

FORESTER HOLDINGS (EUROPE) LIMITED

(Registered in England & Wales, no. 3013082)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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Forester Holdings (Europe) Limited

Contents	Page
Board of Directors	3
Strategic Report	4
Directors' Report	6
Statement of Directors' Responsibilities	7
Independent Auditor's Report to the members of Foresters Holdings (Europe) Limited	8
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statements of Changes in Equity	12
Statements of Cash Flows	13
Notes to the Financial Statements	14

Forester Holdings (Europe) Limited

BOARD OF DIRECTORS

J T Young** (Independent Chairman)

E T Allison (Chief Executive Officer)

M Christophers*

D G Robinson**

R E Lamoureux*

* *Non-executive*

** *Independent non-executive*

Company Secretary

J C Rose

Principal Banker

National Westminster Bank Plc

City of London Office

PO Box 12258

1 Princes Street

London

EC2R 8PA

Auditor

KPMG LLP

15 Canada Square

London

E14 5GL

Registered Office

Foresters House

2 Cromwell Avenue

Bromley

BR2 9BF

Telephone 020 8628 3400

Fax 020 8628 3500

Website www.foresters.com

Forester Holdings (Europe) Limited

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2019.

Principal activity

Forester Holdings (Europe) Limited ('the Company') is the UK holding company for the UK business of The Independent Order of Foresters ('Foresters', 'the Parent'). It incurs the majority of expenses for Foresters' UK operations and earns a margin on expenses recharged to its operating subsidiary. Some expenses, such as pension related costs, are not recharged.

Results and dividend

Total Comprehensive Income for the year amounted to £10,118,000 before the payment of a dividend of £10,000,000 to the parent company (2018: £723,299). Net assets at 31 December 2019 were £71,054,000 (2018: £70,936,000).

2020 outlook

The first quarter of 2020 has been marked by unprecedented developments relating to the Covid-19 pandemic. The Company's priorities at this time are to ensure safety and well-being of its employees, customers and suppliers; as well as to ensure continuity of provision of essential services to all Foresters Financial UK customers. Due to the strength of the Company's balance sheet, we are well placed to withstand the impact of current adverse market conditions.

Reporting on matters in section 172(1) of the Companies Act

The Company is not considered large to be required to report on how it complied with section 172(1) of the Companies Act 2006.

As the Company employs more than 250 people in the UK, including those employed by subsidiary companies, it is required to summarise engagement with employees and how their interests have been taken into account.

Our employees are central to our strategy and purpose. Focus was therefore maintained on employee engagement and development, in turn building a culture promoting talent and fostering high performance. Learning new skills is important at all levels of the Company and online learning is encouraged in addition to in-house classroom style training and support for external study and qualifications.

The Company, and its operating subsidiary, continues to take the pulse of its people through engagement surveys and takes action on the results. Business news and successes are cascaded via management to complement announcements by email. Staff meetings give employees the opportunity to hear from, question and share ideas with the CEO on the latest news and updates.

In keeping with engaging with our purpose, staff are encouraged to participate in a 'Day of Caring', whereby they volunteer their time to a community good cause or charity of their choosing during working hours each year.

Health and wellbeing of employees is recognised as a key component to success and growth. Initiatives introduced included healthy snacks twice a week and occasional access to a visiting masseuse to provide ten minutes of mindfulness to relieve stress. This is in addition to assistance programmes offering support when managing difficult situations.

Forester Holdings (Europe) Limited

Risks and going concern

The principal risks facing the Company are as follows:

Generic risks

- operational risks arising from inadequate or failed internal processes, people or systems, or from external events;
- adequacy of data security.

Liquidity risk

The Company pays expenses on behalf of Foresters' UK operations and is reimbursed by a charge to its subsidiaries. Property and equipment assets are held by the Company. If expenses are incurred by the Company but not recharged, or if expenditure on property and equipment exceeds the depreciation recovered from other group companies, the Company will have negative cash flow.

In addition, a key risk affecting the Company is that its subsidiaries underperform to an extent where the Company's investment is impaired.

Risks are monitored closely. The Company is able to mitigate its risks by maintaining systems of internal control and holding sufficient capital to absorb unexpected adverse events.

The Directors are satisfied that the principal risks are mitigated or are capable of mitigation to an acceptable level.

Future Developments

The Company will continue to act as a holding company and incur expenses for Foresters' UK operations.

The first quarter of 2020 has been marked by unprecedented developments relating to the Covid-19 pandemic. The Company's priorities at this time are to ensure safety and well-being of its employees, customers and suppliers; as well as to ensure continuity of provision of essential services to all Foresters Financial UK customers. The Company's main operating subsidiary, Forester Life Limited, will be adversely impacted by the resulting investment market volatility and decline in economic growth. However, due to the strength of its capital position, Foresters Financial UK will be well placed to withstand the impact of the short term challenges.

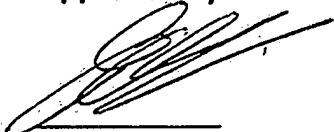
Going concern

Having considered the position of the Company at the date of the Statement of Financial Position and its results, future prospects and risk profile, the Board considers that the Company is a going concern. In forming this view the Board considered the following:

- The Company exists as a holding company and with the main risk being debtor default risk.
- The majority of its debtors are with other group companies holding sufficient regulatory surpluses.

In performing the going concern assessment, management have also considered recent developments relating to Covid-19. The Company has a strong liquidity and solvency position and is well-placed to withstand the shocks to its operational and economic environment.

Approved by the Board on 31 March 2020 and signed on 7 April 2020 on its behalf



E T Allison

Director

Foresters House
2 Cromwell Avenue
Bromley
BR2 9BF

Forester Holdings (Europe) Limited

Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 31 December 2019.

Parent Company

The Company is a wholly owned subsidiary of The Independent Order of Foresters, a fraternal benefit society, incorporated in Canada with limited liability.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Directors

The Directors who held office during the year are listed on page 3 of these Financial Statements.

None of the Directors had any disclosable interest in the ordinary shares of the Company.

According to the Register of Directors' interests no rights to subscribe for shares in the Company were granted to any of the Directors or their immediate families, or exercised by them, during the year.

Directors' indemnities

The Directors have the benefit of a qualifying third-party indemnity provision (as defined in Section 234 of the Companies Act 2006). Foresters also maintain Directors' and Officers' liability insurance in respect of its subsidiaries and their directors.

Statement of disclosure of information to auditor

Each person who is a Director at the date of this report confirms that:

- 1) so far as each of them is aware, there is no information relevant to the audit of the Company's Financial Statements for the year ending 31 December 2019 of which the auditor is unaware; and
- 2) each Director has taken all the steps that he ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to S487 of the Companies Act 2006, the auditor, KPMG LLP, will be deemed to be reappointed and will therefore continue in office.

Approved by the Board on 31 March 2020 and signed on 7 April 2020 on its behalf



E T Allison
Director

Foresters House
2 Cromwell Avenue
Bromley
BR2 9BF

Forester Holdings (Europe) Limited

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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 they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and applicable law.

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 of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FORESTER HOLDINGS (EUROPE) LIMITED

Opinion

We have audited the financial statements of Foresters Holdings (Europe) Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes In Equity and the Statement of Cash Flows and related notes, including the significant accounting policies in note 1.

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;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU); and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 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.



Ben Priestley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London,
E14 5GL
7 April 2020

Forester Holdings (Europe) Limited

Statement of Comprehensive Income for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Revenue			
Expenses recharged to group companies		39,182	34,166
Investment Income		1	1
Dividend received		10,000	-
Total Revenue		<u>49,183</u>	<u>34,167</u>
Operating expenses	3	(38,337)	(33,388)
Finance costs		-	-
Profit before income taxes		<u>10,846</u>	<u>779</u>
Income tax expense	6	(56)	(82)
Profit for the year		<u>10,790</u>	<u>697</u>
Other comprehensive income:			
<i>Amounts that will not be reclassified to profit or loss</i>			
Re-measurement of defined benefit pension obligation		(645)	34
Income tax expense		(27)	(8)
Other comprehensive income for the year, net of tax		<u>(672)</u>	<u>26</u>
Total comprehensive income		<u>10,118</u>	<u>723</u>

The notes on pages 14 to 30 form an integral part of these Financial Statements.


Forester Holdings (Europe) Limited
Company registered number: 3013082

Statement of Financial Position
as at 31 December 2019

	Notes	2019 £000	2018 £000
ASSETS			
Intangible assets	7	869	687
Equipment & Fixtures and fittings	8	369	228
Right-of-use assets	9	3,325	-
Investment in group undertakings	10	68,500	68,500
Deferred tax asset	6	264	291
Other receivables	11	8,563	7,159
Cash and cash equivalents		450	336
TOTAL ASSETS		82,340	77,201
LIABILITIES			
Current tax liability		350	450
Employee benefit obligation	5	2,142	1,712
Lease liabilities	9	3,383	-
Other liabilities	12	5,411	4,103
TOTAL LIABILITIES		11,286	6,265
EQUITY			
Called up share capital	13	56,020	56,020
Capital contribution		5,000	5,000
Retained earnings		10,034	9,916
TOTAL EQUITY		71,054	70,936
TOTAL LIABILITIES AND EQUITY		82,340	77,201

The notes on pages 14 to 30 form an integral part of these Financial Statements.

Approved by the Board on 31 March 2020 and signed on 7 April 2020 on its behalf


E T Allison
Director

Forester Holdings (Europe) Limited

Statement of Changes in Equity for the year ended 31 December 2019

	2019			
	Share Capital £000	Capital Contribution £000	Retained Earnings £000	Total £000
Balance, beginning of year	56,020	5,000	9,916	70,936
Profit for the year	-	-	10,790	10,790
Other comprehensive income	-	-	(672)	(672)
Total other comprehensive income	-	-	10,118	10,118
Dividend paid	-	-	(10,000)	(10,000)
Balance, end of year	56,020	5,000	10,034	71,054

	2018			
	Share Capital £000	Capital Contribution £000	Retained Earnings £000	Total £000
Balance, beginning of year	56,020	5,000	9,193	70,213
Profit for the year	-	-	697	697
Other comprehensive income	-	-	26	26
Total other comprehensive income	-	-	723	723
Balance, end of year	56,020	5,000	9,916	70,936

The capital contribution represents a non-returnable and non-distributable payment received by the company from Foresters.

The notes on pages 14 to 30 form an integral part of these Financial Statements.

Forester Holdings (Europe) Limited

Statement of Cash Flows for the year ended 31 December 2019

	2019 £000	2018 £000
Operating activities		
Reimbursement of operating expenses	38,409	39,832
Payments to employees and suppliers	(34,931)	(39,611)
Income tax paid	(156)	25
	<u>3,322</u>	<u>246</u>
Investing activities		
Purchase of capitalised software	(869)	(87)
Purchase of equipment & fixtures and fittings	(457)	(127)
Proceeds of sale of plant and equipment	137	7
Interest on short term deposits	1	1
Lease payments and other related expenses	(2,020)	-
	<u>(3,208)</u>	<u>(206)</u>
Increase in cash and cash equivalents	<u>114</u>	<u>40</u>
Cash and cash equivalents at beginning of year	<u>336</u>	<u>296</u>
Cash and cash equivalents at end of year	<u>450</u>	<u>336</u>
Components of net cash and cash equivalents		
Cash and cash equivalent assets	450	336
Amounts owed to credit institutions	-	-
Net cash and cash equivalents	<u>450</u>	<u>336</u>

The notes on pages 14 to 30 form an Integral part of these Financial Statements:

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the Company's Financial Statements are set out below. These policies have been applied consistently to comparative periods presented in these statements unless otherwise indicated. The Company has chosen to use the exemption to produce consolidated accounts as it is a wholly owned subsidiary of the Independent Order of Foresters. Refer to note 15 for further details.

The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: Employee benefit obligation, non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

The financial statements have been prepared on a going concern basis in line with the going concern assessment presented in the Strategic Report on page 5. In performing the going concern assessment, management have also considered recent developments relating to the Covid-19 pandemic including the impact on its main operating subsidiary, Forester Life Limited.

1.1 Basis of Presentation

a) Statement of Compliance

Forester Holdings (Europe) Limited (registered number 3013082) is a company incorporated in England and Wales and is resident for tax purposes in the United Kingdom. The Company's registered address is Foresters House, 2 Cromwell Avenue, Bromley BR2 9BF, United Kingdom. The Group Financial Statements for the year ended 31 December 2019 comprise the parent company and its subsidiaries.

The Company Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union ("EU").

b) New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019:

- IFRS 16 'Leases'
- Annual improvements to IFRS Standards 2015-2017 cycle
- Interpretation 23 (IFRIC 23) 'Uncertainty over Income Tax Treatment'
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- 'Prepayment Features with Negative Compensation' – Amendments to IFRS 9

The Company had to change its accounting policies as a result of adopting IFRS 16. The Company has elected to adopt new rules using the modified retrospective approach and therefore the comparative information has not been restated. See Note 1.10 and Note 2.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards, interpretations and amendments to published standards are not in effect and have not been adopted early by the Company

Certain new accounting standards and Interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been adopted early by the Company.

These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of estimates and judgements

The preparation of these Financial Statements requires management to make judgements, estimates and underlying assumptions that affect the application of 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 accounting estimates are recognised in the period in which the estimates are revised. The use of estimates and assumptions has the most significant effect on the measurement of income taxes, the defined benefit pension plan and provisions. The use of estimates and assumptions is discussed in more detail in the relevant notes to these Financial Statements.

1.2 Segmental reporting

The Board of Directors, being the chief operating decision maker, regards the provision of administrative services for Foresters' UK Operations as the Company's only business activity and considers that it has only one operating segment. All services are provided within the UK.

1.3 Equipment & fixtures and fittings

Equipment & fixtures and fittings are initially measured at cost and depreciated on a straight-line basis calculated to write off the costs of the assets over their estimated useful lives. If there are indicators of impairment, then the recoverable amount is determined, and the asset is written down to the recoverable amount. The following lists the expected useful life per asset:

Furniture and equipment	3-5 years
Computer equipment	3 years

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and bank deposits that have an original maturity of three months or less.

The carrying value of cash and cash equivalents approximates their fair value.

1.5 Investment in subsidiaries

The Company accounts for investments in subsidiaries at cost, subject to annual impairment test.

1.6 Intangible Assets

The Company has capitalised software development costs incurred in connection with its policy administration system and actuarial modelling programme. These costs are amortised on a straight-line basis over their estimated life from the time when the system development becomes operational. If there are indicators of impairment, then the recoverable amount is determined and the asset is written down to the recoverable amount. Details of the intangible assets are shown in note 7 to the Financial Statements.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Income taxes

The tax expense for the period comprises current and deferred taxes. Tax is usually recognised as an expense or income in the statement of comprehensive income, except when it relates to an item included in OCI or equity, in which case tax is also recognised in OCI or equity as appropriate. The current tax expense/(recovery) is based on taxable income (loss) for the year under UK tax regulations and the enacted or substantively enacted tax rate for the year and any adjustment to tax payable in respect of previous years.

Deferred income taxes are accounted for using the liability method, whereby tax expected to be payable or recoverable is calculated on temporary differences arising between the carrying amounts of assets and liabilities under IFRS and the tax assets and liabilities calculated under the regulations of the relevant tax authority. Temporary differences, tax losses and tax loss carry-forwards are measured at the tax rates that are expected to be applied to those differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which these tax assets can be utilised. The carrying amount of recognised deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable income will allow the deferred tax asset to be recovered.

HMRC requires the eligible profits in excess of £5m to receive deferred tax relief of up to 50%.

1.8 Employee benefits

The Company maintains a defined benefit pension plan that is closed to future accruals, as well as a defined contribution pension plan for eligible employees.

a) Defined benefit plan

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an operating expense in the statement of comprehensive income in the periods during which services are rendered by employees.

b) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an operating expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

c) Other employee benefits

The Company also provides health benefits to eligible employees who are absent from work due to disability. The cost is expensed as incurred.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Revenue recognition

Expenses borne on behalf of group companies are recharged as incurred, including a proportional management recharge fee. The performance obligation of the Company is to incur UK operational related expenses and thus following the incurring of expenses, the corresponding revenue (including management recharge fee) is recognised.

1.10 Leases

As explained in Note 1. 1 (b) above, The Company has changed its accounting policy for leases where the Company is the lessee.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continued to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 2.

Policy applicable from 1 January 2019

At inception of a contract, a Company assesses whether contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified assets, the Company assesses whether:

- the contract involves the use of identified assets – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset,
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- the Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

The policy is applied for contracts entered into/or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of their relative standalone prices.

Policy applicable before 1 January 2019

Leases are classified as operating leases when a significant portion of the risks and rewards of ownership is retained by the lessor. Payments made under operating leases are expensed on a straight-line basis over the period of the lease. Where the Company is the lessor, the income is recognised on a straight-line basis over the lease term.

Investments in a lease that transfers substantially all the risks and rewards of ownership to the lessee are classified as a finance lease. The Company is the lessor under a finance lease and the investment is recognised as a receivable at an amount equal to the net investment in the lease, which is represented as the present value of the minimum payments due from the lessee and is presented within the Statement of Financial Position. Payments received from the lessee are apportioned between the recognition of the finance lease income and the reduction of the finance lease receivable. Income from the finance lease is recognised in the Statement of Comprehensive Income at a constant periodic rate of return on the Company's net investment in the finance lease.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

As a lessee

The Company recognises right-of use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the leases liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying assets or the site on which it is located, less any lease incentives received.

The right-of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is change in future lease payments arising from a change in a rate or an index.

When the leases liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of right-to-use asset or is recorded as profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term leases and leases of low value

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the comparative period, the Company did not have any leased assets classified as finance leases. Leases contracts in place were classified as operating leases and recognised in profit and loss on a straight-line basis over the term of the lease.

As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental ownership of the underlying asset. If this is the case, the lease is a finance lease, if not, then it is an operating lease.

When the Company is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

1.11 Contingent liabilities

Contingent liabilities are recorded when it is probable that the Company will incur an expense in the future and the amount can be reliably measured. If the event resulting in a future obligation is less than probable but greater than remote, or the amount cannot be reliably estimated, the contingency is disclosed in the notes to the Financial Statements.

2. CHANGE IN ACCOUNTING POLICIES

Except to the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements. The Company applied IFRS 16 with a date of initial application of 1 January 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The details of the changes in accounting policies are disclosed below.

2.1 Definition of a lease

Previously the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of lease, as explained in Note 1.10. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 was applied only contracts entered into or changed on or after 1 January 2019.

2.2 As a lessee

As a lessee, the Company previously classified lease as operating or finance leases based on its assessment of whether the lease transferred significantly all of risks and rewards incidental to ownership of the underlying assets to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on the balance sheet.

2.2.1 Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to impairment review;
- Applied the exemption not to recognise right-of-use asset and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

2.2.2 Leases previously classified as finance leases

The Company did not have any finance leases in place.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

2. CHANGE IN ACCOUNTING POLICIES (continued)

2.3 As a lessor

The Company is not required to make an adjustment on transition to IFRS 16 for lease in which it acts as a lessor, except for sub-leases. Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of use asset, not the underlying asset. On transition, the Company reassessed the classification of a sub-lease contract and concluded to continue classified as an operating lease.

2.4 Impact on financial statement

On transition to IFRS 16, the Company recognised £3.861m of right-of-use assets, an amount equal to lease liabilities of £3.861m. No adjustment was required, as there was no prepaid or accrued lease payment in the statement of financial position immediately before the first date of application. The impact on opening retained earning reserves was £Nil.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 2.828%.

	1 January 2019 £000
Operating lease commitment at 31 December 2018	4,388
Discounted using the incremental borrowing rate at 1 January 2019	3,861
Lease liabilities recognised as at 1 January 2019	3,861

3. OPERATING EXPENSES

A breakdown of operating expenses by nature is provided below:

	2019 £000	2018 £000
Employee benefits		
Salaries and benefits	16,948	15,960
Social security costs	1,393	1,534
Pension plan expenses	1,051	1,043
	<u>19,392</u>	<u>18,537</u>
Administration costs	2,242	2,124
Legal and professional expenses	3,644	2,031
Technology costs	7,081	3,522
Fraternal programmes and expenses	407	337
Facility charges	538	671
Amortisation of intangible assets	687	1,370
Operating lease costs	-	726
Interest on lease liabilities	106	-
Depreciation of property and equipment	192	339
Depreciation right-of-use-assets	1,031	-
Auditor's remuneration	31	31
Net financing in respect of pension plan	30	51
Other expenses	2,956	3,649
Total operating expenses	<u>38,337</u>	<u>33,388</u>

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

3. OPERATING EXPENSES (continued)

The auditor's remuneration disclosed above includes the following elements:

	2019	2018
	£000	£000
Audit of the Company	26	26
Audit of subsidiary (Forester Investments Limited) paid for by the Company	5	5
Total audit fees	<u>31</u>	<u>31</u>

The Company's average weekly number of employees in the period was 153 (2018: 167), all of whom were in administrative functions.

4. DIRECTORS' EMOLUMENTS

The aggregate amount of Directors' emoluments, including pension scheme contributions, was as follows:

	2019	2018
	£000	£000
Emoluments	32	36
Payable to one (2018: one) director under a long-term incentive plan	9	9
	<u>41</u>	<u>45</u>
Pension contributions to money purchase scheme	2	2
	<u>43</u>	<u>47</u>

The aggregate of emoluments receivable by the highest paid director, including retirement benefits of £2k, was £37k (2018: £36k including retirement benefits of £1k).

Retirement benefits accrued under money purchase schemes to one director (2018: one director).

5. EMPLOYEE PENSION SCHEMES

Defined contribution pension plan

The Company operates a defined contribution pension scheme for Foresters' UK employees. Employer's pension contributions were £1,051k (2018: £1,043k).

Defined benefit pension plan

Forester Group Employee Pension Scheme defined benefit plan contains two plans: the Staff Plan (Staff Section) and the Employee Pension Plan (Fieldworkers Section).

A full actuarial valuation was carried out as at 1 April 2017 in accordance with the scheme funding requirements of the Pensions Act 2004. Between 1 July 2018 and 30 November 2023, contributions are agreed at a rate of £244,800 per annum, increasing in line with inflation.

A valuation was carried out as at 31 December 2019 showing a deficit on the scheme of £2,142k (2018: deficit of £1,712k).

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

5. EMPLOYEE PENSION SCHEMES (continued)

The amounts recognised on the statement of financial position are:

	2019	2018
	£000	£000
Present value of funded obligations	(6,505)	(6,332)
Fair value of scheme assets	<u>5,169</u>	<u>4,730</u>
Deficit	<u>(1,336)</u>	<u>(1,602)</u>
Additional liability to reflect present value of committed future contributions	<u>(806)</u>	<u>(110)</u>
Pension liability at 31 December	<u>(2,142)</u>	<u>(1,712)</u>
Related deferred tax asset	<u>264</u>	<u>291</u>
Net Pension liability	<u>(1,878)</u>	<u>(1,421)</u>

We have carried out a minimum funding assessment (i.e. in accordance with the schedule of contributions). The assessment showed a liability position of before associated taxes £2.1m versus the IAS 19 valuation of £1.3m.

The consideration has been given to the requirements set out in IFRIC 14, in particular IFRC 14 "When a minimum funding requirement may give rise to a liability" to determine whether an adjustment to increase IAS 19 liability might be required.

IFRIC 14 states that if an entity has an obligation under a minimum funding requirement to pay contributions to cover an existing shortfall on the minimum funding requirements basis in respect of services already received, the entity determines whether the contributions payable will be available as a refund or a reduction in future after they are paid into the plan.

To the extent that the contributions payable will not be available after they are paid into the plan, the entity recognises a liability when the obligation arises.

We have determined that, in accordance with the Trusts Deeds provisions, the Company does not have an unconditional right to refund of a surplus. As a result, the pension deficit shall be valued at the higher of the minimum funding requirements and its IAS 19 valuation.

The actual return on plan assets was an income of £541,000 (2018: loss of £86,000). The amounts recognised in the income statement are:

Expenditure/(Income)	2019	2018
	£000	£000
Net interest	41	45
Curtailment	<u>(11)</u>	<u>(4)</u>
Net expense	<u>30</u>	<u>41</u>

There is no current service cost as benefit accrual ceased in 1996. No past service benefit improvements have been implemented during the accounting period.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

5. EMPLOYEE PENSION SCHEMES (continued)

Changes in the value of defined benefit obligations are as follows:

	2019	2018
	£000	£000
Opening defined benefit obligation	6,332	7,139
Interest cost	172	163
Actuarial (gains)/losses:		
Experience losses	-	-
Change in actuarial assumptions	348	(716)
Curtailment	-	-
Benefits paid	(347)	(254)
Closing defined benefit obligation	<u>6,505</u>	<u>6,332</u>

Changes in the fair value of scheme assets were as follows:

	2019	2018
	£000	£000
Opening fair value of scheme assets	4,730	5,229
Interest income on scheme assets	131	118
Actuarial gains/(losses):		
Return on plan assets excluding interest income	410	(577)
Employer contributions net of charges	245	214
Benefits paid	(347)	(254)
Closing fair value of scheme assets	<u>5,169</u>	<u>4,730</u>

The major assumptions used by the actuary as at 31 December were:

	2019	2018
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment (Limited Price Index)	2.9%	3.2%
Discount rate	2.1%	2.8%
Inflation assumption	3.0%	3.2%
Mortality: assumed life expectancy at age 65	Years	Years
Male retiring now	22.2	22.1
Female retiring now	24.2	24.2
Male retiring in 20 years	25.3	25.2
Female retiring in 20 years	27.4	27.3

As the defined benefit scheme has been closed to future accruals since April 1996 the rate of increase in salaries is not applicable because it has no effect on the actuarial liabilities.

The sensitivity to changes in assumptions has been estimated as follows:

Assumption	Change in assumption	Change in liabilities
Discount rate	Increase of 1% p.a.	Decrease by £1,006,000
Rate of inflation	Increase of 1% p.a.	Increase by £798,000
Longevity	Increase in life expectancy of 1 year	Increase by £295,000

The average duration of the defined benefit obligation at 31 December 2019 is 16 years (2018: 20 years).

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

5. EMPLOYEE PENSION SCHEMES (continued)

The assets in the scheme were:

	2019	2018
	£000	£000
Fixed interest bonds	3,774	3,596
Equities	1,164	963
Other	231	171
Total	5,169	4,730

6. INCOME TAXES

a) Income tax expense

Current tax is included in income taxes on the Statements of Comprehensive Income as follows:

	2019	2018
	£000	£000
Corporation Tax expense		
Current period expense	101	148
Adjustment to prior periods	(45)	(66)
	<u>56</u>	<u>82</u>
Deferred income tax expense		
Relating to the origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Income tax expense	<u>56</u>	<u>82</u>

Cash taxes paid in 2019 were nil (2018: nil).

b) Income taxes included in OCI

Other comprehensive income is presented net of income taxes. The following tax charges/ (credits) were included in OCI.

	2019	2018
	£000	£000
Deferred tax		
Net change in actuarial gains/(losses) on employee benefit plans	(27)	(8)
Reduction in deferred tax rate	-	-
Income tax expense in OCI/(credit)	<u>(27)</u>	<u>(8)</u>

c) Reconciliation of effective tax rate

Income tax expense differs from the amount that would be computed by applying the UK statutory tax rates to income before taxes for the following reasons:

	2019	2018
	£000	£000
Profit for the period before taxation	<u>10,879</u>	<u>779</u>
UK tax at 19% (2018: 19%)	(2,067)	(148)
Non-taxable income less non-taxable expenses	1,966	-
Over/ (under) provided in previous periods	45	66
Income tax expense	<u>(56)</u>	<u>(82)</u>

d) Change of tax rate

The Finance Act 2014 enacted the reduction in the Corporation Tax rate to 19% with effect from April 2017 with a further reduction to 17% from April 2020. This rate has been taken into account in determining the deferred tax provision.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

6. INCOME TAXES (continued)

e) Deferred income taxes

The deferred tax balance comprises deferred tax arising as a result of the defined benefit pension scheme. The net movement in the deferred tax asset account is as follows:

	2019	2018
	£000	£000
Beginning of year	291	299
Tax impact related to movement in the pension scheme	(27)	(8)
End of year	<u>264</u>	<u>291</u>

7. INTANGIBLE ASSETS

Capitalised software

The Company has capitalised software development costs incurred in connection with its policy administration system and actuarial transformation programme. These costs are amortised on a straight-line basis over the estimated useful life from the time when the system development becomes operational. All costs are being amortised as the associated systems are operational. The following table shows changes to the capitalised software costs during the year:

	2019	2018
	£000	£000
Gross carrying value, beginning of year	6,945	6,858
Additions	869	87
Gross carrying value, end of year	<u>7,814</u>	<u>6,945</u>
Accumulated amortisation, beginning of year	6,258	4,888
Amortisation expense for the year	687	1,370
Accumulated amortisation, end of year	<u>6,945</u>	<u>6,258</u>
Net book value, beginning of year	<u>687</u>	<u>1,970</u>
Net book value, end of year	<u>869</u>	<u>687</u>

8. EQUIPMENT & FIXTURES AND FITTINGS

2019	Computer equipment	Furniture and equipment	Total
	£000	£000	£000
Cost			
At beginning of year	1,706	1,003	2,709
Additions	405	52	457
Disposals	(136)	-	(136)
At end of year	<u>1,975</u>	<u>1,055</u>	<u>3,030</u>
Depreciation			
At beginning of year	1,601	880	2,481
Depreciation charge	133	59	192
Disposals	(9)	(3)	(12)
At end of year	<u>1,725</u>	<u>936</u>	<u>2,661</u>
Net book value			
At beginning of year	105	123	228
At end of year	<u>250</u>	<u>119</u>	<u>369</u>

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

8. EQUIPMENT & FIXTURES AND FITTINGS (continued)

2018	Computer equipment £000	Furniture and equipment £000	Total £000
Cost			
At beginning of year	1,736	950	2,686
Additions	74	53	127
Disposals	(104)	-	(104)
At end of year	1,706	1,003	2,709
Depreciation			
At beginning of year	1,438	801	2,239
Depreciation charge	260	79	339
Disposals	(97)	-	(97)
At end of year	1,601	880	2,481
Net book value			
At beginning of year	298	149	447
At end of year	105	123	228

9. LEASES

The note provides information for lease where the Company is a lessee.

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts related to leases:

Right-of-use-assets

2019	Office space £000	Vehicles £000	Equipment £000	Total £000
Balance at 1 January	2,706	993	162	3,861
Additions	-	495	-	495
Depreciation	(328)	(652)	(51)	(1,031)
Balance at end of year	2,378	836	111	3,325

Leases liabilities

Maturity analysis – contractual undiscounted cash flows:

	2019 £000
Less than one year	595
2 to 5 years	2,213
>5 years	830
Total undiscounted lease liabilities	3,638

Leases liability included in the statement of financial position at 31 December 2019 is £3,383,000.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

9. LEASES (continued)

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Interest expense on lease liabilities: £106,000

(c) Amounts recognised in the statement of cash flows

The total cash outflows for leases in 2019 was £2,020,000

10. INVESTMENT IN GROUP UNDERTAKINGS

	2019	2018
	£000	£000
Investment in Subsidiary	68,500	68,500
Total	68,500	68,500

Investments in group undertakings, which are all registered in England and Wales, are as follows:

Subsidiary Name	Class of shares held	Proportions held		Principal activity
		Directly	Indirectly	
Forester Life Limited	Ordinary	100%		Life assurance
Forester Investments Limited	Ordinary		100%	Holding company
Forester Fund Management Ltd	Ordinary		100%	Non-trading
Forester Nominees Limited	Ordinary	100%		Non-trading
Forester Financial Services Ltd	Ordinary	100%		Non-trading
Forester Insurance Services Ltd	Ordinary	100%		Non-trading
Foresters Ltd	Ordinary	100%		Non-trading
Tunbridge Wells Equitable Friendly Society Trustee Company Ltd	n/a			Non-trading

For each of the companies, voting rights exactly match the proportion of shares held.

Tunbridge Wells Equitable Friendly Society Trustee Company Ltd is limited by guarantee and therefore holds no share capital. The Company has the power to appoint members of the Board.

All subsidiaries have a registered office at Foresters House, 2 Cromwell Avenue, Bromley BR2 9BF, United Kingdom.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

11. OTHER RECEIVABLES

Other assets comprised the following:

	2019	2018
	£000	£000
Due from parent company	220	195
Due from other group companies	6,924	6,177
Prepayments and other	1,419	787
	<u>8,563</u>	<u>7,159</u>

The fair value of company assets approximates their carrying value.

12. OTHER LIABILITIES

Other liabilities comprised the following:

	2019	2018
	£000	£000
Amounts owed to other group companies	-	11
Payroll and other taxes	718	505
Other liabilities and accruals	4,693	3,587
	<u>5,411</u>	<u>4,103</u>

The fair value of these liabilities approximates their carrying value. Substantially all the liabilities are due within 12 months of the statement of financial position date.

13. CALLED UP SHARE CAPITAL

	2019	2018
	£000	£000
Issued		
56,020,000 Ordinary shares of £1 each	<u>56,020</u>	<u>56,020</u>

The Ordinary shares carry full voting rights and qualify for dividends. There are no restrictions on the repayment of capital other than as imposed by the Companies Act 2006.

14. RELATED PARTY TRANSACTIONS

Transactions arise between Forester Holdings (Europe) and other members of the Foresters group, which are related parties. All related party transactions have taken place at terms that would exist in arm's length transactions.

The transactions are summarised below:

	2019	2018
	£000	£000
Expenses recharged to UK branch of parent company	2,155	1,442
Expenses recharged to subsidiaries	37,027	32,724
Lease on Head Office building paid to subsidiary	(369)	(369)

There are no loans or guarantees provided by the company to related parties.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

15. ASSETS AND LIABILITIES

Amounts expected to be recovered or capable of being settled within and beyond 12 months from the reporting date were as follows:

	2019			2018		
	Total	Within 12 months	Beyond 12 months	Total	Within 12 months	Beyond 12 months
	£000	£000	£000	£000	£000	£000
ASSETS						
Intangible assets	869	290	579	687	687	-
Property and equipment	369	120	249	228	195	33
Right-of-use-assets	3,325	1,072	2,253	-	-	-
Investment in group undertakings	68,500	-	68,500	68,500	-	68,500
Deferred tax asset	264	47	217	291	34	257
Other receivables	8,563	8,563	-	7,159	7,159	-
Cash and cash equivalents	450	450	-	336	336	-
TOTAL ASSETS	82,340	10,542	71,798	77,201	8,411	68,790
LIABILITIES						
Current tax liability	350	350	-	450	450	-
Employee benefit obligation	2,142	248	1,894	1,712	176	1,536
Lease liabilities	3,383	1,193	2,190	-	-	-
Other liabilities	5,411	5,411	-	4,102	4,102	-
TOTAL LIABILITIES	11,286	7,202	4,084	6,264	4,728	1,536

16. EVENTS AFTER REPORTING PERIOD

Since March 2020, the turn of events caused by the Covid-19 pandemic has resulted in significant changes to the way the Company operates. Within a short space of time the Company was able to activate its business continuity plan, enabling essential services to its customers to continue uninterrupted whilst ensuring the safety and wellbeing of its staff. Management will continue to review the existing operational arrangements taking into account the latest government advice.

The Company's main operating subsidiary, Forester Life Limited (FLL), will be adversely impacted by the significant market volatility and economic uncertainty triggered by the pandemic. At this point in time, management expect FLL's key metrics of net fund flows, assets under management and fee revenue to be below Plan for 2020.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2019

From FLL's solvency and risk perspective:

- The main market risk is a fall in equities. The primary world equity markets have fallen by up to 25% (in GBP terms) over the first three months of 2020 and this has had a direct effect on the Company as a significant part of its income is based on the value of assets, a large proportion of which are invested in equities.
- Interest rate risk is not a large risk for FLL as non-linked assets and liabilities tend to be well matched. The exception is the Shareholder fund, which holds surplus funds, and has benefited from the fall in interest rates over the first quarter of 2020. On the other hand, credit spreads have widened. This has caused a fall in asset values and adversely affected fee income on unit-linked assets.
- FLL has only a small exposure to longevity risks. Mortality risks are also not large, with limited exposure in the higher-risk age groups.
- Liquidity risk is minimal as a very large proportion of assets are readily marketable. In addition, FLL has experienced only small increases in claims as a result of market volatility.

Due to significant uncertainties around the progression of this pandemic and the shape of economic recovery to follow, the actual financial impact on the Company not quantifiable at this stage.

If this situation persists in the medium to long run, management can consider appropriate mitigating actions such as cancelling dividend payments, delaying project spend or implementing expense savings.

17. ULTIMATE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

During the year and at the year end, the ultimate parent undertaking and the undertaking which headed the largest and smallest group of undertakings for which group Financial Statements are drawn up and of which the company was a member was The Independent Order of Foresters, a fraternal benefit society, incorporated in Canada with limited liability, registered address 789 Don Mills Road, Don Mills, Ontario, M3C 1T9, Canada.

These consolidated Financial Statements are available to the public and may be obtained from Foresters House, 2 Cromwell Avenue, Bromley BR2 9BF.