Company Registration No. 08470590

ANGLO LONDON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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Directors	B P Russell J P Bates I P Russell Z M Spicer M P Russell
Secretary	Zoe Spicer
Registered Number	08470590
Head Office and Registered Office	80 Leadenhall Street London EC3A 3DH
Auditor	BDO LLP 55 Baker Street London W1U 7EU

The Directors have pleasure in presenting their report and the Financial Statements of Anglo London Limited ("the Company") and together with its subsidiaries ("the Group") for the year ended 31 December 2020.

Format of Presentation

The Directors have decided to adopt the format of presentation set out in Schedule 3 to the Large and Medium-size Companies and Groups (Accounts and Reports) Regulations 2008. This is a change from the format used in previous years which followed Schedule 1 to the Regulations.

The Directors consider this change to be necessary to reflect the change in the nature of the Group's activities. Comparative information has been restated to the new format where necessary.

The effect of this change is more fully explained in Note 2.

Principal Activities

Anglo London Limited ('ALL' and 'Group') is an investment holding company which owns a number of subsidiary undertakings and takes strategic stakes in other companies operating in the insurance sector. The Group's subsidiary undertakings are:

- Anglo Pacific Consultants (London) Limited ('APC') which acts as a Lloyd's insurance broker and a managing general agent ('MGA'); and
- Folgate Insurance Company Limited ('Folgate'), which underwrites mainly UK SME business, on a reinsurance basis from 2015 to 2018, and on a direct insurance basis for 2019 since Folgate was granted permission by the regulator to write direct business from 1 January 2019. Prior to 2015 this company was in run-off.

The Directors consider that the Group's primary business is that of an Insurance Company. Therefore, the financial statements have been presented in accordance with the special provisions which relate to insurance groups.

Results and Dividends

The consolidated results for the year are set out on pages 19 and 20.

The pre-tax profit for the financial year amounted to £491,000 (2019: £1,828,000). Post-tax profit amounted to £300,000 (2019: £1,493,000). The Group has net assets of £4.2m (2019: £4.1m). A final dividend of £240,000 (2019: £85,000) was paid during the year.

A review of the Group's business and its future prospects is set out within the Strategic Report.

Charitable contributions

During the year, the Group made charitable contributions of £105 (2019: £2,039).

Directors and Officers

The Directors of the Company in office during the year and subsequently were as follows:

B P Russell
J P Bates
I P Russell
Z M Spicer
M P Russell

Directors' Indemnity

The Company has provided qualifying third-party indemnities for the benefit of its Directors. These were provided during 2020 and remain in force at the date of this report

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 Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, 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 and Group for the 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 Group 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 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.

Financial Instruments – Financial Risk Management

Financial risk management policies have been addressed in the Strategic Report.

Covid-19

The Directors have been monitoring the development of the impact of Covid-19 both directly on the Group's business and indirectly through reviewing the development of government policy and advice. The Group has suffered no negative impact in relation to operations and as a result of remote working.

The main considerations are as follows.

Operational

The Directors working in conjunction with the service providers APC made the decision to implement aspects of both companies 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. The majority of communications within the company are now held via e-mail, messaging applications or video conferencing The Group'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 Group does not write business directly covering the impact of Covid-19. The SME policies which form the majority of Folgate's book do not provide cover for business interruption caused by a Coronavirus pandemic. Folgate has received claims which have been denied on basis of coverage.

The Group may have small exposure to BI claims through certain policy wordings. Three notifications have been received with a total value of £3,500. Scenario modelling on policies attaching to these wording does not indicate a significant impact on the business. The Directors will maintain a regular close review on all developments in connection with this.

Investment portfolio

The market deterioration attributable to Covid-19 caused a £352,000 reduction in the value of the Group's equity portfolio and led the Group to eliminate equities from its investment portfolio. Over the course of the year the bond portfolio has performed in line with expectations. 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 Group who will suffer. The impact on the Group 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 Group'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 Group'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 Group'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 2022 indicate that the Group will be able to maintain liquidity and a surplus over its regulatory capital requirements and will therefore be able to continue to trade as a going concern.

The Directors are constantly monitoring by reference to foreseeable stressed scenarios which would impact this position. The nature of the impact of Covid-19 is explained above and in note 5c to the accounts.

The Group claimed £56,430 from the government furlough scheme between the period May to October 2020.

Statement regarding information given to the auditor

So far as each of the Directors is aware at the time this report is approved:

(a) There is no relevant audit information of which the Group's auditor is unaware; and

(b) The Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditors

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

The report was approved by the board of directors on 29th September 2021 and signed on its behalf by:

Z M Spicer
Chief Financial Officer

The Directors present their Strategic Report on the Group and Company for the year ended 31 December 2020.

The Strategic Report provides a review of the business for the financial year and describes how we manage risks. The report outlines the developments and performance of Anglo London Limited during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future.

Introduction

Anglo London was established in 2013 as an investment vehicle, purchasing Anglo Pacific Consultants (London) Limited in October 2013 and Folgate Insurance Company Limited in August 2014.

Principal Activities

The Group provides insurance broking and insurance underwriting services. The principal activity of the Company is the investment in insurance related companies.

Results and Dividends

The Group profit after taxation for the year amounted to £300,000 (2019: £1,493,000) and has been transferred to accumulated reserves. The Group has net assets of £4.2m (2019: £4.1m).

A final dividend of £240,000 (2019: £85,000) was paid during the year.

Key Performance Indicators

The Directors consider the main KPIs for the Company and Group to be:

	2020 **£'000**	**2019** **£'000**
Gross written premiums processed - MGA	31,755	31,609
Gross written premiums processed - Insurance Co	10,664	9,276
Outward reinsurance premiums	(4,852)	(3,366)
Net written premiums processed - Insurance Co	5,812	5,910
Profit after tax & dividends - Group	60	1,408
EBITDA - Group	1,468	1,426
Capital Resources in excess of the FCA minimum requirement - MGA	1,058	473
Solvency II Capital requirement coverage - Insurance Co	*120%*	*120%*
Incurred Loss Ratio*	*66.2%*	*72.0%*
Combined Operating Ratio	*109.6%*	*101.1%*

(Net incurred claims divided by Earned Premiums)

The gross written premiums processed through APC are the premiums written with numerous insurers from which a commission is received.

The significant increase in APC's excess capital resources is attributable to retained profits in the year.

The deterioration in Folgate's result for the year was driven by two main factors: adverse claims development in prior years, notably the 2018 underwriting year; and losses on Folgate's equity investments, reflecting market movements attributable to Covid-19.

The proportion of premiums Folgate cedes also affects the GWP, NWP and incurred loss ratio. Folgate ceded a higher proportion of premium due to writing a higher gross line share for APC's professional indemnity and property book.

Business Review and Future Developments

During 2020 underwriting rates remained competitive, however, the second half of the year was more positive and premium growth was noticeably stronger. By Q3 Lloyds and London market insurers indicated to cancel or non-renew binding authorities or restrict line sizes and some Lloyds syndicates went into run off, ensuring rates in classes like Professional Indemnity move in the right direction. Looking forwards to 2021 we can definitely see that underwriters are pulling back on capacity especially on binder business and also due to Covid-19 which has started to see rates increase. We will see a growth in this year at circa 10%.

For APC, GWP for 2020 was £31.75m and looking forward to 2021 this will be £39m, whereas we have written two more delegated underwriting authority contracts that will produce decent revenue, expectations are a UK gross revenue of £5.7m (compared to £5.6m 2020) our expected EBITDA for 2021 is £2.3m compared to £2m in 2020, however going forwards over the next two years we expect this to increase £2.7m. 2020 has showed that due to Covid-19 we can operate more efficiently, such as we have implemented an internet phone system with ability to use video for staff to interact in-house, further we will reduce our London floor space by half and increase Hornchurch floor space saving costs whilst progressing our data systems to the cloud to accommodate hot desking facility, again increasing bottom line.

During the period, Folgate underwrote the direct insurance of property and general liability risks which are placed by APC and several UK cover holders. Insurance placed by APC is underwritten by Folgate on a coinsurance basis. In addition, Folgate continued to administer the inherited run-off of its pre-existing business (principally Household, Motor, Commercial and Travel).

Having entered the direct writing market on 1 January 2019, it is the long-term intention of the Folgate Board to further establish this operation by raising capital in order to write a larger line share of the co-insurance account.

Folgate continues to engage AM Best to undertake a full rating review and in December the rating agency confirmed a Financial Strength Rating (FSR) of B (Fair) and a Long-Term Issuer Credit Rating (Long-Term ICR) of "bb+".

Risk Management: Principal Risks and uncertainties

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

MGA Business Risks

The Group's MGA business APC operates in a very competitive market, and it needs good relationships with providers of underwriting capital. It has a very good reputation having dealt with many insurers within the London market over the years. The Directors consider that APC would have no difficulty in replacing its underwriting capacity with several insurers and this has been demonstrated in 2019 and in 2020 with the procurement when needed of supplementary and replacement capital.

To mitigate the risk around the availability of underwriting capacity, strong links have been established which should lead to the Group working more closely with third party insurers, particularly as the Group is authorised to insure APC's business within Folgate.

The MGA business operates in the SME marketplace and is not dependant on any single or single grouping of clients or agency brokers. In view of this there is no significant customer or credit risk concentration.

Insurance business underwritten by APC could be lost due to uncompetitive pricing; to mitigate this risk pricing structures are revised on a regular basis and prices adjusted accordingly.

Insurance Risk – Underwriting

Folgate wrote direct business from 1 January 2019, ceding away a proportion of the third party binding authority business on a quota share basis. The Company also received premiums in 2020 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

Folgate'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 Folgate are:

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

- Reinsurance purchased by Folgate proves inadequate.

Reserving

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

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 Folgate 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 Folgate 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 Company reduced its investment risk during 2020 by eliminating investment in equites in response to volatility attributable to Covid-19.

Regulatory Risk

Folgate is regulated by the Financial Conduct Authority (FCA) and authorised by the Prudential Regulation Authority (PRA) and APC is regulated by FCA. 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.

Financial risk management objectives

The Group is exposed to a range of financial risks, in particular through its insurance undertaking subsidiary Folgate. 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 and equity price risk), credit risk and liquidity risk.

Interest rate risk

Interest rate risk arises primarily from investments in interest bearing securities. The Group's investment portfolio as at 31 December 2020 comprises 98.2% (2019: 71.47%) fixed interest securities and 1.8% (2019: 13.12%) floating rate securities. The Group considers that the interest rate risk arising from investments in floating rate securities is not material. The investment portfolio is analysed in note 20.

Equity price risk

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

All equities were sold on 23 March 2020, and at 31 December 2020 the Group has no exposure to equity price risk.

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:

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

The Group manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to regular review. 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. It is the Group'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 appetite framework and the Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

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 Group holds liquid cash deposits to cover these.

Operational Risk

Much of the effect of the Group'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 business continuity, i.e. the risk that the ability of the Group 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, business applications as well as 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 board has reviewed the possible implications of Brexit and due to the limited indirect exposure deemed this as low risk to the Group, with the information available at this time.

The Board has reviewed any possible implication of Brexit and deems this as low risk to the Group due to the very low level of non-UK business.

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 Group'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

Impact of the climate on the Group

- **Risks & Governance**

ALL has embedded within the corporate governance structure its climate change policy, which is reviewed by the Board. The purpose of this policy is to assess the financial risks arising from climate change which impact the insurance sector and the effect these risks may have on the Group.

ALL has identified the following risks:

Physical Risk	Loss Mitigation
An increased risk of flooding, subsidence and other weather related events	Folgate utilise market leading and up to date weather related risk data in order to ensure effective underwriting on an individual risk basis. Each underwriting department has underwriting criteria in place in respect of acceptable risks and if not acceptable, what action is to be undertaken to mitigate such risks i.e. excluding subsidence losses. Folgate has various layers of treaty and CAT reinsurance in place to mitigate.
Potential changes to building regulations relating to climate change which may increase the cost of reinstatement	APC Underwriting are expected to monitor claims performance including any market changes and trends. APC continue to monitor existing building regulations for any relevant changes.
Public or government pressure to pay claims that are not strictly within coverage terms	ALL is of the view that such risks cannot be mitigated and will arise case by case. The

	Group's Product Oversight and Governance Policy (POG) is in place to monitor the market and ensure that the Group's products are consistent with the demands and needs of its target market and therefore do not expect there to be instances where a claim is unfairly declined.
Transition Risk	**Loss Mitigation**
Increased claims on directors & officers, professional indemnity and other liability insurance	The Group's underwriting strategy requires full assessment of individual risks and is structured to minimise any carbon intensive trade sector or industry.
Potential shareholder action for breach of fiduciary duty relating to insufficient risk disclosure	Open / fluid lines of communication ensuring full disclosure of all relevant information.
Reduction in commercial insurance (including construction, engineering, liability) underwriting opportunities for carbon intensive industries	The Group ensures that its book of business is not concentrated on a particular trade/sector and therefore any losses arising from carbon intensive industries is balanced by diversity of business underwritten.
Insufficient investment in systems and processes to measure and manage climate risks, leading to missed opportunities and strategic consequences	The Group ensures that its systems are equipped with up to date, JBA data relating to flood risks. Folgate s own online trading platform includes a reporting facility where all system processed data can be measured, reviewed, compared and adapted as necessary.
Cost of changing consumer preferences e.g. eco-builds/timber, leading to reduced premium revenue	The Group undertakes a consistent review of its underwriting strategy and risk appetite in accordance with the general insurance market. Eco-friendly building risks tend to fall into the high risk category and are not consistent with the Group's appetite. The Group continues to explore business opportunities to diversify its book of business.
Public or government pressure to pay claims that are not strictly within coverage terms	The Group provides insurance policies consistent with its underwriting strategy and risk appetite. As with all insurers, Folgate offer coverage for unforeseeable risks and will continue to underwrite its policies accordingly. Folgate will also continue to monitor the market for any general changes which affect its book of business and ensure it remains competitive with standard market terms.
Investments	The Group has completely withdrawn from any fossil fuel investment companies. The Group's investment policy will continue to be monitored in respect of climate change.
Liability Risk	**Loss Mitigation**
Losses people or businesses may have suffered from physical or transition risks	The Group mitigates the risk of people or businesses seeking compensation by mitigating the physical and/or transitional risks detailed above.

- **Impact on business model and strategy**

A Climate Change Scenario has been developed into the Folgate's Own Risk & Solvency Assessment (ORSA) to test the impact on Folgate's capital of an event resulting from climate change. These measure and stress test consequences of climate change on the property book as a result, such as an increase in attritional material damage claims above expected levels affecting the property book and related to higher incidences of localised events related to climate change such as flooding, subsidence, wind damage.

The Group has restricted its investment portfolio to be more environmentally conscious and as a result has restricted the portfolio from the following business categories: Fossil fuel extraction, Arms/Arms dealers, Tobacco Manufacturers, Mining.

Within the ORSA, stress tests were also undertaken for adjustment in investment values associated with the catastrophic event as investors reassess the impact of climate change on investment returns.

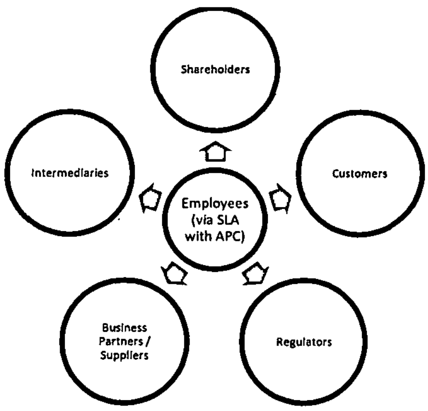
S172 Disclosure

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 Board level, 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. The Group 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)

Folgate & APC are in a competitive insurance market, and considers its Stakeholders as Shareholders, Intermediaries, Customers, Business Partners & Regulators.

Folgate & APC maintain strategies 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 & APC is compliance with capital requirements and the Board maintains a strict monitoring process to ensure it maintains a Solvency II surplus & FCA Capital requirement in line with Group appetite.

The methods directors have used to engage with stakeholders

Folgate & APC 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 & APC.

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

Folgate & APC have 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 group's position and future
Employees	• Training & Career • Development • Enabling Culture • Work-life balance	• Expectations are managed through 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 & strategic management	• Regular regulatory reporting • Emails, phone calls, Letters • Face to Face meetings • Annual Reports	• Greater confidence in the group's position and future

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

The Group 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

Effective mid-year, the Group made a number of changes to its coinsurance partners and to the level of the Group's retained risk. These changes were made both to ensure continuity of service to the Group's policyholders and to optimise the Group's regulatory capital position.

The shareholders have provided Folgate with additional equity share capital during the year to ensure that company's regulatory capital position continues to be within the risk appetite.

Discussions were held during committee and board meetings and conveyed to our business partners and intermediaries by email, phone and social marketing.

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 partners. The Group will continue to monitor and respond to any circumstances as they may arise.

The report was approved by the board of directors on 29th September 2021 and signed on its behalf by:

Z M Spicer
Chief Financial Officer

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;

- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Anglo London Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the Consolidated Profit and Loss - Technical Account, Consolidated Profit and Loss - Non-Technical Account, Consolidated Balance Sheet, Parent Company Balance Sheet, Consolidated Statement of Cash Flow, Consolidated and Parent Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice) and Financial Reporting Standard 103 Insurance Contracts (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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.

In the light of the knowledge and understanding of the Group and the Parent 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 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.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, 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 Group's and Parent 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 Group or the Parent 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- agreement of the financial statement disclosures to underlying supporting documentation;
- our responses to significant audit risks (valuation of claims reserves, revenue recognition and management override of controls) are intended to sufficiently address the risk of fraudulent manipulation. We also 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 ensured that our audit procedures performed covered these risks. In addition, we reviewed adjustments made to the financial statements, unusual journal postings and the timing of revenue recognition around the year end;
- communication of relevant identified laws and regulations and potential fraud risks to all engagement team members, discussion of how and where these might occur and remaining alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the legal and regulatory framework applicable to the Group's operations;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- review of correspondence with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:
Rupert Livingstone
BA1570E593D7455...
29 September 2021

Rupert Livingstone, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
London, UK
BDO LLP is a limited liability partnership registered in England and Wales (with the registered number OC305127)

	Note	2020 £'000	2019 £'000
Technical account - general business			
Gross premiums written	7	10,664	9,276
Outward reinsurance premiums		(4,852)	(3,366)
Net premiums written		5,812	5,910
Change in the gross provision for unearned premiums		(877)	(2,491)
Change in the provision for unearned premiums, reinsurers' share		1,096	1,513
Change in the net provision for unearned premium		219	(978)
Earned premiums, net of reinsurance	22	6,031	4,932
Allocated investment return transferred from the non-technical account		203	146
Total technical income		6,234	5,078
Claims incurred, net of reinsurance			
Claims paid-gross amount		(3,826)	(2,768)
Claims paid-reinsurers' share		470	76
Claims paid-net of reinsurance		(3,356)	(2,692)
Change in claims outstanding-Gross amount		(2,423)	(1,241)
Change in claims outstanding-reinsurers' share		1,786	380
Change in claims outstanding-net of reinsurance		(637)	(861)
Claims incurred, net of reinsurance	22	(3,993)	(3,554)
Net operating expenses	9	(1,478)	(417)
Balance on the technical account for general business		763	1,108

The notes on pages 26 to 56 form part of these financial statements.

Non-Technical Account	Note	2020 £'000	2019 £'000
Balance on the technical account-general business		763	1,108
Investment income	13	312	238
Allocated investment return transferred to the general business technical account		(203)	(146)
Investment expenses and charges	14	(159)	(208)
Realised (losses) on investments	13	(366)	(35)
Unrealised gains/(losses) on investments	13	(104)	243
Profit on sale of associated undertaking	19	213	880
Other commissions received	6	4,567	4,500
Net operating expenses	9	(4,532)	(4,752)
Profit before tax		491	1,828
Taxation on profit	16	(191)	(335)
Profit transferred to reserves		300	1,493

The notes on pages 26 to 56 form part of these financial statements.

Company Number 08470590	Note	2020 £'000	2019 £'000
ASSETS			
Intangible assets	17	513	1,200
Investments			
Other financial investments	20	11,300	10,040
Investment in associates	19	-	3
		11,300	10,043
Reinsurers' share of technical provisions			
Provision for unearned premiums		2,609	1,513
Claims outstanding	23	2,166	380
		4,775	1,893
Debtors			
Debtors arising out of insurance operations		-	-
Debtors arising out of reinsurance operations		-	-
Debtors arising out of insurance mediation activities		599	593
		599	593
Other assets			
Cash at bank	21	9,445	6,905
Tangible assets	18	29	30
		9,474	6,935
Prepayments and accrued income			
Deferred acquisition costs	9	2,155	1,883
Other prepayments and accrued income		233	386
		2,388	2,269
Total assets		**29,049**	**22,933**

Company Number 08470590		2020 £'000	2019 £'000
EQUITY			
Capital and reserves			
Called up share capital	28	10	10
Profit and loss account		4,176	4,116
Shareholder's funds attributable to equity interests		4,186	4,126
LIABILITIES			
Technical provisions			
Provision for unearned premium	23	5,640	4,763
Claims outstanding	23	8,096	5,673
		13,736	10,436
Creditors falling due within one year			
Creditors arising out of insurance operations		2,980	1,487
Creditors arising from MGA		3,491	2,468
Other taxation and social security		105	87
Other creditors		593	468
Loans	24&25	260	510
Finance lease	26	5	4
Corporation tax		11	104
		7,445	5,128
Creditors falling due after more than one year			
Loans	24&25	2,150	2,280
Finance lease	26	2	7
		2,152	2,287
Accruals and deferred income	22	1,530	956
Total liabilities		24,863	18,807
Total equity and liabilities		**29,049**	**22,933**

These financial statements were approved by the board of directors on 29th September 2021 and were signed on its behalf by:

Z M Spicer
Chief Financial Officer

The notes on pages 26 to 56 form part of these financial statements.

	Note	2020 £'000	2019 £'000
ASSETS			
Non-Current Assets			
Investments			
Investments in group undertakings and participating interests	19	9,670	9,073
Current Assets			
Debtors		-	300
Cash at bank		233	59
		233	359
Total assets		**9,903**	**9,432**
EQUITY			
Capital and reserves			
Called up share capital		10	10
Profit and loss account		7,459	6,613
Shareholder's funds attributable to equity interests		7,469	6,623
LIABILITIES			
Creditors falling due within one year			
Loans	24&25	260	510
		260	510
Creditors falling due after more than one year			
Loans	24&25	2,150	2,280
		2,150	2,280
Accruals and deferred income	22	24	19
Total liabilities		2,434	2,809
Total equity and liabilities		**9,903**	**9,432**
Profit after tax for the parent company		1,086	2,191

These financial statements were approved by the board of directors on 29th September 2021 and were signed on its behalf by:

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Z M Spicer
Chief Financial Officer

The notes on pages 26 to 56 form part of these financial statements

	Note	2020 £'000	2019 £'000
Profit before tax		491	1,828
Amortisation of intangible fixed assets – goodwill and computer software	17	686	686
Depreciation of tangible fixed assets	18	23	30
Profit on sale of associated undertaking	19	(213)	(880)
Unrealised losses/(gains) on investments	13	104	(243)
Loss relating to other investing activities		325	8
Loss relating to financing activities		91	142
(Increase) in debtors		(125)	(1,400)
Increase in creditors		3,235	1,624
Increase in technical provisions		418	1,839
Net Cash from operating activities		5,035	3,634
Taxation paid		(286)	(280)
Net cash generated from operating activities		4,749	3,354
Cash flow from investing activities			
Purchase of tangible fixed assets	18	(20)	(12)
Purchase of financial investments		(7,630)	(4,080)
Sale of financial investments		5,899	2,375
Funds from sale of investment holdings	19	216	1,000
Investment expenses		(68)	(65)
Dividends from associates		-	60
Interest received		109	92
Net cash used in investing activities		(1,494)	(630)
Cash flow from financing activities			
Payment of dividend to shareholders		(240)	(85)
Repayment of loan note		(250)	(1,750)
Repayment of bank loan		(130)	(260)
Interest paid		(91)	(142)
Repayment of obligations under finance leases		(4)	(4)
Net cash used in financing activities		(715)	(2,241)
Net increase in cash and cash equivalents		2,540	483
Cash and cash equivalents at the beginning of the year		6,905	6,422
Cash and cash equivalents at the end of the year	21	9,445	6,905

The notes on pages 26 to 56 form part of these financial statements.

Consolidated Statement of Changes in Equity

	Share Capital £'000	Profit and Loss account £'000	Shareholders' funds £'000
At 1 January 2019	10	2,708	2,718
Profit for the financial year	-	1,493	1,493
Dividend paid	-	(85)	(85)
At 31 December 2019	10	4,116	4,126
At 1 January 2020	10	4,116	4,126
Profit for the financial year	-	300	300
Dividend paid	-	(240)	(240)
At 31 December 2020	10	4,176	4,186

Parent Company Statement of Changes in Equity

	Share Capital £'000	Profit and Loss account £'000	Shareholders' funds £'000
At 1 January 2019	10	4,507	4,517
Profit for the financial year	-	2,191	2,191
Dividend paid	-	(85)	(85)
At 31 December 2019	10	6,613	6,623
At 1 January 2020	10	6,613	6,623
Profit for the financial year	-	1,086	1,086
Dividend paid	-	(240)	(240)
At 31 December 2020	10	7,459	7,469

The notes on pages 26 to 56 form part of these financial statements.

1. General information

Anglo London Limited ('the Company') is a holding company which owns a number of subsidiary undertakings. 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.

The Company's subsidiaries undertakings are Anglo Pacific Consultants (London) Limited ("APC"),which acts as a Lloyd's insurance broker and managing general agent ('MGA') and Folgate Insurance Company Limited ("Folgate"), an insurance company.

2. Statement of compliance

The financial statements of Anglo London 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 n accordance with the provisions of Schedule 3 of the Large and Medium-size Companies and Groups (Accounts and Reports) Regulations 2008. During 2020 the Statutory Format of the financial statements for the year ended 2020 has been changed to adopt the Schedule 3 Format, rather than the Schedule 1 Format which was adopted in the prior year financial statements 31 December 2019. Comparative information has been restated in the new format where necessary.

The Directors have concluded, as a result of the significance of Folgate's activities, that the Group meets the definition of an Insurance Group in compliance with the Companies Act Section 1165(5) and therefore Schedule 3 of the Large and Medium-size Companies and Groups (Accounts and Reports) Regulations 2008 has been adopted in these financial statements.

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 Group financial statements have been prepared in accordance with FRS 102 and FRS 103 the Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland and under the historical cost convention, except for financial investments held within Folgate, the Group's insurance underwriting subsidiary undertaking, which are shown at market value.

The Group and Company's financial statements are prepared in Pounds Sterling, which is the presentation and functional currency of the Company and its subsidiaries, and rounded to thousands.

As noted above, the Group owns subsidiary undertakings which act as an MGA and a general insurance company. The Directors consider that the Group's primary business is that of an Insurance Company. Therefore, the financial statements have been presented in accordance with the special provisions which relate to insurance groups, as explained in the Directors' Report and Note 2 above.

The preparation of financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

b. Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102.

- No statement of cash flows has been presented for the parent company;

3. Summary of significant accounting policies (continued)

- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and

- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The Group has also taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual entity profit and loss account.

The Group discloses transactions with related parties which are associates of the Group. As permitted by FRS 102, it does not disclose transactions with members of the same group that are wholly owned.

c. Going concern

These consolidated and separate financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the measurement at fair value of certain financial assets and liabilities recognised at fair value through profit or loss that are measured at fair value. The directors have considered the suitability of the going concern basis of preparation. The Group has net assets of £4.2m and gross assets of £29.0m (2019 £4.1m net - £22.9m gross). As at 31 December 2020 the Group has £9.4m of cash on deposit (2019: £6.9m) and £11.3m in the investment portfolio which can be liquidated within 3-5 days (2019: £10.0m). Of the £9.4m (2019: £6.9m) cash £5.6m is client money held in trust (2019: £3.9m). The Group's operational cost base is very low, being £0.28m for the 2020 year excluding business acquisition costs directly related to Gross premium revenue.

In light of the coronavirus pandemic, the Directors have considered the Group's and Parent position under foreseeable future scenarios including extreme reductions in the Group's premium income, focusing on the Group's and Parent maintenance of liquidity and an adequate coverage of its regulatory capital requirements (see Director's report for further detail). Based on this assessment the directors have reasonable expectations that the Group and Parent 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 Group'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.

d. Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of associates made up to 31 December each year. The company profit or loss is shown in the statement of changes in equity.

An associate is an entity, being neither a subsidiary undertaking nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has power to participate in the financial and operating decisions of the associate. The results of the associates are accounted for using the equity method of accounting, a method of accounting by which an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net assets of the associate.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

e. Turnover

MGA turnover comprises brokerage and fees and profit commission receivable for the services provided. Insurance brokerage is initially recorded in full in the month when the policy concerned

3. **Summary of significant accounting policies (continued)**

incepts. Brokerage for policies written prior to the balance sheet date but incepting after the balance sheet date is deferred until the inception date. An element of recorded brokerage is deferred in respect of post-placement services that constitute obligations of the Group under certain contracts for the administration of claims.

Profit commission arising from the placement of insurance contracts is recognised when the right to such profit commission is established through the contract, but only to the extent that a reliable estimate of the amount due can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

In respect of insurance underwriting revenue, premiums are earned proportionately over the period of cover. The portion of premium received or receivable on in-force contracts that relates to unexpired risks at the balance sheet date is reported as a provision for unearned premium.

f. Intangible Assets: Goodwill arising on consolidation and software costs

Goodwill represents the excess of the costs of acquisition over the fair value of the separable net assets of the businesses acquired. Goodwill is amortised through profit or loss in equal instalments over the estimated useful life of 8 years. The estimated useful life was assessed as the length of the payback period. Goodwill is evaluated for impairment annually or whenever the Group identify certain triggering events or circumstances that could impact the fair value at the reporting date.

Computer software development costs are amortised over 3 years (33.33%), which management believe is the useful economic life of the asset concerned.

g. Tangible assets

Tangible fixed assets under the cost model are stated at cost less accumulated depreciation and any accumulated impairment losses.

The Group adds to the carrying amount of any item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of the assets less their residual value over their estimated useful lives, using a straight-line method.

Office equipment, fixtures and fittings	-	20% per annum on a straight-line basis
Improvements to leasehold property	-	Straight line over the life of the lease
Computer equipment	-	33% per annum on a straight-line basis

The assets residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount.

h. Cash and cash equivalents

Cash and cash equivalents include 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.

3. **Summary of significant accounting policies (continued)**

i. Insurance Debtors and Creditors - Intermediary Activities

APC, the Group's MGA subsidiary undertaking, acts as an insurance intermediary involved in the placement of the insurable risks of clients with insurers and as such is not liable as principal for the amounts arising from such transactions. In recognition of this relationship, debtors from insurance transactions are not included as assets of the Group. Other than amounts receivable for the fees and commissions earned on a transaction, the Group does not recognise any part of the insurance transaction until cash is received in respect of premiums or claims. At that time a corresponding liability is established in favour of the insurer or client. Folgate's insurance debtors are the balances due from APC, being the MGA of the contracts Folgate reinsures.

j. Financial Instruments

The Group primarily enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties, debt securities and investments in non-puttable ordinary shares.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured initially and subsequently at the undiscounted amount of cash or other consideration expected to be paid or received. Convertible debt instruments are assessed to determine if they are basic instruments, and if they fail to satisfy this criterion and are deemed to be non-basic, they are carried at fair value through profit or loss.

Financial assets

Financial assets that are measured at the undiscounted amount of cash or other consideration expected to be received, are assessed at the end of each reporting period for objective evidence of impairment. If this is found an impairment loss is recognised in the profit or loss. For an instrument measured at amortised cost in accordance with FRS 102 paragraph 11.14(a), the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

The Group has chosen to adopt the recognition and measurement criteria of Sections 11 and 12 of FRS 102 in respect of other financial instruments. These comprise exchange traded equity instruments and high grade debt securities which are initially measured at fair value with subsequent changes in fair value being recognised in the profit or loss.

The Group has designated its debt securities at fair value through the profit or loss to enable the short term gains and losses to be matched against movements in the Group's short-tail 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 parent Company's board of directors. Realised gains or losses represent the difference between net sales proceeds and book value. 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 statement of comprehensive income.

Fair value estimation

All financial instruments carried at fair value 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.

3. **Summary of significant accounting policies (continued)**

- 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.

Financial liabilities

Financial liabilities are recognised initially at transaction price, net of directly attributable transaction costs. Financial liabilities are largely made up of the Group's liabilities in relation to the Technical account for insurance business written.

In turn the Group's investment policy ensures all investments can be liquid within 5 days.

The Group's financial liabilities are based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

Non-basic convertible debt instruments are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of convertible debt instruments are immediately recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net account reported in the balance sheet when there is a currently enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

k. **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 using the effective interest method.

Realised gains and losses on investments carried at fair value through profit or 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.

l. **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 monetary items.

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 Statement of Comprehensive Income within administrative expenses. There is limited indirect risk to foreign exchange through the investment portfolio.

3. Summary of significant accounting policies (continued)

m. Leases

Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the Balance Sheet as a tangible fixed asset and is depreciated over its estimated useful life. Future instalments under such leases, net of finance charges are included within creditors. Rentals payable are apportioned between the finance element, which is charged to profit or loss, and the capital element, which reduces the outstanding obligation for future instalments.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss on a straight-line basis over the period of the lease.

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the statement of comprehensive income over the period to the first review date on which the rent is adjusted to market rates.

n. Pensions

A subsidiary undertaking of the Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the subsidiary pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately in independently administered funds.

o. Share capital

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

p. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised through the profit or loss, 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.

3. **Summary of significant accounting policies (continued)**

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 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.

q. Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

r. Insurance contracts

The following accounting policies are applied in accounting for Folgate, the Group's insurance company subsidiary undertaking.

Folgate's underwriting 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 third party cover-holder DUA binders.

3. Summary of significant accounting policies (continued)

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 in sourcing business and include any earned profit commission estimated to be payable. Profit commission is calculated based on the loss ratio of the business written in accordance with the terms of the relevant 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 occurring during the year, whether reported or not, including related direct and indirect claims handling costs. The provision for reported claims outstanding is assessed on an individual case by case basis as 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 total outstanding claims provision also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date, estimated using statistical 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 incurred 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 such 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 outstanding claims is based on the estimated amounts of outstanding claims including IBNR, and is net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. 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", meaning that is there is not a significant delay between the occurrence of the claim and the claim being reported to the Company. 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

3. Summary of significant accounting policies (continued)

developed over time. This is in order to reflect 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. Claims estimates for liability business are derived from a combination of loss ratio based estimates and an estimate 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.

Unexpired risk 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.

Unexpired risk 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', however, at 31 December 2020 and 2019 no provision was require

Folgate assesses 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.

s. Investment in Subsidiary

Investments in subsidiaries are measured in the parent company balance sheet at cost less accumulated impairment.

t. Investment in associate

Investment in associate in the parent company balance sheet is held at fair value with changes recognised in profit or loss.

4. Critical accounting judgements and estimation uncertainty

In preparing these financial statements, the Directors have made judgements, estimates and assumptions that affect the application of the Group'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.

a) The MGA Business

No judgments have been made in applying the entity's accounting policies that would have a significant effect on the amounts recognised in these financial statements for the MGA business.

4. Critical accounting judgements and estimation uncertainty (continued)

The estimates and assumptions that have a significant impact on the carrying amounts of the assets and liabilities are addressed below.

(i) Post placement activities provision

The Group has an obligation to provide services following the placement of insurance policies under certain contracts, including the handling of claims arising on these contracts. The cost of these services, which is borne by the MGA, depends on a number of factors, including the number, nature and complexity of claims received and anticipated cost base for handling such claims. In order to recognise the post placement obligation an amount of MGA income is deferred. The amount of income deferred is estimated by the management after taking into account the factors noted previously. The assumptions reflect historical experience, current trends and management's best estimate.

At 31 December 2020 the Group has deferred £178,894 (2019: £178,894) in respect of post placement activities; this amount is included within insurance creditors.

(ii) Accrued profit commission receivable

The Group is entitled to profit commission arising from the placement of insurance under certain contracts. The profit commission earned by the Group is dependent upon the underlying profitability of the book of business written, which given the tail of claims arising may not be payable to the Group for a period of time following completion of the contract on which profit commission is earned. Taking into account the unexpired risk on those contracts, the uncertain assessment of any final losses, including an assessment of any IBNR, and the impact of any loss deficit clauses, the Directors are not able to reliably estimate profit commission due at 31 December 2020 and have therefore not recognised an accrual for such income.

Profit commission received during the year and reflected in the profit and loss account was £192,902 (2019: £199,543).

b) Folgate insurance business

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have a 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 Folgate.

For both the reinsurance account and the direct insurance account the amount included in respect of IBNR is based on statistical techniques of estimation applied by external consulting actuaries and reviewed and challenged by Folgate management. 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.

c) Sources of estimation uncertainty

The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. The carrying amount of the liability is £8,096,000 (2019: £5,673,000). 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

4. Critical accounting judgements and estimation uncertainty (continued)

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 23 for disclosures relating to these provisions and Note 5 for discussion of the related risks.

The Group 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

Folgate issues contracts that transfer insurance risk. It 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 Folgate 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 Group 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 Group writes direct business via a co-insurance participation in business underwritten by its underwriting agency subsidiary APC and also through 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 Group 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.

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

5. Management of insurance and financial risk (continued)

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 2020	3,599	113	4,385	8,097
Sensitivity 10% Load	3,959	124	4,823	8,906
Sensitivity profit adjustment arising	(360)	(11)	(438)	(809)
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)

i. **Frequency and severity of claims**

Folgate 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. The Group defines "not concentrated" as less than 15% in any one geographical postcode.

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. Folgate manages this risk through the company's claims settlement and review processes.

5. Management of insurance and financial risk (continued)

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 DUAs. The effect of such reinsurance arrangements is that the Group 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 is discussed in Note 4.

Claims are payable on a claims-occurrence basis. Folgate is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, claims may 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 Folgate, where information about the claim event is available. 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

Folgate mainly uses chain-ladder methods to estimate claims for both the reinsurance and insurance books.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (for example, paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated future 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 Group 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.

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

5 Management of insurance and financial risk (continued)

i. Market risk

Interest rate risk

The Group, through Folgate, is exposed to interest rate risk. Interest rate risk arises primarily from investments in interest bearing securities. The Group's investment portfolio as at 31 December 2020 comprises 98.2% (2019: 71.47%) fixed interest securities and 1.8% (2019: 13.12%) floating rate securities. The Company considers that the interest rate risk arising from investments in floating rate securities is not material. The investment portfolio is analysed in note 20.

Equity price risk

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

All equities were sold on 23 March 2020, and at 31 December 2020 the Group has no exposure to equity price risk.

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:

- Amount due from insurance contract holders;
- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance mediation activities;
- counterparty risk with respect to investment; and,
- cash and cash equivalents.

The Group 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.

Reinsurance is used to manage insurance risk. This does not, however, discharge Folgate's liability as primary insurer. If a reinsurer fails to pay a claim, Folgate 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 Group at 31 December 2020 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.

5. Management of insurance and financial risk (continued)

31 December 2020	AAA	AA	A	BBB	Not Rated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Other Financial investments – debt securities	1,749	3,614	3,437	2,500	-	11,300
Other Financial investments – Equities	-	-	-	-	-	-
Debtors arising out of insurance mediation activities	-	-	-	-	599	599
Reinsurers' share of claims provisions	-	1,844	322	-	-	2,166
Cash at bank and in hand	-	-	9,445	-	-	9,445
	1,749	**5,458**	**13,204**	**2,500**	**599**	**23,510**

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 mediation activities	-	-	-	-	593	593
Reinsurers' share of claims provisions	-	326	54	-	-	380
Cash at bank and in hand	-	-	6,905	-	-	6,905
	1,124	**3,291**	**9,422**	**2,728**	**1,353**	**17,918**

It is also the Group'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 appetite framework and the Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

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 Group holds liquid cash deposits to cover these. At 31 December 2020 the Group had cash balances of £9,445,000 (2019: £6,905,000) to cover gross outstanding claims, including IBNR, of £8,096,000 (2019: £5,673,000). In the event the Group requires more cashflow to meet its liabilities the investment in part or the whole portfolio can be liquid within 3-5 days.

Group Maturity profiles

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

5 Management of insurance and financial risk (continued)

	Carrying amount £'000	Undiscounted cashflows £'000	Up to a year £'000	1 - 2 years £'000	3 - 5 years £'000
31 December 2020					
Gross claims outstanding	**8,096**	**8,096**	**3,680**	**2,178**	**2,237**
Net claims outstanding	**5,930**	**5,930**	**2,553**	**1,624**	**1,753**
Loan notes	**1,000**	**1,120**	**40**	**40**	**1,040**
Bank loan	**1,410**	**1,509**	**285**	**280**	**944**
31 December 2019					
Gross claims outstanding	5,673	5,673	2,482	1,530	1,661
Net claims outstanding	5,293	5,293	2,320	1,425	1,548
Loan notes	1,250	1,410	290	0	1,120
Bank loan	1,540	1,648	290	285	1,073

iv. Capital risk

The Group'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 Group in the light of changes in economic conditions and risk characteristics.

The amount of capital Folgate requires to meet its obligations is prescribed by the Prudential Regulation Authority (PRA). Folgate's minimum capital requirement is calculated on the Solvency Capital Resource (SCR) requirement. The SCR at 31 December 2020 was £3.755m (2019 £3.949m).

Folgate undertakes its Own Risk & Solvency Assessment (ORSA) and targets a 20% loading of the standard formula calculation (SCR) with a 10% tolerance. The unaudited surplus at 31 December 2020 was 120% over SCR (2019: 120%).

iv. Foreign currency risk

The Group is not exposed to significant foreign currency risk as the majority of the Group transactions, assets and liabilities are denominated in GBP.

v. Regulation

Folgate 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. Folgate 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.

Folgate 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 Folgate's risk profile.

APC is regulated Financial Conduct Authority and has minimum capital requirements in relation to the CASS rule, measured on turnover.

5. Management of insurance and financial risk (continued)

vi. Fair value estimation

All financial instruments are carried a fair value and are valued by relevance to quoted prices in an active market (Level 1).

c) Exceptional Risk

The Directors have been monitoring the development of the impact of Covid-19 both directly on the Group'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 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 Directors working in conjunction with the service providers APC made the decision to implement aspects of both companies 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. The majority of communications within the company are now held via e-mail, messaging applications or video conferencing The Group'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 Group does not write business directly covering the impact of Covid-19. The SME policies which form the majority of Folgate's book do not provide cover for business interruption caused by a Coronavirus pandemic. Folgate has received claims which have been denied on basis of coverage.

The Group may have small exposure to BI claims through certain policy wordings. Three notifications have been received with a total value of £3,500. Scenario modelling on policies attaching to these wording does not indicate a significant impact on the business. The Directors will maintain a regular close review on all developments in connection with this.

Investment portfolio

The market deterioration attributable to Covid-19 caused a £352,000 reduction in the value of the Group's equity portfolio and led the Group to eliminate equities from its investment portfolio. Over the course of the year the bond portfolio has performed in line with expectations. 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 Group who will suffer. The impact on the Group 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 Group's broker network and will be able to make changes to policy terms and rates as necessary as the position develops.

5. Management of insurance and financial risk (continued)

Going Concern and Forecasts

The Directors are modelling stressed future scenarios to assess the Group'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 Group'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 2022 indicate that the Group will be able to maintain liquidity and a surplus over its regulatory capital requirements and will therefore be able to continue to trade as a going concern. 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 Group 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 Group 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 Group's ability to continue operating at its current or a comparable level, the Directors are able to change the Group's operations very quickly to reflect future events in such a way as to continue to operate and settle all the Group's liabilities as they fall due.

6. Particulars of business

(i) *Analysis of insurance business*

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

	Property	Third Party Liability	Total Direct	Run Off	Reinsurance Accepted	Total
	£000s	£000s	£000s	£000s	£000s	£000s
2020						
Gross premiums written	5,922	4,720	10,642	-	22	10,664
Gross premiums earned	5,480	4,275	9,755	-	32	9,787
Gross claims incurred	(3,385)	(1,846)	(5,231)	(15)	(1,004)	(6,250)
Gross operating expenses	(1,649)	(1,120)	(2,769)	-	(1)	(2,770)
Gross technical result	446	1,309	1,755	(15)	(973)	767
Reinsurance balance	(143)	(418)	(561)	-	354	(207)
Net technical result	303	891	1,194	(15)	(619)	560
Allocated investment income	58	58	116	3	84	203
Balance on the technical account	361	949	1,310	(12)	(535)	763
Net technical provisions	2,464	3,135	5,599	113	3,249	8,961
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)	(934)	(1,822)	13	(2,201)	(4,010)
Gross operating expenses	(501)	(306)	(807)	-	(104)	(911)
Gross technical result	1,023	567	1,590	13	261	1,864
Reinsurance balance	(390)	(206)	(596)	-	(306)	(902)
Net technical result	633	361	994	13	(45)	962
Allocated investment income	24	18	42	2	102	146
Balance on the technical account	657	379	1,036	15	57	1,108
Net technical provisions	2,575	1,841	4,417	107	4,019	8,543

Total commission relating to direct insurance business written during the year amounted to £2,763,000 (2019: £2,520,000).

(ii) *Analysis by geographic area*

All business underwritten in the year was derived from within the United Kingdom.

(iii) *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

6. Particulars of business (continued)

when the accident year is at an early stage of development. However, as claims develop the ultimate cost of claims become more certain.

Gross outstanding claims provision and paid position as at 31 December 2020 all shown in £000's:

Gross

Cumulative Claims Paid	**2015 UWY**	**2016 UWY**	**2017 UWY**	**2018 UWY**	**2019 UWY**	**2020 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**
Position at Dec 20	537	1,644	2,552	2,755	2,347	322	**10,157**

Cumulative Claims Incurred	**2015 UWY**	**2016 UWY**	**2017 UWY**	**2018 UWY**	**2019 UWY**	**2020 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	1,276	-	**10,650**
Position at Dec 20	631	1,894	3,250	4,456	4,280	1,509	**16,020**
Outstanding claims at 31 December 2020	**94**	**250**	**698**	**1,701**	**1,933**	**1,187**	**5,863**
IBNR at 31 December 2020	**22**	**130**	**314**	**390**	**642**	**622**	**2,120**

Net

Cumulative Claims Paid	**2015 UWY**	**2016 UWY**	**2017 UWY**	**2018 UWY**	**2019 UWY**	**2020 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**
Position at Dec 20	537	1,645	2,555	2,757	1,880	236	**9,610**

Cumulative Claims Incurred	2015 UWY	2016 UWY	2017 UWY	2018 UWY	2019 UWY	2020 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**
Position at Dec 20	631	1,895	3,250	4,086	2,769	981	**13,612**
Outstanding claims at 31 December 2020	**94**	**250**	**695**	**1,329**	**889**	**746**	**4,003**
IBNR at 31 December 2020	**22**	**130**	**314**	**390**	**506**	**454**	**1,816**

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
Position at Dec 20	189	284
Outstanding claims at 31 December 2020		**95**
IBNR at 31 December 2020		**18**

(iv) Prior years' claims provisions for general 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:

	2020 £'000	2019 £'000
Class of business:		
Reinsurance	(677)	-
Direct	187	-
Run Off	(15)	13
	(505)	13

The net underprovision is attributable primarily to an increase in the provision for Liability claims for the 2018 Underwriting Year offset by a reduction in expected claims for the 2019 Underwriting Year.

6. Particulars of business (continued)

(v) *Analysis of MGA business*

Analysis of commission income by category	2020 £'000	2019 £'000
Commission	4,374	4,301
Profit commission	193	199
	4,567	4,500

7. Earned premiums, net of reinsurance

	Gross £000s	Reinsurance £000s	Net £000s
2020			
Gross premiums written	10,664	(4,852)	5,812
Unearned premiums brought forward	4,763	(1,513)	3,250
Unearned premiums carried forward	(5,640)	2,609	(3,031)
Change in unearned premium reserves	(877)	1,096	219
Premiums earned	9,787	(3,756)	6,031
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

8. Claims incurred, net of reinsurance

	Gross £000s	Reinsurance £000s	Net £000s
2020			
Claims paid	3,826	(470)	3,356
Outstanding claims brought forward	(5,673)	380	(5,293)
Outstanding claims carried forward	8,096	(2,166)	5,930
Change in claims provision	2,423	(1,786)	637
Claims incurred	6,249	(2,256)	3,993
2019			
Claims paid	2,768	(76)	2,692
Outstanding claims brought forward	(4,431)	-	(4,431)
Outstanding claims carried forward	5,673	(380)	5,293
Change in claims provision	1,242	(380)	862
Claims incurred	4,010	(456)	3,554

9. Net operating expenses

Technical Account 2020	Gross £000s	Reinsurance £000s	Net £000s
Acquisition costs	2,763	(1,763)	1,000
Deferred acquisition costs carried forward	(2,155)	1,104	(1,051)
Deferred acquisition costs brought forward	1,883	(635)	1,248
Change in deferred acquisition costs	(272)	469	197
	2,491	(1,294)	1,197
Administrative expenses			281
			1,478
2019			
Acquisition costs	2,520	(1,130)	1,390
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)
	637	(495)	142
Administrative expenses			275
			417

Non-Technical Account	2020 £'000	2019 £'000
Net operating expenses	4,532	4,752

10. Profit before tax

	2020 £'000	2019 £'000
This has been arrived at after charging:		
Fees payable to the Company's auditor for:		
- Audit of the Company's financial statements	10	9
- Audit of the subsidiaries financial statements	77	56
Investment management fees	68	65
Actuarial fees	54	55
Amortisation of goodwill	682	682
Depreciation of own assets	27	35
Operating lease land and buildings	245	245

11. Employees

Staff costs comprise:

	2020 £'000	2019 £'000
Wages & salaries	2,541	2,572
Other staff costs	37	43
Social security	304	300
Pension	138	173
	3,020	3,088

Staff costs are included in Administrative Expenses within the Technical Account and in Net Operating Expenses in the Non-Technical Account. The Group claimed £56,430 from the government furlough scheme between the period May to October 2020.

The average number of employees during the year, including directors, was as follows-

	2020	2019
Directors and officers	5	8
Underwriting	16	16
Sales and marketing	3	6
Administration	25	22
	49	52

The parent company does not have any staff or employees, all staff, employees and directors with the exception of the Folgate Non-Executive directors are employed by Anglo Pacific Consultants (London) Limited.

12. Directors

	2020	2019
Directors' remuneration consists of:	£'000	£'000
Aggregate emoluments	881	930
Highest paid director		
Remuneration in year including benefits-in-kind	179	199
Company contributions to pension scheme	-	-
	179	199

The highest paid director is not in receipt of or due any share options. Contributions were made on behalf of 4 (2019: 4) directors to money purchase pension schemes.

13. Investment return

	2020 £'000	2019 £'000
Income from other investments	312	238
Realised (losses) on investments	(366)	(35)
Unrealised (losses)/gains on investments	(104)	243
	(158)	446

14. Investment expenses and charges

	2020 £'000	2019 £'000
Interest and similar charges (note 15)	91	142
Investment expenses and charges	68	66
	159	208

15. Interest and similar charges

	2020 £'000	2019 £'000
Interest on finance leases	-	1
Other interest	42	81
Bank interest	49	60
	91	142

16. Taxation

	2020 £'000	2019 £'000
UK corporation tax:		
Current tax charge for the year	191	337
Adjustments in respect of prior periods	-	-
	191	337
Deferred tax charge	-	(2)
Effect of tax rate change	-	-
Tax charge on profit	191	335

The tax assessed for the year is higher (2019: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £'000	2019 £'000
Profit/(loss) before tax	491	1,828
Tax on profit/(loss)	93	352
Factors affecting charge:		
Expenses not deductible for tax purposes	98	163
Income not taxable	-	(180)
Taxation on profit/(loss)	191	335

17. Intangible Assets

Group	Goodwill arising on consolidation £'000	Computer Software £'000	Total £'000
Cost			
At 1 January 2020	5,471	853	6,324
Disposal during year	-	-	-
Additions during year	-	-	-
Balance at December 2020	5,471	853	6,324
Amortisation			
At 1 January 2020	4,276	848	5,124
Charge in year	682	4	686
At 31 December 2020	4,958	852	5,810
Net Book Value			
At 31 December 2020	513	1	514
At 31 December 2019	1,195	5	1,200

18. Tangible Assets

Group	Computer equipment	Office equipment, fixtures & fittings	Improvements to leasehold property	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	221	182	86	489
Additions during year	4	16	-	20
Disposals during year	-	(28)	-	(28)
Balance at 31 December 2020	225	170	86	481
Amortisation				
At 1 January 2020	208	165	86	459
Charge in year	10	13	-	23
Disposals	-	(28)	-	(28)
At 31 December 2020	218	150	86	454
Net Book Value				
At 31 December 2020	7	20	-	27
At 31 December 2019	13	17	-	30

Included in office equipment, fixtures and fittings and computer software are assets with a net book value of £3,675 (2019: £9,190) relating to assets acquired under finance leases.

19. Investments in group undertakings and participating interests

Group

Interests in associated undertakings are analysed as follows:

	2020	2019
	£'000	£'000
At 1 January-Net book value	3	185
Share of profit from associate	-	(60)
Amortisation	-	-
Disposals	(3)	(122)
At 31 December-Net book value	-	3

In December 2019 the Group sold its interest in IIGL to the IIGL main shareholder for a sum of £1,000,000. The profit arising on the sale amounted to £880,000 and is included in the consolidated profit and loss account of the year.

In December 2020 the Group sold its interest in Heparo BV for a sum of £216,000. The profit arising on the sale amounted to £213,000 and is included in the consolidated profit and loss account of the year.

19. Investments in group undertakings and participating interests (continued)

Company

	Investment in subsidiary undertakings £'000	Investment in associated undertakings £'000	Total £'000
At 1 January 2020	9,070	3	9,073
Share of profit from associate	-	-	-
Amortisation	-	-	-
Additions	600	-	600
Disposals	-	(3)	(3)
At 31 December 2020	9,670	-	9,670
At 1 January 2019	9,070	185	9,255
Share of profit from associate	-	(60)	(60)
Amortisation	-	-	-
Additions	-	-	-
Disposals	-	(122)	(122)
At 31 December 2019	9,070	3	9,073

The addition of £600,000 (2019: £Nil) to the Company investment in subsidiary undertakings is attributable to subscriptions for additional shares in subsidiary company Folgate Insurance Company Limited.

The total income recognised on these investments in the period was £Nil (2019: £Nil) representing the fair value remeasurements shown above, and dividends received of £Nil (2019: £60,000).

The undertakings in which the Company's interest at this or the prior year end is 20% or more are as follows;

Subsidiary Undertakings	Class of shares held	Proportion of shares held directly 2020	2019	Country of incorporation	Business activity	Registered office
Anglo Pacific Consultants (London) Limited	Ordinary	100%	100%	England and Wales	Insurance broker and managing general agent	80 Leadenhall Street, London, EC3A 3DH
Folgate Insurance Company Limited	Ordinary	100%	100%	England and Wales	Insurance company	80 Leadenhall Street, London, EC3A 3DH
Quotemac Limited	Ordinary	100%	100%	England and Wales	Dormant	80 Leadenhall Street, London, EC3A 3DH
Associated undertakings						
Heparo BV	Ordinary	0%	20%	Netherlands	Underwriting agent	Eisenhowerlaan 158A, 2517 KP Den Haag, Netherlands

20. Other financial investments

Group

	Carrying Value 2020 £'000	Carrying Value 2019 £'000	Historical cost 2020 £'000	Historical cost 2019 £'000
Shares and other variable yield securities and units in unit trusts	-	1,546	-	1,382
Debt securities and other fixed interest income securities	11,300	8,494	11,102	8,441
Total investment fair value through profit and loss	11,300	10,040	11,102	9,823

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.

21. Cash and cash equivalents

Group	2020 £'000	2019 £'000
Cash in bank and in hand	1,853	1,881
Cash held in client money bank accounts	3,264	2,193
Cash held in designated Claims Trust accounts	2,365	1,663
Deposits with credit institutions	1,963	1,168
	9,445	6,905

Monies held in the Non-Statutory Trust client money bank accounts and the designated Claims Trust Accounts are not available to the Group to use for working capital purposes.

22. Accruals and deferred income

Group	2020 £'000	2019 £'000
Reinsurers' share of deferred acquisition costs	1,104	635
Deferred income	223	135
Other	203	186
	1,530	956

Company	2020 £'000	2019 £'000
Other	24	19
	24	19

23. Technical provisions

	Reinsurance £'000	Run Off £'000	Direct £'000	Total £'000	Reinsurance £'000	Net Total £'000
Unearned Premium (Note 7)						
At 1 January 2020	14	-	4,749	4,763	(1,513)	3,250
Premiums written	22	0	10,642	10,664	(4,852)	5,812
Premiums earned	(32)	0	(9,755)	(9,787)	3,756	(6,031)
At 31 December 2020	4	-	5,636	5,640	(2,609)	3,031
Claims (Note 8)						
At 1 January 2020	4,005	107	1,561	5,673	(380)	5,293
Paid Claims	(1,410)	(9)	(2,407)	(3,826)	470	(3,356)
New Claims	1,004	15	5,231	6,249	(2,257)	3,993
At 31 December 2020	3,599	113	4,385	8,096	(2,166)	5,930
31 December 2019	4,019	107	6,310	10,436	(1,893)	8,543
31 December 2020	**3,603**	**113**	**10,020**	**13,736**	**(4,775)**	**8,961**

24. Bank loan

On 17 October 2018 the Company entered into a bank loan for £1,800,000. The loan is repayable over five years in quarterly instalments. The loan is secured by mortgage debentures provided by the Company and Anglo Pacific Consultants (London) Limited. The interest rate on this loan is variable at 2.72% above LIBOR.

In 2020 two quarterly instalments were deferred and the loan repayment period extended accordingly.

The bank loan is shown within the financial statements as:

	2020 £'000	2019 £'000
Payable within one year	260	260
Payable after more than one year	1,150	1,280
	1,410	1,540

25. Loan notes

On 19 October 2013 the Company acquired Anglo Pacific Consultants (London) Limited for £6,102,157. The acquisition was financed by way of the issue of convertible redeemable loan notes to Brian Russell, a director and the former owner of Anglo Pacific Consultants (London) Limited, and a trust that he established on behalf of his family. The loan notes bear interest at 3%.

In March 2020 the remaining £1m loan notes were deferred indefinitely.

25. Loan notes (continued)

The loan notes are shown within the financial statements as:

	2020 £'000	2019 £'000
Payable within one year	-	250
Payable after more than one year	1,000	1,000
	1,000	1,250

Should any of the loan notes not be repaid within the established timetable then there is an option to convert the loan notes into ordinary share capital, but this excludes the agreed deferral of the remaining £1m. The Group has not had any defaults of principal or interest or other breaches with respect to its loan notes during the years ended 31 December 2020 and 2019. The loan notes are not classified as compound instruments since the conversion rights do not give rise to an equity element, as the terms of the conversion do not involve the issue of a fixed number of equity instruments for a fixed conversion amount. The loan notes are designated at fair value through profit and loss and classified as Level 3 financial instruments. The fair value has been measured by use of valuation techniques where the major observable input has been the interest rate for similar instruments available on the market.

There have been no changes in the fair value of the loan notes in the period and cumulatively, nor in the assumptions underlying the valuation techniques for the years ended 31 December 2020 and 2019. The carrying value of the loan notes was equal to the contractual amount due at maturity.

26. Obligations under finance leases and hire purchase contracts

	2020 £'000	2019 £'000
Payable within one year	5	4
Payable in two to five years	2	7
	7	11

27. Deferred taxation

Group	2020 £'000	2019 £'000
At 1 January	1	(1)
Movement in the year	(1)	2
At 31 December	-	1

No deferred taxation is provided for by the Company.

28. Called-up share capital

	Allocated, issued and fully paid			
	2020 Number	2019 Number	2020 £'000	2019 £'000
Ordinary share capital with par value of 1p	1,000,000	1,000,000	10	10

29. Net debt reconciliation

	At 1 January 2020 £'000	Cashflows £'000	Non-cash changes £'000	At 31 December 2020 £'000
Cash	6,905	2,540	-	9,445
Loans-due within one year	510	(250)	-	260
Loans-due after one year	2,280	(130)	-	2,150
Finance leases	11	(4)	-	7
	9,706	2,156	-	11,862

30. Dividends

During the year the Company declared dividends of £240,000 (2019: £85,000).

31. Commitments under operating leases

The Company had commitments under non-cancellable operating leases as set out below:

	Land and buildings 2020 £'000	Land and buildings 2019 £'000
Operating leases which expire:		
In one year	184	184
In two to five years	490	674
	674	858

32. Ultimate Parent Undertaking and Controlling Party

The Directors consider Brian Russell to be the ultimate controlling party of the Group and Company.

33. Related Parties

Until December 2020, Anglo London Limited had a 20% holding in Heparo BV, which company paid fees to APC of the equivalent of £65,500 (2019: equivalent of £178,593) for the use of its Quotemac system. There are no outstanding balances at the year end.

Until December 2019, Anglo London Limited had a 20% holding in Incorporated Insurance Group Limited (IIGL), which company paid fees to APC of £217,366 (2019: £153,990) for the use of its Quotemac system and for bringing business to Lloyd's. There are no outstanding balances at year end.

During 2013 Brian Russell sold his shareholding in APC to Anglo London Limited in a management buy-out. Anglo London Limited is a holding company for various companies and the Directors consider Brian Russell to be the ultimate controlling party of the Group and Company. Note 25 contains a description of the loan notes issued to Brian Russell and to his family trust in connection with this transaction, including details of principal and interest payments relating to these loan notes.

Brian Russell is a shareholder of Brinpat Management Limited, which is a managing company for a property that APC rents in Hornchurch. The ultimate landlord is APC Retirement Benefit Scheme. Rent and service charges paid in the period were £24,662 (2019: £24,662).

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

The Directors consider the Key Management Personnel of the Group to comprise the Directors of the parent company.