

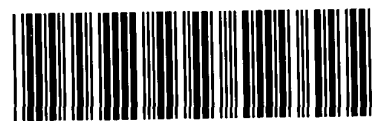
FORESTER HOLDINGS (EUROPE) LIMITED

(Registered in England & Wales, no. 3013082)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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Forester Holdings (Europe) Limited

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Forester Holdings (Europe) Limited

BOARD OF DIRECTORS

A Garcia* (Chairman - resigned 27 July 2017)
J T Young** (Independent Chairman - appointed 24 October 2017)

E T Allison (Chief Executive Officer)
M Christophers*
R M Freeborough* (resigned 1 July 2017)
P D Reaburn*
M R Granville*
D G Robinson** (appointed 15 January 2018)

**Non-executive*

*** Independent non-executive*

Company Secretary

J C Rose

Principal Bankers

National Westminster Bank Plc
City of London Office
PO Box 12258
1 Princes Street
London
EC2R 8PA

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Registered Office

Foresters House
2 Cromwell Avenue
Bromley
BR2 9BF

Telephone 020 8628 3400
Fax 020 8628 3500
Website www.foresters.com

Forester Holdings (Europe) Limited

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2017.

Principal activity

Forester Holdings (Europe) Limited ('the Company') is the UK holding company for the UK business of The Independent Order of Foresters ('Foresters', 'the Parent'). It incurs the majority of expenses for Foresters' UK operations and earns a margin on expenses recharged to its operating subsidiary. Some expenses, particularly in respect of the pre-acquisition costs of acquired business, are not recharged.

Results

Total Comprehensive Income for the year amounted to £174,431 (2016: £140,311). Net assets at 31 December 2017 were £70,213,000 (2016: £70,039,000).

Risks and going concern

The principal risks facing the Company are as follows:

Generic risks

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

Liquidity risk

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

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

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

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

Future Developments

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

Forester Holdings (Europe) Limited

Going concern

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

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

Approved by the Board on 20 March 2018 and signed on 28 March 2018 on its behalf



E T Allison
Director

Forester Holdings (Europe) Limited

Directors' Report

The Directors present their report and the audited Financial Statements for the year ended 31 December 2017.

Parent Company

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

Dividends

The Directors do not recommend the payment of a dividend (2016: £nil).

Political contributions

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

Directors

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

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

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

Directors' indemnities

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

Statement of disclosure of information to auditors

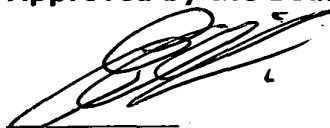
Each person who is a Director at the date of this report confirms that:

- 1) so far as each of them is aware, there is no information relevant to the audit of the Company's Financial Statements for the year ending 31 December 2017 of which the auditor is unaware; and
- 2) each Director has taken all the steps that he ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

Approved by the Board on 20 March 2018 and signed on 28 March 2018 on its behalf



E T Allison
Director

Forester Holdings (Europe) Limited

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

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and applicable law.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

Opinion

We have audited the financial statements of Foresters Holdings (Europe) Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows and related notes, including the significant accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2017 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Ben Priestley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London,

E14 5GL

28 March 2018

Forester Holdings (Europe) Limited

Statement of Comprehensive Income for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Revenue			
Expenses recharged to group companies		35,015	32,242
Total Revenue		<u>35,015</u>	<u>32,242</u>
Operating expenses	3	(34,267)	(32,418)
Income/(Loss) before income taxes		<u>748</u>	<u>(176)</u>
Income tax expense	6	(331)	(66)
Net income for the year		<u>417</u>	<u>(242)</u>
Other comprehensive income			
<i>Amounts that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit pension obligation		(254)	414
Income tax expense/(credit)		11	(32)
		<u>(243)</u>	<u>382</u>
Total comprehensive income		<u>174</u>	<u>140</u>

The notes on pages 14 to 26 form an integral part of these Financial Statements.


Forester Holdings (Europe) Limited
Company registered number: 3013082

Statement of Financial Position
as at 31 December 2017

	Notes	2017 £000	2016 £000
ASSETS			
Intangible assets	7	1,970	2,777
Property and equipment	8	447	808
Investment in group undertakings	9	68,500	68,500
Deferred tax asset	6	299	288
Other receivables	10	12,972	6,729
Cash and cash equivalents		296	-
TOTAL ASSETS		84,484	79,102
LIABILITIES			
Current tax liability		342	11
Employee benefit obligation	5	1,910	1,789
Other liabilities	11	12,019	7,264
TOTAL LIABILITIES		14,271	9,064
EQUITY			
Called up share capital	12	56,020	56,020
Capital contribution		5,000	5,000
Retained earnings		9,193	9,019
TOTAL EQUITY		70,213	70,039
TOTAL LIABILITIES AND EQUITY		84,484	79,102

The notes on pages 14 to 26 form an integral part of these Financial Statements.

Approved by the Board on 20 March 2018 and signed on 28 March 2018 on its behalf


E T Allison
Director

Forester Holdings (Europe) Limited

Statement of Changes in Equity for the year ended 31 December 2017

	2017			
	Share Capital £000	Capital Contribution £000	Retained Earnings £000	Total £000
Balance, beginning of year	56,020	5,000	9,019	70,039
Income for the year				
Net income	-	-	417	417
Other comprehensive (loss)				
Remeasurement losses on pension plan	-	-	(254)	(254)
Tax charge	-	-	11	11
Total other comprehensive loss	-	-	(243)	(243)
Balance, end of year	56,020	5,000	9,193	70,213

	2016			
	Share Capital £000	Capital Contribution £000	Retained Earnings £000	Total £000
Balance, beginning of year	56,020	5,000	8,879	69,899
Income for the year				
Net loss	-	-	(242)	(242)
Other comprehensive income/(loss)				
Remeasurement losses on pension plan	-	-	414	414
Tax charge	-	-	(32)	(32)
Total other comprehensive income	-	-	382	382
Balance, end of year	56,020	5,000	9,019	70,039

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

The notes on pages 14 to 26 form an integral part of these Financial Statements.

Forester Holdings (Europe) Limited

Statement of Cash Flows for the year ended 31 December 2017

	2017	2016
	£000	£000
Operating activities		
Reimbursement of operating expenses	28,908	28,926
Payments to employees and suppliers	(28,048)	(25,855)
Income tax paid	-	(41)
	<u>860</u>	<u>3,030</u>
Investing activities		
Purchase of capitalised software	(426)	(2,350)
Purchase of plant and equipment	(43)	(779)
	<u>(469)</u>	<u>(3,129)</u>
Increase/(decrease) in cash and cash equivalents	<u>391</u>	<u>(99)</u>
Cash and cash equivalents at beginning of year	<u>(95)</u>	<u>4</u>
Cash and cash equivalents at end of year	<u>296</u>	<u>(95)</u>
Components of net cash and cash equivalents		
Cash and cash equivalent assets	296	-
Amounts owed to credit institutions	-	(95)
Net cash and cash equivalents	<u>296</u>	<u>(95)</u>

The notes on pages 14 to 26 form an integral part of these Financial Statements:

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2017

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the Company's Financial Statements are set out below. These policies have been applied consistently to comparative periods presented in these statements unless otherwise indicated.

1.1 Basis of Presentation

a) Statement of Compliance

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

b) Use of estimates and judgements

The preparation of these Financial Statements requires management to make judgements, estimates and underlying assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. The use of estimates and assumptions has the most significant effect on the measurement of income taxes and provisions. The use of estimates and assumptions is discussed in more detail in the relevant notes to these Financial Statements.

1.2 Segmental reporting

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

1.3 Property and equipment

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

Furniture and equipment	3-5 years
Computer equipment	3 years

1.4 Cash and cash equivalents

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

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

1.5 Investment in subsidiaries and associates

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

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2017

1.6 Intangible Assets

The company has capitalised software development costs incurred in connection with its policy administration system and actuarial modeling programme. These costs are amortised over 5 years from the time when the system development becomes operational. If there are indicators of impairment then the recoverable amount is determined and the asset is written down to the recoverable amount. Details of the intangible assets are shown in note 7 to the financial statements.

1.7 Income taxes

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

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

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

HMRC have issued an update to tax loss relief which will extend the utilisation of the deferred tax asset. The update states the eligible profits in excess of £5m can receive deferred tax relief of up to 50%, in a financial year from April 2017.

1.8 Employee benefits

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

a) Defined benefit plan

A defined benefit plan is a post-employment benefit plan under which the company pays variable contributions into a separate entity in order to secure certain benefits. The plan liabilities are valued periodically, and to the extent that the liabilities exceed the assets the company has an obligation to increase its contributions to meet the deficit. Changes in the actuarial value of the deficit are recognised in other comprehensive income.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2017

b) Defined contribution plan

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

c) Other employee benefits

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

1.9 Revenue recognition

Revenue is recognised as follows:

Expenses recharged to group companies

Expenses borne on behalf of group companies are recharged as incurred, including a proportional management recharge fee.

1.10 Leases

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

1.11 Contingent liabilities

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

2. FUTURE ACCOUNTING AND REPORTING CHANGES

During the year the Company adopted the following new standards, none of which had a material impact on the Financial Statements:

- IAS 7 (Amendment) Disclosure Initiative – Improve presentation and disclosure in Financial Statements.
- IAS 12 (Amendment) Recognition of Deferred Tax Assets for Unrealised losses – Clarification of the recognition of deferred tax assets.

Annual Improvements to IFRSs – 2012-2016 cycle which contains amendments to:

- IFRS 12 Disclosure of Interests in Other Entities – Also applies to assets held for sale or distribution.

The following new accounting standards, interpretations and amendments to existing accounting standards in issue, but either not yet effective or endorsed by the EU, have not been early adopted by the Company. Unless stated, the new and amended standards and interpretations are being assessed but are not expected to have a significant impact on the Company's Financial Statements:

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2017

- IFRS 15 Revenue from contracts with Customers - The way long term contracts are accounted for.
- IFRS 16 Leases - The standard specifies how to recognise, measure, present and disclose leases. The company is the lessee in a number of contractual arrangement and early indication is that there will be no material impact on the profitability of the company.
- IFRS 9 Financial Instruments - modifies the classification and measurement of financial assets.
- IFRS 17 Insurance - Requirements for recognising, measuring, presenting and disclosing amounts arising from insurance/reinsurance contracts.
- IFRIC 23 Uncertainty over Income Tax Treatments - Clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.

3. OPERATING EXPENSES

A breakdown of operating expenses by nature is provided below:

	2017	2016
	£000	£000
Employee benefits		
Salaries and benefits	15,881	13,017
Social security costs	1,870	1,616
Pension plan expenses	1,422	1,205
	<u>19,173</u>	<u>15,838</u>
Administration costs	2,278	1,918
Legal and professional expenses	3,644	5,234
Technology costs	2,358	1,971
Fraternal programmes and expenses	324	344
Facility charges	599	526
Amortisation of intangible assets	1,233	1,359
Operating lease costs	637	530
Depreciation of property and equipment	404	407
Auditor's remuneration	31	40
Net financing in respect of pension plan	48	691
Other expenses	3,538	3,560
Total operating expenses	<u><u>34,267</u></u>	<u><u>32,418</u></u>

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

	2017	2016
	£000	£000
Audit of the company	26	35
Audit of subsidiary (Forester Investments Limited) paid for by the company	5	5
Total audit fees	<u><u>31</u></u>	<u><u>40</u></u>

The Company's average weekly number of employees in the period was 152 (2016: 129), all of whom were in administrative functions.

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2017

4. DIRECTORS' EMOLUMENTS

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

	2017 £000	2016 £000
Emoluments	34	16
Payable to one (2016: one) director under a long-term incentive plan	5	2
	<u>39</u>	<u>18</u>
Pension contributions to money purchase scheme	2	1
	<u>41</u>	<u>19</u>

The Chairman received £1,000 emoluments.

The aggregate of emoluments receivable by the highest paid director, including retirement benefits of £2,000, was £36,000 (2016: £13,000 including retirement benefits of £2,000).

Retirement benefits accrued under money purchase schemes to one director (2016: one director).

5. EMPLOYEE PENSION SCHEMES

The Company operates a defined contribution pension scheme for Foresters' UK employees. Employer's pension contributions were £1,422,000 (2016: £1,205,000).

In addition, a number of employees and former employees are members of a group defined benefit pension scheme, which was available until 31 March 1996. An actuarial valuation was carried out as at 31 December 2017 by a qualified independent actuary. The valuation showed a deficit on the scheme of £1,910,000 (2016: deficit of £1,789,000).

A full valuation as at 1 April 2014 showed that the scheme was in deficit at that date. At that time, the Company agreed to make further contributions to the scheme to safeguard its solvency, and the excess of the present value of future agreed contributions and the valuation deficit has been recorded as a liability and charged to OCI.

The amounts recognised on the statement of financial position are:

	2017 £000	2016 £000
Present value of funded obligations	(7,139)	(7,025)
Fair value of scheme assets	5,229	5,236
Deficit	<u>(1,910)</u>	<u>(1,789)</u>
Related deferred tax asset	299	217
Net liability at 31 December	<u>(1,611)</u>	<u>(1,572)</u>

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2017

The actual return on plan assets was £108,000 (2016: £686,000). The amounts recognised in the income statement are:

Expenditure/(Income)	2017 £000	2016 £000
Net interest	48	262
Curtailment	-	429
Net expense	<u>48</u>	<u>691</u>

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

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

	2017 £000	2016 £000
Opening defined benefit obligation	7,025	7,070
Interest cost	194	262
Actuarial (gains)/losses:		
Experience losses	-	64
Change in actuarial assumptions	215	894
Curtailment	-	663
Benefits paid	<u>(295)</u>	<u>(1,928)</u>
Closing defined benefit obligation	<u>7,139</u>	<u>7,025</u>

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

	2017 £000	2016 £000
Opening fair value of scheme assets	5,236	6,302
Interest income on scheme assets	146	234
Actuarial (gains)/losses:		
Return on plan assets excluding interest income	(38)	452
Employer contributions net of charges	180	176
Benefits paid	<u>(295)</u>	<u>(1,928)</u>
Closing fair value of scheme assets	<u>5,229</u>	<u>5,236</u>

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

	2017	2016
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment (Limited Price Index)	3.1%	3.2%
Discount rate	2.5%	2.8%
Inflation assumption	3.1%	3.3%

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

Forester Holdings (Europe) Limited
NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2017

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

Assumption	Change in assumption	Change in liabilities
Discount rate	Increase of 1% p.a.	Decrease by £1,000,000
Rate of inflation	Increase of 1% p.a.	Increase by £650,000
Longevity	Increase in life expectancy of 1 year	Increase by £300,000

The average duration of the defined benefit obligation at 31 December 2017 is 17 years (2016: 17 years).

The assets in the scheme were:

	2017	2016
	£000	£000
Fixed interest bonds	4,717	4,856
Equities	362	340
Other	150	40
Total	<u>5,229</u>	<u>5,236</u>

6. INCOME TAXES

a) Income tax expense

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

	2017	2016
	£000	£000
Corporation Tax expense		
Current period expense	144	75
Adjustment to prior periods	187	(9)
	<u>331</u>	<u>66</u>
Deferred income tax expense		
Relating to the origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Income tax expense	<u>331</u>	<u>66</u>

Cash taxes paid in 2017 were nil (2016: nil).

b) Income taxes included in OCI

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

	2017	2016
	£000	£000
Deferred tax		
Net change in actuarial gains/(losses) on employee benefit plans	11	2
Reduction in deferred tax rate	-	(34)
Income tax expense in OCI/(credit)	<u>11</u>	<u>(32)</u>

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c) Reconciliation of effective tax rate

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

	2017	2016
	£000	£000
Profit/(loss) for the period before taxation	<u>748</u>	<u>(176)</u>
UK tax at 19.25% (2016: 20%)	(144)	35
Non-taxable income less non-taxable expenses	-	(110)
Underprovided in previous periods	<u>(187)</u>	<u>9</u>
Income tax expense	<u><u>(331)</u></u>	<u><u>(66)</u></u>

d) Change of tax rate

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

e) Deferred income taxes

The net movement in the deferred tax asset account is as follows:

	2017	2016
	£000	£000
Beginning of year	288	321
Income statement	-	-
Statement of other comprehensive income	<u>11</u>	<u>(33)</u>
End of year	<u><u>299</u></u>	<u><u>288</u></u>

7. INTANGIBLE ASSETS

Capitalised software

The Company has capitalised software development costs incurred in connection with its policy administration system and actuarial modelling programme. These costs are amortised over 5 years from the time when the system development becomes operational. All costs are being amortised as the associated systems are operational.

The following table shows changes to the capitalised software costs during the year.

	2017	2016
	£000	£000
Gross carrying value, beginning of year	6,432	4,081
Additions	<u>426</u>	<u>2,351</u>
Gross carrying value, end of year	6,858	6,432
Accumulated amortisation, beginning of year	3,655	2,294
Amortisation expense for the year	<u>1,233</u>	<u>1,361</u>
Accumulated amortisation, end of year	<u><u>4,888</u></u>	<u><u>3,655</u></u>

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Net book value, beginning of year	<u>2,777</u>	<u>1,787</u>
Net book value, end of year	<u>1,970</u>	<u>2,777</u>

8. PROPERTY AND EQUIPMENT

2017	Computer equipment £000	Furniture and equipment £000	Total £000
Cost			
At beginning of year	1,808	918	2,726
Additions	11	32	43
Disposals	(83)	-	(83)
At end of year	<u>1,736</u>	<u>950</u>	<u>2,686</u>
Depreciation			
At beginning of year	1,236	682	1,918
Depreciation charge	285	119	404
Disposals	(83)	-	(83)
At end of year	<u>1,438</u>	<u>801</u>	<u>2,239</u>
Net book value			
At beginning of year	572	236	808
At end of year	<u>298</u>	<u>149</u>	<u>447</u>

2016	Computer equipment £000	Furniture and equipment £000	Total £000
Cost			
At beginning of year	1,201	769	1,970
Additions	629	150	779
Disposals	(22)	(1)	(23)
At end of year	<u>1,808</u>	<u>918</u>	<u>2,726</u>
Depreciation			
At beginning of year	956	578	1,534
Depreciation charge	302	105	407
Disposals	(22)	(1)	(23)
At end of year	<u>1,236</u>	<u>682</u>	<u>1,918</u>
Net book value			
At beginning of year	245	191	436
At end of year	<u>572</u>	<u>236</u>	<u>808</u>

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9. INVESTMENT IN GROUP UNDERTAKINGS

	2017	2016
	£000	£000
Shares in subsidiaries	68,500	68,500
Total	<u>68,500</u>	<u>68,500</u>

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

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

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

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

10. OTHER RECEIVABLES

Other assets comprised the following:

	2016	2016
	£000	£000
Due from parent company	1,091	263
Due from other group companies	10,948	5,668
Prepayments and other	933	798
	<u>12,972</u>	<u>6,729</u>

The fair value of company assets approximates their carrying value.

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11. OTHER LIABILITIES

Other liabilities comprised the following:

	2017	2016
	£000	£000
Amounts owed to other group companies	7,551	861
Amounts due to credit institutions	-	95
Payroll and other taxes	563	521
Other liabilities and accruals	3,905	5,760
Deferred income	-	27
	<u>12,019</u>	<u>7,264</u>

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

12. CALLED UP SHARE CAPITAL

	2017	2016
	£000	£000
Issued		
56,020,000 Ordinary shares of £1 each	<u>56,020</u>	<u>56,020</u>

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

13. RELATED PARTY TRANSACTIONS

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

The transactions are summarised below:

	2017	2016
	£000	£000
Expenses recharged to UK branch of parent company	1,503	2,120
Expenses recharged to subsidiaries	33,512	30,122
Rent on Head Office building paid to subsidiary	(346)	(277)

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

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14. COMMITMENTS

a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are shown in the chart below.

	2017	2016
	£000	£000
Aggregate minimum payments		
Less than one year	994	1,054
2 to 5 years	2,282	2,029
>5 years	<u>1,587</u>	<u>1,108</u>
Total future aggregate minimum payments	<u><u>4,863</u></u>	<u><u>4,191</u></u>

Total committed payments include £3,413,000 (2016: £2,493,000) due to a subsidiary company in respect of rent.

15. CURRENT ASSETS AND LIABILITIES

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

	2017			2016		
	Total	Within 12 months	Beyond 12 months	Total	Within 12 months	Beyond 12 months
	£000	£000	£000	£000	£000	£000
ASSETS						
Intangible assets	1,970	1,289	681	2,777	1,110	1,667
Property and equipment	447	276	171	808	401	407
Investment in group undertakings	68,500	-	68,500	68,500	-	68,500
Deferred tax asset	299	33	266	288	29	259
Other receivables	12,972	12,972	-	6,729	6,729	-
Cash and cash equivalents	296	296	-	-	-	-
TOTAL ASSETS	<u><u>84,484</u></u>	<u><u>14,866</u></u>	<u><u>69,618</u></u>	<u><u>79,102</u></u>	<u><u>8,269</u></u>	<u><u>70,833</u></u>
LIABILITIES						
Current tax liability	342	342	-	11	11	-
Employee benefit obligation	1,910	174	1,736	1,789	174	1,615
Other liabilities	12,019	12,019	-	7,264	7,264	-
TOTAL LIABILITIES	<u><u>14,271</u></u>	<u><u>12,535</u></u>	<u><u>1,736</u></u>	<u><u>9,064</u></u>	<u><u>7,449</u></u>	<u><u>1,615</u></u>

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16. ULTIMATE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

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

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