

Swiss Re Management Ltd

2019 Annual Report

Swiss Re Management Ltd
8134 Zurich
Switzerland

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Board of Directors, Auditor

Board of Directors

John Dacey
Anette Bröder
Christian Mumenthaler

Auditor

PricewaterhouseCoopers Ltd

2019 Annual Report

Swiss Re Management Ltd

Swiss Re Management Ltd (the Company), is a wholly-owned subsidiary of Swiss Re Ltd, the ultimate parent company domiciled in Zurich, Switzerland. The Company's purpose is to provide business support services for Swiss Re Group entities. The Company is headquartered in Switzerland and in addition operates through branches in Slovakia and the United Kingdom.

Income Statement

Net income for 2019 amounted to CHF 18 million (2018: 18 million) and is mainly driven by the net result of revenues from services and administrative expenses of CHF 25 million and other revenue of CHF 3 million, partially offset by interest expense of CHF 10 million.

Assets

Total assets increased from CHF 663 million as of 31 December 2018 to CHF 997 million as of 31 December 2019.

Total current assets increased from CHF 484 million as of 31 December 2018 to CHF 562 million as of 31 December 2019 mainly due to an increase in receivables from subsidiaries and affiliated companies of CHF 55 million, an increase in other receivables of CHF 16 million and an increase in other prepaid expenses of CHF 5 million.

Total non-current assets increased from CHF 179 million as of 31 December 2018 to CHF 436 million as of 31 December 2019 due to a right of use asset of CHF 276 million recognized under a new accounting methodology for operating lease partially offset by a decrease in tangible assets of CHF 20 million.

Liabilities

Total liabilities increased from CHF 529 million as of 31 December 2018 to CHF 845 million as of 31 December 2019.

Short-term liabilities increased from CHF 334 million as of 31 December 2018 to CHF 379 million as of 31 December 2019 mainly due to an increase in other current liabilities of CHF 16 million, an increase of lease liability of CHF 45 million, an increase of accrued expenses of CHF 22 million, partially offset by a decrease of payables from subsidiaries and affiliated companies of CHF 21 million, a decrease in other payables of CHF 13 million and a decrease in tax provisions of CHF 5 million.

Long-term liabilities increased from CHF 194 million as of 31 December 2018 to CHF 466 million as of 31 December 2019 mainly due to a newly recognized long-term lease liability of CHF 229 million, an increase of subordinate loan of CHF 56 million, partially offset by a decrease of other provisions of CHF 18 million.

Shareholder's equity

Shareholder's equity increased from CHF 135 million as of 31 December 2018 to CHF 152 million as of 31 December 2019 driven by the net income for the financial year 2019 of CHF 18 million.

Income statement

Swiss Re Management Ltd

For the periods ended 31 December

CHF thousands	Notes	2018	2019
Operating result			
Operating revenues			
Revenue from services	2	1 729 050	1 733 211
Other revenue	2	8 579	3 155
Total operating revenues		1 737 629	1 736 366
Operating expenses			
Administrative expenses	2	-1 708 797	-1 707 736
Other operating expenses	2	-1 403	-247
Total operating expenses		-1 710 200	-1 707 983
Total operating result		27 429	28 383
Non-operating result			
Non-operating revenues			
Interest income		735	429
Total non-operating revenues		735	429
Non-operating expenses			
Interest expense		-4 712	-9 846
Other non-operating expenses		-283	-1 369
Total non-operating expenses		-4 995	-11 215
Total non-operating result		-4 260	-10 786
Income before income tax expense (benefit)		23 169	17 597
Income tax expense (benefit)		-5 469	45
Net income		17 700	17 642

The accompanying notes are an integral part of Swiss Re Management Ltd's financial statements.

Balance sheet

Swiss Re Management Ltd

As of 31 December

Assets

CHF thousands	Notes	2018	2019
Current assets			
Cash and cash equivalents		1 298	3 312
Receivables from subsidiaries and affiliated companies	3	415 881	470 766
Other receivables		698	16 584
Other prepaid expenses		66 359	71 132
Total current assets		484 236	561 794
Non-current assets			
Tangible assets		106 595	87 736
Right of use assets	5	-	275 537
Investments in subsidiaries and affiliated companies	4	72 424	72 423
Total non-current assets		179 019	435 696
Total assets		663 255	997 490

The accompanying notes are an integral part of Swiss Re Management Ltd's financial statements.

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Liabilities and shareholder's equity

CHF thousands	Notes	2018	2019
Liabilities			
Short-term liabilities			
Other payables		42 215	29 628
Payables to subsidiaries and affiliated companies	3	55 280	33 987
Tax provisions		6 122	1 625
Other current liabilities		163 655	179 869
Short-term lease liabilities	5	-	44 818
Accrued expenses		67 153	88 936
Total short-term liabilities		334 425	378 863
Long-term liabilities			
Loans	6	148 790	204 350
Provision for currency fluctuation		-	6 056
Long-term lease liabilities	5	-	228 650
Other provisions		45 491	27 380
Total long-term liabilities		194 281	466 436
Total liabilities		528 706	845 299
Shareholders' equity			
Share capital		100	100
<i>Legal reserves from capital contribution</i>		<i>100 000</i>	<i>100 000</i>
Legal capital reserves		100 000	100 000
Legal profit reserves		50	50
Voluntary profit reserves		16 699	34 399
Net income for the financial year		17 700	17 642
Total shareholders' equity		134 549	152 191
Total liabilities and shareholders' equity		663 255	997 490

The accompanying notes are an integral part of Swiss Re Management Ltd's financial statements.

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Notes

Swiss Re Management Ltd

1 Significant accounting principles

Basis of presentation

The financial statements are prepared in accordance with Swiss Law.

Time period

The financial year 2019 comprises the accounting period from 1 January 2019 to 31 December 2019.

Use of estimates in the preparation of annual accounts

The preparation of the annual accounts requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures. Actual results could differ from these estimates.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are converted into Swiss francs at year-end exchange rates with the exception of participations, which are maintained in Swiss francs at historical exchange rates. Income and expenses in foreign currencies are converted into Swiss francs at average exchange rates for the reporting year.

Cash and cash equivalents

Cash and cash equivalents include cash at bank, short-term deposits and certain investments in money market funds with an original maturity of three months or less. Such current assets are held at nominal value.

Receivables from subsidiaries and affiliated companies/other receivables

These assets are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Other prepaid expenses

Other prepaid expenses consist of both other expenditures incurred during the financial year but relating to a subsequent financial year, and revenues relating to the current financial year, but receivable in a subsequent financial year.

Investments in subsidiaries and affiliated companies

These assets are carried at cost less necessary value adjustments to reflect other than temporary decreases in the value in use.

Tangible assets

Tangible assets are carried at cost, less individually scheduled straight-line depreciation over their useful lives. Items of minor value are not capitalised.

Right of use assets

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. Starting from 1 January 2019, the Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets, consisting of capitalised development costs for software for internal use, are measured at cost less straight-line amortisation over the estimated useful life of software.

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Payables to third party / subsidiaries and affiliated companies/ other liabilities

These liabilities are carried at nominal value.

Accrued expenses

Accrued expenses consist of both income received before the balance sheet date but relating to a subsequent financial year, and charges relating to the current financial year but which are payable in a subsequent financial year.

Loans

Loans are carried at nominal value.

Provision for currency fluctuation

The provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the yearly revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end. These net impacts are recognised in the income statement over a period of up to three years. Where the provision for currency fluctuation is insufficient to absorb net foreign exchange losses for the financial year, the provision for currency fluctuation is reduced to zero and the excess foreign exchange loss is recognised in the income statement.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Starting from 1 January 2019, the Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Other provisions/Tax provisions

Other Provisions are recognised if there is an obligation in an event that took place prior to the balance sheet date, the amount and / or due date of which is uncertain but capable of being estimated. It also includes provision for staff costs and provision for taxation, which represents an estimate of taxes payable in respect of the reporting year.

Revenue from services

Revenue from services provided are recognised in the accounting period in which the services are rendered. The Company operates on a cost-plus pricing method in line with contractual agreements.

Dividends from subsidiaries and affiliated companies

Dividends from subsidiaries and affiliated companies are recognised as other non-operating revenues in the year in which they are declared.

Foreign exchange transaction gains and losses

Foreign exchange gains and losses arising from foreign exchange transactions are recognised in the income statement and reported net in other non-operating expenses or other non-operating income, respectively.

Administrative expenses

Staff costs, services and other charges are recognised as administrative expenses in the accounting period in which they are incurred by the Company.

Capital and indirect taxes

Capital and indirect taxes related to the financial year are included in other non-operating expenses. Value-added taxes are included in the respective expense lines in the income statement.

Income tax expense

The Income tax expense relates to the financial year under report.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 4 May 2020. This is the date on which the financial statements are available to be issued.

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2 Operating result

CHF thousands	2018	2019
Operating result		
Operating revenues		
Revenue from services	1 729 050	1 733 211
Other revenue	8 579	3 155
Total operating revenues	1 737 629	1 736 366
Operating expenses		
Administrative expenses including	1 708 797	1 707 736
Staff costs	591 013	569 173
IT expenses	327 538	343 145
Consulting & Contractors	89 344	105 831
Office costs	73 870	27 942
Intercompany recharges in	474 919	486 548
Depreciation	39 262	78 339
Travel expenses	17 883	18 196
Marketing	14 370	13 604
Other	80 598	64 958
Other operating expenses	1 403	247
Total operating expenses	1 710 200	1 707 983
Total operating result	27 429	28 383

3 Receivables / Payables from/to subsidiaries and affiliated companies

As of 31 December 2019	Receivable	Payable
CHF thousands		
Swiss Re Ltd	36 252	0
Subsidiaries	179	22 025
Affiliated companies	434 335	11 962
Total	470 766	33 987

As of 31 December 2018	Receivable	Payable
CHF thousands		
Swiss Re Ltd	36 530	0
Subsidiaries	267	23 772
Affiliated companies	379 084	31 508
Total	415 881	55 280

4 Investments in subsidiaries and affiliated companies

As of 31 December 2019 and 31 December 2018, the Company held directly the following investments in subsidiaries and affiliated companies, neither of these investments have been impaired at the balance sheet date:

As of 31 December 2019	Domicile	Currency	% Affiliation	% Voting Interest
Swiss Re Management Ltd (US) Corporation	Delaware	USD	100.00	100.00
Swiss Re Global Business Solutions India Private Limited	Bangalore	INR	0.01	0.01
Swiss Re Global Business Solutions India Private Limited	Bangalore	INR	99.99	99.99

5 Leases

The Company has entered into multiple agreements in the position of a lessee. The Company assesses whether a contract is or contains a lease, at inception of a contract.

As a result of a new lease accounting methodology, the Company has recognized the following amounts in its annual report:

in thousand of CHF	1 January 2019	31 December 2019
Balance sheet:		
Right-of-use asset	325 609	275 537
Lease liability	328 237	273 467
Income statement (for the year):		
Depreciation expense		51 200
Interest expense		437

The overview of contractual future lease liability payments are as follows:

in thousand of CHF	31 December 2019
within 1 year	44 818
1-5 years	149 642
over 5 years	80 434
Total	274 894

During the year 2019, some agreements have been amended and respective balance sheet positions have been prospectively remeasured.

6 Contingent liabilities

As of 31 December 2019, the Company provided a number of guarantees to its subsidiaries only in total amount of CHF 41 million (2018: CHF 42 million) in order to guarantee the leases of the offices occupied by the employees. These guarantees are not limited by a nominal amount but rather by the exposure of the underlying business.

The Company is part of the Swiss Re value added tax (VAT) group and is therefore jointly liable for existing and future VAT claims for the Swiss Federal Tax Administration.

7 Loans

In December 2015 the Company entered into an uncommitted subordinated revolving loan facility agreement of USD 300 million with its parent company Swiss Re Ltd.

As of 31 December 2019, the facility was drawn down in the amount of USD 211 million (CHF 204 million) with interest rate of 3M USD at Libor plus 2.00% and with maturity date of 6 January 2022.

in thousand of CHF	31 December 2019
within 1 year	7 251
1-5 years	218 370
over 5 years	0
Total	225 621

In December 2015 the Company entered into an uncommitted short-term investment facility agreement of USD 200 million with its parent company Swiss Re Ltd. The facility was not drawn down as of 31 December 2019.

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8 Commitments

Total off-balance-sheet commitments from other commitments, primarily from non-cancellable IT service contracts for the next five years and thereafter are as follows:

CHF thousands	2019 Other commitments
2020	56 989
2021	35 883
2022	26 717
2023	20 695
2024	30 340
After 2025	0
Total commitments	170 625
Non-cancellable sub-lease	0
Total net commitments	170 625

CHF thousands	2018 Operating lease commitments	2018 Other commitments
2019	52 289	64 933
2020	46 592	32 787
2021	42 702	27 264
2022	37 980	20 523
2023	36 650	50 114
After 2024	258 611	-
Total commitments	474 824	195 621
Non-cancellable sub-lease	-	-
Total net commitments	474 824	195 621

As of 31 December 2019 the accounting policy change as described in Note 1 the commitments for operating lease are disclosed as a liability in the balance sheet of a new accounting methodology for operating leases (Note 5).

9 Release of undisclosed reserves

In the financial years 2019 and 2018, no net undisclosed reserves were released.

10 Obligations towards employee pension fund

As of 31 December 2019, other current liabilities included CHF 5 million (2018: CHF 1 million) payable to the employee pension fund.

11 Personnel information

As of 31 December 2019, the Company employed staff at an average of 3 028 (2018: 3 069) full time equivalents. Personnel expenses including salary, bonus, social security and other personnel expenses for the financial year 2019 amounted to CHF 569 million (2018: CHF 591 million).

12 Subsequent events

On 21 February 2020, the Company purchased 100% participation in the company Emisum Investments AG ('Emisum') for CHF 2.3 million. On 18 March 2020, the Board of the Company approved the merger of Emisum into the Company, effective retroactively from 1 January 2020.

The rapid spread of the coronavirus, which has been declared a pandemic, and the actions being taken to contain it on an increasingly global basis have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. There is an increasing likelihood that the coronavirus and containment efforts could have adverse effects on the global economy and could possibly lead to a global recession. The Swiss Re Group is closely monitoring developments and the potential impact of the spread of infection and global responses, for example on asset prices and insurance exposures, as well as on its operations.

Proposal for allocation of disposable profit

The Board of Directors proposes to the Annual General Meeting to be held in Zurich on 4 May 2020 to approve the following allocations:

Retained earnings

CHF thousands	2018	2019
Retained earnings brought forward	-	-
Net income for the financial year	17 700	17 642
Disposable profit	17 700	17 642
Allocation to voluntary profit reserves	17 700	17 642
Retained earnings after allocation	-	-

Voluntary profit reserves

CHF thousands	2018	2019
Voluntary profit reserves brought forward	16 699	34 399
Allocation from retained earnings	17 700	17 642
Voluntary profit reserves after allocation	34 399	52 041

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Swiss Re Management Ltd
Adliswil

**Report of the statutory auditor
to the General Meeting
on the financial statements 2019**



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Report of the statutory auditor

to the General Meeting of Swiss Re Management Ltd

Adliswil

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Swiss Re Management Ltd (the 'Company'), which comprise the income statement, balance sheet and notes, for the year ended 31 December 2019.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's Articles of Association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Company's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the Company's Articles of Association.

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Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Frank Trauschke
Audit expert
Auditor in charge

Michael Stämpfli
Audit expert

Zurich, 4 May 2020

Enclosures:

- Financial statements (income statement, balance sheet and notes)
- Proposal for allocation of disposable profit


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Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact. Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Company's actual results, performance, achievements or prospects to be materially different from any future results, performance, achievements or prospects expressed or implied by such statements. Such factors include, among others:

- further instability affecting the global financial system and developments related thereto;
- changes in global economic conditions;
- uncertainties in estimating reserves;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other
- credit-related events;
- changes in accounting standards;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive.


Digitally signed by
Matthias Grass
Date: 28.04.2020
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