MS Amlin Underwriting Services Limited

Annual Report and Financial Statements

31 December 2020

Registered Number: 422615

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

Contents

Directors and officers

Directors
J P Macaulay

Company Secretary
J Simek

Registered office
The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AG

Independent Auditor
KPMG LLP
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Strategic report for the year ended 31 December 2020

The Directors of MS Amlin Underwriting Services Limited (the 'Company) present their Strategic report for the year ended 31 December 2020.

Business review and principal activities

With effect from 17 January 2020, the Company's parent is MS Amlin Holdings Limited (the 'parent'), a company registered and domiciled in the United Kingdom. The previous parent was MS Amlin Corporate Services Limited.

The parent is itself a wholly owned subsidiary of Mitsui Sumitomo Insurance Company Limited ('MSI'); with the ultimate parent company being MS&AD Insurance Group Holdings, Inc. ('MS&AD'). Both MSI and MS&AD are registered and domiciled in Japan. MSI and its subsidiaries are hereby referred to as the Group.

The principal activity of the Company is to underwrite insurance business on behalf of Syndicate 2001 at Lloyd's ('Syndicate 2001'), managed by MS Amlin Underwriting Limited, another Group company and MS Amlin Insurance S.E. ('MSAISE'), also a Group company. The Company underwrote pleasure craft (yacht) and marine trade insurance, livestock insurance and bloodstock insurance. The Company also wrote marine insurance business under the brand name Lead Yacht on behalf of a consortium of underwriters, including MSAISE.

The turnover for the yacht, marine trade, livestock and bloodstock business is generated from a 'cost plus' management fee agreement with Syndicate 2001 and MSAISE. The fee is based on their total expenditure (excluding interest and foreign exchange movements) with a mark-up of 2%.

The Lead Yacht business continues to receive underwriting commission averaging 3.6% of the gross premiums written on behalf of the consortium underwriters.

The financial performance and position of the Company is discussed in the Directors' report on page 6.

Following a strategic review by the MS Amlin Executive during 2019 it was announced that the livestock, bloodstock, yacht and marine trade operation were not core to the future operations. Subsequently the renewal rights of the livestock and bloodstock business was sold to David Ashby Underwriting Limited ('DAUL') on 1 January 2020 with DAUL providing run-off services in respect of the premium run-off.

The yacht business managed by the UK Yacht Centre was sold to the Aston Lark Group and completed on the 18th January 2021. The Aston Lark Group took on the renewal of the risks directly with policyholders and related staff employed by MS Amlin Corporate Services Limited transferred to the Aston Lark Group under Transfer of Undertakings (Protection of Employment) regulations to provide run-off services to ensure continuity for policyholders.

From the 1st January 2021, the responsibility for the renewal of Lead Yacht business will transfer from the Company to MS Amlin Marine N.V. another Group company.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future given the Company's net asset position at year end. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Principal risks and uncertainties and financial risk management

The principal risks to the Company were that it was unable to source insurance business on behalf of Syndicate 2001, MSAISE and consortium underwriters, related to which is the management fee income charged and the consortium commission income, and that the balances due on business placed become impaired.

The risk of being unable to source insurance business was mitigated through marketing of the business and strong broker relationships and the risk of balances becoming impaired is and was mitigated through a rigorous credit control process.

Disclosure of financial risk management policies is not considered material for the assessment of the Company's assets, liabilities, financial position and profit and loss.

Strategic report for the year ended 31 December 2020 (continued)

Brexit

The UK left the EU on 31 January 2020, with a 'transition' period to the end of 2020 for negotiating a new trade deal between the UK and EU. This was completed and came into effect on 1 January 2021.

MS Amlin continues to support its clients throughout the UK and Europe to the same high standard having aligned its European business to the new Lloyd's Brussels subsidiary since 1 January 2019. MS Amlin believes it has established the most effective foundation, to continue to support its clients throughout the UK and Europe with the same products and high level of service as it did pre-Brexit. This is also considered to mitigate the uncertainty in place as to the final terms of the UK's new relationship with the EU for financial services.

The Company continues to participate in the MS Amlin group wide response to Brexit, and at the present time, the Board do not consider that Brexit will materially impact the Company's going concern assessment.

COVID-19

The Company has considered the potential impact of the COVID-19 pandemic on its operations. As a service company, the Company is reliant upon the existence of the Managing Agent, MS Amlin Underwriting (MSAUL), MSAISE and Syndicate 2001, as going concerns for its own long term existence. A review of the impact of COVID-19 on MSAUL, MSAISE and Syndicate 2001 has concluded they will be able to operate as a going concern under all reasonably possible scenarios considered.

The Company is also dependent on the services provided by MS Amlin Corporate Services Limited (MSACS) to continue operating as a service company. A review of the impact of COVID-19 on MSACS concluded it will be able to operate as a going concern and continue to provide services to the Company under all reasonably possible scenarios considered. COVID has impacted all organisations in many ways. ACS have adapted their ways of working such that the vast majority of their staff are able to work from home.

The Company expects to be able to pay expenses as they become due, even in stressed scenarios. Based on the impact on related businesses there is expected to be limited impact to the demand for the services the company provides, 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.

Key performance indicators

The Directors of the Company do not believe that key performance indicators are necessary to understand the development, performance or position of the Company's business.

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.

Strategic report for the year ended 31 December 2020 (continued)

Section 172(1) Statement (continued)

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 ensure that the Board are assisted in considering key stakeholders as part of the process for setting strategy and making decisions by considering relevant stakeholder considerations as appropriate, for inclusion in board papers and in the information provided to the Board before Board meetings.

The Directors acknowledge that effective and meaningful engagement with stakeholders, and the positive performance against the Company's KPIs were key to promoting the success of the Company. Given the activities of the Company (and the fact that it has no employees), our key stakeholders are identified as MS Amlin Corporate Services Limited; Syndicate 2001, MS Amlin Underwriting Ltd and MSAISE (capacity providers); the Toro Prism Trust; our suppliers; the Company's regulators; the community; and the environment.

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 Directors aim to act as fairly as possible between stakeholders, but note that the company has a sole shareholder.

Employees
The Directors recognise that the Company has no employees, relying on MS Amlin Corporate Services Limited ('MSACS') employees for the management and execution of its operations. These employees are fundamental to the Company's long-term success and the Directors seek to promote the interests of all employees. Through employee surveys, the employee consultation forum and other engagement actions, such as town halls, the interests of employees are regularly evaluated by Directors. In addition, the Employee Assistance Programme provides expert and confidential support to employees in difficult circumstances and a comprehensive learning and development programme supports the different development needs of employees. During 2020 MSACS in conjunction with the Directors approved a Speak Up policy and process to complement all of the above.

The following paragraphs explain how these interests were considered in key strategic decisions during 2020.

During 2020, MSACS in conjunction with the Directors developed its future workplace strategy as a hybrid model of home and office working, thereby facilitating an optimisation of workplace footprint, together with a consolidation of office space in The Leadenhall Building and Amlin House. The proposed hybrid strategy is based on a model in which employees work from home more often, attending physical meetings in the office when needed and as appropriate. This proposal has been formulated based on both optimisation considerations as well as employee feedback. The amount of time an employee works from the office will depend on the nature of the employee's work, as well as employee wellbeing considerations.

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.

Approved by the Board and signed by order of the Board.

DocuSigned by:
John Macaulay
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J P Macaulay
Director
24 May 2021

Directors' report for the year ended 31 December 2020

The Directors present their report and the audited financial statements for the year ended 31 December 2020. Principal risks and management objectives are discussed on page 3 of the Strategic report under Principal risks and uncertainties and financial risk management.

Results and dividends

The profit for the financial year ended 31 December 2020 amounted to £1,156k (2019: £885k), full details of which are set out in the Statement of profit or loss on page 11 and the related notes.

The Statement of financial position on page 12 of the financial statements shows that the net assets of the Company at 31 December 2020 were £6,533k (2019: £5,377k).

No interim or final dividends were paid during the year (2019: £nil). The Directors have not proposed an interim dividend for 2020.

Directors

The current Directors of the Company at the date of approval of these financial statements are shown on page 2. During the year and up to the date of signing, the following changes to the Board of Directors occurred:

Name	Date of Resignation
S J Wilcox	30 April 2021

Directors' indemnity

MS Amlin Limited had previously made a qualifying third party indemnity provision for the benefit of the Directors of the Company, up to 31 March 2020. Since 1 April 2020, MS Amlin Corporate Services Limited has made a qualifying third party indemnity provision for the benefit of the Directors of the Company and these remain in force at the date of this report.

Political contributions

No political contributions were made during the year (2019: nil).

Disclosure of information to auditor

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

(1) so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) he or she has taken all the steps that he or she 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

Independent auditor

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.

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

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

Approved by the Board and signed by order of the Board.

DocuSigned by:
John Macaulay
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J P Macaulay
Director
24 May 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MS AMLIN UNDERWRITING SERVICES LIMITED

Opinion

We have audited the financial statements of MS Amlin Underwriting Services Limited ("the company") for the year ended 31 December 2020 which comprise the Statement of profit or loss, the Statement of financial position, the Statement of changes in equity and related notes, including the accounting policies in note 5.

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 profit 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.

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of management as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the non-complex nature of the management fees, underwriting commission and profit commission.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those journals posted by individuals who do not usually post journals, and entries posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

Auditor's responsibilities

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

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

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

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

DocuSigned by:

G Mc Farlane

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Garin McFarlane (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

24 May 2021

Statement of profit or loss
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue from contracts with customers	6	**4,187**	6,044
Administrative expenses		**(2,931)**	(4,981)
Operating profit		**1,256**	1,063
Interest receivable and similar income	7	**8**	60
Interest payable and similar charges	8	**(61)**	(61)
Profit on ordinary activities before taxation	9	**1,203**	1,062
Tax on profit on ordinary activities	11	**(47)**	(177)
Profit for the financial year		**1,156**	885

All activities were continuing throughout both the current and preceding year.

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents.

There were no other amounts recognised in comprehensive income either in the current or preceding year, other than those included in the Statement of profit or loss and therefore no Statement of comprehensive income has been presented.

The accompanying notes on pages 13 to 23 are an integral part of these financial statements

Statement of financial position
As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Current assets			
Debtors: amounts falling due within one year	12	**3,634**	2,741
Financial investments	13	**11,110**	8,978
Cash at bank and in hand		**15,666**	10,328
		30,410	22,047
Creditors: amounts falling due within one year	14	**(23,877)**	(16,670)
Net current assets		**6,533**	5,377
Net assets		**6,533**	5,377
Capital and reserves			
Called up share capital	15	**131**	131
Retained earnings		**6,402**	5,246
Total equity		**6,533**	5,377

The attached notes and information on pages 13 to 23 form an integral part of these financial statements, and were approved by the Board of Directors and authorised for issue on 29 April 2021. They were signed on its behalf by:

DocuSigned by:
John Macaulay
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J P Macaulay
Director
MS Amlin Underwriting Services Limited
Registered Number: 422615

Statement of changes in equity
For the year ended 31 December 2020

	Called-up share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2020	**131**	**5,246**	**5,377**
Profit for the financial year	-	1,156	1,156
Balance as at 31 December 2020	**131**	**6,402**	**6,533**

For the year ended 31 December 2019

	Called-up share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2019	131	4,361	4,492
Profit for the financial year	-	885	885
Balance as at 31 December 2019	131	5,246	5,377

The attached notes and information on pages 13 to 23 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2020

1 General information

The Company is a private company limited by shares and is incorporated and domiciled in England. 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 and with the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of share capital, Intangible Assets and Property, Plant and Equipment.
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements.
- The requirements of IAS 7 Statement of Cash Flows.
- 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 paragraphs 17 and 18A of IAS 24 Related Party Disclosures with regards to key management personnel.
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets in respect of the impairment of indefinite life intangible assets.
- The requirements of IFRS 7 Financial Instruments: Disclosures, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of 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.

Going concern

The Company's forecasts take account of reasonably possible changes in income and expenditure. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company has considered the potential impact of the COVID-19 pandemic on its operations. As a service company, the Company is reliant upon the existence of the Managing Agent, MSAISE, MS Amlin Underwriting (MSAUL) and Syndicate 2001, as going concerns for its own long term existence. A review of the impact of COVID-19 on MSAISE, MSAUL and Syndicate 2001 has concluded they will be able to operate as a going concern under all reasonably possible scenarios considered.

Notes to the financial statements for the year ended 31 December 2020 (continued)

2 Basis of preparation (continued)

Going concern (continued)

The Company is also dependent on the services provided by MS Amlin Corporate Services Limited (MSACS) to continue operating as a service company. A review of the impact of COVID-19 on MSACS concluded it will be able to operate as a going concern and continue to provide services to the Company under all reasonably possible scenarios considered.

The Company expects to be able to pay expenses as they become due, even in stressed scenarios. Based on the impact on related businesses there is expected to be limited impact to the demand for the services the company provides, 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.

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

3 New and amended standards adopted by the Company

There were a number of amended standards effective from 1 January 2020 but they do not have a material effect on the Company's financial statements.

The Company did not early adopt any Standards or Interpretations.

4 Critical accounting judgement and key sources of estimation uncertainty

Profit commission is deferred over a 24 month period based on estimated gross written premiums, ULR's and net of underwriting expenses.

The Company does not consider that there were any other areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

5 Accounting Policies

The principal accounting policies are summarised below and have been applied consistently throughout the current and prior years, other than where new policies have been adopted.

Revenue from contracts with customers

Commission due on business written is recognised when the underlying policies have incepted. Commission is accounted for after deduction of brokerage paid to intermediary brokers. Management fee income is recognised and charged based on actual underlying expenses incurred plus a mark-up of 2%.

Profit commission is recognised to the extent that additional commission is earned on premiums accounted to date, with adjustments to previous years of account once confirmed with interested parties following through the current year.

Interest receivable

Interest receivable on investments in money market funds is included in the Statement of profit or loss in the period it arises.

Other interest receivable and investment income are recognised on an accruals basis. Gains or losses on financial assets are included in investment income.

Notes to the financial statements for the year ended 31 December 2020 (continued)

5 Accounting Policies (continued)

Interest payable

Interest payable and similar charges comprises, bank charges from telegraphic transfers on funds.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the rates of exchange at the reporting date. Non-monetary assets and liabilities are translated at the rate prevailing in the year in which the asset or liability first arose or, where such items are revalued, at the latest valuation date. Foreign exchange differences are recognised within 'Administrative expenses'.

Taxation

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

The current tax is based on taxable profit for the year. Taxable profit differs from net profit 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 bases used in the computation of taxable profit, it is 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.

Financial assets

The Company classifies its financial assets at fair value through profit and loss. Purchases and sales of investments are recognised on the trade date, which is the date the Company commits to purchase or sell the assets. These are initially recognised at fair value, and are subsequently re-measured at fair value based on quoted bid prices. Transaction costs are recognised directly in the statement of profit or loss when incurred. Changes in the fair value of investments are included in the Statement of profit or loss in the year in which they arise.

Notes to the financial statements for the year ended 31 December 2020 (continued)

5 Accounting Policies (continued)

Loans and receivables

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of profit or loss when there is evidence that the asset is impaired. These are reversed when the triggering event that caused the impairment is reversed.

Trade debtors and creditors

The Company acts as an underwriting agent for various insurers and, as such, is not liable as principal for amounts arising from such transactions. In recognition of this relationship, debtors from these transactions are not included as an asset of the Company, other than the receivable for fees and commissions earned on the transactions. No recognition of the insurance transaction occurs until the Company receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client.

Impairments

Financial instruments

The company recognises loss allowances for expected credit losses ('ECLs') on financial assets measured at amortised cost.

The company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Notes to the financial statements for the year ended 31 December 2020 (continued)

5 Accounting Policies (continued)

Impairments (continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6 Revenue from contracts with customers

	2020	2019
	£'000	£'000
Underwriting commission	897	1,511
Charges to MS & AD Insurance Group companies	2,646	4,635
Profit commission	418	(102)
Other income	226	-
	4,187	6,044

All revenue arises from business conducted in the United Kingdom.

7 Interest receivable and similar income

	2020	2019
	£'000	£'000
Bank interest receivable	4	40
Realised/Unrealised investment income	4	20
	8	60

8 Interest Payable and similar charges

	2020	2019
	£'000	£'000
Bank charges	61	61

9 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2020	2019
	£'000	£'000
Auditor's remuneration for audit of these financial statements	19	16

Notes to the financial statements for the year ended 31 December 2020 (continued)

10 Directors' emoluments

The directors are also directors or employees of other companies within the 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:

	2020	2019
	£'000	£'000
Salaries and other short term benefits	**22**	44
Amounts received under cash based long-term incentive schemes	**-**	10
Employer's contribution to pension schemes	**3**	2
Termination benefits	**-**	8
	25	64

Payment was made to one director (2019: one) in respect of defined benefit pension schemes and to two directors (2019: two) in respect of defined contribution pension schemes. During the year, no directors were members of long-term incentive schemes (2019: three).

11 Tax on profit on ordinary activities

(a) Analysis of the tax charge in the year

	2020	2019
	£'000	£'000
Current Tax		
UK corporation tax charge on profit for the year	**199**	151
Adjustments in respect of prior years	**(151)**	25
Total current tax	**48**	176
Deferred tax		
Adjustments for the year	**-**	1
Adjustments in respect of prior years	**(1)**	-
Total deferred tax (see note 11 (d))	**(1)**	1
Tax charge on profit on ordinary activities	**47**	177

Notes to the financial statements for the year ended 31 December 2020 (continued)

11 Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019: lower) the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	2020	2019
	£'000	£'000
Profit on ordinary activities before taxation	**1,203**	1,062
Tax on profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	**229**	202
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	**(30)**	(50)
Adjustments in respect of prior periods for current and deferred tax	**(1)**	25
Adjustments in respect of prior periods for current and deferred tax: Group Relief	**(151)**	-
Tax charge on profit on ordinary activities	**47**	177

(c) Factors that may affect future tax charge

In the 3rd March 2021 budget it was announced that the UK main rate of corporation tax will increase to 25% from April 2023. This new rate will be applied to the figures in the financial statements when the rate increase is substantially enacted. Recognising deferred tax at the increased rate of 25% would result in an additional asset of £2k.

(d) Deferred tax asset

	2020	2019
	£'000	£'000
On decelerated capital allowances	**7**	6
	7	6
At 1 January	**6**	7
Adjustments for the year	**-**	(1)
Adjustments in respect of prior years	**1**	-
At 31 December (see note 12)	**7**	6

12 Debtors

	2020	2019
	£'000	£'000
Amounts falling due within one year		
Trade debtors	**922**	2,601
Amounts owed by group undertakings	**2,705**	134
Deferred tax asset (see note 11)	**7**	6
	3,634	2,741

Trade debtors are interest free and are receivable on demand.

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are receivable on demand.

Notes to the financial statements for the year ended 31 December 2020 (continued)

13 Financial investments

	At valuation 2020 £'000	At valuation 2019 £'000	At cost 2020 £'000	At cost 2019 £'000
Financial assets at fair value through profit or loss				
Participation in investment pools	**11,110**	8,978	**11,114**	8,984
Total financial assets	**11,110**	8,978	**11,114**	8,984

The Company has an objective of managing its exposure to financial risks including market risk, valuation risk, interest rate risk, liquidity risk, foreign exchange risk and credit risk. It does this without the use of hedging instruments. The nature of the financial assets and liabilities held is such that the value is not impacted significantly by changes in market conditions.

Financial assets held as current assets relate to investments in Investment pools. These assets are fair valued through profit or loss.

Market risk
Market risk concerns the risks associated with valuation, interest rates, liquidity and counterparty credit.

Valuation risk
The Company has only investments in money market funds. These funds are interest bearing and there is no valuation risk.

Interest rate risk
The Company has only investments in money market funds. These funds are exposed to decreases in interest rates, however the Company does not consider there to be significant interest rate risk.

Liquidity risk
The majority of the Company's liabilities are due within one year. Further details of this can be seen in note 14. The Company has a highly liquid investment portfolio that is more than sufficient to settle these liabilities. The Company does not consider there to be any significant liquidity risk.

Foreign exchange risk
The Company's functional and presentation currency is pound sterling. The Company holds assets and liability balances in major base currencies of pound sterling, euro, US dollar and Canadian dollar, and additional currencies of New Zealand dollar, and Australian dollar.

Foreign exchange exposure arises when business is written in non-functional currencies. These transactions are translated into the functional currency pound sterling at the prevailing spot rate once the premiums are received. Consequently there is exposure to currency movements between the exposure being written and the premiums being received. Payments in non-base currencies are converted back into the underlying currency at the time a claim is to be settled; therefore the Company is exposed to exchange rate risk between the claim being made and its subsequent settlement.

Credit risk
Credit risk is the risk that the Company becomes exposed to loss if a specific counterparty fails to perform its contractual obligations in a timely manner. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location.

The Company is exposed to credit risk in its investment portfolio. However this risk is managed through the credit research carried out by the investment manager. The investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. For each portfolio there are limits to the exposure to single issuers and to the total amount that can be held in each credit quality rating category, as determined by reference to credit rating agencies.

Notes to the financial statements for the year ended 31 December 2020 (continued)

13 Financial investments (continued)

Fair value hierarchy

For financial instruments carried at fair value the Company has categorised the measurement basis into a fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide readily and regularly available quoted prices.

Level 2: Inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs to a valuation model for the asset or liability that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions it is considered that market participants would use in pricing the asset.

There were no changes to the valuation techniques during the year.

Participation in investment pools
These are units held in money market funds and the value is based upon unadjusted, quoted and executable prices provided by the fund manager and classified as Level 2.

14 Creditors

	2020	2019
	£'000	£'000
Creditors: Amounts falling due within one year		
Trade creditors	**21,647**	15,828
Amounts owed to Syndicate 2001	**421**	733
Amounts owed to group undertakings	**1,809**	109
	23,877	16,670

Amounts owed to Trade creditors, Syndicate 2001 and other group undertakings are unsecured, have no fixed date of repayment, are payable on demand and are non-interest bearing.

15 Called up share capital

	2020	2019
	£'000	£'000
Allotted and fully paid		
131,000 (2019: 131,000) Ordinary shares of £1 each	**131**	131

Notes to the financial statements for the year ended 31 December 2020 (continued)

16 Ultimate parent company

The Company's immediate parent company is MS Amlin Holdings Limited, 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 Insurance Company Limited is 9, Kanda-Surugadai 3Chome, Chiyoda-ku, Tokyo, Japan.

17 Events after the reporting period

The sale of the yacht business managed by the UK Yacht Centre to the Aston Lark Group completed on the 18th January 2021. The Aston Lark Group took on the renewal of the risks directly with policyholders and related staff employed by MS Amlin Corporate Services Limited transferred to the Aston Lark Group under Transfer of Undertakings (Protection of Employment) regulations to provide run-off services to ensure continuity for policyholders.

From 1 January 2021, the responsibility for the renewal of Lead Yacht business will transfer from the Company to MS Amlin Marine.