Registered Number· 07382921

R&Q Capital No1 Limited

Directors' Report and Financial Statements for the Period ended 31 December 2011

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R&Q Capital No1 Limited

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R&Q Capital No1 Limited

Directors	T A Booth H N A Colthurst A K Quilter
Company Secretary	R&Q Secretaries Limited
Registered Office	110 Fenchurch Street London EC3M 5JT
Auditors	Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Report together with the Financial Statements for the period ended 31 December 2011

Results and Dividends

The results for the period are set out on pages 10 and 11 of the financial statements

Activity

The Company was incorporated on 21 September 2010 to act as a corporate underwriting member at Lloyd's The Company commenced underwriting with effect from 1 January 2011 During the period in question, the Company participated on two syndicates, Syndicates 102 and 1897, which are managed by R&Q Managing Agency Limited a fellow subsidiary of R&Q Investment Holdings plc

The Company has entered into a quota share reinsurance arrangement with R&Q Re (Bermuda) Limited, a fellow subsidiary undertaking incorporated in Bermuda, totalling 65 7% of the 2011 year of account of the Company's participation on the above syndicates

Business Review

Results

The Financial Statements incorporate the annual accounting result of the syndicates on which the Company participates

The annual accounting technical result for the year is a profit of £635,693. The continued successful running-off of Syndicate 102 has contributed significantly to the Company's profit for the period

Future Developments

The Company continues to write insurance business in the Lloyd's insurance market as a corporate underwriting member of Lloyd's The capacity being underwritten on the 2012 year of account is £8 0m an increase of £2 3m compared to the 2011 year of account For the 2012 year of account the Company has three syndicate participations on Syndicates 102, 1897 and 3330.

Key Performance Indicators

The Directors consider the following to be the key performance indicators of the Company

	2011
Capacity (youngest underwriting year)	£5,700,000
Gross premium written as a % of capacity	31 0%
Funds at Lloyd's (FAL) as a % of capacity	96 6%
Annual Accounting Result	£635,693

REPORT OF THE DIRECTORS
Other Performance Indicators

As a result of the nature of this Company as a Lloyd's Corporate Member the majority of its activities are carried out by the Syndicates in which it participates The company is not involved directly in the management of the Syndicate's activities, including employment of Syndicate staff, as these are the responsibility of the Managing Agent, R&Q Managing Agency Limited The Managing Agent also has responsibility for the environmental activities of each Syndicate, although by their nature insurers do not produce significant environmental emissions. As a result, the Directors of the Company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters.

Risk Management

As a corporate member of Lloyd's the majority of the risks to this company's future cash flows arise from its participation in the results of Lloyd's syndicates As detailed below, these risks are mostly managed by the Managing Agent of the syndicate This company's role in managing this risk is limited to selection of syndicate participations and monitoring performance of the syndicates

Syndicate risks

The trading activities of a syndicate expose it to a variety of financial and non-financial risks. The Managing Agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk Each year, the Managing Agent prepares an Individual Capital Assessment (ICA) for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective The risks described below are typically reflected in the ICA, and typically the majority of the total assessed value of the risks concerned is attributable to Insurance Risk

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade However, supervision by Lloyd's and the Financial Services Authority provide additional controls over the syndicate's management of risks

The company manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports This process commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by the Managing Agent In addition quarterly reports and annual accounts together with any other information made available by the Managing Agent are monitored and if necessary enquired into

REPORT OF THE DIRECTORS

Reinsurance risk

The company has entered into a 65.7% quota share reinsurance arrangement with another Group company to support the underwriting capacity. The Directors believe that the risk of failure of this reinsurance arrangement is low

Investment and currency risks

The other significant risks faced by the company are with regard to the investment of the available funds within its own custody encompassing investment , liquidity, currency and interest rate risk The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the company to meet the claim In order to minimise investment, credit and liquidity risk the company's funds are invested in readily realisable money market deposits

Regulatory risks

The company is subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's Capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance Although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the company is able to support

Operational risks

As there are relatively few transactions actually undertaken by the company there are only limited systems and staffing requirements of the company and therefore operational risks are not considered to be significant Close involvement of all directors in the company's key decision making and the fact that the majority of the company's operations are conducted by syndicates provides control over any remaining operational risks.

Directors

The Directors of the Company in office during the period were as follows

M Bell (Appointed on 21 September 2010 and Resigned on 7 March 2011)
T A Booth (Appointed on 7 March 2011)
M C Butterworth (Appointed on 21 September 2010 and Resigned on 7 March 2011)
R E McCoy (Appointed on 21 September 2010 and Resigned on 7 March 2011)
A K Quilter (Appointed on 07 March 2011)

REPORT OF THE DIRECTORS

Disclosure of Information to the Auditors

In the case of each of the persons who are Directors at the time this report is approved, the following applies

(a) So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
(b) They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Littlejohn LLP has signified its willingness to continue in office as auditor

By Order of the Board

MCraig

R&Q Secretaries Limited
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Report of the Directors and Financial Statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Financial Statements for each financial year Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these Financial Statements the Directors are required to

- Select suitable Accounting Policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS REPORT

Independent Auditor's report to the shareholders of R&Q Capital No.1 Limited

We have audited the Financial Statements of R&Q Capital No 1 Limited for the period ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Accounting Policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's shareholders 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 Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the Accounting Policies are appropriate to the Company's circumstances, and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited Financial Statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

INDEPENDENT AUDITORS REPORT

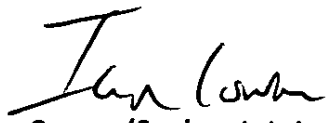
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion·

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Financial Statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Ian Cowan (Senior statutory auditor)
For and on behalf of Littlejohn LLP
Statutory auditor
16 July 2012

1 Westferry Circus
Canary Wharf
London E14 4HD

R&Q Capital No1 Limited

PROFIT AND LOSS ACCOUNT
Period ended 31 December 2011
TECHNICAL ACCOUNT

	Note		2011
			£
Gross Premiums Written			
Continuing operations	1		1,766,115
Discontinued operations			-
			1,766,115
Outward reinsurance premiums			(1,451,472)
Net Premiums Written			314,643
Change in the Provision for unearned premiums			
Gross provision			(870,529)
Reinsurer's share			-
Earned Premiums, Net of Reinsurance			(555,886)
Allocated Investment Return Transferred from the Non-Technical Account			67,392
Other technical income, net of reinsurance			-
Claims Paid			
Gross amount		(2,416,118)	
Reinsurers' share		712,368	
Net claims paid		(1,703,750)	
Change in the Provision for Claims			
Gross amount		5,194,945	
Reinsurers' share		(1,656,680)	
Change in the net provision for claims		3,538,265	
Claims Incurred, Net of Reinsurance			1,834,515
Changes in other technical provisions, net of reinsurnace			-
Net operating expenses	3		(710,328)
Balance on the Technical Account			635,693

The Accounting Policies and Notes on pages 15 to 27 form part of these Financial Statements

PROFIT AND LOSS ACCOUNT
Period ended 31 December 2011
NON-TECHNICAL ACCOUNT

	Note	2011
		£
Balance on the Technical Account		635,693
Investment income	4	150,491
Unrealised gains on investments		14,956
Investment expenses and charges	5	(33,994)
Unrealised losses on investments		(63,555)
Allocated investment return transferred to the technical account		(67,392)
Other income		-
Other charges		(35,207)
Profit on Ordinary Activities before Taxation	6	600,992
Tax on profit on ordinary activities	7	(145,000)
Profit on Ordinary Activities after Taxation	13	455,992

All the amounts above relate to continuing operations

The Accounting Policies and Notes on pages 15 to 27 form part of these Financial Statements

BALANCE SHEET
As at 31 December 2011
Registered Number 07382921

		2011		
	Note	Syndicate Participation	Corporate	Total
Assets		£	£	£
Investments				
Financial Investments	8	6,455,114	-	6,455,114
Deposits with ceding undertaking		42,776	-	42,776
		6,497,890	-	6,497,890
Reinsurers' share of technical provisions				
Provision for unearned premiums		-	-	-
Claims outstanding		2,441,383	-	2,441,383
Other technical provisions		-	-	-
		2,441,383	-	2,441,383
Debtors				
Arising out of direct Insurance operations	9	1,300,959	-	1,300,959
Arising out of reinsurance operations	9	217,433	-	217,433
Other debtors	10	1,289,435	75,271	1,364,706
		2,807,827	75,271	2,883,098
Other Assets				-
Cash at bank and in hand	11	1,116,902	5,382,628	6,499,530
Other		429,633	-	429,633
		1,546,535	5,382,628	6,929,163
Prepayments and Accrued income				
Accrued interest		-	-	-
Deferred acquisition costs		141,552	-	141,552
Other prepayments and accrued income		267,316	-	267,316
		408,868	-	408,868
Total Assets		13,702,503	5,457,899	19,160,402

The Accounting Policies and Notes on pages 15 to 27 form part of these Financial Statements

BALANCE SHEET
As at 31 December 2011
Registered Number 07382921

	Note	2011 Syndicate Participation £	Corporate £	Total £
Liabilities and Shareholders' Funds				
Capital and Reserves				
Called-up share capital	12	-	100,000	100,000
Profit and Loss Account	13	635,693	(179,701)	455,992
Total Shareholders Funds	14	635,693	(79,701)	555,992
Technical provisions				
Provision for unearned premiums		886,386	-	886,386
Claims outstanding		9,248,280	-	9,248,280
Other technical provisions		-	-	-
		10,134,666	-	10,134,666
Provisions for Other Risks				
Deferred taxation	15	-	145,000	145,000
Deposit received from reinsurers		-	-	-
Creditors				
Arising out of direct insurance operations	16	983,558	-	983,558
Arising out of reinsurance operations	16	1,433,037	-	1,433,037
Amounts owed to credit institutions		177,433	-	177,433
Other creditors including taxation and social security	17	122,951	5,379,000	5,501,951
		2,716,979	5,379,000	8,095,979
Accruals and Deferred Income		215,165	13,600	228,765
Total Liabilities		13,702,503	5,457,899	19,160,402

Approved by the Board on 13 July 2012

A K Quilter

The Accounting Policies and Notes on pages 15 to 27 form part of these Financial Statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2011 £
Profit for the Financial Period		455,992
Exchange gains and losses		-
Total Recognised Gains and Losses Relating to the Period	14	455,992

The Accounting Policies and Notes on pages 15 to 27 form part of these Financial Statements

ACCOUNTING POLICIES

Basis of Preparation

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments and comply with applicable Accounting Standards.

The Company participates in insurance business as an underwriting member of various Syndicates at Lloyd's

The Financial Statements have been prepared in accordance with Section 396(3) of the Companies Act 2006, Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006 except that exchange differences arising on syndicate assets and liabilities are dealt with in the Technical Account as all of these differences arise from technical account transactions

Accounting information in respect of the Syndicate participations has been provided by the Syndicate's managing agent and has been reported upon by the Syndicate auditors

Going Concern

The Company participates as an underwriting member at Lloyd's on the 2011 year of account that remains open at the balance sheet date, and has continued this participation since the period end on the 2012 year of account. The Company's underwriting is supported by Funds at Lloyd's of £5,500,000 in aggregate as detailed in notes 11 and 19 to the Financial Statements The Company has net assets at the balance sheet date of £556,000 The Directors have a reasonable expectation that the Company has adequate resources to meet its underwriting and other operational obligations for the foreseeable future Accordingly they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements

Basis of Accounting

The Financial Statements are prepared using the annual basis of accounting Under the annual basis of accounting a result is determined at the end of each accounting period reflecting the profit or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the Company participates

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents Accordingly, these assets and liabilities have been shown separately in the balance sheet as "Syndicate Participation" In addition the quota share premium payable to R&Q Re (Bermuda) Limited, as shown in note 16, is also included in the "Syndicate Participation" column Other assets and liabilities are shown as "Corporate" The syndicate assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors

ACCOUNTING POLICIES

General Business

The information included in these Financial Statements in respect of the Syndicates has been supplied by the Managing Agent based upon the various accounting policies they have adopted The following describes the policies they have generally adopted

I **Premiums**

Premiums written comprise the total premiums receivable in respect of business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicates on which the Company participates, less an allowance for cancellations All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them

II.**Unearned Premiums**

Written premium is earned according to the risk profile of the policy Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk The specific basis adopted by each syndicate is determined by the relevant managing agent

III **Deferred Acquisition Costs**

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned

IV **Reinsurance Premiums**

Reinsurance premium costs are allocated by the Managing Agent of each syndicate to reflect the protection arranged in respect of the business written and earned

V **Claims Incurred and Reinsurers' Share**

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and settlement expenses, together with any other adjustments to claims from previous years Where applicable, deductions are made for salvage and other recoveries

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR) The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in house reserving team and reviewed by external consulting actuaries These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions The provision for claims also includes amounts in respect of internal and external claims handling costs For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experience for

the year and the current security rating of the reinsurance companies involved Each syndicate uses a number of statistical techniques to assist in making these estimates.

ACCOUNTING POLICIES

V. **Claims Incurred and Reinsurers' Share (continued)**

Accordingly the two most critical assumptions made by each syndicates managing agent as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks In addition the nature of short tail claims such as property where claims are typically notified and settled within a short period of time will normally have less uncertainty after a few years than long tail risks such as some liability business where it may be several years before claims are fully advised and settled In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities The methods used, and the estimates made, are reviewed regularly

VI. **Unexpired Risks Provision**

Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the balance sheet date 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 The provision is made on a syndicate by syndicate basis by the relevant managing agent

VII **Closed Years of Account**

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims If the reinsuring syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the

current period, and no further provision is made for any potential variation in the ultimate liability of that year of account

ACCOUNTING POLICIES

VIII **Run-off Years of Account**

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year The provision is determined initially by the managing agent on a similar basis to the reinsurance to close However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close

IX **Net Operating Expenses (including Acquisition Costs)**

Net operating expenses include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the Company participates

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the Balance Sheet date

X **Distribution of Profits and Collection of Losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements

XI **Investments**

Investments are stated at current value, including accrued interest at the Balance Sheet date

XII.**Investment Return**

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges

Realised and unrealised gains and losses are measured by reference to the original cost of the investment if purchased in the year, or if held at the beginning of the year by reference to the current value at that date

Investment return is initially recorded in the non-technical account A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business

XIII **Basis of currency translation**

Syndicates maintain separate funds in Pounds Sterling, United States dollars, Canadian dollars and Euros

Income and expenditure in US dollars, Canadian dollars and Euros is translated at the average rate of exchange for the year Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities are translated into sterling at the rates of exchange at the Balance Sheet date

ACCOUNTING POLICIES

XIII Basis of currency translation (continued)

All differences arising on the translation of foreign currency amounts in syndicates are included in the technical account within net operating expenses irrespective of their treatment by the underlying syndicates. The underlying syndicates have adopted different accounting policies including the non-retranslation of non-monetary items by some and retranslations to year end values within the Statement of Recognised Gains and Losses by others

XIV. Debtors/Creditors arising from insurance/reinsurance operations

The amounts shown in the balance sheet include the totals of all the Syndicates outstanding debit and credit transactions as processed by the Lloyd's central facility, no account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate

Taxation

The company is taxed on its results including its share of underwriting results declared by the syndicates and these are deemed to accrue evenly over the calendar year in which they are declared The syndicate results included in these financial statements are only declared for tax purposes in the calendar year following the normal closure of the year of account No provision is made for corporation tax in relation to open years of account However, full provision is made for deferred tax on underwriting results not subject to current corporation tax

The taxable results of the syndicates at a syndicate level are calculated by the managing agent and computations submitted to HM Revenue & Customs (HMRC) Any adjustments that may be necessary to the tax provisions established by the Company, as a result of any HMRC enquiry into these computations, will be reflected in the financial statements of subsequent periods

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered

Deferred tax assets and liabilities have not been discounted

Cash Flow Statement

The company has taken advantage of the exemption under Financial Reporting Standard 1 (Revised), "Cash Flow Statements", from preparing a cash flow statement on the grounds that R&Q Capital No 1 Limited is a wholly owned subsidiary undertaking of Randall and Quilter Investment Holdings plc, and it is included within the publicly available consolidated financial statements

NOTES TO THE FINANCIAL STATEMENTS

1 Class of Business

2011	Gross premiums written	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£	£	£	£	£	£
Accident and health	7,325	7,325	111,846	(5,330)	(20,731)	93,109
Motor (third party liability)	-	-	134	(8)	-	126
Motor (other classes)	6	18	(3,402)	(231)	-	(3,615)
Marine and aviation	1,138,368	644,871	611,476	(414,154)	120,888	963,080
Transport	97,275	51,228	(27,374)	(26,137)	(9,833)	(12,117)
Energy	699,209	368,225	(172,948)	(165,125)	(73,303)	(43,150)
Fire and other damage to property	32,184	32,184	13,754	(126)	(8,498)	37,314
Third party liability	12,420	12,420	1,222,164	(17,699)	(1,020,724)	196,161
Pecuniary Loss	(2,206)	(2,206)	(333,840)	(29,950)	(100,891)	(466,887)
Total Direct	1,984,581	1,114,065	1,421,810	(658,760)	(1,113,091)	764,023
Reinsurance Balance	(218,466)	(218,479)	1,357,017	(51,568)	(1,282,692)	(195,722)
Total	1,766,115	895,586	2,778,827	(710,328)	(2,395,784)	568,301

2 Geographical Analysis

	2011
Direct Gross Premium Written in:	£
United Kingdom	1,984,581
Other EU Member States	-
Rest of the World	-
	1,984,581

3 Net Operating Expenses

Acquisition costs	320,924
Change in deferred acquisition costs	(138,831)
Administrative expenses	578,229
(Profit) on exchange	(49,994)
	710,328

NOTES TO THE FINANCIAL STATEMENTS

	2011 £
4. Investment Income	
Income from investments	147,584
Realised gains on investments	2,402
Bank deposit interest	505
	150,491

5 Investment Expenses and Charges

Investment management expenses	7,542
Losses on the realisation of investments	26,452
	33,994

6. Profit on Ordinary Activities before Taxation

This is stated after charging/(crediting)

Directors' remuneration	-
Auditors' remuneration - audit of the Financial Statements	15,000
Exchange (gain) or loss – Non-Technical Account	-

The Company has no employees Directors costs are borne by a fellow group undertaking and no re-charges are made to the Company

NOTES TO THE FINANCIAL STATEMENTS

	2011 £
7 Taxation	
Analysis of Charge in Period	
Current tax	
UK corporation tax on profit of the period	-
Double taxation relief	-
Foreign tax	-
Total current tax	-
Deferred tax	
Origination and reversal of timing differences	145,000
	145,000
Factors affecting tax charge for period	
The tax assessed for the period is different to the standard rate of corporation tax in the UK The differences are explained below	
Profit on ordinary activities before tax	600,992
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5%	159,263
Effects of	
Expenses not deductible for tax purposes	-
Timing difference on underwriting profits	(168,459)
Timing difference on Claims Equalisation Reserves	-
Foreign tax	-
Trading losses carried forward	9,196
Utilisation of tax losses	-
Current tax charge for period	-

Factors that may affect future tax charges

The results of the Company's participation on the 2011 year of account will not be assessed to tax until the year ended 31 December 2014 being the year after the calendar year result of the normal date of closure of each year of account In addition, tax only Claims Equalisation Reserves (CER) may further affect the timing of the taxation of underwriting profits At 31 December 2011 the Company had a CER of £Nil which will be subject to UK corporation tax as it is released in future years
The Company has trading losses of £34,701 available for carry forward against future profits, which if utilised, should significantly reduce tax payments in subsequent years

NOTES TO THE FINANCIAL STATEMENTS

8 Investments

Other Financial Investments - Syndicate

	2011	
	Market value	Cost
	£	£
Shares and other variable yield securities and units in unit trusts	403,122	403,122
Debt securities and other fixed income securities	6,051,992	6,093,297
Other	-	-
	6,455,114	6,496,418
Listed investments included within the above	6,455,114	6,496,418

9 Debtors arising out of Direct Insurance and Reinsurance Operations

	2011		
	Syndicate Participation	Corporate	Total
	£	£	£
Direct insurance operations			
Policyholders	-	-	-
Intermediaries	1,300,959	-	1,300,959
	1,300,959	-	1,300,959
Reinsurance operations	217,433	-	217,433
	217,433	-	217,433

NOTES TO THE FINANCIAL STATEMENTS

10 Other Debtors

	2011		
	Syndicate Participation	Corporate	Total
	£	£	£
Amounts due from group undertakings	-	75,271	75,271
Cash at bank	1,289,435	-	1,289,435
	1,289,435	75,271	,364,706

11 Cash at Bank and in Hand

	2011		
	Syndicate Participation	Corporate	Total
	£	£	£
Lloyd's deposit	-	5,379,000	5,379,000
Cash at bank	1,116,902	3,628	1,120,530
	1,116,902	5,382,628	6,499,530

The Lloyd's deposit represents monies deposited with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies The Company has entered into a Lloyd's Deposit Trust Deed which gives the Corporation the right to apply these monies in settlement of any claims arising from the participation on the syndicates These monies can only be released from the provision of this Deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Company's liabilities in respect of its underwriting

NOTES TO THE FINANCIAL STATEMENTS

12 Called-up Share Capital

	2011
	Allotted, called-up and fully paid
100,000 Ordinary shares of £1 each	£ 100,000

On incorporation the Company issued 1 ordinary share of £1 On 18 January 2011, 99,999 ordinary shares of £1 each were issued at par for cash

13 Profit and Loss Account

	2011		
	Syndicate Participation £	**Corporate** £	**Total** £
On incorporation	-	-	-
Profit for the financial period	635,693	(179,701)	455,992
Retained Profit Carried Forward	635,693	(179,701)	£455,992

14 Reconciliation of Movements in Shareholders' Funds

	2011 £
Shareholders' funds on incorporation	1
Issue of shares	99,999
Profit for the financial period	455,992
Closing shareholders' funds	555,992

15 Deferred Taxation

	2011
Opening Balance	-
Profit and loss account charge	145,000
Closing balance	145,000

Analysis of Provision for Deferred Taxation

	2011
Timing differences arising from the taxation of underwriting results	153,000
Tax losses carried forward	(8,000)
Closing balance	145,000

NOTES TO THE FINANCIAL STATEMENTS

16 Creditors arising out of Direct Insurance and Reinsurance Operations

	2011		
	Syndicate Participation £	Corporate £	Total £
Direct insurance operations			
Falling due within one year	983,558	-	983,558
Due after one year	-	-	-
	983,558	-	983,558
Reinsurance operations			
Falling due within one year			
Other	378,835	-	378,835
Amounts due to group Companies	1,051,459	-	1,051,459
Due after one year	2,743	-	2,743
	1,433,037	-	1,433,037

The amounts due to group Companies represent the quota share premium payable to R&Q Re (Bermuda) Limited under the quota share arrangement

17 Creditors

	2011		
	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	-	-
Other creditors	122,951	-	122,951
Amount due to group Undertakings	-	5,379,000	5,379,000
	122,951	5,379,000	5,501,951

18 Related Parties

The company is a wholly owned subsidiary of Randall & Quilter Investment Holdings plc and has taken advantage of the provision in Financial Reporting Standard No 8 which allows the Company not to disclose transactions with other consolidated group companies qualifying as related parties

There are no other related party transactions

NOTES TO THE FINANCIAL STATEMENTS

19 Funds at Lloyd's

In addition to the Funds held in the Lloyd's Deposit (see Note 13) the Company's Lloyd's underwriting is supported by further funds of £126,000 held in the name of R&Q Re (Bermuda) Limited under a third party deposit deed

20 Syndicate Participation

Syndicate No.	Managing Agent	Allocated capacity per underwriting year 2012	2011
		£'000	£'000
102	R&Q Managing Agency Limited	-	700
1897	R&Q Managing Agency Limited	3,000	5,000
3330	R&Q Managing Agency Limited	5,000	-
		8,000	5,700

21 Ultimate Group Undertaking and Ultimate Controlling Party

The immediate parent undertaking is Randall & Quilter II Holdings Limited, a company registered in England and Wales

Group financial statements are prepared by the ultimate parent undertaking, Randall & Quilter Investment Holdings plc, a company registered in England and Wales, and can be obtained from 110 Fenchurch Street, London, EC3M 5JT

The Directors are of the opinion that there is no ultimate controlling party