
MS Amlin Corporate Services Limited

Section 172(1) Statement

The Companies Act 2006 has been updated to include a new statutory reporting requirement for financial reporting years beginning on or after 1 January 2019. As a result, the Directors of the Company are required to give an annual statement which describes how the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when discharging their duty under that section.

Under section 172 of the Companies Act 2006, the directors of a company must act in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so, they should have regard to other factors, including but not limited to: (a) the likely consequences of any decision in the long term; (b) the interests of the company's employees; (c) the need to foster the company's business relationships with suppliers, customers and others; (d) the impact of the company's operations on the community and the environment; (e) the desirability of the company maintaining a reputation for high standards of business conduct; and (f) the need to act fairly as between members of the company.

The Directors of the Company are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.

The Directors acknowledge that effective and meaningful engagement with stakeholders and high standards of business conduct, consistent with the Company's values, are key to promoting the success of the Company. The Company's key stakeholders are MSI, the sole shareholder, MSI's subsidiaries to whom the Company provides corporate services, its employees and its suppliers.

The Directors consider the likely consequences of any decision in the long term and identify the stakeholders who may be affected. They consider their interests and any potential impact as part of the decision making process. The Company's shareholder is regularly consulted on key strategic decisions and other operational matters. The Company considers the interests of its customers through various joint committees that enhance collaboration in the best interests of the Group. Through employee surveys, the employee consultation forum and other engagement actions, the interests of employees are regularly evaluated. The Company adheres to the Payment Compliance Code and regularly publishes data on how quickly it pays suppliers with the aim of meeting agreed payment terms. The following paragraphs explain how these interests were considered in key strategic decisions during 2019.

In November 2019, as part of MS&AD's reorganisation of its international business, the Company's parent announced a new operating model. Under the new structure, effective from 1 January 2020, the Company is directly owned by MSI and continues to provide corporate services to MS Amlin Underwriting Limited, MS Amlin AG and MS Amlin Insurance SE. As part of the restructuring, the following key decisions were made by the Board during 2019:

- Disposal of investments in MS Amlin Underwriting Limited and MS Amlin Corporate Member Limited. Details of the transaction are disclosed in [note 20](#).

- Receipt of certain assets, including property leases and fixed assets from MS Amlin Limited. Details of these transfers are included in notes 19 and 31.
- Changes in funding arrangements to enable transition to the new operating model in 2020. Details of funding arrangements are included in note 31.

The impact of the above decisions and the new operating model on the Company's stakeholders was considered by the Board. The Directors believe that the above decisions are in the long-term interests of the Company and its stakeholders through building value across MSI and its subsidiaries by increasing efficiency, using talent to greater effect and ultimately driving improved financial performance and growth.

In October 2019 the Company purchased a freehold building and associated land at Victoria Road, Chelmsford, from MS Amlin Underwriting Limited. This decision was taken to benefit the Company's stakeholders by aligning ownership of the property with the provision of facilities and related services by the Company to its customers. For further information on the purchase, please see note 19.

Notes to the financial statements for the year ended 31 December 2019 (continued)**19 Tangible assets**

	Land and buildings £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2019	2,214	28,580	4,307	35,101
Additions	20,350	-	-	20,350
Disposals	(1,365)	-	-	(1,365)
Impairment	(4,586)	(532)	(188)	(5,306)
At 31 December 2019	16,613	28,048	4,119	48,780
Accumulated depreciation				
At 1 January 2019	571	23,244	2,828	26,643
Disposals	(395)	-	-	(395)
Charge for the year	157	2,003	824	2,984
At 31 December 2019	333	25,247	3,652	29,232
Net book value				
At 31 December 2019	16,280	2,801	467	19,548
At 1 January 2019	1,643	5,336	1,479	8,458

In October 2019 the Company purchased a freehold building and associated land at Victoria Road, Chelmsford, from MS Amlin Underwriting Limited. At year end, the external valuation of the property indicated a recoverable amount lower than the property's book value. The difference between the two, £4.6 million, was booked as an impairment through the statement of profit or loss.

20 Investments**a) Investment in group undertakings**

Investments in group undertakings are those that the Company holds in other subsidiary companies. At 31 December 2019 the investments in group undertakings represent a 100% holding of the ordinary shares of:

Direct subsidiaries	Registered address
AUA Insolvency Risk Services Limited	The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG, UK
MS Amlin Underwriting Services Limited	The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG, UK
Old Company 17 Limited (formerly Mitsui Sumitomo Insurance (London Management) Limited)	The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG, UK
Indirect subsidiaries	Registered address
MSI Corporate Capital Limited	The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG, UK
Old Company 18 Limited (formerly MSIUL Limited)	The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG, UK
Old Company Amlipden 12 Limited (formerly MSI Insurance Management (Ireland) Limited)	6th Floor, South Bank House, Barrow Street, Dublin 4

Notes to the financial statements for the year ended 31 December 2019 (continued)**20 Investments (continued)**

Reconciliation of the carrying value of fixed asset investments	2019 £'000	2018 £'000
At 1 January	69,303	86,929
Additions	830,406	8,016
Disposals	(858,903)	(26,475)
Capital contribution	-	833
Transfer to non-current assets held for sale	(40,806)	-
At 31 December	-	69,303
Reconciliation of the carrying value of non-current assets held for sale investments	2019 £'000	2018 £'000
At 1 January	-	-
Transfer from fixed asset investments	40,806	-
At 31 December	40,806	-

The Directors believe that the carrying value of the investments at 31 December 2018 was supported by their underlying net assets and future cash flows.

On 31 May 2019, the Company acquired the entire shareholding in MS Amlin Underwriting Services Limited at a cost of £1.8 million.

On 4 December 2019, MS Amlin Corporate Member Limited issued 4 shares for a total value of £828.6 million to the Company, in settlement of certain debts owed to the Company.

On 18 December 2019, the Company sold the shareholding in MS Amlin Corporate Member Limited and MS Amlin Underwriting Limited to MS Amlin Limited for combined consideration of £858.9 million, offset against existing payables of the Company to MS Amlin Limited.

All remaining fixed asset investments were held for sale at 31 December 2019. The Directors believe that the fair value less costs to sell of each investment was at least equal to its carrying amount.

On 17 January 2020, the Company disposed of its shareholding in MS Amlin Underwriting Services Limited to MS Amlin Holdings Limited for cash consideration of £1.8 million. The cash consideration was offset against amounts owed by the Company to MS Amlin Holdings Limited.

21 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year		
Other debtors	1,344	194,130
Amounts owed by group undertakings	32,331	-
Contract assets	44,087	68,608
Prepayments and accrued income	11,477	4,712
	<u>89,239</u>	<u>267,450</u>
Amounts falling due after more than one year		
Amounts owed by group undertakings	150,000	-
Amounts owed by subsidiary undertakings	-	390,072
Deferred tax (note 24)	4,154	741
	<u>154,154</u>	<u>390,813</u>

Notes to the financial statements for the year ended 31 December 2019 (continued)

30 Ultimate parent company

At the balance sheet date, the Company's immediate parent company was MS Amlin Limited, a company incorporated in Great Britain and registered in England and Wales. From 1 January 2020, the Company's immediate parent company became Mitsui Sumitomo Insurance Company, Limited ('MSI'), a company incorporated and registered in Japan.

The smallest group in which the results of the company will be included is that of MSI. The Company's ultimate parent company and controlling party is MS & AD Insurance Group Holdings, Inc, a company incorporated in Japan and is the largest group in which the results of the Company are consolidated.

The consolidated financial statements of MS & AD Insurance Group Holdings, Inc are available to the public and may be obtained from the Company Secretary at The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG. The ultimate parent company address is Tokyo Sumitomo Twin Building (West Tower), 27-2, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan. The address of MSI is 9, Kanda-Surugadai 3-chome, Chiyoda-ku, Tokyo, Japan.

31 Events after the reporting period

Between the reporting date and the date these financial statements were approved, the following events occurred:

MSI Group restructuring

On 1 January 2020, MS Amlin Limited distributed its shareholdings in the Company to MSI.

Loan from Parent

On 8 January 2020, the Company entered into a loan facility of £150m with its parent, MSI. This loan was to support funding arrangements as the Company transitions to a new operating model. The loan was drawn in two tranches - £50m on 8 January 2020 and £100m on 8 June 2020. The loan has a term of seven years and charges interest at a fixed rate of 1.9%.

Disposal of shareholding

On 17 January 2020, the Company sold its shareholding in MS Amlin Underwriting Services Limited, to MS Amlin Holdings Limited, for cash consideration of £1.8 million. The cash consideration was offset against amounts owing by the Company to MS Amlin Holdings Limited.

COVID-19 (coronavirus)

The Company continues to monitor the potential impact of the COVID-19 pandemic on its operations. Government lockdowns imposed in response to COVID-19 have required changes to the Company's day-to-day operations. The Company's holding and corporate services activities continue to be provided without interruption, with staff working principally outside of the Company's usual business premises.

As a service company, the Company is reliant upon the existence of the MS Amlin insurance entities, in particular Syndicate 2001, as a going concern for its own long term existence. A review of the impact of COVID-19 on the Syndicate concluded it will be able to operate as a going concern under all reasonably possible scenarios considered. In the event that the impact of COVID-19 on the Syndicate reduced available capital to the extent that a contraction of underwriting capacity was required this could reduce the management fee received by the Company. Although elements of the Company's cost base are relatively fixed, such as premises and staff remuneration, any temporary cost mismatch in this scenario could be absorbed, based on the terms of the service contract with the Syndicate, the Syndicate's continued ability to pay and the Company's own available funds. The Company also makes use of external service suppliers in its operations. Regular dialogue with these suppliers has been maintained during the COVID-19 pandemic and the Company has not identified any concerns in relation to the suppliers' resilience that would affect its ability to operate.

Notes to the financial statements for the year ended 31 December 2019 (continued)

31 Events after the reporting period (continued)

COVID-19 (coronavirus) (continued)

The Company expects to continue to be able to pay expenses as they become due, even in stressed scenarios. Based on the impact on related businesses and external service suppliers there is expected to be limited impact to the demand for the corporate services it provides to Syndicate 2001 and other insurance entities and limited operational impact on the Company's own core business processes. Therefore the Board does not consider that the COVID-19 pandemic impacts the conclusion of the Company's going concern assessment.

Assignment of subordinated debt

On 31 March 2020, MS Amlin Limited assigned to the Company subordinated debt issued by MS Amlin Insurance S.E. of £2.2 million including capitalised accrued interest. This was offset against the Company's receivable from MS Amlin Limited.

Lease liabilities and fixtures & fittings assets

The lease relating to the Company's registered office, was assigned to it by MS Amlin Limited on 29 May 2020. The fixtures, fittings and leasehold improvement assets associated with this lease, were transferred to the Company from MS Amlin Limited on 31 May 2020 for consideration at book value (£10.8 million). The consideration was offset against the existing receivable from MS Amlin Limited.

Guarantees

Five year debt facility of MS Amlin Limited guaranteed by the Company, MSI and MS Amlin Holdings Limited was terminated on 23 June 2020.