Company Registration No. 00011615

FOLGATE INSURANCE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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Directors	
Executive directors	Brian Russell Jonathan Bates Ian Russell Zoe Spicer
Non-executive directors	Adrian Harris Stephen Mathers Paul Chapman
Secretary	Zoe Spicer
Registered Number	00011615
Head Office and Registered Office	80 Leadenhall Street London EC3A 3DH
Auditor	BDO LLP 150 Aldersgate Street London EC1A 4AB

The Strategic Report provides a review of the business for the financial year and describes the Company's business strategy, and the management of the risks it faces. The report outlines the developments and performance of Folgate Insurance Company Limited ("FICL" or 'the Company') during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future and the delivery of the Company's strategy and business plan.

Introduction

FICL has been established since 1877 and was placed into run-off by its then owners in 2002. Anglo London Ltd acquired the Company in August 2014 and on 6 August 2015 the Company was authorised to underwrite reinsurance business, which it commenced on 1 September 2015. FICL's administration is handled under a service level agreement by Anglo Pacific Consultants (London) Ltd (APC) which is a connected company. From 2015 to 2018 FICL wrote APC sourced business on a quota share reinsurance basis. On 26 June 2018 authorisation was granted by the regulator for FICL to write direct insurance. FICL commenced writing APC & other delegated underwriting authority binder (DUA) direct business from 1 January 2019. Although the basis of underwriting APC-sourced business has changed from 1 January 2019, the underlying risks have not changed in nature or scale.

Principal Activities

The Principal activity of the Company is the transaction of general insurance business through underwriting a niche portfolio of SME (Small -Medium Enterprises) commercial lines business from the United Kingdom.

Results and Dividends

The profit before taxation for the year amounted to £322k (2018: loss of £465k) and a profit after tax of £270k (2018: loss of £371k) has been transferred to accumulated reserves. No Dividends were paid in the period.

Key Performance Indicators

The Company's Key performance indicators are:

· Gross Written Premium	£9,275,923	(2018-	£4,468,000)
· Net Written Premium	£5,909,995	(2018-	£3,902,000)
· Solvency Capital Ratio*	120%	(2018-	120% AMCR)
· Incurred Loss Ratio**	72.1%	(2018-	103.23%)
· Combined Operating Ratio	101.1%	(2018-	109.15%)

*(Net assets expressed as a percentage of the regulatory SCR requirement)
**(Net incurred claims divided by Earned Premiums)

For the run-off book of business, originating from the underwriting of the previous owners, the directors consider the main KPI to be movement on the incurred. The financial statements show that net claims incurred have decreased by £13k (2018: increased by £9k) for the year ended 31 December 2019.

The improvement in the company's result for the year was driven by two main factors; an improvement in the claims experience (reflected in the loss and operating ratios above), and a better investment return.

Business Review

During the period, the Company underwrote the direct insurance of property and general liability risks which are underwritten by the Company's fellow subsidiary, APC, a Managing Agent, and 5 UK cover holders. In addition, it continued to administer the inherited run-off of its pre-existing business (principally Household, Motor, Commercial and Travel). APC Holland which was previously written on a reinsurance basis through (Tokio Marine Kiln) TMK, was not written from the 2019 binder renewal.

Full details of the Company's results are contained in the financial statements below. FICL also engaged AM Best to undertake a full rating review and in November the rating agency assigned a Financial Strength Rating (FSR) of B (Fair) and a Long-Term Issuer Credit Rating (Long-Term ICR) of "bb+" to FICL.

For 2019 FICL received its income from a 30% coinsurance (with MS Amlin) of all business placed by APC. Previously FICL had received a 30% quota share reinsurance of APC business written 100% by TMK. In 2019 FICL also wrote direct business under third party binding authorities with 70% then ceded to reinsurers on a quota share basis.

Business Mix	**2019**	**2018**
Direct – DUA Binders	**41%**	-
Direct – APC Co insurance	**56%**	-
Reinsurance	**3%**	100%
	100%	100%

Future Developments

Having entered the direct writing market on 1 January 2019, it is the intention of the FICL Board to further establish this operation by increasing the written line on the coinsurance book year on year, capital permitting.

Risk Management – Principle Risks & Uncertainties

The Company's activities expose it to a variety of financial and non-financial risks. The directors are responsible for managing the Company's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk.

Insurance Risk – Underwriting

The Company wrote direct business from 1 January 2019. The Company then cedes away a proportion of the binding authority business for the direct business on a quota share basis. The Company also received premiums in 2019 in relation to the reinsurance account (2015-2018). The main underwriting risks it faces in relation to this are:

- Rating – ensuring that the rates for business underwritten by the Company are economically viable. Through its relationship with APC, the Company has over 20 years of experience of the data relating to the book of business that it currently insures.

- Catastrophic loss – ensuring that the Company is not exposed to catastrophic losses. This is achieved by limiting the exposure of the underlying book of business by both class of business and geographic region. In addition, the Company purchases reinsurance to protect itself against large and accumulation losses.

Insurance Risk – Claims management

The Company's business exposes it to the possibility that claims will arise on business written. Each risk or group of risks is regularly reassessed so that adequate case reserves are maintained taking into account full information available at that time. The claims risk which affect the Company are:

- Reserving – the risk that the case reserves established by the Company at a previous year-end prove to be inadequate.

- Reinsurance of the Company proves inadequate.

Reserving

Insurance reserves are established for expired risks, i.e. that part of the Company's business that is attributable to earned premium income. The reserves are case reserves. In order to mitigate the reserving risk, the Company uses actuarial techniques to project insurance liabilities using an external expert. The results of these techniques are discussed by management to establish the level of reserves to be held in respect of claims incurred but not yet reported (IBNR).

Reinsurance Risk

Reinsurance risks arise from two different sources. The first relates to concentration risk whereby recoveries from claims paid are due from a limited number of reinsurers. To mitigate this risk, the Company places its reinsurance in line with policy guidelines established by the directors and these arrangements are subject to regular reviews.

The second source of reinsurance risk relates to credit risk. Credit risk arises where reinsurers fail to meet their financial obligations in full as they fall due. To mitigate this risk, the Company monitors its credit exposures on a regular basis.

Investment Risk

The investment committee monitors the performance of invested funds on a regular basis and periodically agrees on the investment strategy to be adopted to mitigate risks of interest rate fluctuation and credit risks and to provide appropriate liquidity. The strategy in 2019 was a target of 85% bonds & 15% equities. Post year end as a result of COVID-19 the strategy was revised to be bonds and cash, the equities were disposed of in March 2020.

Regulatory Risk

The Company is regulated by the Financial Conduct Authority (FCA) and authorised by the Prudential Regulation Authority (PRA). Failure to comply with applicable regulations could result in a variety of sanctions, the most extreme being a withdrawal of the permissions to write insurance business. The directors have established a business ethos in which best practice is the required standard for all operations, both in the commercial interests of the business and to ensure regulatory compliance. Management has also put in place appropriate monitoring structures to mitigate the risk of failing to meet this standard.

Operational Risk

Much of the effect of the Company's exposure to operational risks is reflected in the various other risk headings above and is mitigated and managed through the exercise of the management controls and actions described above. The main additional exposures are in relation to the business continuity risk, i.e. the risk that the ability of the Company to continue business will be affected by events not reflected under other headings, for example the impact of cyber-attack or terrorist activity and in the management of relationships and arrangements with key individuals. In relation to the former, the management maintains a Business Continuity Plan (BCP) which sets out the main anticipated risks, including those relating to the robustness and sustainability of IT infrastructure and business applications and the arrangements to mitigate those risks. The BCP is monitored and updated regularly. In addition, the management seeks to maintain sufficient personnel with appropriate experience and expertise to reduce the dependence on any one individual, so far as is practicably possible. The services of FICL are managed through a service level agreement (SLA) with APC.

The board has reviewed any possible implication of Brexit and deem this as low risk to the Company, with the information available at this time. The risk is further reduced as the Company did not write the APC Holland book after the 2018 underwriting year. FICL now only writes risk domiciled within the UK.

The Directors have taken steps to reduce the operational risk posed by the spread of the COVID-19 virus, including arrangements for staff to work remotely, and limiting the need for face to face meetings. In general terms the Directors are following government guidance and taking note of the practices adopted by other businesses, for instance Lloyd's.

Other Matters

Environmental Matters

The directors do not consider that the Company's business has a large adverse impact upon the environment. As a result the management does not manage its business by reference to any environmental key performance indicators, but it does have a climate change policy in place. Directors are not provided with Company cars and travel requisitions and expenses are subject to review as to whether the journey is necessary for the business. The management also seeks to recycle over 80% of its paper consumption by the use of recycling bags for all business waste paper and shredding.

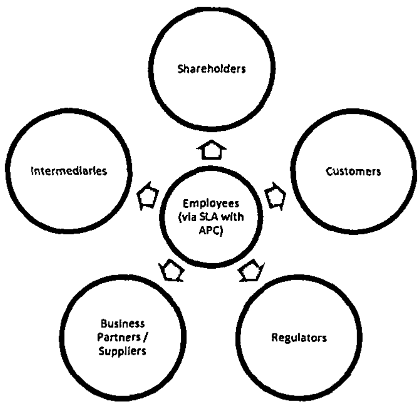
S172 Disclosure

Section 172(1) Statement explains how directors have had regard to the matters set out in Section 172(1)(a)-(f) of the Companies Act 2006.

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to

a) the likely consequences of any decision in the long-term;
b) the interests of the company's employees;
c) the need to foster the company's business relationships with suppliers, customers and others;
d) the impact of the company's operations on the community and the environment;
e) the desirability of the company maintaining a reputation for high standards of business conduct; and
f) the need to act fairly, with diversity & and with equal opportunity between members of the company.

At Folgate, engagement with stakeholders occurs regularly during the ordinary course of business. It is essential to build trust and resilience by disclosing how the Group understands, takes into consideration and responds to key stakeholders' legitimate interests and needs through decisions, actions, performance and ongoing communication. Folgate aims at creating value in a sustainable way for its stakeholders so that the Group remains aligned with its objectives and statement of lifetime commitment.



Issues, factors and stakeholders the directors consider relevant in complying with the section 172(1)(a)-(f)

FICL is in a competitive insurance market, and considers its Stakeholders as Shareholders, Intermediaries, Customers, Business Partners & Regulators.

Folgate maintains a strategy to build on the financial stability credit rating while building stronger and long lasting intermediary relationships too.

A significant factor to the stakeholders of Folgate is compliance with capital requirements and the Board maintains a strict monitoring process to ensure it maintains a Solvency II surplus in line with Group appetite.

The methods directors have used to engage with stakeholders

Folgate's ultimate shareholder is Anglo London Ltd (ALL). Folgate has an established and open reporting line into the board of ALL. ALL have sight of regular board & committee minutes of Folgate.

There is a strong integration between the two companies, with 4 common board members.

Folgate has communicated throughout the year with the stakeholders as detailed in the table below.

How we address stakeholders' engagement:

Stakeholder	Expectations and why it is important to engage	Responses	How we engage with them	Outcome of actions
Customers including Business Partners & Suppliers	• Excellent Service • Seamless Experience • Instant Support • Competitive prices • Customised solutions	• Continuation of online product enhancements • Tailor made packages • Underwriters available • Readjustment / adequate pricing of products	• Customer feedback • Events such as market conferences • Website • Media Campaign • Social Media	• Better Customer Service
Shareholders	• Strong governance ethics & transparency • Consistent business strategy	• Policy of zero dividends in order to build capital • Risk management & compliance functions to oversee soundness of financial, operation, compliance & strategic management • Timely reporting of financial performance	• Annual Report • Website • Board & Committee reports	• Greater confidence in the company's position and future
Employees	• Training & Career • Development • Enabling Culture • Work-life balance	• Expectations are managed through sister company Anglo Pacific Consultants (London) Ltd, as Folgate employs no staff directly.	• Service Level Agreement	• Low employee turnover • Internal career development
Intermediaries	• Commissions • Quality of Service • Relationship	• Listening to the needs of intermediaries • Key performance indicators & regular monitoring • Dedicated underwriters • Development of sustainable relationships	• Face to Face meetings • Broker events • Emails, phone calls, Letters	• Better customer service
Regulators	• Strong governance ethics & transparency • Consistent business strategy • Adherence to regulation	• Key performance indicators & regular monitoring • Risk management & compliance functions to oversee soundness of financial, operation, compliance &	• Regular regulatory reporting • Emails, phone calls, Letters • Face to Face meetings • Annual Reports	• Greater confidence in the company's position and future

		strategic management		

The effect of that regard on the company's decision and strategies during the year

The company has ensured that the decisions made within the financial year have been conducted in line with its objectives through deliberation, action, performance and ongoing communication.

Principal Decisions effected in the year

During the year Folgate made the decision to renew its co-insurance line at 30% and direct delegated authority lines at 100% with a 70% cede for the forthcoming 2020 underwriting year. These retentions remain the same as 2019 underwriting year. A significant factor in the decision making process was the capital requirements and the company's appetite to remain at a Solvency Capital Requirement (SCR) of 120%.

Discussions were held during committee and board meetings and conveyed to our business partners & intermediaries by email, phone and social marketing. These discussions follow into the Board meetings of the ultimate shareholder which shares a majority common board.

The decision to alter the retained line on Folgate's business could impact our intermediaries, relationships, business strategy and capital requirements.

Folgate can mitigate against any potential risks faced in relation to capital requirements by writing this business with the flexibility to reduce its written line and cede more to our business partner. Folgate will continue to monitor and respond to any circumstance as they may arise.

By order of the board

Z M Spicer

Chief Financial Officer

18 June 2020

The directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 December 2019.

Directors and Officers

The current members of the Board are shown on Page 1.

Brian Russell, Jonathan Bates, Ian Russell and Zoe Spicer are directors of ALL, the ultimate parent undertaking and their interest in the share capital of that Company is shown in its financial statements. The non-executive directors do not have a direct interest in the shares of the Company.

Directors' Indemnity

The Company has provided qualifying third-party indemnities for the benefit of its Directors. These were provided during 2019 and remain in force at the date of this report.

Business Review and Future Developments

Disclosures in these respects are set out in the Strategic report.

Financial Instruments – Financial Risk Management

Investments have been addressed on page 4 in the Strategic report. Credit & Liquidity risk are disclosed in note 5.

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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 laws, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts').

Under company law 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 and 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;
- state whether applicable UK Accounting Standards 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 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

BDO LLP has expressed its willingness to continue in office as auditor.

COVID-19 Post Balance Sheet Event

The Directors have been monitoring the development of the impact of COVID 19 both directly on the Company's business and indirectly through reviewing the development of government policy and advice. The main considerations are as follows.

Operational

The Directors have made the decision to implement aspects of the Company's business continuity plan (BCP), specifically requiring staff at all levels and in all functions to work remotely wherever practicable, and to limit the need for gatherings of staff so far as possible. Communications within the Company are now almost wholly via email or messaging applications. The Company's IT facilities are adequate to maintain operations on this basis for the foreseeable future. The Directors are mindful of the differing pressures on individual members of staff, and also of the fact that these pressures change as the situation nationally and locally develops. The Directors expect that operational changes will continue to be required as the position develops.

Risks underwritten

The Company does not write business directly covering the impact of COVID 19. The SME policies which form the majority of the company's book do not provide cover for business interruption caused by a Coronavirus pandemic. Folgate has received a total of 71 claims which have all been repudiated on this basis.

Investment portfolio

As at the date of signing these financial statements the company sold all of its equity holdings. Including the impact of the crystallised sale, the total investment portfolio, has decreased by £384k/3.23% since the balance sheet date as a result of the market deterioration due to COVID-19 which was the sole driver in the decision to sell the equity holdings. The crystallised loss on the sale of equities was £352k with the remaining deterioration originating from the bonds portfolio. The Directors keep the remaining portfolio under close review.

Policyholders/Agency Brokers

In the increasingly likely event of recessive economic conditions, there will be customers and business partners of the Company who will suffer. The impact on the Company in the short term is likely to be in pressure on cash-flow and on debt recovery, and in addition, in the medium term, in pressure on premium/commission levels. For most customers insurance is not normally a discretionary cost, but if asset values and business value fall, the values to be insured will fall. The Directors maintain very close links with the market directly and through the Company's broker network, and will be able to make changes to policy terms and rates as necessary as the position develops.

Regulators and Forecasts

The Directors are modelling stressed future scenarios to assess the Company's compliance with regulatory capital requirements in the context of the risk appetite determined by the Board. The Directors recognise that as the foreseeable scenarios change, decisions may need to be made in relation to the scale of the Company's activity and the level of capital maintained to support that activity.

Going Concern

As at the date of signing these financial statements, the Directors forecasts up to 31 December 2021 indicate that the Company will be able to maintain liquidity and a surplus over its Solvency Capital requirement, and will therefore be able to continue to trade as a going concern. In order to compensate for the realised loss on the disposal of the equity investment portfolio FICL issued £300k of ordinary paid up share capital on 26th March 2020. These funds were invested by the parent.

The directors are constantly monitoring by reference to foreseeable stressed scenarios which would impact this position. In particular the directors continue to assess whether such scenarios become more likely than is currently judged to be the case. The nature of the impact of COVID-19 is explained above and in note 5c to the accounts.

The report was approved by the board of directors on 18 June 2020 and signed on its behalf by:

Z M Spicer

Chief Financial Officer

Independent auditor's report to the members of Folgate Insurance Company Limited

Opinion

We have audited the financial statements of Folgate Insurance Company Limited (the 'Company') for the year ended 31 December 2019 which comprise the Profit and Loss - Technical Account, Profit and Loss – Non technical account, the Balance Sheet, the Statement of Changes in Equity and notes to the Accounts, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the Company's profit for the year 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.

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 Company 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 public interest 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 Company'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.

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 engagement team. 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.

Outstanding Claims provisions for general insurance contracts	
Key audit matter identified	**How we addressed the kay audit matter in our audit**
Refer to the accounting policy in note 3 and further information given in notes 5 and 22. The financial statements include claims outstanding liabilities for gross claims incurred but not paid up to 31 December 2019, including both claims notified for which case reserves are held, and claims not yet reported. The estimation process involves judgements and assumptions made by management and their external actuarial expert. Management's external actuarial expert's estimation approach is to project future gross claims settlements based both on relevant historic claims experience data maintained by the sister company Anglo Pacific Consultants Limited (APC) for similar type of business that is written by APC on behalf of other insurers, and on relevant market data. We have concluded that outstanding claims provision are a Key Audit Matter. There is an inherent risk that this can be misstated due to the fact that estimates are necessarily involved, and as such, there is an element of subjectivity in any such provision. This is because the range of estimated claims may be large and there is a high degree of judgement to be exercised here, consequently the impact on the financial statements could be significant.	We evaluated the independence, objectivity, and competence of the management's external actuarial expert. We utilised our own actuarial expert to review the methodology, assumptions used, and conclusions reached by management's external actuarial expert. We read management's external actuarial expert's report and in conjunction with our internal actuarial expert, evaluated and challenged the methodology, assumptions used and conclusions reached by the management's external actuarial expert based on our understanding of the market and the company's business. This included consideration of the movement in reserves relating to claims incurred in prior years to assess the reasonableness of directors' past assumptions and the methodology used to estimate claims outstanding, and consideration of the processes used to calculate reinsurers' share of claims provisions. We reviewed the report of our actuarial expert and evaluated the conclusions by reference to our knowledge of the Company's business and the wider market. On a sample basis, we tested the case reserves held by the Company to third party advices from claims adjusters or cedants. We tested the relevant company premium and claim data used in the estimation of ultimate claims by matching it to the APC underwriting system, which we have checked on a sample basis to policy documentation. Given the company has limited history/claims experience due to being in early phases of underwriting, we consider that the use of relevant historical APC data for the purposes of the estimation of ultimate claims is reasonable and appropriate. Our internal actuarial expert assessed the appropriateness of the management load applied to the actuarial estimates by carrying out an independent estimate using alternative assumptions which took less account of recent underwriting improvements as the consequences of those improvements are not yet fully reflected in the claims data. Key observations: Based on our audit work we did not identify any material misstatements in relation to the provision for outstanding claims.

Going concern	
Key audit matter identified	**How we addressed the kay audit matter in our audit**
The Directors' assessment of the impact of Covid -19 on the Company's business is set out in note 5c, Note 29 and the specific assessment of the impact on the Company's status as a going concern is set out in note 3b. The novel coronavirus (Covid-19) reached pandemic status in the post balance sheet period. The full potential impact of this pandemic has wide reaching socio-economic implications that will impact the Company, however the full range of possible effects is unknown. Management have performed an assessment of the potential impact of Covid-19 on the Company's operations. This has required management to make judgements as to the reasonably foreseeable impacts of Covid 19. In making those judgements, management has taken into account the significant uncertainty as to the impact both on the wider economy and on the markets in which the Company trades and therefore the impact of the COVID -19 pandemic is a key audit matter. The Directors have also considered the potential impact of Covid 19 in the context of the Company's maintenance of a satisfactory surplus over its regulatory Solvency Capital Requirement.	Our audit work in this respect included: • Reviewing management's assessment of the potential impact of the Covid-19 pandemic, in the light of our understanding of the Company's business and the wider market. • Assessing the transparency and reasonableness of the disclosures in relation to Covid-19 as a post balance sheet event by reference to our knowledge of the business and of the wider market in which the business operates. • Considering Managements assessment of potential and forecast Covid-19 impacts on the Company's financial resources and insurance liabilities compared to our own understanding of the emerging risks. Reviewing the stress tests applied by Management to their forecasts and the scenarios evaluated and the potential impact on the company's business in the light of our understanding of the company's business, the emerging risks and current market norms in this respect . The impacts considered included changes in forecast business volumes, changes in the fair value of investment assets, and the potential change in claimant behaviour. • Assessing the transparency and reasonableness of the disclosure of management's assessment of the appropriateness of the application of the going concern basis in the preparation of the financial statements. Key observations: Our key observations are set out in the conclusions related to going concern section of our audit report.

Our application of materiality

Materiality is defined as the size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgement of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement. Materiality is an important judgement we make as part of establishing our overall audit strategy and is used throughout the audit process, including in the evaluation of our audit work and when forming our audit opinion. Based on our professional judgement, materiality was determined as follows:

Overall financial statements materiality	£140,000 (2018: £129,700)
Basis of materiality and specific materiality	The overall financial statements materiality was determined based on 3% (2018: 3%) of net assets as at 31 December 2019. Net assets were considered the most appropriate metric for the Company as there is not yet a sufficiently consistent pattern of profitability to enable a profit-based measure to be used.

Performance materiality	£105,000 (2018: 97,300) In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Performance materiality has been set at 75% (2018: 75%) of the above materiality. This has been assessed on criteria such as complexity and the level of controls operated in the company and the fact that this is our third year as auditors of the company.
Threshold for reporting misstatements to the Audit Committee	The threshold was set at £7,000 (2018:£6,500), although misstatements below these thresholds are also reported where the nature of the misstatement warrants reporting, on qualitative grounds.

An overview of the scope of our audit

We undertook a full scope audit of the company. Our approach to the audit was risk based, with our audit work being tailored to ensure that sufficient assurance was gained for us to be able to give an opinion on the financial statements as a whole. Specific audit procedures were carried out on all risk areas identified, including the key audit matters detailed above, and on all material balances and classes of transactions. The company audit team performed all aspects of the audit with the assistance of internal actuarial experts.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls and the risk of fraud in revenue recognition, including evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud.

How the audit was considered capable of detecting irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with PRA and FCA rules, FRS 102 and FRS 103. We obtained our understanding through internal and external training and the use of an appropriately qualified and experienced audit team who specialise in the insurance sector.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error.

We focused on laws and regulations that could give rise to a material misstatement in the Company's financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- review of correspondence with the PRA and FCA

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely, as auditor of the financial statements, we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that might reasonably represent a risk of material misstatement due to fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on pages 8 & 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 27 November 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2017 to 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company or its parent company and we remain independent of the company and its parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

David Roberts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
UK
18 June 2020
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

	Note	2019 £'000	2018 £'000
Technical account - general business			
Gross premiums written	6	9,276	4,468
Outward reinsurance premiums		(3,366)	(566)
Net premiums written		5,910	3,902
Change in the gross provision for unearned premiums		(2,491)	(155)
Change in the provision for unearned premiums, reinsurers' share		1,513	-
Change in the net provision for unearned premium		(978)	(155)
Earned premiums, net of reinsurance	7	4,932	3,747
Allocated investment return transferred from the non-technical account		146	-
Total technical income		5,078	3,747
Claims incurred, net of reinsurance			
Claims paid-Gross amount		(2,768)	(1,985)
Claims paid-reinsurers' share		76	-
Claims paid-net of reinsurance		(2,692)	(1,985)
Change in claims outstanding-Gross amount		(1,241)	(1,883)
Change in claims outstanding-reinsurers' share		380	-
Change in claims outstanding-net of reinsurance		(861)	(1,883)
Claims incurred, net of reinsurance	8	(3,553)	(3,868)
Net operating expenses	9	(1,432)	(222)
Balance on the technical account for general business		93	(343)

The notes on pages 22 to 46 form part of these financial statements.

	Note	2019 £'000	2018 £'000
Non-Technical Account			
Balance on the technical account-general business		93	(343)
Investment income	10	232	166
Allocated investment return transferred to the general business technical account		(146)	-
Investment expenses and charges	11	(65)	(48)
Realised (losses) on investments	10	(35)	(33)
Unrealised gains/(losses) on investments	10	243	(207)
Profit/(loss) before tax		322	(465)
Taxation on profit/(loss)	16	(52)	94
Profit/(loss) transferred to/(from) reserves		270	(371)

The notes on pages 22 to 46 form part of these financial statements. All amounts in the profit and loss account above relate to continuing operations.

No other comprehensive income was recognised in current or prior years and therefore profit for the year is in effect total comprehensive income; no statement of comprehensive income is prepared.

	Note	2019 £'000	2018 £'000
ASSETS			
Investments			
Other financial investments	17	10,040	8,125
Reinsurers' share of technical provisions			
Provision for unearned premiums	22	1,513	-
Claims outstanding	22	380	-
		1,893	-
Debtors			
Debtors arising out of insurance operations	18	1,110	-
Debtors arising out of reinsurance operations	18	-	1,002
		1,110	1,002
Other assets			
Cash at bank	20	2,648	1,814
Corporation Tax	16	44	96
Deferred taxation	23	4	4
Tangible Assets	26	4	6
		2,700	1,920
Prepayments and accrued income			
Deferred acquisition costs	9	1,883	-
Other prepayments and accrued income		2	5
		1,885	5
Total assets		**17,628**	**11,052**

The notes on pages 22 to 46 form part of these financial statements.

	Note	£'000	£'000
EQUITY			
Capital and reserves			
Called up share capital	21	4,406	4,406
Profit and loss account		188	(82)
Shareholder's funds attributable to equity interests		4,594	4,324
LIABILITIES			
Technical provisions			
Provision for unearned premium	22	4,763	2,272
Claims outstanding	22	5,673	4,431
		10,436	6,703
Creditors			
Creditors arising out of reinsurance operations	19	1,271	-
Other creditors	24	520	4
		1,791	4
Accruals and deferred income	25	807	21
Total liabilities		13,034	6,728
Total equity and liabilities		**17,628**	**11,052**

These financial statements were approved by the board of directors on 18 June 2020 and were signed on its behalf by:

ZdSpicer

Z M Spicer

Chief Financial Officer

The notes on pages 22 to 46 form part of these financial statements.

2019	Share Capital £'000	Profit and Loss account £'000	Shareholder's funds £'000
At 1 January 2019	4,406	(82)	4,324
Profit for the financial year	-	270	270
At 31 December 2019	4,406	188	4,594

2018	Share Capital £'000	Profit and Loss account £'000	Shareholder's funds £'000
At 1 January 2018	3,406	289	3,695
Additional Share Capital Issued	1,000	-	1,000
Loss for the financial year	-	(371)	(371)
At 31 December 2018	4,406	(82)	4,324

The notes on pages 22 to 46 form part of these financial statements.

1. General information

Folgate Insurance Company Limited ('the Company') transacts general insurance business in the UK. The company is a private company limited by shares and is incorporated in England and Wales. The address of its registered office is 80 Leadenhall Street, London, EC3A 3DH.

On the 6 August 2015 the Company was authorised by the Prudential Regulation Authority ('PRA') to underwrite reinsurance business. On 1 September 2015 the Company commenced underwriting the reinsurance of business originally underwritten by its fellow underwriting agency subsidiary, Anglo Pacific Consultants (London) Limited and connected Company by 20% shareholding, Heparo BV trading as APC Holland. Since this date the Company has underwritten a number of quota share reinsurance contracts. Premiums and claims arising on this business have been categorised as the 'Reinsurance account'. On 26 June 2018 the Company was authorised by the PRA to underwrite direct insurance business and all business has been written on this basis since 1 January 2019 and is categorised as the "Direct account".

Prior to 1 September 2015 the Company had written a general insurance account. This was placed into run-off on 30 June 2002. Premiums and claims arising on this business have been categorised as the 'Run-off account'.

2. Statement of compliance

The financial statements of Folgate Insurance Company Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103), the Companies Act 2006 and in accordance with the provisions of Schedule 3 of the Large and Medium-size Companies and Groups (Accounts and Reports) Regulations 2008.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The Company's financial statements are prepared in Pounds Sterling, which is the presentation and functional currency of the Company and rounded to thousands.
As a subsidiary of Anglo London Limited the entity is a qualifying entity in accordance with FRS 102 and entitled to take certain exemptions. The Company has taken the allowed exemption to not prepare a statement of cash flows.

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

b. Going concern

The directors have considered the suitability of the going concern basis of preparation. The Company has net assets of £4.6m and gross assets of £17.6m (2018 £4.3m net - £11m gross). The Solvency Capital Resource requirement (SCR) at 31 December 2019 was £3.95m (unaudited) and the ratio of net assets (regulatory) to SCR was 120% as at 31 December 2019 (2018- £3.736m and 120%) (Unaudited). As at 31 December 2019 the Company has £2.648m of cash on deposit (2018: £1.814m) and £10.040m in the investment portfolio which can be liquidated within 3-5 days (2018: £8.125m). A post-balance sheet loss of £0.35m was crystallised on the sale of the equity portfolio. The company's operational cost base is very low, being £0.28m for the 2019 year excluding business acquisition costs directly related to Gross premium revenue (see note 9). In light of the coronavirus pandemic, the Directors have considered the company's position under foreseeable future scenarios including extreme reductions in the company's premium ncome, focusing on the company's maintenance of liquidity and an adequate coverage of its regulatory capital requirement (see note 29 for further detail). Based on this assessment the directors have reasonable expectations that

3. Summary of significant accounting policies (continued)

the company has adequate resources to continue to operate and to meet its obligations as they fall due in the normal course of business for the foreseeable future, although the Directors also recognise that adjustments to the scale of the company's underwriting may be required dependent on economic and market-specific developments. Thus, the Directors continue to be of the view that it remains appropriate to adopt the going concern basis of accounting in preparing the annual financial statements. On 26 March 2020 the directors have raised further capital of £300k to support the company's regulatory capital margin. See note 21.

Foreign currency

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts are treated as monetary items in accordance with FRS103. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

c. Insurance contacts

The results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

a) *Premiums written*

Premiums written comprise those related to 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 company, less an allowance for cancellations. Business was written through reinsurance arrangements on a quota share basis prior to 2018, and from January 2019 by way of direct co-insurance of the APC book and directly writing 5 cover-holder DUA binders.

b) *Deferred premiums*

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.

c) *Deferred Acquisition Costs*

Unearned acquisition costs represent the proportion of acquisition costs incurred in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis. Acquisition costs are commissions incurred from the source and include any earned profit commission estimated to be payable. Profit commission is calculated on the loss ratio of the business written in accordance with the binding authority.

d) *Claims incurred*

Claims incurred comprise claims and related expenses paid in the year and 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.

e) *Claims provisions and related reinsurance recoveries*

Gross claims incurred comprise the estimated cost of all claims relating to losses occurring during the year, whether reported or not, including related direct and indirect claims handling costs. The provision for claims outstanding is assessed on an individual case by case basis

3 Summary of significant accounting policies (continued)

c. Insurance contracts (continued)

and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also

includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date, estimated based on the market standard methods.

These methods 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. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims is based on the amounts of gross outstanding claims and projections for IBNR, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and is net of estimated irrecoverable amounts having regard to the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and the models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

Property and accident business

Property and accident business is "short tail", that is there is not a significant delay between the occurrence of the claim and the claim being reported to the Company in terms which enable a reasonable estimate of the liability to be made. The costs of claims notified to the Company at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous periods have developed over time. This is in order to reflect both changes in the underlying estimates of the cost of notified claims and late notifications.

Liability

These claims are longer tail than for those of the other classes of business and so a larger element of the claims provision relates to incurred but not reported claims and claims reported but not sufficiently developed to enable reasonable estimates of liability to be made on a case by case basis. Claims estimates for liability business are derived from a combination of the expected loss ratio-based estimates and estimates based upon actual claims experience. In respect of liability claims, the assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. The liability class of business is also subject to the emergence of new types of latent claims and an allowance is included for this as at the balance sheet date.

Outstanding claims provisions are not discounted.

Unexpired risks provision

Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision ('UPP') and unexpired risks provision. The expected claims are calculated based on information available at the balance sheet date.

3. Summary of significant accounting policies (continued)

c. Insurance contracts (continued)

Unexpired risks surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. The unexpired risk provision would be included within 'Other technical provisions'.

The Company assess at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

Insurance contracts for outwards reinsurance

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outwards reinsurance premiums are accounted for in the same period as the related premiums for the direct or inwards reinsurance business being reinsured.

Reinsurance liabilities comprise premiums payable for outwards reinsurance contracts and are recognised as an expense when due. Reinsurance assets include balances due from reinsurance companies for recoveries on paid and unpaid losses. Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contract and in accordance with the terms of the reinsurance contract. Reinsurance recoverable is recorded as an asset unless a right of set-off exists, in which case the associated liabilities are reduced to take account of the reinsurance recovery.

Debtors arising from reinsurance operations

Debtors arising from reinsurance operations are recognised when due and are measured at amortised cost, using the effective interest rate method. A provision for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

d. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against

3. Summary of significant accounting policies (continued)

d. Taxation (continued)

the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

e. Cash at bank and in hand

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

f. Financial assets

The Company has chosen to adopt the recognition and measurement criteria of Sections 11 and 12 of FRS 102 in respect of financial instruments. Financial investments comprise exchange traded equity instruments and high-grade debt securities. Such assets are initially measured at fair value and subsequent changes in fair value are recognised in the profit or loss account. The Company has designated its debt securities at fair value through the profit or loss account to enable the short-term gains and losses to be matched against the short-tail nature of the company's insurance liabilities. Furthermore, debt securities are managed on a fair value basis, alongside equity investments held by the Group within the overall investment portfolio and reported on that basis to the Company's board of directors.

Income from investments is allocated between the technical and non-technical account proportionately to the technical reserves and shareholders equity respectively.

Unrealised gains and losses represent the difference between the valuation of investments at the balance sheet date and their purchase price. All realised and unrealised gains and losses are taken to the non-technical account in the profit or loss account.

i. Fair value estimation

All financial instruments carried at fair value and are valued by relevance to quoted prices in an active market.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the bid price.
- Level 2: when quoted prices are unavailable the instrument is valued using inputs that are observable either directly or indirectly including quoted prices for similar assets or liabilities in active markets, quoted prices for Identical or similar assets or liabilities in inactive markets, inputs that are observable such as interest rates and yield curves observable at commonly quoted intervals, implied volatility or credit spreads and market-corroborated inputs.
- Level 3: when observable inputs are not available, unobservable inputs are used to measure fair value by use of valuation techniques. The objective of using the valuation technique is to estimate what the fair value would have been on the measurement date.

g. Financial liabilities

Financial Liabilities comprise creditors and claim provisions. Creditors are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest method.

Claim provisions are based on the estimated claim payments resulting from recognised insurance liabilities.

3. Summary of significant accounting policies (continued)

h. Investment return

Interest income is recognised using the effective rate method.

Dividend income is recognised when the right to receive payment is established. Interest and investment expenses are accounted for on an accrual basis.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

i. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4. Critical accounting judgements and estimation uncertainty

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.

a) Significant judgements in applying the accounting policies

In preparing these financial statements, the directors have made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Company ,and claims that have been reported but not sufficiently developed to enable a reasonable estimate of liability to be made at a case level.

For both direct and reinsurance business the amount included in respect of IBNR is based on statistical techniques of estimation applied by the Company's management with the assistance of external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time.

For run-off business the amount included in respect of IBNR is based on management's assessment of the number of new claims which are expected to be notified over the remaining term of the run-off. The provision for claims also includes amounts in respect of internal and external claims handling costs.

In considering forecasts of the Company's liquidity and solvency under different future scenarios arising from Covid 19, in view of the uncertainty in relation to the future economic and market environment the Directors have included extreme scenarios in respect of the key factor, the level of gross premium income.

4 Critical accounting judgements and estimation uncertainty (Continued)

b) Sources of estimation uncertainty

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. The carrying amount of the liability is £5,673,000 (2018: £4,431,000). There are several sources of uncertainty that need to be considered in the estimate of the amount that the Company will ultimately pay for such claims. The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. See Note 22 for disclosures relating to these provisions and Note 5 for discussion of the related risks. In order to mitigate this risk the company has a management margin of £100k (2018: Nil) over the actuarial best estimate.

The company may also receive claims arising from the policies written in the run-off account in respect of industrial deafness. These claims are not expected to be settled for many years and there is considerable uncertainty as to the amounts at which they will be settled. The level of provision has been set on the basis of the information that is currently available including potential outstanding loss advices, experience of development of similar claims and case law.

5 Management of insurance and financial risk

The following are the normal risks the company are exposed to. The exceptional risk in relation to COVID-19 is explained in note 5C. The Company issues contracts that transfer insurance risk. The Company is also exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and policyholder liabilities. This section summarises these risks and the way the Company manages them.

a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed that which is implicit in the pricing approach adopted and in the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level estimated using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company writes direct business via a co-insurance contract (with MS Amlin) of business underwritten by its fellow underwriting agency subsidiary APC and also the third party DUA business. APC has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The Company seeks to balance these risks across the whole of its portfolio.

Factors that aggregate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

5. Management of insurance and financial risk (Continued)

The liabilities that are in place at the year-end are based on the best estimate of current claims outstanding with an additional element for claims incurred but not reported (IBNR). The IBNR is based on historical data patterns to provide a reasonable estimate of the future development of current claims.

The insurance risk in relation to the run off book is that the claims might settle at higher than the booked amounts. This risk is managed through company's claims settlement and review processes.

Sensitivity testing around claims is performed as part of the regulatory reporting required for insurance companies and contributes to the Own Risk & Solvency Assessment (ORSA). Through a combination of the business model, the short-tail nature of the insurance written and the level of insurance in place, insurance risk is considered by the Board to be a moderate risk area.

The process by which the insurance reserves are estimated is such that there is no single driver for which sensitivity can be meaningfully presented, therefore, we have presented an indication of 10% sensitivity on reserves balances as whole for the financial year. We anticipate the variability in the reserves to be within 10% - 15%.

Gross Claims	Reinsurance Book	Run Off Book	Direct Book	Total
	£'000	£'000	£'000	£'000
Reserves at 31 December 2019	4,005	107	1,561	5,673
Sensitivity 10% Load	4,405	118	1,718	6,241
Sensitivity profit adjustment arising	(400)	(11)	(156)	(567)
Reserves at 31 December 2018	4,297	134	-	4,431
Sensitivity 10% Load	4,727	147	-	4,874
Sensitivity profit adjustment arising	(430)	(13)	-	(443)

i. Frequency and severity of claims

The Company has the right to re-price risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Property contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage.

The insurance risk arising from these contracts is not concentrated in any one geographical location within the United Kingdom and for 2018 the United Kingdom and Holland. The Company defines not concentrated as less than 15% in any one geographical postcode.

5. Management of insurance and financial risk (Continued)

The third-party liability contracts' frequency and severity of claims can be affected by several factors. The most significant are the increasing level of awards for the damage suffered and the increase in the number of cases coming to court that have been inactive or latent for a long period of time. The Company manages this risk through the company's claims settlement and review processes.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

The reinsurance arrangements include excess and catastrophe coverage and the ceded quota share agreement for the direct DUA's. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than £250,000 in relation to any one loss event.

ii. **Sources of uncertainty in the estimation of future claim payments**

The sources of estimation uncertainty in establishing the ultimate liability arising from claims made under insurance contracts are discussed in Note 4.

Claims are payable on a claims-occurrence basis. The Company is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, claims can be settled over a long period of time, and an element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. Long-tail IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For liability contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

iii. **Process used to decide on assumptions**

The Company mainly uses chain-ladder methods to estimate claims for the both the reinsurance book and insurance book.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year.

Chain-ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business.

For the run off book the key assumptions are the time left until all risks are extinguished; the number of claims notified per year and the average cost of individual claims. The basis of these assumptions is evaluated periodically and updated based on actual claims experience.

b) Financial risk management objectives

The Company is exposed to a range of financial risks, in particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

5. Management of insurance and financial risk (Continued)

The risks that the Company faces due to the nature of its investment and liabilities are interest rate risk and equity price risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Interest rate risk

Interest rate risk arises primarily from investments in interest bearing securities. The company's investments portfolio as at 31 December 2019 comprises 71.47% (2018: 71.54%) fixed interest securities and 13.12% (2018: 13.56%) floating rate securities. The rest of the portfolio comprises equity shares, which were sold post year end. The company considers that the interest rate risk arising from investments in floating rate securities is not material.

Investment values of the fixed interest securities will fluctuate in the event of interest rate changes. Management do not assess this to be material. The investment portfolio is analysed in note 17.

Equity price risk

As at 31 December the Company was exposed to equity securities' price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. Exposures to individual companies and to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the UK and other recognised stock exchanges.

The Company has a defined investment policy which sets limits on the Company's exposure to equities both in aggregate terms and by geography, industry and counterparty. This policy of diversification is used to manage the Company's price risk arising from its investments in equity securities.

Investment Management meetings are held quarterly. At these, the external investment managers discuss investment return and concentration. The current investment strategy is limited to not exceed 5% of the total investment value in any one Company across all investment types.

Listed securities represent 100% (2018: 100%) of total equity investments. If equity market indices had increased/decreased by 10%, with all other variables held constant, and all the Company's equity investments moving according to the historical correlation with the index, the equity portfolio value would increase/decrease by £154,659 (2018: 5% £60,546).

All equities were sold on 23 March 2020, crystallising a loss of £352k, as a result of the COVID-19 effect on the stock markets.

ii. **Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- Insurers' share of insurance liabilities;
- amounts due from insurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- counterparty risk with respect to investment.

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors.

5. Management of insurance and financial risk (Continued)

b. Financial risk management objectives (continued)

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information

The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy.

The table below provides information regarding the credit risk exposure of the Company at 31 December 2019 by classifying assets according to the credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB (including captives) are classified as not rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated. We have used AM Best ratings for classification of investments/bank balances into respective rating categories.
No balances are past due or impaired.

31 December 2019	AAA	AA	A	BBB	Not Rated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Other Financial investments – debt securities	1,124	2,908	2,137	2,325	-	8,494
Other Financial investments – Equities		57	326	403	760	1,546
Debtors arising out of insurance operations	-	-	-	-	1,110	1,110
Cash at bank and in hand	-	-	2,648	-	-	2,648
	1,124	**2,965**	**5,111**	**2,728**	**1,870**	**13,798**

31 December 2018	AAA	AA	A	BBB	Not Rated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Other Financial investments – debt securities	1,029	2,994	1,527	1,364	-	6,914
Other Financial investments – Equities	-	46	273	269	623	1,211
Debtors arising out of insurance operations	-	-	1,002	-	-	1,002
Cash at bank and in hand	-	-	-	1,814	-	1,814
	1,029	**3,040**	**2,802**	**3,447**	**623**	**10,941**

It is also the Company's policy to use highly rated reinsurers, the acceptance criteria being based on a combination of the reinsurer credit rating and available surplus. Credit risk is monitored closely as part of the risk management framework and the Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

5. Management of insurance and financial risk (Continued)

b. Financial risk management objectives (continued)

iii. Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk is the obligation to pay claims to policyholders as they fall due. The projected settlement of these liabilities is reviewed on a regular basis and the Company holds liquid cash deposits to cover these.

At 31 December 2019 the Company had cash balances of £2,648,000 (2018: £1,814,000) to cover gross outstanding claims, including IBNR, of £5,673,000 (2018: £4,431,000). In the event the company requires more cashflow to meet its liabilities the investment in part or whole portfolio can be liquid within 3-5 days.

Maturity profiles

The table below summarises the estimated timing of the net cash outflows resulting from recognised insurance liabilities.

	Carrying amount £'000	Up to a year £'000	1 - 2 years £'000	2 - 5 years £'000
31 December 2019				
Claims outstanding - Net of reinsurance	**5,293**	**2,320**	**1,425**	**1,548**
31 December 2018				
Claims outstanding- Net of reinsurance	3,971	1,740	1,314	917

iv. Capital risk

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, and taking appropriate action to maintain the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The amount of capital the Company requires to meet its obligations is prescribed by the Prudential Regulation Authority (PRA). The Company's minimum capital requirement is calculated on the Solvency Capital Requirement (SCR) basis. The SCR at 31 December 2019 was £3.949m (2018 £3.736m).

The Company undertakes its Own Risk Solvency Assessment (ORSA) and targets a 20% surplus over the standard capital resources (SCR) with a 10% tolerance. The unaudited capital position at December was 120% of SCR.

v. Regulation

The Company is regulated by the Prudential Regulation Authority and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. The Solvency II regime has been effective from 1 January 2016 and establishes a set of EU-wide capital requirements, risk management and disclosure standards. The Company is subject to these regulations and required to meet a Solvency Capital Requirement (SCR) which is calibrated to seek to ensure a 99.5% confidence of the ability to meet obligations over a 12-month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile.

5. Management of insurance and financial risk (Continued)

c. Exceptional Risk

The Directors have been monitoring the development of the impact of COVID 19 both directly on the Company's business and indirectly through reviewing the development of government policy and advice. The Directors are not in a position to predict how the virus will spread or its effects on individuals, or the measures implemented by public authorities to manage the spread and health impact of the virus. Accordingly, while the Directors are planning on the basis that recessive economic conditions will prevail, they are not able to predict the depth or duration of those economic conditions.

The emergence of Covid-19 as a circumstance likely to have a significant impact on the Company is a non-adjusting post balance sheet event so far as the preparation of the Annual Report as at 31 December 2019 is concerned. However, in the context of that emergence the Directors have considered the potential impact of foreseeable future scenarios on the Company's ability to continue to operate and to meet its liabilities. The main considerations are as follows.

Operational

The Company's daily operations are outsourced to a sister company, APC, under a contractual arrangement. In accordance with that arrangement, both the Company and APC have implemented aspects of their business continuity plan (BCP), and all staff at all levels and in all functions are working remotely wherever practicable. Meetings are all held remotely on conference/meeting applications, and communications are now wholly via telephone, email, video or messaging applications. Not all staff can in practice work remotely. However, essential operations can be maintained and the Company's IT facilities are adequate to maintain those operations for the foreseeable future, although there is a material uncertainty as to whether this could remain the case indefinitely.

The Directors are mindful of the differing pressures on individual members of staff, and also of the fact that these pressures change as the position personally, nationally and locally develops. The Directors expect that operational changes will continue to be required as the position develops, but cannot predict what that position may be.

Claims under risks underwritten

The Company does not write business directly covering the impact of COVID-19. The SME policies which form the majority of the company's book do not provide cover for business interruption caused by a pandemic. However, past experience would indicate that it is likely that claimant behaviour will be impacted by economic recession, such that the extent of incorrect or fraudulent claims will increase.

The Company has in place and can maintain through the current operations environment, claim management processes which will mitigate the risk of excess and incorrect or fraudulent claims becoming payable. In the Directors' view the additional uncertainty around the adequacy of the provision for outstanding claims and the unearned premium reserve is not significant.

Investment portfolio

As at the date of signing these financial statements the whole of the Company's equity investment portfolio which equated to 10% of the total has been disposed of. The level of volatility in the market value of the debt portfolio is much less than that of the former equity portfolio, which has all been disposed since the balance sheet date. However, the Directors are mindful that the credit risk in that portfolio is likely to have increased.

The Directors continue to monitor the status, including by reference to rating agency reports, of the issuers of debt held by the Company, and are confident that they will continue to be able to adjust the balance of the Company's liquid assets as a whole to ensure that a prudent liquidity position is maintained. In the event that stock markets close, that would not be possible however, although currently the relevant Regulators appear intent on keeping markets open.

5. Management of insurance and financial risk (Continued)

c. Exceptional Risk (continued)

Revenue - Policyholders/Agency Brokers

In the assumed event of recessive economic conditions prevailing, there will be customers and business partners of the Company who will suffer. Indeed, the Company's market focus is on SMEs, which are arguably more susceptible to failure than the average business in a general economic recession. The impact on the Company in the short term is likely to be in pressure on cash-flow and on debt recovery, and in addition, in the medium term, in pressure on premium/commission levels. For most customers insurance is not normally a discretionary cost, but if customers go out of business, or asset values and business value fall, the total values to be insured will fall.

The Directors maintain very close links with the market directly and through the Company's broker network, and will be able to make changes as necessary as the position develops. In addition, the Directors are closely monitoring the recoverability of outstanding premium, and will exercise premium warranty clauses to void policies where necessary. While this action would reduce anticipated cash-flow from revenue, it would also reduce the related claims provisions and the Company's Solvency Capital Requirement. In the Directors' view there is material uncertainty as to the levels of recoverable revenue in the short/medium term.

Going Concern and Forecasts

The Directors are modelling stressed future scenarios to assess the Company's continuing liquidity and its compliance with regulatory capital requirements in the context of the risk appetite determined by the Board. The Directors recognise that as the foreseeable scenarios change, decisions may need to be made in relation to the scale of the Company's activity and the level of capital maintained to support that activity.

As at the date of signing these financial statements, the Directors' forecasts up to 31 December 2021 indicate that the Company will be able to maintain liquidity and a surplus over its Solvency Capital requirement, and will therefore be able to continue to trade as a going concern, writing normal levels of new and renewal business. However, there are foreseeable stressed scenarios in which this position becomes difficult to sustain.

The Directors have considered a boundary case scenario in which no new or renewal business is written, in which event the Company would continue to manage and pay claims out of its liquid funds. In that case, the Directors assessment is that the Company's claims reserves (which include a provision for the costs of handling outstanding claims) will be adequate to meet all outstanding claims liabilities. Moreover, the Company has capital reserves which stand ready to meet any currently foreseeable deficit in the outstanding claims provision.

The Directors are constantly monitoring the position in case any such scenarios become more likely than is judged to be the case currently. In the meantime, in the Directors' view the overall position is such that while there is material uncertainty as to the Company's ability to continue operating at its current or a comparable level, the Directors are able to change the Company's operations very quickly to reflect future events in such a way as to continue to operate and settle all the Company's liabilities as they fall due.

6. Particulars of business - underwriting

Analysis of business

An analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balance is set out below:

6. Particulars of business – underwriting (continued)

	Property	Third Party Liability	Total Direct	Run Off	Reinsurance Accepted	Total
	£000s	£000s	£000s	£000s	£000s	
2019						
Gross premiums written	5,195	3,773	8,968	-	308	9,276
Gross premiums earned	2,412	1,807	4,219	-	2,566	6,785
Gross claims incurred	(888)	(933)	(1,821)	13	(2,201)	(4,009)
Gross operating expenses	(1,089)	(733)	(1,822)	-	(105)	(1,927)
Gross technical result	435	141	576	13	260	849
Reinsurance balance	(390)	(206)	(596)		(306)	(902)
Net technical result	45	(65)	(20)	13	(46)	(52)
Allocated investment income	24	18	42	2	101	145
Balance on the technical account	69	(47)	22	15	55	93
Net technical provisions	2,576	1,841	4,417	107	4,019	8,543
2018						
Gross premiums written	-	-	-	-	4,468	4,468
Gross premiums earned	-	-	-	-	4,313	4,313
Gross claims incurred	-	-	-	41	(3,909)	(3,868)
Gross operating expenses	-	-	-	-	(222)	(222)
Gross technical result	-	-	-	41	182	223
Reinsurance balance	-	-	-	-	(566)	(566)
Net technical result	-	-	-	41	(384)	(343)
Allocated investment income	-	-	-	-	-	-
Balance on the technical account	-	-	-	41	(384)	(343)
Net technical provisions	-	-	-	134	6,569	6,703

Analysis by geographic area

All business underwritten in the year was derived from within the United Kingdom & Holland. Holland premiums were in relation to the 2018 underwriting year as Folgate did not write the renewal in 2019.

For 2019 £8,879,486 is derived from the UK, and £396,436 is derived from Holland's contract in run off. (2018 UK £3,758,000 Holland £710,000).

Claims development table

The following tables show the estimates of cumulative incurred claims, excluding IBNR, for each successive accident year at each reporting date, together with cumulative payments to date. In setting claims provisions the Company exercises a degree of caution where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development. However, as claims develop the ultimate cost of claims become more certain.

6. Particulars of business - underwriting (continued)

The Company has elected to translate estimated claims and claims payments into the presentation currency at the rates of exchange at the current reporting date.

Outstanding claims provision and paid position gross of reinsurance recoverable as at 31 December 2019 all shown in £000's:

Gross

Cumulative Claims Paid	**2015 UWY**	**2016 UWY**	**2017 UWY**	**2018 UWY**	**2019 UWY**	**Total**
Position at Dec 15	2	-	-	-	-	**2**
Position at Dec 16	202	191	-	-	-	**393**
Position at Dec 17	369	872	217	-	-	**1,458**
Position at Dec 18	421	1,379	1,500	285	-	**3,585**
Position at Dec 19	491	1,501	2,192	1,894	262	**6,340**

Cumulative Claims Incurred	**2015 UWY**	**2016 UWY**	**2017 UWY**	**2018 UWY**	**2019 UWY**	**Total**
Position at Dec 15	110	-	-	-	-	**110**
Position at Dec 16	619	1,002	-	-	-	**1,621**
Position at Dec 17	530	1,911	1,237	-	-	**3,678**
Position at Dec 18	600	1,877	3,451	1,628	-	**7,556**
Position at Dec 19	570	1,852	3,240	3,712	1,277	**10,651**
Outstanding claims at 31 December 2019	**79**	**352**	**1,048**	**1,818**	**1,014**	**4,311**
IBNR at 31 December 2019	**29**	**193**	**353**	**133**	**546**	**1,254**

6. Particulars of business - underwriting (continued)

Outstanding claims provision and paid position net of reinsurance as at 31 December 2019 all shown in £000's:

Net

Cumulative Claims Paid	2015 UWY	2016 UWY	2017 UWY	2018 UWY	2019 UWY	Total
Position at Dec 15	2	-	-	-	-	**2**
Position at Dec 16	202	191	-	-	-	**393**
Position at Dec 17	369	872	217	-	-	**1,458**
Position at Dec 18	421	1,379	1,500	285	-	**3,585**
Position at Dec 19	491	1,501	2,192	1,894	186	**6,264**

Cumulative Claims Incurred	2015 UWY	2016 UWY	2017 UWY	2018 UWY	2019 UWY	Total
Position at Dec 15	110	-	-	-	-	**110**
Position at Dec 16	619	1,002	-	-	-	**1,621**
Position at Dec 17	530	1,911	1,237	-	-	**3,678**
Position at Dec 18	600	1,877	3,451	1,628	-	**7,556**
Position at Dec 19	570	1,852	3,240	3,712	985	**10,359**
Outstanding claims at 31 December 2019	**79**	**352**	**1,048**	**1,817**	**799**	**4,095**
IBNR at 31 December 2019	**29**	**193**	**353**	**133**	**382**	**1,090**

Run Off Business	Cumulative Paid	Cumulative Incurred
Position at Dec 15	119	258
Position at Dec 16	146	249
Position at Dec 17	164	253
Position at Dec 18	166	245
Position at Dec 19	180	269
Outstanding claims at 31 December 2019		**90**
IBNR at 31 December 2019		**18**

7. Earned premiums, net of reinsurance

	Gross £000s	Reinsurance £000s	Net £000s
2019			
Gross premiums written	9,276	(3,366)	5,910
Unearned premiums brought forward	2,272	-	2,272
Unearned premiums carried forward	(4,763)	1,513	(3,250)
Change in unearned premium reserves	(2,491)	1,513	(978)
Premiums earned	6,785	(1,853)	4,932
2018			
Gross premiums written	4,468	(566)	3,902
Unearned premiums brought forward	2,117	-	2,117
Unearned premiums carried forward	(2,272)	-	(2,272)
Change in unearned premium reserves	(155)	-	(155)
Premiums earned	4,313	(566)	3,747

8. Claims incurred, net of reinsurance

	Gross £000s	Reinsurance £000s	Net £000s
2019			
Claims paid	2,768	(76)	2,692
Outstanding claims brought forward	(4,431)	-	(4,431)
Outstanding claims carried forward	5,672	(380)	5,292
Change in claims provision	1,241	(380)	861
Claims incurred	4,009	(456)	3,553
2018			
Claims paid	1,985	-	1,985
Outstanding claims brought forward	(2,548)	-	(2,548)
Outstanding claims carried forward	4,431	-	4,431
Change in claims provision	1,883	-	1,883
Claims incurred	3,868	-	3,868

9. Net operating expenses

2019	Gross £000s	Reinsurance £000s	Net £000s
Acquisition costs	3,534	(1,130)	2,404
Deferred acquisition costs carried forward	(1,883)	635	(1,248)
Deferred acquisition costs brought forward	-	-	-
Change in deferred acquisition costs	(1,883)	635	(1,248)
	1,651	(495)	1,156
Administrative expenses			276
			1,432
2018			
Acquisition costs	-	-	-
Deferred acquisition costs carried forward	-	-	-
Deferred acquisition costs brought forward	-	-	-
Change in deferred acquisition costs	-	-	-
	-	-	-
Administrative expenses			222
			222

10. Investment income

	2019 £'000	2018 £'000
Income from other investments	232	166
Realised (losses) on investments	(35)	(33)
Unrealised gains / (losses) on investments	243	(207)
	440	(74)

11. Investment expenses and charges

	2019 £'000	2018 £'000
Investment expenses and charges	(65)	(48)

12. Profit/(loss) before tax

	2019 £'000	2018 £'000
Profit/(loss) before tax is stated after charging:		
Auditor's remuneration:		
Audit of the company's annual accounts	43	27
Non Audit services – Actuarial	-	16
	43	43

Audit fees exclude V.A.T which is a cost borne by the Company.

13. Prior years' claims provisions for run off business

(Under)/over provisions for general business claims provisions at the beginning of the year compared with payments and provisions at the end of the year in respect of prior years' claims were as follows:

	2019	2018
	£'000	£'000
Class of business:		
Run Off	13	(9)
	13	(9)

14. Directors' emoluments

During the year, emoluments of the non-executive directors paid by the Company were as follows:

	2019	2018
	£'000	£'000
Aggregate emoluments	57	57
Company pension contributions to money purchase schemes	-	-
	57	57

Certain directors are also directors of other companies within the Anglo London Limited Group. Those directors' services to the Company do not occupy a significant amount of time. As such the directors do not consider that they receive any remuneration for their incidental services to the Company for the years ended 31 December 2019 and 31 December 2018.

Directors' emoluments represent fees paid to the three non-executive directors. No emoluments have been paid to the executive directors who work for the other companies in the Anglo London Limited group for services provided to the company during 2019.

15. Staff Numbers and Costs

The Company has no employees in the year. All staff are employed and paid by Anglo Pacific Consultants (London) Limited under a Service Level Agreement. Fees for services rendered under this Agreement were waived in 2018. Fees paid under the SLA for 2019 were £75,000 (2018: Nil).

16. Taxation

	2019	2018
	£'000	£'000
UK Corporation tax:		
Current tax charge for the year	52	-
Adjustments in respect of prior periods	-	(96)
	52	(96)
Deferred tax charge	-	2
Effect of tax rate change	-	-
Tax charge on profit	52	(94)

The standard rate of current tax for the year is 19% (2018-19%)

	2019	2018
	£'000	£'000
Profit/(loss) before tax	322	(465)
Tax on profit/(loss) at standard rate	61	(88)
Factors affecting charge:		
Non-taxable income	(9)	(5)
Adjustments in respect of prior periods	-	(96)
Group relief (claimed)/surrendered	-	1
Rate change adjustments	-	(1)
Losses carried back	-	95
Taxation on profit/(loss)	52	(94)

Taxation - Current asset	**2019**	**2018**
	£'000	**£'000**
Balance brought forward	(4)	94
Current year tax	52	(94)
Transfer to deferred (note 23)	-4	(4)
Balance carried forward	44	(4)

17. Other financial investments

	Carrying Value 2019 £'000	Carrying value 2018 £'000	Historical cost 2019 £'000	Historical cost 2018 £'000
Shares and other variable yield securities and units in unit trusts	1,546	1,211	1,382	1,350
Debt securities and other fixed interest Income securities	8,494	6,914	8,441	6,958
Total investment fair value through profit and loss	10,040	8,125	9,823	8,308

All financial investments in the prior and current year, at the reporting date and throughout both periods have been categorised as level 1 and there have been no other categories and transfers. Financial investments are valued at current market price.

18. Debtors arising out of reinsurance and insurance operations

	2019	2018
	£'000	£'000
Reinsurance debtors	-	1,002
Insurance debtors	931	-
Insurance debtors - Intercompany	179	-
	1,110	1,002

19. Creditors arising out of insurance operations

	2019	2018
	£'000	£'000
Reinsurance creditors	1,271	-

20. Cash at bank

	2019 £'000	2018 £'000
Cash	1,167	565
Deposits with credit institutions	1,481	1,249
	2,648	1,814

21. Called up share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
881,114 (2018: 881,114) ordinary shares of £5 each	4,406	4,406

On 26 March 2020, the Company issued additional share capital of 60,000 ordinary share of £5 each issued for the amount of £300k. (Note 29).

22. Technical provisions

Unearned Premium	Reinsurance Book £'000	Run Off Book £'000	Direct Book £'000	Total £'000	Reinsurance £'000	Total £'000
At 1 January 2019	2,272	-	-	2,272	-	2,272
Premiums written	308	-	8,968	9,276	(3,366)	5,910
Premiums earned	(2,566)	-	(4,219)	(6,785)	1,853	(4,932)
At 31 December 2019	14	-	4,749	4,763	(1,513)	3,250
Claims						
At 1 January 2019	4,297	134	-	4,431	-	4,431
Paid Claims	(2,494)	(14)	(260)	(2,768)	76	(2,692)
Claims Incurred	2,201	(13)	1,822	4,010	(456)	3,554
At 31 December 2019	4,004	107	1,562	5,673	(380)	5,293
31 December 2018	6,569	134	-	6,703	-	6,703
31 December 2019	4,018	107	6,311	10,436	(1,893)	8,543

23. Deferred taxation

	2019 £'000	2018 £'000
At 1 January	4	6
Movement in the year	-	(2)
At 31 December	4	4

It is expected that the deferred tax balance will unwind in full after more than a year.

24. Other creditors

	2019 £'000	2018 £'000
Other Creditors	520	-
Intercompany	-	4
	520	4

25. Accruals and deferred income

	£'000	£'000
Reinsurers share of deferred acquisition costs	635	-
Other	172	21
	807	21

26. Tangible Assets

	2019 £'000 Computer Software
Cost 1 January 2019	8
Acquisitions	-
Accumulated Depreciation	(4)
Net Book Value 31 December 2019	4

	2018 £'000 Computer Software
Cost 1 January 2018	-
Acquisitions	8
Accumulated Depreciation	(2)
Net Book Value 31 December 2018	6

27. Related party transactions

During the year, Anglo Pacific Consultants (London) Limited, a fellow subsidiary undertaking within the Anglo London Limited Group, paid directors' fees of £57,000 (2018 - £57,000) on behalf of the Company and were repaid in full by the Company.

Services are provided by Anglo Pacific Consultants (London) Limited under a Service Level Agreement. Fees for services rendered under this Agreement were £75,000 for 2019 and were waived in 2018.

The reinsurance business underwritten by the Company comprises the quota share reinsurance of risks which are underwritten for TMK by the Company's underwriting agency subsidiary Anglo Pacific Consultants (London) Limited and connected Company Heparo BV trading as APC Holland.

27. Related party transactions – continued

The direct business underwritten by the Company comprises the insurance of risks which are underwritten through Company's underwriting agency subsidiaries, Anglo Pacific Consultants (London)

Limited (on a co-insurance basis) and five other non-related party delegated authority binders. There is an intercompany balance due to FICL of £178k (2018: Nil) in relation to loss funds held in APC to facilitate claims payments.

There were no transactions with directors or other related parties of the Company in the current or previous year.

28. Ultimate parent company and ultimate controlling party

The Company's immediate and ultimate parent undertaking is Anglo London Limited, 80 Leadenhall Street, London, EC3A 3DH and is incorporated in England and Wales.
Brian Russell is considered to be the ultimate controlling party of Anglo London Limited.

29. Post balance sheet event

The Directors have been monitoring the development of the impact of Covid-19, both directly on the Company's business and indirectly through reviewing the development of government policy and advice. The main considerations are as follows.

Operational

The Directors have made the decision to implement aspects of the Company's business continuity plan (BCP), specifically requiring staff at all levels and in all functions to work remotely wherever practicable, and to limit the need for gatherings of staff so far as possible. Communications within the Company are now almost wholly via email or messaging applications. The Company's IT facilities are adequate to maintain operations on this basis for the foreseeable future. The Directors are mindful of the differing pressures on individual members of staff, and also of the fact that these pressures change as the situation nationally and locally develops. The Directors expect that operational changes will continue to be required as the position develops.

Risks underwritten

The Company does not write business directly covering the impact of COVID 19. The SME policies which form the majority of the company's book do not provide cover for business interruption caused by a Coronavirus pandemic. Folgate has received a total of 71 claims which have all been repudiated on this basis.

Investment portfolio

As at the date of signing these financial statements the company sold all of its equity holdings. Including the impact of the crystallised sale, the total investment portfolio, has decreased by £384k/3.23% since the balance sheet date as a result of the market deterioration due to COVID-19 which was the sole driver in the decision to sell the equity holdings. The crystallised loss on the sale of equities was £352k with the remaining deterioration originating from the bonds portfolio. The Directors keep the remaining portfolio under close review.

Policyholders/Agency Brokers

In the increasingly likely event of recessive economic conditions, there will be customers and business partners of the Company who will suffer. The impact on the Company in the short term is likely to be in pressure on cash-flow and on debt recovery, and in addition, in the medium term, in pressure on premium/commission levels. For most customers insurance is not normally a discretionary cost, but if asset values and business value fall, the values to be insured will fall. The Directors maintain very close links with the market directly and through the Company's broker network, and will be able to make changes to policy terms and rates as necessary as the position develops.

Regulators and Forecasts

The Directors are modelling stressed future scenarios to assess the Company's compliance with regulatory capital requirements in the context of the risk appetite determined by the Board. The Directors recognise that as the foreseeable scenarios change, decisions may need to be made in relation to the scale of the Company's activity and the level of capital maintained to support that activity. As at the date of signing these financial statements, the Directors' forecasts up to 31 December 2021 indicate that the Company will be able to maintain liquidity and a surplus over its Solvency Capital requirement, and will therefore be able to continue to trade as a going concern (Note 3(b). In order to compensate for the realised loss on the disposal of the equity investment portfolio FICL issued £300k of ordinary paid up share capital on 26th March 2020 (Note 21). These funds were invested by the parent.

The directors are constantly monitoring by reference to foreseeable stressed scenarios which would impact this position. In particular the directors continue to assess whether such scenarios become more likely than is currently judged to be the case. The nature of the impact of COVID-19 is explained in note 5c to the accounts.