R&Q Eta Company Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020

The Company's registration number is 05008295

R&Q Eta Company Limited

REPORT AND FINANCIAL STATEMENTS
31 December 2020

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R&Q Eta Company Limited

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Richard Finney Gregg Jarvis Francois-Xavier Bernard Boisseau – appointed 25 March 2020 Malcolm Graham McCaig – appointed 25 March 2020 Michael Steven Walker– appointed 3 December 2020
Secretary:	R&Q Central Services Limited
Independent Auditors:	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD
Registered office:	71 Fenchurch Street London EC3M 4BS
Bankers:	National Westminster Bank plc London Bridge 1 Princes Street London EC2R 8BP
Registration number:	05008295

Report of the Directors
For the year ended 31 December 2020

The Directors are pleased to submit their report and the audited Financial Statements for the year to 31 December 2020.

Principal Activities

Principal Activity
In June 2012, R&Q Eta Company Limited's ("the Company") previous parent company, the Medical Protection Society Limited ("MPS"), made a strategic decision that the Company would withdraw from the insurance market, to enable MPS to focus on its core business of providing discretionary indemnity. On 12 October 2012 the Company voluntarily ceased to write new business and is now in run-off. Any claims brought whilst policies were in force will continue to be managed to the highest standard using the same claims expertise that already exists.

Prior to 12 October 2012 the Company primarily wrote professional negligence and medical malpractice risks for entities providing services in the health care sector. In addition, it also provided clients with the option of buying medico-legal assistance. For some of its smaller clients it also offered cover for public and product liability.

Change of ownership and name

The Company was purchased on the 31st December 2018 by Accredited Insurance (Europe) Limited, a subsidiary of Randall & Quilter Investment Holdings Ltd. and changed its name to R&Q Eta Company Limited on 4th January 2019.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the Financial Statements for the year ended 31 December 2020.

Company Law requires directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable Law). Under Company Law 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, Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments 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;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Directors and Secretary

The current Directors of the Company and the Company Secretary are shown on page 1. Francois-Xavier Bernard Boisseau and Malcolm Graham McCaig were appointed 25 March 2020. Michael Walker was appointed on 3 December 2020.

Directors Indemnity Provisions

The Company provides an indemnity to its Directors in respect of liabilities which may attach to them in their capacity as Directors of the Company. These provisions, which are qualifying third-party indemnity provisions as defined by Section 234 of the Companies Act 2006, were in force throughout the year and are currently in force.

Report of the Directors
For the year ended 31 December 2020 (continued)

Charitable donations

Payments for charitable purposes made by the Company during the year amounted to £Nil (2019: £Nil).

Environmental Matters

The Directors do not consider that the business of an insurance company has a large adverse impact upon the environment. As a result, the Directors do not manage the business by reference to any environmental performance indicators. Greenhouse gas emissions, energy consumption and energy efficiency disclosures have not been given because the entity consumed less than 40,000 kWh of energy during the period.

Employees

The Company has no employees. Administrative and management services are provided to the Company by R&Q Central Services Ltd, a fellow subsidiary undertaking of Randall & Quilter Investment Holdings Ltd.

Disclosure of Information to Auditors

The Directors holding office at the date of approval of this Report of the Directors confirm that:

a) As far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware; and
b) They have taken all the steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Results and Dividends

The Company's results for the year are set out on page 10. The Board of Directors do not recommend the payment of a dividend (2019: Nil).

Expected future development of the Company

The Company will continue to effectively manage its remaining claims, utilising the existing claims managers and processes of the R&Q Group.

Risks and uncertainties

The Company's major risks and uncertainties are those generally associated with Reinsurers/Insurers. Note 3 "Financial Risk Management" of the Financial Statements and the Strategic Report set out more details about the management of this risk and other risks faced by the Company.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 23 to the Financial Statements.

Auditors
PKF Littlejohn LLP has signified its willingness to continue in office as Auditors. Pursuant to section 487 of the Companies Act 2006, the Auditors are deemed reappointed and therefore PKF Littlejohn LLP will continue in office as Auditors of the Company.

By Order of the Board

Gregg Jarvis
For and on behalf of
R&Q Central Services Limited
Company Secretary

6th April 2021

Strategic Report
For the year ended 31 December 2020

The Directors are pleased to submit their Strategic Report for the year to 31 December 2020.

Business review

As noted on page 2, the Company has ceased writing insurance business and its primary focus is now on managing existing claims effectively. The total outstanding claims provision decreased by a further £23k during the year following the refund settlement of two open claims. The number of open claims in now just 1 (2019: 3 open claims).

Operating expenses were £257k which represents an increase on the prior year (2019: £171k). This increase is reflective of the management fee now charged along with the payment of the claims handling fee to the claims management company previously used along with increased investment management fees as more of the portfolio was placed in managed funds. For the year, the calculated tax position led to a £Nil position (2019: £9k refund). After tax, the net result was a loss of £3,893k (2019: loss of £195k).

The value of investments and cash was £14,262k at the end of 2020 (2019: £18,188k). The decrease represents the sale of the aircraft leasing equities to the parent company and the realisation of their fall in market value of £4,453k. The Company's investment objectives remain set to preserve capital and maximise its risk adjusted net investment return while matching currency and duration of underlying liabilities and retaining sufficient liquidity in order to meet those liabilities. Eta's asset mix is designed to meet these objectives. Eta's portfolio is now comprised of liquid investments and cash. Most of the company's assets are held in marketable securities at Morgan Stanley, which can be converted into cash when required. Investment income prior to any realised losses was £776k (2019: 122k).

The Board has considered the impact of the recent COVID-19 outbreak on the Company's business. Its conclusion is that, whilst there has been a significant negative impact on investment performance via the realisation of a large loss on the aircraft leasing equities, the Company's working capital base is sufficiently strong to enable the Board to be confident that the Company is well positioned.

Key Performance Indicators

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

	2020 £000	2019 £000	Change %
Total Shareholder Funds	13,919	17,813	-21.9%
Net Outstanding Claims	303	326	-7.1%
Cash and Investments	14,262	18,188	-21.6%

Strategic Report
For the year ended 31 December 2020 (continued)

Risk management

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

The main risks and uncertainties facing the Company are:

Underwriting risk
Before withdrawing from the market, the Company charged clients a premium based on the claims expected to arise from the risks they present. There is a chance that the resulting claims from those risks will exceed the expectations contained within the premiums and thus the Company may not have collected sufficient premium income.

Mitigation
The skill of staff and advisers is important, as are the quality of internal systems. In addition, the Company carefully reviewed all applications and made an assessment on those risks that it was willing to accept. The Company also purchased reinsurance, albeit at a high level, for the risk that claims experience could be worse than was allowed for when setting premiums. Due to the small number of outstanding claims remaining, the Company no longer purchases reinsurance.

Insurance Risk
The Company provides insurance to clients for the costs associated with the risks accepted as part of the policy. For the Company to be responsible for paying these claims, it needs to be able to assess the value of them and ensure that it has sufficient assets to meet the expected total costs.

The value of these claims is estimated by the Company and there is a risk that the eventual payments exceed the sums provided for the settlement of the claims.

In addition to the variation inherent in the claims, there are also external factors, mainly changes in legislation, which can have a profound impact on claim estimates. This includes the introduction of periodical payment orders and any changes in court discount rates.

Mitigation
Steps in reducing the reserving risk include ensuring the quality of the expected outcome in the first place and this relies heavily on the accuracy of data used and the quality of analysis in determining the expected outcome. The Company uses the skills and experience of Group staff, on an outsourced basis, to determine accurate estimates for individual claims. It also has many checks and balances in its internal systems to review and monitor these estimates to achieve a high degree of consistency.

Liquidity risk
This is the risk that there will be insufficient liquid assets available to meet net cashflow requirements arising out of claims and other liabilities, at the time these liabilities require payment. This could either result in an inability to make the payment or, if timings are not properly considered, the need to terminate an illiquid investment at an inopportune time, which could be costly.

Mitigation
The Company holds assets far in excess of estimated claims liabilities and regulatory capital requirements, ensuring it has sufficient funds to meet these payments. The relatively short-term nature of the Company's business, its cautious investment approach and the need to match the maturity profile of assets to claims, means that the Company holds its funds in a combination of assets that enable liquidity aligned with dividend income, thus ensuring appropriate liquidity even at the shortest of timescales.

Currency risk

The Company is exposed to a very small currency risk in respect of Euro liabilities, generated through regular trading activity. This exposure is insignificant as the vast majority of assets and liabilities are denominated in Sterling. The Directors still follow the process to mitigate risk by matching, as far as possible, the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Credit risk
The Company's credit risk lies with a failure of any bank or credit institution with which it has deposits (as noted above, the Company's funds are held in bank accounts, money market funds and equities).

Mitigation
The Directors manage credit rate risk through active investment portfolio management to ensure a prudent mix of fixed income Investments with a varied maturity schedule across a variety of providers.

Market risk
This is the risk that the value of investments held to meet the cost of future claims will fall compared with claims, thus harming the ability of the Company to meet its future claim obligations.

Mitigation
The Company has adopted a prudent investment strategy. Its invested assets are currently in fixed income funds and bank deposits. As a result of the fall in the market value of the listed equities held at 31 December 2019 as a result of disrupted air travel, following the onset of the global COVID-19 pandemic, the listed equities were sold to the parent company and the funds received were placed in managed funds at Morgan Stanley. Market risk should have a minimal impact on such investments, funds are diversified when invested and the most volatile assets limited to levels within the Company's solvency surplus.

Regulatory risk

The Company is authorised by the Prudential Regulation Authority ("the PRA") and regulated by the Financial Conduct Authority (the "FCA") and PRA. Failure to comply with applicable regulations could result in a variety of sanctions. 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.

The Board Duties

The Board, having considered section 172 of the Companies Act 2006, noted that the Company has no employees, has a single shareholder and forms part of the Randall & Quilter Investment Holdings Ltd. Group.

The Directors' have previously stated that the Board did not manage the business by reference to any environmental or community performance indicators, as they consider that an insurance company does not have a large adverse impact upon the environment or wider community. The Board has also established a business ethos and risk management framework in which best practice is the required standard for all operations, both in the commercial interests of the business and to ensure continued regulatory compliance.

It is important to note that as a run-off insurer and a subsidiary of the R&Q Group, the Directors fulfil their duties through a governance framework that delegates day-to-day operations and decision making to employees of the wider R&Q Group. Nevertheless, the Directors' are satisfied that any decisions taken are adequately reviewed and challenged at regular Board Meetings.

The Board also aims to act responsibly and fairly in how it engages with its suppliers, policyholders and other key stakeholders, all of whom are integral to the successful run-off of the Company.

By order of the Board of Directors,

Gregg Jarvis
For and on behalf of
R&Q Central Services Limited
Company Secretary

6th April 2021

Independent auditor's report to the members of R&Q Eta Company Limited.

Opinion

We have audited the Financial Statements of R&Q Eta Company Limited (the 'Company') for the year ended 31 December 2020 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Financial Position, the 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included a review of certain aspects of the Solvency and Financial Condition Report to confirm that the company continues to meet the regulatory solvency requirements as well as a review of the company's plans and forecasts.

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 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.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. Materiality is considered to be the magnitude by which misstatements, including omissions, either individually or in aggregate, could reasonably be expected to influence the economic decisions of users that are taken on the basis of the Financial Statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to the following level of materiality, the quantum and purpose of which is tabulated below.

Materiality measure	How we determined it	Key considerations and benchmarks	Quantum £
Materiality for the financial statements as a whole	Being 1% of shareholders' funds at 31 December 2020	As the Company is in run-off we have referred to shareholders' funds as a measure of the available solvency capital resources of the Company.	139,000

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This was set at £97,300.

We agreed with the Board of Directors that we would report all audit differences in excess of £6,950 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Scope of our audit

Our audit approach was developed by obtaining an understanding of the company's activities, the key subjective judgements made by the directors, for example in respect of significant accounting estimates regarding the insurance contract provisions that involved making assumptions and considering future events that are inherently uncertain, and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Description	How our scope addressed this matter
Valuation of insurance contract provisions Refer to Note 16a	Total insurance contract provisions for the year end 31 December 2020 are £303,000. The insurance contract provisions are a material estimate within the financial statements. Its determination has a significant impact on the financial result and there is a degree of complexity and judgement involved in determining the estimate. There is a risk that inappropriate reserve projections are made, whether from use of inaccurate underlying data, invalid or inappropriate modelling techniques, or the use of inappropriate assumptions. As such, the reserving for claims liabilities is assessed as an area subject to significant risk of material misstatement in the financial statements.	We evaluated whether the Company's actuarial methodologies were consistent with those used generally in the industry and with prior periods. As historical claims data is a key input into the actuarial reserving process, we performed substantive testing to ensure the completeness, accuracy and reliability of the underlying data utilised by management, to support the actuarial valuation. We also reviewed the open cases at the year end by testing a sample of these to the case file documentation to support the underlying value. Based on the procedures we performed, we found that the value of the insurance contract provisions was supported by the evidence we obtained.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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:

- We obtained an understanding of the Company and the insurance sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and the application of our cumulative audit knowledge and experience of the insurance sector. We also noted that the Company ceased accepting all new business and renewals in October 2012.
- We determined the principal laws and regulations relevant to the company in this regard to be those that relate to the financial reporting framework (FRS 102, FRS 103 and the Companies Act 2006) and the relevant tax compliance regulations in the UK. Our considerations of other laws and regulations that may have a material effect on the financial statements included the prudential and supervisory requirements of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA").
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to, making enquiries of management and those responsible for legal and compliance matters. We also reviewed the correspondence between the company and UK regulatory bodies and reviewed the minutes of the Board to identify any indications of non-compliance.
- We also identified possible risks of material misstatement of the financial statements due to fraud. We considered in addition to the no-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the reporting of events and transactions in the financial statements relating to the valuation of the insurance contract provisions. To address this, we challenged the assumptions and judgements made by management when auditing this significant accounting estimate.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to, the testing of journals and reviewing accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Other matters which we are required to address

We were appointed by the Board on 17 January 2019 to audit the Financial Statements for the year ending 31 December 2018 and subsequent financial periods. Our total uninterrupted period of engagement is three years, covering the periods ending 31 December 2018 to 31 December 2020. The current engagement partner has a further four years as Senior Statutory Auditor of this company before an engagement partner rotation is required.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit. We have not provided any other professional services to the Company that have not already been disclosed in the Financial Statements in note 7.

Our audit opinion is consistent with the additional report to the Board of Directors.

Use of our report

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

Carmine Papa

Carmine Papa (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
Date 15 April 2021

15 Westferry Circus
Canary Wharf
London E14 4HD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

Profit and loss - technical account

	Notes	2020 £'000	2019 £'000
Allocated investment return transferred from the non-technical account		**(3,687)**	(241)
Claims paid			
- gross amount		**27**	4
- reinsurers' share		**-**	-
Reduction/(increase) in the provision for claims			
- gross amount		**24**	204
- reinsurers' share		**-**	-
Reduction/(increase) in claims incurred, net of reinsurance	16	**51**	208
Operating expenses	7	**(257)**	(171)
Balance on the technical account for general business		**(3,893)**	(204)

Profit and loss – non-technical account

	Notes	2020 £'000	2019 £'000
Balance of the general business technical account		**(3,893)**	(204)
Investment income	6	**(3,687)**	(241)
Allocated investment return transferred to the general business technical account		3,687	241
Other Income		-	-
Other Operating expenses	7	-	-
		-	-
Profit/(loss) before tax		**(3,893)**	(204)
Tax	8a	-	9
Profit/(loss) after tax and total comprehensive Income for the year		**(3,893)**	(195)

The notes on pages 14 to 28 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION
31 December 2020
Company registration number 05008295

	Notes	2020 £'000	2019 £'000
Intangible assets			
Software licences	11	-	-
Investments			
Other financial investments	13	**13,967**	17,749
Other assets			
Tangible assets	12	-	-
Debtors arising out of insurance operations		-	32
Other Debtors		-	8
Cash at bank and in hand		**295**	439
Provision for deferred tax	17	**1**	2
		296	481
Prepayments and accrued income			
Prepayments and accrued income		-	18
Total Assets		**14,263**	18,248
Capital and reserves			
Called up share capital	14	**11,000**	11,000
Profit and loss reserve		**2,919**	6,813
Shareholders' funds attributable to equity interests	15	**13,919**	17,813
Technical provisions			
Claims outstanding	16	**303**	326
Creditors			
Creditors arising out of direct insurance operations	18	-	-
Other creditors	18	-	-
Accruals and deferred income		**41**	109
Total liabilities and shareholders' equity		**14,263**	18,248

The Financial Statements were approved by the Board of Directors on 6 April 2021 and were signed on its behalf by:

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Gregg Jarivs
Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2020

	Share Capital £000	Profit or loss Account £000	Total £000
Balance at 1 January 2019	**11,000**	**7,007**	**18,007**
(Loss) for the year	-	(195)	(195)
Balance at 31 December 2019 / 1 January 2020	**11,000**	**6,812**	**17,812**
(Loss) for the year	-	(3,893)	(3.893)
Balance at 31 December 2020	**11,000**	**2,919**	**13,919**

Profit or loss Account represents accumulated comprehensive income net of dividends paid for the respective year ends.

The notes on pages 14 to 28 form an integral part of these Financial Statements.

1. General Information

The Company is a private Company limited by shares and is incorporated in England and Wales and transacted insurance business. The Company number is 05008295 and the address of its registered office is 71 Fenchurch Street, London, EC3M 4BS.

2. Accounting policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

a) Basis of preparation

The Financial Statements have been prepared in compliance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" issued by the Financial Reporting Council, and the Companies Act 2006.

The Directors have assessed the position of the Company. The run off is being conducted in an orderly manner and the Company has adequate resources to meet its insurance and other liabilities as they fall due for payment. The Company has maintained a margin over the minimum regulatory capital requirements in both this and prior years. Additionally, the directors, having reviewed the forecast results and financial position of the company, have reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

No cash flow statement is presented since the entity is a qualifying entity and FRS 102 exempts the Company from the requirement to do so as the consolidated Financial Statements of Randall & Quilter Investment Holdings Ltd, the ultimate parent Company, include a cash flow statement.

b) Basis of accounting for underwriting activities

i) Allocation of investment return

Investment income, expenses, charges and unrealised investment gains and losses are reported in the technical account.

ii) 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. Where applicable, deductions are made for reinsurance, salvage and other recoveries.

iii) Claims provisions and related reinsurance recoveries

Claims outstanding and significant uncertainty

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The Company takes all reasonable steps to ensure that it has appropriate information regarding its exposure to claims. In calculating the cost of unpaid claims, the Company uses a variety of estimation techniques judged to be appropriate to the various types of exposures on the book. Adjustments to the amounts of provisions are reflected in the Financial Statements for the year in which the adjustments are made. The provision for outstanding claims is not discounted.

The uncertainties in the process of estimating the claims outstanding are such that, in the normal course of events, unforeseen or unexpected future developments may cause the ultimate cost of settling the outstanding liabilities to differ from that presently estimated. Having regard to the significant uncertainty, and in the light of the information presently available, in the opinion of the Directors the provision for outstanding claims is fairly stated.

b) Basis of accounting for underwriting activities (continued)

A liability adequacy test is not calculated, as there are no unearned premiums remaining to measure against. However, the claims liabilities are measured to meet the requirements of FRS 102 Section 21 "Provisions and Contingencies", and movements due to initial and subsequent best estimates of these liabilities are passed through the technical account.

iv) Claims handling and other associated costs

As the Company no longer underwrites, provision is made for all estimated future claims handling costs and other associated costs, to the extent that they exceed the estimated future investment return.

The uncertainty in the process of estimating the period of run off and any pay out pattern over that period, the anticipated future claims handling costs & other associated costs to be incurred over that period and the level of investment return to be made are such that in the normal course of events unforeseen or unexpected future developments may cause the ultimate cost of settling the outstanding liabilities to differ from that previously estimated.

c) Investments income and expenses

Investment income relates to interest, which is recognised on an accruals basis, as are investment expenses. Investment income and expenses are included initially within the non-technical account. As the investments are held to support the general technical provisions the investment income is transferred to the technical account.

Realised gains or losses represent the difference between the net sales proceeds and purchase price or, for investments held at market value, their valuation at the previous balance sheet date. Unrealised gains or losses represent the difference between the valuation of investments at the balance sheet date and their purchase price or valuation at the previous balance sheet date.

The movement in unrealised investment gains and losses therefore comprises the increase or decrease in the year in the value of investments held at the balance sheet date together with the reversal of previously recognised unrealised gains and losses on investments disposed of in the current year. Unrealised gains and losses on investments are reported in the non-technical account.

d) Foreign currency transactions

The Financial Statements are expressed in GBP £, which the Company has determined to be its functional currency. Monetary assets and liabilities are translated into Sterling at the exchange rates prevailing at the balance sheet date. Transactions during the year are translated at rates of exchange ruling at the dates of the transactions. Exchange differences arising are recorded in the non-technical account.

e) Investments

Units in a UCITS fund managed by Morgan Stanley were acquired by the Company in the year. The units in the UCITS fund are initially measured at transaction price and subsequently at fair value. Equity investments are initially measured at cost and subsequently at fair value. These equity investments are no longer held at 31 December 2020.

f) Intangible asset

Intangible assets are included at cost. Amortisation is provided evenly on their cost, to write them down to nil value over the anticipated useful lives. The amortisation rates used are:

Software licences – 20% per annum, on a straight-line basis.

g) Taxation

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Profit or Loss and Other Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current Law and practice. Timing differences arise from the inclusion of items of income and expenditure in taxation computation periods different from those in which they are included in Financial Statements. Deferred tax assets are recognised to the extent that it is regarded as probable that they will be recovered.

h) Debtors arising out of insurance operations

Insurance receivables include respectively, the net amount due from or to each party (broker or ceding company) with whom the Company settles in the normal course of business. Insurance receivables are measured at the transaction price. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Profit or Loss and Other Comprehensive Income when there is objective evidence that the asset is impaired.

i) Creditors arising out of Insurance operations

Insurance payables are measured at the transaction price.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

k) Financial assets and liabilities

The Company classifies its financial assets as being valued at fair value through profit or loss. Financial assets designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the Statement of Profit or Loss and Other Comprehensive Income within unrealised gain or losses on investments in the period in which they arise.

A financial asset is derecognised when the rights to the cash flows from the asset have expired.

The Company classifies its financial liabilities initially at fair value and subsequently at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or expires.

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position if and only if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis to realise the assets and settle the liabilities simultaneously.

3. Financial risk management

3.1 Risk management function

The Company's risk management is integrated into Randall & Quilter Investment Holding Ltd.'s risk management function. This function continues to work across the Group in identifying, assessing, reviewing and monitoring risks and mitigating controls, and developing the risk management and reporting framework.

3.2 Market price risk

Market price risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in:

•Interest rates
•Equity prices
•Foreign currency exchange rates

The above affect the fair value of the Company's assets and liabilities that vary with changes in market conditions.

The R&Q Group Investment Committee has established guidelines on market risk which set out the principles to be adopted in order to mitigate the risks that the Company is exposed to. The Company monitors adherence to this market risk policy and regularly reviews the management of these risks and takes any necessary measures to prevent or to mitigate any material financial impact on the Company's results.

For each of the major components of market risk, described in more detail below, the Company has put in place additional policies and procedures to set how each risk should be monitored.

Interest rate risk

Due to the nature of the investment portfolio, the Company is exposed to interest rate risk. The value of interest-bearing deposits was £14.3m. A 0.25% change in the interest rate would impact the Profit or Loss account by £35.7k.

Equity and other variable yield securities price risk

The Company sold all of its listed Equities during 2020 so now holds £nil (2019: £7.6m). Assets are now held in Morgan Stanley UCIT funds where a 5% change in the value of these funds would result in a £698k impact on the profit and loss for the year.

Currency risk

The Company's exposure to currency risk is insignificant as the vast majority of assets and liabilities are denominated in Sterling.

3.3 Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

The Company identifies the following areas that would generate credit risk:
1. Credit exposure arising from cedants failing to pay their premiums of which there is £Nil outstanding. The insurance debtor balance in 2019 related to a refund of costs from solicitors so again are considered low risk.

2. Credit exposure arising on the investment funds portfolio, to cover the risk of loss due to the default of counterparties e.g. financial institution for the UCITs funds, cash deposits, cash equivalents and equities. The company also sold (2019: acquired £8m) its holdings of listed aircraft leasing equities. These listed equities were categorised as Level A in the investment hierarchy. In 2020 the company acquired £13.7m of Morgan Stanley managed UCITS funds – these are categorised as Level A in the investment hierarchy and have a fair value of £13.9m at 31 December 2020.

3.3 Credit risk (continued)

3. Credit exposure arising in respect of default of the Company's reinsurers.

Currently there are no reinsurance balances due to the Company.

Credit risk exposures arising on the investment funds portfolio are mitigated through the evaluation of the financial institutions' financial strength, the creation of an approved security list with aggregate limits and restrictions thus avoiding concentration risk.

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position:

	2020 £000	2019 £000
Shares and other variable yield securities and unit trusts	13,967	17,749
Reinsurers' share of claims outstanding	-	-
Debtors arising out of insurance operations	-	32
Cash at bank and in hand	295	439
	14,262	18,220

The Company mitigates the exposure to credit risk regarding cash at bank and in hand by placing its cash and deposits with high credit rated financial institutions.

3.4 Regulatory risk

The Company operates under a run-off status regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Failure to comply with applicable regulations could result in a variety of sanctions. The Directors have 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 and appropriate capitalisation.

3.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with Insurance Contracts and Financial Liabilities when they fall due.

The liquidity risk is monitored monthly and managed based on the Company's short-term and long-term liquidity risks and Management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarises the maturity of assets and liabilities of the Company based on the remaining undiscounted contractual obligations.

31 December 2020	0-1 yrs £000	1-3 yrs £000	Over 3 yrs £000	No term £000	Total £000
ASSETS					
Other financial investments	13,967	-	-	-	13,967
Cash at bank and in hand	295	-	-	-	295
Debtors arising out of insurance operations	-	-	-	-	-
Other debtors and deferred tax	1	-	-	-	1
Prepayments and accrued income	-	-	-	-	-
Total Assets	14,263	-	-	-	14,263

3.6 Liquidity risk (continued)	0-1 yrs	1-3 yrs	Over 3 yrs	No term	Total
LIABILITIES AND EQUITY	£000	£000	£000	£000	£000
LIABILITIES					
Claims outstanding	303	-	-	-	303
Reinsurance creditors	-	-	-	-	-
Other creditors and accruals	41	-	-	-	41
Total Liabilities	**344**	-	-	-	**344**
EQUITY					
Share capital	-	-	-	11,000	11,000
Profit or loss account	-	-	-	2,919	2,919
Total Equity	-	-	-	**13,919**	**13,919**
TOTAL LIABILITIES AND EQUITY	**343**	-	-	**13,919**	**14,263**

31 December 2019	0-1 yrs	1-3 yrs	Over 3 yrs	No term	Total
	£000	£000	£000	£000	£000
ASSETS					
Other financial investments	17,749	-	-	-	17,749
Cash at bank and in hand	439	-	-	-	439
Debtors arising out of insurance operations	32	-	-	-	32
Other debtors and deferred tax	10	-	-	-	10
Prepayments and accrued income	18	-	-	-	18
Total Assets	**18,248**	-	-	-	**18,248**

3.6 Liquidity risk (continued)	0-1 yrs	1-3 yrs	Over 3 yrs	No term	Total
LIABILITIES AND EQUITY	£000	£000	£000	£000	£000
LIABILITIES					
Claims outstanding	326	-	-	-	326
Reinsurance creditors	-	-	-	-	-
Other creditors and accruals	109	-	-	-	109
Total Liabilities	**435**	-	-	-	**435**
EQUITY					
Share capital	-	-	-	11,000	11,000
Profit or loss account	-	-	-	6,813	6,813
Total Equity	-	-	-	**17,813**	**17,813**

3.6 Operational risk

Operational risk arises as a result of inadequately controlled internal processes or systems, human error, or from external events.

The definition is intended to include all risks to which the Company is exposed, other than the financial risks described previously, and strategic and Company risks that are considered elsewhere. Hence, operational risks include for example, information technology, information security, human resources, project management, outsourcing, tax, legal, fraud and compliance risks.

3.6 Operational risk (continued)

The Company manages operational risk through a Group wide Internal Control System which is mainly composed of financial and non-financial controls mitigating the risks identified. The operations of the Company are closely monitored by senior management at the R&Q Group.

For creating and updating the Company's risk register the Company follows generally accepted guidelines on risk management processes which are as follows:

- Identification: identification of Group wide and area-specific risks, using a consistent definition. Identification of new risks associated with changes to the business or new products;
- Assessment: the assessment of identified risks using a consistent impact/likelihood scale;
- Monitoring: the regular monitoring of identified risks, controls and actions, including quarterly reassessment of identified risk by the risk managers; and
- Reporting and escalation: the regular reporting of risk and controls-based data through line management, as well as the escalation of risk issues to appropriate management.

Prior to the purchase, the Company operated within the risk management framework and under the policies and procedures maintained by its former Parent Company, The Medical Protection Society Limited, and did not maintain its own individual risk management procedures.

3.7 Fair value of financial instruments

Financial instruments carried at fair value

Fair value is the amount for which a financial asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. If an active market exists, the market price is applied. If an active market does not exist, then a discounted cash flow or generally accepted estimation and valuation techniques based on market conditions at the balance sheet date are used to calculate an estimated value.

The fair values of the Company's financial assets and liabilities approximate to their carrying amounts at the reporting date.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. The appropriate quoted market price used for financial liabilities is the current ask price.

Fair value measurements recognised in the Statement of Financial Position

The different levels of financial instruments carried at fair value have been defined as follows:

- Level A – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level B – inputs other than quoted prices included within level A that are observed for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level C – inputs for the Asset or Liability that are not based on observable market data (unobserved inputs).

3.8 Capital management

The Company aims to manage its capital efficiently in order to meet its financial obligations and the minimum capital adequacy requirements of the PRA.

Solvency II

From 1 January 2019 the Company has been subject to the regulatory regime applicable to insurers, known as Solvency II. Under this regime the Company's regulatory capital is required to maintain excess assets over liabilities, subject to certain valuation adjustments. The Company has complied with these requirements throughout the current and prior year.

	2020	2019
	£000	£000
Regulatory capital	**13,882**	17,759
Required regulatory capital	**3,338**	3,187
Surplus regulatory capital	**10,544**	14,572

4. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the entity's accounting policies

In the process of applying the Company's accounting policies, which are described in note 2, management makes judgements, estimates and assumptions that have a significant effect on the amounts recognised in the Financial Statements. The key sources of estimation uncertainty are outlined below.

Key sources of estimation uncertainty

The Company considers its most critical accounting estimate is in respect of the insurance reserves for claims and claim adjustment expenses.

- **Insurance Reserves**

The Company records liabilities for unpaid claim and claim adjustment expenses based upon estimates of the ultimate amounts payable under the contracts with respect to losses occurring on or before the statement of financial position date.

To calculate the future settlement value of outstanding claims, the claims managers provide an estimate of the likelihood of settlement on each claim along with an estimate of the defence costs and potential damages and claimants costs, should the company have to settle the claim. It is assumed that that on average, claims take four years from report to settlement. The company has been in run-off since 2012 and underwrote policies on a claims made basis therefore the main reserving risk is a deterioration in the current held claims reserves. There are now two open claims advised to R&Q Eta.

5. Analysis of the technical result by class of business

The company conducts only one class of general insurance business in two geographical markets, being the United Kingdom and the Republic of Ireland. The segmental analysis of these locations is shown below:

	Technical Result	Net Assets
	£'000	£'000
2020		
United Kingdom	**(3,893)**	**13,911**
Republic of Ireland	**-**	**8**
	(195)	**13,919**
2019		
United Kingdom	(195)	17,805
Republic of Ireland	-	8
	(195)	17,813

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Year ended 31 December 2020

5. Analysis of the technical result by class of business (continued)

Due to the business being in run-off, there were no written or earned premiums, commissions, or new claims arising in the year. As commented in "Principal Business Risks" on page 3, the Company did not undertake reinsurance during the year

Analysis of Gross premiums by source:

Premium income in 2020 was £nil (2019: £nil). All original insurance contracts related to professional negligence and medical malpractice insurance business, the majority of which was written in the United Kingdom.

6. Investment return

	2020	2019
	£'000	£'000
Investment income		
Income from cash funds	**8**	122
Income from Dividends	**479**	-
Realised investment Gains/(losses)	**(4,453)**	-
Unrealised investment Gains/(losses)	**297**	(360)
Interest from HMRC	**-**	2
Investment expenses	**(18)**	(5)
	(3,687)	(241)

7. Operating Expenses

	2020	2019
	£000	£000
Administration expenses	**257**	171
Net operating expenses	**257**	171

	2020	2019
Administration expenses include:	**£000**	£000
Fees payable to the Company's Auditors - PKF Littlejohn LLP:		
The audit of the Company's statutory accounts	**21**	21
Other services pursuant to legislation	**-**	-
	21	21

8. Taxation

8a) Analysis of tax charge in period
The tax charge for the year charged to the non-technical account is based on the profit or loss for the year and represents.

	2020	2019
	£'000	£'000
Current tax		
Corporation tax payable	-	-
Group taxation relief payable	-	-
Adjustments to tax charge in respect of prior periods	-	(9)
Deferred tax:		
Origination & reversal of timing differences	-	-
Tax on profit on ordinary activities	-	(9)

8b) Factors affecting tax charge for the period

The tax assessed for the year is more than (2019 – higher) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	2020	2019
	£'000	£'000
Profit on ordinary activities before taxation	**(3,893)**	(204)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	**(740)**	(39)
Effects of:		
Non-taxable income	**(91)**	-
Tax losses carried forward	**831**	39
Adjustment in respect of prior periods	-	(9)
Tax charge for the period (note 8a)	-	(9)

The company has tax losses carried forward in the UK of £4.6m (2019 £0.2m) that are available indefinitely for offset against future taxable profits of the company. No deferred tax asset has been recognised in respect of this due to uncertainty around the recoverability of the asset.

In the Finance Bill 2021, it was announced that the main rate of UK corporation tax would be increased to 25% from April 2023.

The Company's 2020 results are taxed at 19% (2019 :19%).

9. Directors and Employees

Staff costs

The Company has no employees (2019: Nil). Administrative and management services are now provided to the Company by fellow subsidiary undertakings of Randall & Quilter Investment Holdings Ltd.

Directors fees directly attributable to the Company of £25,000 (2019: £Nil) are included in the management fee charged by a fellow subsidiary undertaking of Randall & Quilter Investment Holdings Ltd.).

10. Dividends

The Board of Directors does not recommend the payment of a dividend for 2020, which is consistent with the recommendation in 2019.

11. Intangible assets

	Software £'000
Cost	
At 1 January 2020	201
At 31 December 2020	**201**
Amortisation and impairment	
At 1 January 2020	201
Charge for the year	-
At 31 December 2020	**201**
Net book value at 31 December 2020	**-**
Net book value at 31 December 2019	-

12. Tangible fixed assets

	Computer Equipment £'000
Cost	
At 1 January 2020	-
Disposals during the year	-
At 31 December 2020	**-**
Depreciation and impairment	
At 1 January 2020	-
Released on disposals	-
At 31 December 2020	**-**
Net book value at 31 December 2020	**-**
Net book value at 31 December 2019	-

Capital commitments

There were no capital commitments at 31 December 2020 (2019: £nil).

13. Investments in shares and other variable yield securities

	2020	2019
	£'000	£'000
Fair value balance at January	17,749	18,530
Additions	13,670	18,109
Proceeds on disposal	(13,001)	(18,530)
Loss on disposal	(4,453)	-
Fair value adjustment	297	(360)
	14,262	17,749

Eta's investment objectives are to preserve capital and maximise its risk adjusted net investment return while matching currency and duration of underlying liabilities and retaining sufficient liquidity in order to meet those liabilities.

Eta's asset mix is also designed to meet these objectives. Eta's portfolio is now comprised of units in investment funds managed by Morgan Stanley, and cash.

14. Share Capital

	2020	2019
	£'000	£'000
Allotted and fully paid:		
11,000,000 ordinary shares of £1 each	**11,000**	11,000

There is a single class of Ordinary share.

15. Capital and reserves

Share capital represents the nominal value of shares that have been issued. The ordinary shares have no restrictions on the distribution of dividends or repayment of capital.

The profit and loss reserve includes all current and prior period retained profits and losses. The combined share capital and profit and loss reserve of £13,919k (2019: £17,813k) is managed as capital resources for solvency purposes against a minimum capital requirement (MCR) of £3,338k (2019: £3,187k). The MCR is calculated in accordance with the rules contained within the Prudential Regulation Authority (PRA) Rulebook. There were no other capital requirements or restrictions imposed during the year.

As the Company is in run-off, capital management is geared towards ensuring all remaining outstanding claims liabilities can be met, in the timescales needed, and at the highest level of confidence should any of these claims settle for more than our estimates. At the end of the year, the Company capital resources have been considered as adequate to meet its liabilities and regulatory requirements.

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Year ended 31 December 2020

16a Provision for claims outstanding

	Claims outstanding	Claims handling	Total
	£'000	£'000	£'000
At 1 January 2020	326	-	326
Movements in the year			
Released to the technical account	(50)	-	(50)
Recovered/(Paid)	27	-	27
At 31 December 2020	**303**	-	**303**

The claims provision is the undiscounted ultimate settlement value in respect of all claims incurred as at 31 December, gross of any reinsurance, and includes claims handling. As mentioned in the Strategic Report, the Company has not taken part in a reinsurance programme during the year. Previous reinsurance participation was on a claims-made basis, meaning there are no reinsurance recoveries outstanding.

The provision for claims outstanding is based on information available at the statement of financial position date, and represents the current anticipation of future cash outflows that will be incurred during the settlement of these outstanding claims. Delays are experienced in the notification and settlement of certain claims and accordingly the ultimate cost of such claims cannot be known with certainty at the statement of financial position date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. To mitigate some of the risk of the liability being greater than the current estimate, the provision includes a large loss allowance for the risk of one or more claims estimates needing a significant increase due to specific future events or information. Further information about insurance risks and mitigation of these risks can be found in the Strategic Report.

16b Claims development

The following table shows the development of gross incurred claims (claims outstanding plus cumulative payments made, gross of any reinsurance), from initial reporting year to present.

The Company ceased writing new business in 2012, claims accepted after 2012 relate to extended reporting periods, or for matters notified in previous years that have since become claims.

There are no reinsurance recoveries, so the table is the same gross and net.

Accident Year -->	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Estimate of ultimate gross claims costs (£k):																	
At end of reporting year	224	546	357	1,196	1,757	7,073	2,910	2,343	607	13	0	1	0	0	0	0	17,027
1 year later	223	386	594	785	2,060	7,581	3,113	2,452	803	13	20	0	0	0	0		18,030
2 years later	63	360	391	775	2,936	4,857	5,215	1,958	631	13	0	0	0	0			17,199
3 years later	166	151	228	340	3,630	4,238	4,625	2,270	336	13	1	0	0				15,998
4 years later	117	99	360	270	3,250	3,340	3,174	2,678	243	13	1	0					13,545
5 years later	28	20	84	170	308	3,321	2,901	2,448	243	13	1						9,537
6 years later	27	20	84	170	408	4,707	3,015	2,363	243	13							11,050
7 years later	27	20	84	170	336	2,573	3,026	2,270	243								8,749
8 years later	27	20	84	170	304	2,436	3,001	2,281									8,323
9 years later	27	20	84	170	304	2,378	2,969										5,952
10 years later	27	20	84	170	304	2,343											2,948
11 years later	27	20	84	170	304												605
12 years later	27	20	84	170													301
13 years later	27	20	84														131
14 years later	27	20															47
15 years later	27																27
Current incurred estimate	**27**	**20**	**84**	**170**	**304**	**2,343**	**2,969**	**2,281**	**243**	**13**	**1**	**0**	**0**	**0**	**0**	**0**	**8,455**
Cumulative payments	27	20	84	170	304	2,343	2,969	1,978	243	13	1	0	0	0	0	0	8,152
Current claims outstanding	0	0	0	0	0	0	0	303	0	0	0	0	0	0	0	0	303

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2020

17. Deferred taxation

Deferred taxation provided for at 19% in the financial statements is set out below:

	2020	2019
	£'000	£'000
Accelerated capital allowances	(2)	(2)
Recoverable after more than one year	-	-
Recoverable within one year	-	-

	2020	2019
	£'000	£'000
Movement in provision		
At 1 January	(2)	(2)
Deferred tax charged in the statement of comprehensive income for the year	-	-
At 31 December	(2)	(2)

18. Creditors

	2020	2019
	£'000	£'000
Creditors		
Creditors arising out of direct insurance operations	-	-
Other creditors:		
Amounts due to the Medical Protection Society Limited	-	-
Corporation tax	-	-
Trade creditors	-	-
Other taxes	-	-
	-	-

19 Financial assets

	2020	2019
	£'000	£'000
Cash equivalents held within investments	13,967	10,148
Cash at bank and in hand	295	439
	14,262	10,587

20. Provision for other risks and charges

As stated in note 2b iv) provision is made for all claims handling and other associated costs to the extent that they exceed the estimated future investment return.

No additional provision has been made for claims handling and other associated costs estimated to be incurred during the period of the runoff because the Directors are of the opinion that these costs will be covered by future investment return.

21. Related party transactions

The company was a wholly owned subsidiary of the Medical Protection Society Limited until 31 December 2018, when 100% of the issued share capital was acquired by Accredited Insurance (Europe) Limited, a company registered in Malta, and a 100% subsidiary of Randall & Quilter Investment Holdings Ltd, a company registered in Bermuda.

At 31 December 2020 £Nil (2019: £Nil) was owed to the Medical Protection Society Limited.
Advantage has been taken of the exemption provided in FRS 102 from disclosing details of transactions with Randall & Quilter Investment Holdings Ltd. and its wholly owned subsidiary undertakings.

No other related party transactions are contained in the Financial Statements.

22. Contingent liabilities and guarantees

There were no contingent liabilities or guarantees in place at the end of the year.

23. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the Financial Statements.

24. Ultimate Parent Company and controlling party

The Company's immediate Parent Company is Accredited Insurance (Europe) Limited, a company registered in Malta, and the ultimate Parent Company is Randall & Quilter Investment Holdings Ltd, a company registered in Bermuda.

Group Financial Statements are prepared by the ultimate parent undertaking, Randall & Quilter Investment Holdings Ltd, and can be obtained from 71 Fenchurch Street, London, EC3M 4BS.

It is the opinion of the Directors that there is no ultimate controlling party.