

# MS Amlin (Overseas Holdings) Limited

## Annual Report & Financial Statements

31 December 2018

Registered Number: 5544533

Registered Office:  
The Leadenhall Building  
122 Leadenhall Street  
London  
EC3V 4AG



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## **Directors and Officers**

### **Directors**

P C Horncastle  
J L T Illingworth

### **Secretary**

J Simek

### **Registered Office**

The Leadenhall Building  
122 Leadenhall Street  
London  
EC3V 4AG

### **Independent Auditors**

KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

## Strategic Report

The directors present their strategic report on MS Amlin (Overseas Holdings) Limited ('the Company') for the year ended 31 December 2018.

### **Business review and principal activities**

The Company is part of the MS Amlin plc group ('the Group'). The Company's principal activity is to act as an intermediate holding company for a number of the Group's overseas subsidiaries. This activity is not expected to change in the foreseeable future.

The directors do not consider that any key performance indicators other than the results disclosed in the Statement of profit or loss and the Statement of financial position are necessary to understand the development, performance and position of the Company's business during the year.

The Company has a Netherlands branch ('the Branch') which was established to make and manage investments in the Netherlands. The Branch has a functional currency of Euro.

The companies for which the Company acts as the sole shareholder (unless stated otherwise) as at the balance sheet date are:

- MS Amlin Asia Pacific Pte Limited, which acts as a coverholder to the Group's Syndicate 2001 at Lloyd's;
- MS Amlin Investment Management Limited, which provides investment management services to Toro Prism Trust, the successor to Toro Prism plc;
- MS Amlin Labuan Limited, which acts as a coverholder to the Group's Syndicate 2001 at Lloyd's;
- MS Amlin (MENA) Limited, which acts as a coverholder to the Group's Syndicate 2001 at Lloyd's;
- Amlin Netherlands Holdings B.V., which acts as a holding company of MS Amlin Marine N.V., a provider of protection and indemnity insurance and marine insurance;
- Amlin France Legacy Services Limited, which manages the run-off business previously written through Amlin France Holdings SAS as a Lloyd's coverholder in France; and

### **Principal risks and uncertainties**

The Company is exposed to Group risk, mainly the inability to settle inter-company balances in the normal course of business. From time to time it is necessary to maintain large inter-company balances as distributable reserves are moved up the Group.

The key financial risk to which the Company is exposed to is that the Company generates insufficient proceeds from its investments in subsidiaries or through the collection of its debtors due from its subsidiaries and other Group companies to satisfy its liabilities due to other subsidiaries of the Company. The most important components of this financial risk are market risk and credit risk.

The Company is exposed to foreign exchange risk as many of its assets and liabilities are denominated in non-functional currencies.

Residual currency risk is retained by the Company and managed by the Company's parent.

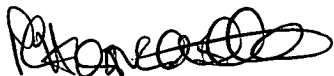
The Company is also exposed to valuation risk, primarily in relation to potential reductions in the value of its subsidiaries. Impairment reviews are performed on an annual basis to assess the carrying value of investments and in order to identify if impairment may have occurred.

**Going concern**

The financial position of the Company is disclosed on the statement of financial position on page 14. The directors have a reasonable expectation that the Company has adequate financial resources after taking account of the ongoing support from MS Amlin plc, to continue in operational existence for the foreseeable future.

The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Signed by order of the Board by:

A handwritten signature in black ink, appearing to read 'P C Horncastle', written over a horizontal line.

**P C Horncastle**

Director

27 June 2019

## Directors' Report

The directors present the Company's annual report and the audited financial statements for the year ended 31 December 2018.

### Results and Dividends

The loss on ordinary activities after taxation of the Company for the year ended 31 December 2018 amounted to £11,367k (2017: loss £642k), predominately related to the impairment of a loan provided to Amlin Netherlands Holdings BV. Full details of the loss are set out in the Statement of profit or loss on page 12 and the related notes.

The directors do not propose to pay a dividend for the year ended 31 December 2018 (2017: no dividend).

### Capital contribution

During the period, the Company's immediate parent, MS Amlin plc paid a capital contribution of £714k to the company in respect its reassignment of staff incentive schemes which were in place when it was a listed company.

Capital contribution in respect of:	£'000
MS Amlin Asia Pacific pte	341
Amlin Netherlands Holdings B.V.	370
MS Amlin (MENA) Limited	3
	<b>714</b>

### Directors

The current directors of the Company are shown on page 3. During the year and up to the date of signing, the following changes to the Board of Directors occurred:

<u>Name</u>	<u>Date of Appointment</u>	<u>Date of resignation</u>
J N Scofield	28 June 2018	23 September 2018

### Financial risk management

Details on management of financial risks are provided in note 6 of these financial statements.

### Directors' indemnity

MS Amlin plc has made third party indemnity provisions for the benefit of the directors of the Company. These indemnities remain in force at the date of this report.

### Political contributions

The Company made no political donations or incurred any political expenditure during the year (2017: £nil).

### Events after the reporting date

#### *Support from MS Amlin plc*

On 26 June 2019, MS Amlin plc confirmed it intends to provide financial and other support to the Company for at least 12 months from the date of approval of the financial statements.

### Statement on the disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

**Other information**

An indication of likely future developments in the business has been included in the Strategic Report on page 4.

**Independent auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Signed by order of the Board

A handwritten signature in black ink, appearing to read 'P C Horncastle', with a stylized, cursive flourish at the end.

**P C Horncastle**

Director

27 June 2019

## **Statement of Directors' responsibilities**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including, Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101").

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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

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 are responsible for 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, and 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.



## Independent Auditors' Report

### Opinion

We have audited the financial statements of MS Amlin (Overseas Holdings) Limited (the 'Company') for the year ended 31 December 2018 which comprise the statement of profit or loss, statement of changes in equity, statement of financial position and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework 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 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.

### Other matter

Uncertainties related to the effects of Brexit are relevant to understanding our audit. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of investment in subsidiary undertakings and debtors due from subsidiaries and related disclosures and the appropriateness of the going concern basis of preparation of the financial statement. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for the company and this is particularly the case in relation to Brexit.

### Going concern

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

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

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

### Strategic report and directors' report

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

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

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

#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 8, 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.

#### **Auditors' 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](http://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.



**William Greenfield**  
Senior Statutory Auditor  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

27 June 2019

## Statement of profit or loss

### For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Administrative expenses		(1)	–
<b>Operating loss</b>	<b>7</b>	<b>(1)</b>	<b>–</b>
Dividend income	9	1,442	–
Impairment charge	12	(12,843)	–
<b>Loss before taxation</b>		<b>(11,402)</b>	<b>–</b>
Tax on loss	10	35	(642)
<b>Loss for the financial year</b>		<b>(11,367)</b>	<b>(642)</b>

The attached notes and information on page 15 to 25 form an integral part of these financial statements. All activities relate to continuing operations.

## Statement of other comprehensive income

### For the year ended 31 December 2018

	2018 £'000	2017 £'000
Loss for the financial year	(11,367)	(642)
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign exchange gains on translation of foreign operations	388	1,613
<b>Total comprehensive (expense)/income for the year</b>	<b>(10,979)</b>	<b>971</b>

The total comprehensive expense for the year is fully attributable to the Company's parent company, being MS Amlin plc.

The attached notes and information on pages 15 to 25 form an integral part of these financial statements. All activities relate to continuing operations.

## Statement of changes in equity

### For the year ended 31 December 2018

	Share capital £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity and reserves £'000
<b>Opening balance 2017</b>	75,000	41,292	(16,323)	26,486	126,455
Loss for the year	–	–	–	(642)	(642)
Other comprehensive income for the year	–	–	1,613	–	1,613
Cancellation of shares	(40,000)	(41,292)	–	–	(81,292)
<b>Closing balance 2017</b>	<b>35,000</b>	<b>–</b>	<b>(14,710)</b>	<b>25,844</b>	<b>46,134</b>

	Share capital £'000	Share premium reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity and reserves £'000
<b>Opening balance 2018</b>	35,000	–	(14,710)	25,844	46,134
Loss for the year	–	–	–	(11,367)	(11,367)
Other comprehensive income for the year	–	–	388	–	388
Capital contribution	–	–	714	–	714
<b>Closing balance 2018</b>	<b>35,000</b>	<b>–</b>	<b>(13,608)</b>	<b>14,477</b>	<b>35,869</b>

The attached notes and information on pages 15 to 25 form an integral part of these financial statements. All activities relate to continuing operations.

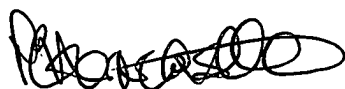
## Statement of financial position

### For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Investments in Group undertakings	11	1,991	1,277
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	619	8,260
Debtors: amounts falling due after one year	12	33,522	37,882
Cash at bank and in hand		60	49
		<b>34,201</b>	46,191
Creditors: amounts falling due within one year	13	(323)	(1,334)
		<b>(323)</b>	(1,334)
<b>Net current assets</b>		<b>33,878</b>	44,857
<b>Net assets</b>		<b>35,869</b>	46,134
<b>Equity</b>			
Called up share capital	14	35,000	35,000
Other reserves		(13,608)	(14,710)
Retained earnings		14,477	25,844
<b>Total shareholder's funds</b>		<b>35,869</b>	46,134

The attached notes and information on pages 15 to 25 form an integral part of these financial statements. All activities relate to continuing operations.

The financial statements on pages 12 to 14 were approved by the Board and authorised for issue on 27 June 2019. They were signed on its behalf by:



P C Horncastle

Director

MS Amlin (Overseas Holdings) Limited

Registered number: 5544533

## **Notes to the financial statements**

### **For the year ended 31 December 2018**

#### **1. General information**

The Company is a private company limited by shares and is incorporated in Great Britain and registered in England and Wales. The address of its registered office is The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AG.

#### **2. Basis of preparation**

The financial statements have been prepared on a going concern basis, under the historical cost convention, modified by the revaluation of financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with FRS 101 'Reduced Disclosure Framework' ("FRS 101") and the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirement in IAS 1 Presentation of Financial Statements to present comparative information in respect of Share capital, Intangible Assets and Property, Plant and Equipment.
- Disclosures in respect of capital management
- The requirement to present an additional balance sheet for the beginning of the earliest comparative period following a retrospective change in accounting policy, the correction of an error or the reclassification of items in the financial statements.
- The requirements of IAS 7 to disclose a Statement of Cash Flows and related notes.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors relating to the effects of new accounting standards which have been issued but which have not been applied in the period.
- The requirements of IAS 24 Related Party Disclosures in respect of the compensation of key management personnel.
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more wholly owned members of a group.
- Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of indefinite life intangible assets.
- The disclosures required by IFRS 7, "Financial instruments: Disclosure".
- Certain disclosures required by IFRS 13 Fair Value Measurement.
- Certain disclosures required by IFRS 15 Revenue from Contracts with Customers.

Except otherwise stated, all figures in these financial statements are presented in thousands of British Pounds Sterling (Sterling) shown as £k rounded to the nearest £1,000.

#### **Consolidation**

The Company is a wholly-owned subsidiary whose intermediate parent company is MS Amlin plc. The Company is exempt from producing consolidated financial statements by virtue of section 401 of the Companies Act 2006 as the ultimate parent company; MS&AD Insurance Group Holdings, Inc. produces publically available consolidated financial statements that include the results of the Company and its subsidiaries.

These financial statements are separate financial statements.

## **Notes to the financial statements**

### **For the year ended 31 December 2018**

#### **Going Concern**

Notwithstanding the loss of the year ended 31 December 2018 of £11,367k (2017: loss of £642k), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

MS Amlin plc has indicated its intention to make available such funds as are needed by the Company for at least twelve months from the approval of these financial statements and the directors are confident that MS Amlin plc will continue to support the Company in settling its liabilities and funding capital injections into the Company's subsidiaries for at least 12 months from the date of approval of the financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due and fund capital injections into the Company's subsidiaries for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### **3. Adoption of new and revised standards**

#### **(a) New Standards, amendments to published standards and interpretations effective on or after 1 January 2018**

No standards, including IFRS 9 Financial Instruments, adopted by the Company that became effective in the year had a material impact on the Company. Nonetheless these financial statements have been updated to reflect an enhanced accounting policy under IFRS 9 and revised disclosures where appropriate covering IFRS 9.

#### **IFRS 9**

The company has adopted IFRS 9 'Financial Instruments' with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 'Financial Instruments: Recognition and Measurement'. The nature and effects of the key changes to the company's accounting policies resulting from its adoption of IFRS 9 are summarised below.

#### **Classification of financial assets and financial liabilities**

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit and loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

For an explanation of how the company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see accounting policy note called 'Financial Investments'.

The adoption of IFRS 9 has not had a significant effect on the company's accounting policies for financial liabilities.

#### **Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

#### **Transition**

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as permitted in the transition arrangements included within IFRS 9. There are no differences between the previous carrying amounts and the carrying amounts on the date of initial application for any financial asset or



## Notes to the financial statements

### For the year ended 31 December 2018

financial liability nor any change in opening retained earnings balance to report. Consequently no such reconciliations have been presented.

#### **Classification of financial assets and financial liabilities on the date of initial application of IFRS 9**

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the company's financial assets and financial liabilities as at 1 January 2018:

	Note	Original classification under IAS 39	New classification under IFRS 9
<b>Financial assets</b>			
Debtors	11	Loans and receivables	Amortised cost
Cash and cash equivalents	10	Loans and receivables	Amortised cost
<b>Financial liabilities</b>			
Intercompany payables	12	Other financial liabilities	Other financial liabilities

There is no difference between the carrying amount of these assets under IAS 39 and under IFRS 9.

The company's accounting policies on the classification of financial instruments under IFRS 9 are set out in the accounting policy notes below. The application of these policies resulted in the reclassifications set out in the table above and explained below.

#### **Trade and other receivables**

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

#### **(b) Standards, amendments to published standards and interpretations early adopted by the Company**

The Company did not early adopt any Standards or Interpretations.

## **4. Critical accounting estimate and judgements and key sources of estimation uncertainty**

The preparation of the Company's financial statements requires management to consider judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management have made no significant judgements.

There are no key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## **5. Significant accounting policies**

Accounting policies have been applied consistently during the current and preceding year in dealing with items which are considered material in relation to the Company's financial statements.

#### **Administrative expenses**

Administrative expenses include auditor's remuneration, other sundry expenses and net foreign exchange gains/losses. It also includes the recharges made by another Group company, MS Amlin Corporate Services Limited for resources that have been provided to the Company, relating to the subsidiaries of the Company.

#### **Interest receivable and similar income**

Interest receivable and similar income comprises interest receivable on intra-group loans.

## Notes to the financial statements

### For the year ended 31 December 2018

#### Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax is based on taxable loss for the year. Taxable loss differs from net loss as reported in the Statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the substantively enacted tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the statement of profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity respectively.

#### Current assets

Current assets relate to loans and receivables due from other Group entities, cash and cash equivalents. These are assets that are expected to be realised within 12 months after the reporting period.

#### Foreign exchange

The functional and presentational currency of the Company is Sterling. Transactions denominated in foreign currencies are translated using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities are translated at the rates of exchange at the reporting date. Any exchange gains are included in interest receivable and similar income. Any exchange losses are included in interest payable and similar charges.

The Company has a branch in the Netherlands. The Branch has a functional currency of Euro. The results and financial position of the Branch are translated into Sterling in the Company's financial statements, in line with Group policy, as follows:

- assets and liabilities for the balance sheet presented are translated at the closing exchange rate at the date of the balance sheet;
- income and expenses for the profit and loss account are translated at the exchange rates prevailing at the date of each transaction, or a practical approximation to these rates; and
- on consolidation all resulting exchange differences are recognised through the statement of other comprehensive income.

	Average rate 2018	Average rate 2017	Year end rate 2018	Year end rate 2017
US dollar	1.34	1.29	1.28	1.35
Euro	1.13	1.14	1.11	1.13

## **Notes to the financial statements**

### **For the year ended 31 December 2018**

#### **Investment in subsidiaries**

Investments in subsidiaries are stated at cost less provision for any impairment in value. Investments held by the Company in subsidiaries denominated in foreign currencies are translated at historic rates of exchange.

#### **Financial assets – Policy applicable from 1 January 2018**

On initial recognition, a financial asset is classified as measured at: amortised cost; or FVTPL. The Company does not hold any financial assets measured at FVOCI.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

#### **Financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018**

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

#### **Financial assets – policy applicable before 1 January 2018**

#### **Impairment**

For financial assets and liabilities not at fair value through profit or loss, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of profit and loss for the year.

#### **Financial liabilities: Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

## **Notes to the financial statements**

### **For the year ended 31 December 2018**

#### **6. Management of financial risk**

The business of the Company is as an intermediate holding company for a number of the Group's overseas subsidiaries. The key financial risk to which it is therefore exposed is that the Company generates insufficient proceeds from its investments in subsidiaries or through the collection of its debtors due from Group companies to satisfy its liabilities due to its parent and other Group companies. The most important components of this financial risk are market risk and credit risk.

##### **a) Market risk**

###### **i) Interest rate risk**

Certain debts due from other Group companies are at floating rates of interest. The Company is therefore exposed to interest rate fluctuation. This does not have a material impact on the Company's profit for the year.

###### **ii) Currency risk**

The Company is exposed to currency risk as some of its assets and liabilities are denominated in non-functional currencies.

The foreign exchange gains on translation of foreign subsidiaries recognised in other comprehensive income for the year ended 31 December 2018 were £388k (2017: £1,613k gain). This reflects the movement in the Euro rate of exchange from 1.13 at the start of the year to 1.11 as at the balance sheet date. There were no options hedges in place in the current and prior reporting periods.

As at 31 December 2018, if sterling had strengthened/deteriorated by 10.0% against the Euro with all other variables held constant, the profit for the year would have reduced/increased by £nil (2017: £nil) and currency translation gains on overseas operations recognised in equity would have reduced/increased by £1,965k/£2,402k (2017: £3,654k/£4,467k) respectively.

###### **iii) Valuation risk**

The Company is exposed to valuation risk in the valuation of its subsidiaries, whereby impairment of the historical cost value may be applied as a result of a deterioration of the carrying value of the subsidiary. Annual impairment tests are performed to assess the carrying value of the subsidiaries.

##### **b) Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The key area where the Company is exposed to credit risk is in the collection of amounts due from other Group companies.

The Company manages this risk by entering into formal loan agreements when lending to other Group companies. However, not all balances have formal agreements in place. The concentration of credit risk is substantially unchanged from the prior year. No financial assets are past due or impaired at 31 December 2018; the Company also expects no significant losses from non-payment by its counterparties.

The maximum exposure to credit risk is the carrying amount of each asset as disclosed on the Company's balance sheet.

## Notes to the financial statements

### For the year ended 31 December 2018

#### 7. Operating loss

Operating loss is stated after charging:

	2018 £'000	2017 £'000
<b>Administrative expenses</b>		
Other administrative expenses	1	–
	1	–

In 2018, the fee for audit of the Company's financial statements was £5,202 (2017: £5,150). This was borne by a fellow Group company MS Amlin Corporate Services Limited.

The Company had no employees (2017: nil).

#### 8. Directors' remuneration

The directors of the company are also directors or employees of other companies within the MS Amlin Group. As such a proportion of the total emoluments have been allocated to the company. However this is not necessarily a reflection of the amount, if any charged to the Company by the company employing the Director. Only amounts in respect of qualifying services are disclosed in the table below.

The directors received the following proportionate total emoluments during their time in office:

	2018 £'000	2017 £'000
Directors' aggregate emoluments and benefits (except as noted below)	43	113
Amounts paid under long term incentive schemes	9	–
Employer's pension contribution	6	1
	58	114

Payments were made to one director (2017: one) in respect of defined benefit pension schemes and to three directors (2017: one) in respect of a defined contribution scheme. Three directors were a member of the long term incentive schemes (2017: three) and no directors exercised share options during the year (2017: nil).

During the year £nil (2017: £26k) was paid to a director for compensation for loss of office.

#### 9. Dividend Income

During the year the company received a dividend of £1,442k from MS Amlin Asia Pacific Pte Limited (2017: £nil).

## Notes to the financial statements

### For the year ended 31 December 2018

#### 10. Tax on profit on ordinary activities

##### a. Analysis of the tax charge for the year

	2018 £'000	2017 £'000
<b>Current Tax</b>		
UK corporation tax on losses for the year	(193)	(581)
Adjustments in respect of prior periods	227	4,182
<b>Total current tax credit</b>	<b>35</b>	<b>3,601</b>
<b>Deferred tax</b>		
Adjustments in respect of prior periods	–	(4,243)
<b>Total deferred tax charge</b>	<b>–</b>	<b>(4,243)</b>
<b>Tax charge on loss on ordinary activities</b>	<b>35</b>	<b>(642)</b>

##### b. Factors affecting the tax charge for the year

The tax assessed for the year varies from the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	(11,402)	–
Tax credit on loss on ordinary activities at the standard rate of corporation tax	2,166	–
Effects of:		
- Permanent differences	(2,358)	(581)
- Adjustment in respect of prior periods	227	(61)
<b>Tax charge on loss on ordinary activities</b>	<b>35</b>	<b>(642)</b>

The profits of the Company are subject to UK corporation tax, with double tax relief given for overseas tax paid. The overseas branch in the Netherlands is also subject to local corporate income tax in that territory and is taxed at the local statutory tax rates.

##### c. Factors that may affect future tax charge

Recent UK budgets have announced changes to the main rate of UK corporation tax. For the period end of 31 December 2018, the current UK tax rate of 19.0% applied and as from 2020 the rate will be reduced to 17.0%. Adjustments will be made in the corporation tax accrual for the current accounting year to reflect arms-length prices for transactions between the Company and related companies in the MS Amlin Group.

## Notes to the financial statements

### For the year ended 31 December 2018

#### d. Deferred tax

Deferred tax consists of the following:

	2018 £'000	2017 £'000
Non-UK tax losses	–	–
Deferred tax asset	–	–
At 1 January	–	4,124
Adjustments in respect of prior periods	–	(4,243)
Foreign exchange adjustments	–	119
At 31 December	–	–

#### 11. Investments in Group undertakings

	2018 £'000	2017 £'000
<b>Cost and net book value</b>		
At 1 January	1,277	1,274
Capital contribution	714	–
Foreign exchange adjustments	–	3
At 31 December	1,991	1,277

The directors believe that the carrying value of the investments is supported by their underlying net assets and discounted future cash flows.

Investments in Group undertakings are held as fixed assets and are those that the Company holds in other Group companies. At 31 December 2018 the investments in Group undertakings represents a 100% holding (unless stated otherwise) of the ordinary shares of:

Subsidiaries	Registered address
<b>Direct holdings in Group undertakings</b>	
MS Amlin Asia Pacific Pte. Limited	10 Collyer Quay, #10-01 Ocean Financial Centre, 049315, Singapore
MS Amlin Investment Management Limited	The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG, UK
MS Amlin Labuan Limited	Brumby Centre, Lot 42, Jalan Muhibbah, 87000, Labuan F.t., Malaysia
MS Amlin (MENA) Limited	Unit Office 301 & 401, Level 4, The Gate Precinct Building 2, Dubai International Financial Centre, Dubai, 506929, United Arab Emirates
Amlin Netherlands Holding BV	Van Heuven Goedhartlaan 939, 1181 LD Amstelveen, Netherlands
Amlin France Legacy Services	58 Bis Rue De La Boetie, 75008 Paris, France

#### Other holdings in Group undertakings

MS Amlin (India) Private Limited	Level 8, Vibgyor Towers, G Block, C62, Bandra Kurla Complex, Mumbai, Mumbai City, Maharashtra, 400051, India
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Note: MS Amlin (India) Private Limited (0.002%) joint shareholding with MS Amlin Underwriting Limited

#### Indirect holdings in Group undertakings

RaetsAsia P&L Services Pte Ltd	78 Shenton Way, #29-01, 079120, Singapore
MS Amlin Marine N.V.	Fascinatio Boulevard 622, 2909VA Capelle Aan Den IJssel, Postbus 8910, 3009AX, Rotterdam, Netherlands

## Notes to the financial statements

### For the year ended 31 December 2018

#### 12. Debtors

	2018 £'000	2017 £'000
<b>Amounts falling due within one year</b>		
Amounts owed by parent company	193	581
Amounts owed by other Group undertakings	270	7,679
<b>Amounts falling due after one year</b>		
Amounts owed by parent company	12,465	4,195
Amounts owed by other Group undertakings	21,213	33,687
<b>At 31 December</b>	<b>34,141</b>	<b>46,142</b>

The debtor balances have been separated between within one year and after more than one year, based on the timing of expected payments. This change was also made to 2017 balances as similar findings were made in a retrospective review.

Included within amounts owed by other Group undertakings is a Euro denominated loan to Amlin Netherlands Holdings B.V. of £34,056k (2017: £35,019k). This loan was initially used in the acquisition of MS Amlin Marine N.V. This loan has been impaired by £12,843k, reflecting the estimate of the associated loss on this loan and reporting a recoverable amount of £21,213k.

All other amounts owed are unsecured, have no fixed date of repayment and are payable on demand and are non-interest bearing.

#### 13. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
<b>Amounts falling due within one year</b>		
Amounts owed to parent company	–	623
Amounts owed to other Group undertakings	130	130
Current income tax liabilities	193	581
<b>At 31 December</b>	<b>323</b>	<b>1,334</b>

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment and are payable on demand and are non-interest bearing.

#### 14. Called up share capital

	2018 Number	2018 £'000	2017 Number	2017 £'000
<b>Allotted, called up and fully paid ordinary shares of £1 each</b>				
At 1 January	35,000,000	35,000	75,000,003	75,000
Cancellation of shares	–	–	(40,000,003)	(40,000)
<b>At 31 December</b>	<b>35,000,000</b>	<b>35,000</b>	<b>35,000,000</b>	<b>35,000</b>



## **Notes to the financial statements**

### **For the year ended 31 December 2018**

#### **15. Guarantees**

The Company's parent company entered into a debt facility with its banks on 5 May 2017 which provides an unsecured £400 million multicurrency revolving credit facility available by way of cash advances or letters of credit.

The facility is guaranteed by the Company and by another Group company, MS Amlin Corporate Services Limited. If the Company's parent company was unable to make repayments on this facility when due then the Company, together with MS Amlin Corporate Services Limited, would be liable to settle any overdue payments on demand.

As at 31 December 2018, the revolving credit facility was drawn down by £134.9m (2017: £264.0m).

By March 2019 MS Amlin plc fully repaid the £134.9 million liability from the prior year in various tranches. MS Amlin plc continues to use the revolving credit facility after the reporting date in a manner consistent with its terms.

#### **16. Ultimate parent company**

The Company's immediate parent company is MS Amlin plc, a company incorporated in Great Britain and registered in England and Wales. The smallest group in which the results of the company will be included is that of Mitsui Sumitomo Insurance Company Limited, a company incorporated in Japan. 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, which is also the immediate parent company address. The ultimate parent company address is Tokyo Sumitomo Twin Building (West Tower), 27-2, Shinkawa 2-chome, Chuo-ku, Tokyo, Japan. The address of Mitsui Sumitomo Insurance Company Limited is 9, Kanda-Surugadai 3Chome, Chiyoda-ku, Tokyo, Japan.

#### **17. Events after the reporting date**

##### *Support from MS Amlin plc*

On 26 June 2019, MS Amlin plc confirmed it intends to provide financial and other support to the Company for at least 12 months from the date of approval of the financial statements.