate value of £7,614k (2016: V and W shares with an aggregate value of £6,053k) which were all cancelled.

Share options

The Group historically operated a long term incentive plan "LTIP" which has now closed.

24. Share capital continued...

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

	Weighted average exercise price 2017 pence	Number of options 2017	Weighted average exercise price 2016 pence	Number of options 2016
Outstanding at 1 January	68.4	95,000	56.5	135,000
Exercised	20.5	(340,132)	5.2	(323,117)
Granted	2.0	245,132	2.0	283,117
At 31 December	–	–	68.4	95,000

The total number of options in issue during the year has given rise to a charge to the Consolidated Income Statement of £366k (2016: £261k) based on the fair values at the time the options were granted.

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

	2016 options
Weighted average fair value	68.4 pence
Weighted average share price	108.0 pence
Exercise price	68.4 pence
Expiry date	10 years after granting
Vesting period	3 years
Volatility	21.0%
Dividend yield	8.5%
Expected option life	3 years
Annual risk free interest rate	0.91%

No options were outstanding at 31 December 2017.

25. Employees and Directors

Employee benefit expense for the Group during the year

	2017 £000	2016 £000
Wages and salaries	38,433	36,605
Social security costs	4,021	3,528
Pension costs	1,384	1,632
Share based payment charge	366	261
	44,204	42,026
Continuing operations	30,751	27,934
Discontinued operations	13,453	14,092

Pension costs are recognised in operating expenses in the Consolidated Income Statement and include £1,384k (2016: £1,632k) in respect of payments to defined contribution schemes.

Average number of employees

	2017 Number	2016 Number
Group executives & support services	94	91
Insurance Services Division	198	205
Insurance Investments Division	19	11
Underwriting Management Division	111	106
	422	413

Total number of employees as 31 December 2017 was 366 (2016: 411). The total number of employees has reduced in 2017 due to the sale of R&Q Managing Agency Limited.

Remuneration of the Directors and key management

	2017 £000	2016 £000
Aggregate Director emoluments	1,780	1,841
Aggregate key management emoluments	2,398	1,674
Share based payments – Directors	331	225
Director pension contributions	43	10
Key management pension contributions	37	85
	4,589	3,835
Highest paid Director		
Aggregate emoluments	1,160	1,015

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

Directors' emoluments

Name	Salary £000	Bonus £000	Share options £000	Overseas living expenses £000	Total £000	Total $000
K E Randall	387	–	–	–	387	500
A K Quilter	305	–	–	–	305	–
T A Booth	373	331	331	125	1,160	1,499
M G Smith	150	–	–	–	150	–
A H F Campbell	75	–	–	–	75	–
P A Barnes	77	–	–	–	77	100

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

One Director has retirement benefits accruing under money purchase pension schemes (2016: One). In the year, T A Booth was granted share options in respect of qualifying services under a long term incentive plan over 245,132 shares with a fair value of £331k (2016: 213,117 shares with a fair value of £225k) and the expense has been charged to the Consolidated Income Statement over the course of the vesting period.

26. Pension commitments

The Group operates one defined benefit scheme in the UK. The defined benefit scheme's assets are held in separate trustee administered funds. The pension cost was assessed by an independent qualified actuary. In his valuation, the actuary used the projected unit method as the scheme is closed to new employees. A full valuation of the scheme was completed as at 1 January 2015 by a qualified independent actuary.

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

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

	2017 £000	2016 £000
Fair value of plan assets	25,279	25,749
Present value of funded obligations	(36,493)	(35,617)
Net defined benefit liability	(11,214)	(9,868)
Related deferred tax asset	1,906	1,678
Net position in the Consolidated Statement of Financial Position	(9,308)	(8,190)

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

26. Pension commitments continued…

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

	Present value of obligation £000	Fair value of plan assets £000	Deficit of funded plan £000
As at 31 December 2016	(35,617)	25,749	(9,868)
Interest (expense)/income	(907)	650	(257)
	(36,524)	26,399	(10,125)
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense	–	396	396
Loss from changes in financial assumptions	(1,932)	–	(1,932)
Experience gain	534	–	534
	(37,922)	26,795	(11,127)
Employer's contributions	–	(87)	(87)
Benefit payments from the plan	1,429	(1,429)	–
As at 31 December 2017	(36,493)	25,279	(11,214)

	Present value of obligation £000	Fair value of plan assets £000	Net defined benefit liability £000
As at 31 December 2015	(28,887)	23,490	(5,397)
Interest (expense)/income	(1,108)	895	(213)
	(29,995)	24,385	(5,610)
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense	–	2,384	2,384
Loss from changes in financial assumptions	(7,023)	–	(7,023)
Experience gain	471	–	471
	(36,547)	26,769	(9,778)
Employer's contributions	–	(90)	(90)
Benefit payments from the plan	930	(930)	–
As at 31 December 2016	(35,617)	25,749	(9,868)

c. Significant actuarial assumptions

i) Financial assumptions

	2017	2016
Discount rate	2.4%	2.6%
RPI inflation assumption	3.4%	3.4%
CPI inflation assumption	2.6%	2.6%
Pension revaluation in deferment:		
– CPI, maximum 5%	2.6%	2.6%
Pension increases in payment:		
– RPI, maximum 5%	3.4%	3.4%

ii) Demographic assumptions

Assumed life expectancy in years, on retirement at 60	2017	2016
Retiring today		
– Males	27.6	27.4
– Females	30.1	30.0
Retiring in 20 years		
– Males	29.0	28.9
– Females	31.6	31.5

d. Sensitivity to assumptions

The results of the IAS 19 valuation at 31 December 2017 are sensitive to the assumptions adopted.

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

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

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

e. The major categories of plan assets are as follows

	Level 1	Level 2	As at 2017 £000 Total	Level 1	Level 2	As at 2016 £000 Total
Cash and cash equivalents	–	582	582	–	264	264
Investment funds:						
– equities	–	15,232	15,232	–	4,707	4,707
– bonds	–	6,230	6,230	–	18,754	18,754
– other	–	3,236	3,236	–	–	–
– cash	–	–	–	–	2,024	2,024
	–	25,279	25,279	–	25,749	25,749

Definitions of level 1 and Level 2 investments can be found in Note 4(a)(i).

f. Contributions and present value of defined benefit obligation

Funding levels are monitored on an annual basis. For the period 1 January 2015 to 31 December 2025, £280,000 per annum is being deposited into an account based on the latest triennial valuation as at 1 January 2015. No contributions are made directly into the scheme.

The present value of the defined benefit obligation has been estimated by projecting the results of the last full actuarial valuation as at 1 January 2015 forward to 31 December 2017. The table below shows an analysis by term to retirement of Scheme membership and past service liability as at the date of the last full actuarial valuation, 1 January 2015.

		Term to retirement					
	Pensioners	0–5 years	6–10 years	11–15 years	16–20 years	21–25 years	26+ years
Proportion of total liabilities (funding basis)	47.8%	21.6%	17.9%	10.6%	2.1%	0.0%	0.0%
Number of members	126	42	39	33	18	–	–

The duration of the liabilities of the Scheme is approximately 16 years as at 31 December 2017.

27. Related party transactions

Transactions with subsidiaries

Transactions between the Group's wholly owned subsidiary undertakings, which are related parties, have been eliminated on consolidation and accordingly not disclosed.

Transactions with Lloyds Syndicate 1991

The Group participates on Syndicate 1991 which is managed by Coverys Managing Agency Limited ("CMA"), formerly known as R&Q Managing Agency Limited, which was a member of the Group until its disposal on 30 November 2017. CMA charges expenses to the Syndicate for management services provided. The Group has an underwriting participation through R&Q Capital No. 1 Limited and R&Q Capital No. 2 Limited.

Related party balances between CMA and Syndicate 1991 up to date of disposal

	Transactions in the income statement ending 31 December		Balances outstanding (payable) at 31 December	
	2017 £000	2016 £000	2017 £000	2016 £000
CMA	8,652	9,001	–	94

Transactions with Directors

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

	2017 £000	2016 £000
K E Randall and family	1,483	1,540
A K Quilter and family	374	364
T A Booth	112	96
M G Smith	3	2

Transactions with key management service provider

With effect from 1 July 2016 some of the Group compliance services have been provided by a Group subsidiary, Callidus Solutions Limited, of which 49% of the share capital is owned by the Chief Governance Officer.

	2017 £000	2016 £000
Fees charged for compliance services	426	253
Fees payable to service provider at end of year	13	3

28. Operating lease commitments

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

	2017 £000	2016 £000
Land and buildings		
No later than one year	1,832	1,847
Later than one year but no later than five years	2,115	4,027
Later than five years	–	–

29. Business combinations and divestments

Business combinations

The Group made 13 business combinations during 2017, all of which involve legacy transactions and have been accounted for using the acquisition method of accounting.

Legacy entities and businesses

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

	Intangible assets £000	Other receivables £000	Cash & Investments £000	Other payables £000	Technical provisions £000	Tax & deferred tax £000	Net assets acquired £000	Consideration £000	Gross Deal Contribution £000
ICDC	154	191	9,433	(446)	(2,022)	(296)	7,014	4,759	2,255
Linco	–	31	283	(15)	–	–	299	120	179
Typroth	–	–	400	–	–	–	400	–	400
Octagon	–	85	3,903	(95)	–	–	3,893	3,469	424
AZICO	–	770	20,705	(415)	(1)	–	21,059	18,159	2,900
Affinity	1,146	–	16,018	–	(13,082)	–	4,082	–	4,082
Genesis	2,074	39	24,032	–	(18,545)	–	7,600	3,964	3,636
S1110	–	34,567	72,376	(19,298)	(82,595)	–	5,050	–	5,050
Allied Premier	–	–	1,543	–	(953)	–	590	–	590
Wescap	510	2	2,639	–	(2,317)	–	834	308	526
Dura	87	–	1,812	–	(1,342)	–	557	–	557
Constantia	1,264	6	22,676	(2,728)	(16,515)	–	4,703	1,466	3,237
CompPAC	15	–	1,346	–	(850)	(38)	473	–	473
MTT	6	–	696	–	(325)	(20)	357	–	357
	5,256	35,691	177,862	(22,997)	(138,547)	(354)	56,911	32,245	24,666

In all instances, goodwill on bargain purchase was recorded on the transactions. Goodwill on bargain purchase is calculated after the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition. It arises because the long-tail nature of the liabilities causes significant problems for former owners such as tying up capital and a lack of specialist staff. As a specialist service provider and manager, the Group is more efficient at managing such entities and former owners are prepared to sell at a discount on the fair value of the net assets.

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

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

The Group completed the following business combinations during 2017:

ICDC

On 16 March 2017, the Group purchased the entire issued share capital of ICDC Ltd, a company incorporated in Vermont USA. It reinsured workers' compensation, commercial general liability, auto liability and auto physical damage and property risks in respect of a large US engine manufacturer.

Linco

On 30 March 2017, the Group purchased the entire issued capital of Linco Limited. The Company is domiciled in Bermuda and provided reinsurance coverage for worker's compensation, general and automotive liability to linen supply companies.

Typroth

On 30 June 2017, the Group contracted to purchase the entire issued share capital of Octagon Insurance Group, a captive domiciled in the Cayman Islands and completed 31 August. Octagon wrote forced placed mortgage insurance for a US based bank from 1999 to 2017. As at the date of acquisition there were no outstanding insurance liabilities.

Octagon

On 31 August 2017, the Group purchased the entire issued share capital of Octagon Insurance Group, a captive domiciled in the Cayman Islands. Octagon wrote forced placed mortgage insurance for a US based bank from 1999 to 2017. As at the date of acquisition there were no outstanding insurance liabilities. External costs incurred were £41k.

29. Business combinations and divestments continued...

AZICO

On 30 June 2017, the Group purchase the entire issued share capital of AstraZeneca Insurance Company Limited, a company incorporated in England and Wales. The Company's technical reserves relate primarily to UK Employers Liability claims in respect of policies written from 1994 to 2004. External costs incurred were £194k.

Affinity

On 11 August 2017, the Group novated the insurance liabilities from Affinity Insurance Ltd., a Cayman Islands domiciled group captive. The liabilities novated were fronted by AIG from 2006-2011 and consist of workers' compensation, general liability, auto liability and product liability exposures.

Genesis

On 31 August 2017, the Group novated the insurance liabilities from Genesis Healthcare Inc., a Delaware incorporation. The liabilities novated were fronted by Liberty Mutual Insurance Company from 1988-2012 and consist of workers' compensation and employers' liability exposures. External costs incurred were £121k.

S1110

On the 27 October 2017, the Group purchased the entire issued share capital of the Corporate members that participate on the S1110 Syndicate 100% from Prosight. External costs incurred were £461k.

Allied Premier

On 15 December 2017, the Group entered into an assumption agreement with Allied Premier Insurance, a Connecticut domiciled risk retention group, in respect of its auto liability exposures arising from policies written in 2015 and 2016.

Wescap

On 15 December 2017, the Group purchased the entire issued share capital of Wescap Insurance Company, a company domiciled in Vermont. Wescap provided multi-peril coverage to welding supply distributors from 1977 to 1988. Only product liability claims remain open due to welding supply companies being named in asbestos litigation.

Dura

On 21 December 2017, the Group entered into an assumption agreement with Dura Automotive Systems, LLC, a company domiciled in Michigan, in respect of its large deductible workers' compensation liabilities. The liabilities were fronted by Travelers from 1994 to 2016.

Constantia

On 29 December 2017, the Group purchased the entire issued share capital of Constantia Insurance Company (Guernsey) Limited, the Guernsey domiciled captive of Old Mutual plc. Constantia provided professional indemnity and crime coverage from 2003 to 2017 to the Old Mutual group. External costs incurred were £35k.

CompPAC & MTT

On 31 December 2017, the Group entered into agreements with The CompPAC Trust of Texas and The Mercantile Trust of Texas, to assume workers' compensation liabilities of both trusts provided from 2004 to 2017. Whilst separate legal agreements exist for each transaction, the two were appraised as if they were a single transaction due to the commonality of the liabilities and structures. External costs incurred were £47k.

Trilogy

During the year the Group purchased a further 50% of Trilogy Managing General Agents Limited share capital to bring the total ownership to 80%. Consequently the entity has been transferred from an associate to subsidiary. Goodwill of £572k arose on acquisition and was impaired.

Divestment

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

On 30 November 2017 the Group completed the sale of the entire share capital of its Lloyd's managing agency, R&Q Managing Agency Ltd to Coverys, a leading provider of medical professional liability insurance based in Boston, Massachusetts.

30. Non-controlling interests

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

31 December 2017	2017 £000	2016 £000
Non-controlling interests		
Equity shares in subsidiaries	6	6
Share of retained earnings	(233)	637
Share of other reserves	61	(637)
	(166)	6
Movements in the year		
Balance at 1 January	6	57
Loss for the year attributable to non-controlling interests	56	(99)
Exchange adjustments	(32)	48
Comprehensive loss attributable to non-controlling interests	24	(51)
Non-controlling interests' share of dividends declared in the year	–	–
Changes in non-controlling interest in subsidiaries	(196)	–
Balance at 31 December	(166)	6

31. Guarantees and Indemnities in Ordinary Course of Business

The Group has entered into a guarantee agreement and debenture arrangement with its bankers, along with several of its subsidiaries, in respect of the Group term loan facilities. The total liability to the bank at 31 December 2017 was £18,500k (2016: £31,874k).

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

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

32. Contingent liabilities

Prior to its acquisition by the Group during 2014, a subsidiary undertook projects to advise members of defined benefit pension schemes where the members received incentivised transfer offers from their employer. Following the conclusion of an internal, work continued on finalising the quantum of loss that clients of the subsidiary may have suffered and the amount of compensation that they might be entitled to, calculated actuarially, by reference to Financial Ombudsman Service guidelines. In 2016, the Financial Conduct Authority requested affected firms to suspend the payment of compensation amounts until further notice pending the outcome of an industry wide review. This suspension has now been lifted and the Company is in the process of finalising the small number of compensation payments that were affected. It is envisaged that this exercise will be largely completed during 2018. Whilst uncertainty still exists for the ultimate amounts payable, provision has been made for the Groups best estimate of the amounts that are expected to be paid.

33. Foreign exchange rates

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

	2017		2016	
	Average	Year end	Average	Year end
US dollar	1.29	1.34	1.36	1.23
Euro	1.15	1.13	1.23	1.18

34. Events after the reporting date

On 13 January 2018 the Group completed the sale of its Insurance Services and Captive Management Operations to Davies Group ("Davies"), a leading operations management, consultancy and digital solutions provider, as outlined in Note 6. The transaction involves the sale of the entire share capital of JMD Specialist Insurance Services Group Limited and its subsidiaries, R&Quiem Limited, John Heath & Company Limited and AM Associates Insurance Services Limited as well as Randall & Quilter Bermuda Holdings Limited and its Quest subsidiaries.

On 29 March 2018 the Group acquired the entire share capital of Prosight Specialty Underwriters Limited and Prosight Specialty Managing Agency Limited. The Group will pay the equivalent of the net assets within the companies.

35. Ultimate controlling party

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

Shareholder Information

Secretary
Beverley Murphy

Registered Office
Clarendon House
2 Church Street
Hamilton
HM11
Bermuda

Registered Number
47341

Bankers
The Royal Bank of Scotland plc
280 Bishopsgate
London
EC2M 4RB

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

Notes

Notes

Principal worldwide office locations

Bermuda Office

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

UK Offices

London
71 Fenchurch Street
London EC3M 4BS

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

US Offices

New York
340 Madison Avenue
Suite 1911
New York NY 10173

Philadelphia
2 Logan Square
100 North 18th Street
Suite 600
Philadelphia PA 19103

Orlando
4798 New Broad Street
Suite 200
Orlando FL 32814

R&Q

www.rqih.com