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Swiss Re Strategic Investments UK Limited

**Directors' report and financial statements
for the year ended 31 December 2012**

Registered number FC024409 (UK)

Registered number CR113738 (Cayman Islands)



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Directors' report

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2012

Principal activities and business review

Swiss Re Strategic Investments UK Limited ("the Company") is an investment company whose principal objective is to make and manage investments. It is envisaged that the Company will continue to make and manage investments.

In February 2012, the entire share capital in the Company (15,000 Ordinary shares) was sold by Swiss re Specialised Investment Holdings (UK) Limited ("SRSIH") to its immediate (and the Company's sister) subsidiary Ampersand Investments (UK) Limited ("Ampersand").

The Company issued 255 further ordinary shares to Ampersand in consideration for Ampersand transferring to the Company 2,473 ordinary shares in Swiss Re (Barbados) Finance Limited ("SRBFL"), SRBFL having a total of 6,000 ordinary shares in issue and holding at the time as its sole asset a £600m Eurobond originally issued by SRSIH. The investment in SRBF (and the consideration for the issuance to Ampersand) has a book value of £247,300,000.

Ampersand distributed its entire investment in the Company (15,255 ordinary shares) to SRSIH by way of a dividend. Accordingly the Company is currently directly and wholly owned by SRSIH.

The Company's results for the year show a loss for the financial year of £24,000 (2011: Loss of £18,000).

The Directors consider the results for the year to be satisfactory.

Dividends

Dividends amounting to £106,000 (£7.10 per share) (2011: nil) were declared and paid to ordinary shareholders during the year.

Financial risk management

Details of the Company's financial risk management policies can be found in note 12.

Directors and directors' interests

The Directors who held office during the year and up to the date of signing of the financial statements were as follows:

Sean Andrews (resigned 28 February 2013)

Drew Price

Nicholas Fogg (appointed 28 February 2013)

No Director had any interest in any material contract or arrangement with the Company during or at the end of the year.

Directors' report (*continued*)

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or financial position of the business

Principal place of business

The Company is managed and controlled in the UK. The offices of the Company and the location of board meetings during the year was 30 St Mary Axe, London EC3A 8EP

Principal risks and uncertainties

Refer to note 12 for details of the Company's financial risk management policies

Political and charitable contributions

The Company made no political or charitable contributions during the current or previous year

Directors indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors

Directors' report (*continued*)

Statement of Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with the Companies Act 2006 (as applicable to overseas companies), the United Kingdom Generally Accepted Accounting Practice ("UK GAAP") basis of preparation and accounting policies to discharge their stewardship obligations and fiduciary responsibilities in respect of the Company. The directors must not approve the financial statements unless they are satisfied that they have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in Note 2 to the financial statements. In preparing these financial statements, the directors have

- selected suitable accounting policies and then apply them consistently,
- made judgements and estimates that are reasonable and prudent,
- stated the basis of preparation and accounting policies applied,
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office

On behalf of the Board



Drew Price

Director

26 June 2013

Independent auditors' report to the Members of Swiss Re Strategic Investments UK Limited

We have audited the non-statutory financial statements of Swiss Re Strategic Investments UK Limited for the year ended 31 December 2012 which comprise the Profit and loss account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in the preparation of these financial statements is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 3), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared solely for the directors' private use to meet their stewardship obligations and fiduciary responsibilities in accordance with our engagement letter dated 17 May 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

Scope of the audit of the non-statutory financial statements

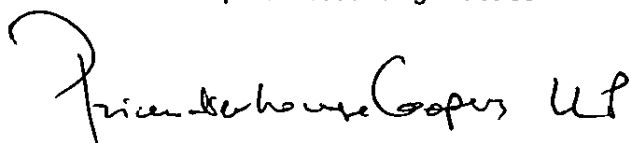
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditors' report to the directors of Swiss Re Strategic Investments UK Limited (*continued*)

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended, and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice



PricewaterhouseCoopers LLP
Chartered Accountants
London
28 June 2013

Profit and loss account
for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Investment income		-	-
Administrative expenses	3	(24)	(18)
Operating loss		<u>(24)</u>	<u>(18)</u>
Loss on ordinary activities before taxation		<u>(24)</u>	<u>(18)</u>
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	10	<u><u>(24)</u></u>	<u><u>(18)</u></u>

The Company has no recognised gains and losses other than the loss for the year. Accordingly no statement of total recognised gains and losses is presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

The Company's results are derived from continuing operations.

The notes on pages 8 to 14 form part of these financial statements.

Balance sheet
 as at 31 December 2012

	Note	2012 £000	2011 £000
Fixed Asset			
Investments	7	247,300	-
Current assets			
Debtors		4	-
Cash at bank and in hand		10	133
		<u>14</u>	<u>133</u>
Creditors amounts falling due within one year	8	(27)	(16)
Net current (liabilities) / assets		<u>(13)</u>	<u>117</u>
Net assets		<u>247,287</u>	<u>117</u>
Capital and reserves			
Called up share capital	9	11	11
Share premium account		247,300	-
Profit and loss account	10	(24)	106
Total shareholders' funds	11	<u>247,287</u>	<u>117</u>

The financial statements on pages 6 to 14 were approved by the Board of Directors on 26 June 2013 and were signed on its behalf by



Drew Price
 Director

Notes to the financial statements *(forming part of the financial statements)*

1 General information

Swiss Re Strategic Investments UK Limited ("the Company") is a company which makes and manages investments. The Company is a limited liability company incorporated in the Cayman Islands and domiciled, managed and controlled in the UK. The offices of the Company and the location of board meetings throughout the year were 30 St Mary Axe, London EC3A 8EP. The Company is not listed on any exchange. The Company is registered in the Cayman Islands under the registration number CR113738, and in the UK under registration number FC024409. Its registered office is PO Box 866 GT, Grand Cayman, Cayman Islands.

The financial statements were authorised for issue by the Board of Directors on 26 June 2013. Once approved, the financial statements cannot be amended without re-presenting them for approval by the Board.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared on a going concern basis under the Companies Act 2006 (as applicable to overseas companies) in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and under the historical cost accounting rules.

Cash flow statement

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking controlling 90% or more of the Company's voting rights includes the Company in its own published consolidated financial statements which are publicly available.

Overseas company

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to overseas companies.

Foreign currencies

Transactions in currencies other than the reporting currency of the entity are recorded at the rate of exchange prevailing on the date of transaction, with the exception of transactions covered by a matching forward contract, in which case the rate of exchange implied in the contract is used.

Monetary assets and liabilities in the balance sheet, other than those covered by matching forward contracts (see above), are restated at the prevailing exchange rate on the balance sheet date with any foreign exchange difference taken to the profit and loss account in the year. Non-monetary assets and liabilities are translated at the exchange rate prevailing on the date of transaction and are not retranslated.

Notes to the financial statements *(continued)*

Taxation

Tax payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items 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 balance sheet date.

Investment income

A business investing in financial instruments has no equivalent to turnover, cost of sales and gross profit. Investment income has been disclosed instead of turnover as this reflects more meaningfully the nature and the results of the Company's activities.

In computing income in respect of equity investments, dividends on shares carrying an entitlement of a fixed amount or at a fixed or pre-determined rate are recognised in the period to which such dividends relate. Other dividends (if any) are recognised only when declared.

Interest income and expense

Interest income and expense for all interest-bearing assets and liabilities is recognised in 'interest receivable' and 'interest payable' in the profit and loss account using the effective interest method.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the asset or liability or, when appropriate, a shorter period to the net carrying amount of the asset or liability.

Investments

Equity shares and other similar interests intended to be held on a continuing basis are disclosed as fixed asset investments. These are included in the balance sheet at cost, adjusted for any amortisation of premium or discount incurred at acquisition, or adjustments for any repayments of capital, on an appropriate basis over the period until the investments contracted or anticipated maturity. Provision is made for any permanent diminution in value.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the financial statements *(continued)*

3 Administrative expenses

	2012 £000	2011 £000
Legal fees	(4)	(3)
Audit fees	(20)	(15)
	<hr/>	<hr/>
	(24)	(18)
	<hr/>	<hr/>

4 Employees

The Company had no employees during the current or previous year, all services being provided by Swiss Re Services Limited, a Swiss Re Group company

5 Directors' emoluments

The Directors received no remuneration in respect of their services to the Company in the current or previous year

Notes to the financial statements *(continued)*

6 Tax on loss on ordinary activities

Analysis of charge in year

	2012 £000	2011 £000
Current tax	-	-
Tax on loss on ordinary activities	-	-

The current tax charge for the year differs from the standard rate of corporation tax in the UK
 The differences are explained below

	2012 £000	2011 £000
Factors affecting the tax charge for the current year		
Loss on ordinary activities before taxation	(24)	(18)
Loss on ordinary activities multiplied by the weighted average standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	(6)	(5)
<i>Effects of</i>		
Income of foreign affiliates subject to UK tax	12,429	-
Group relief received for no consideration	(266)	5
Losses brought forward utilised	(12,157)	-
Current tax charge for the year	-	-

On 21 March 2012, the Government announced a reduction in the rate of corporation tax to 24% with effect from 1 April 2012. This reduction was enacted on 26 March 2012. In addition, the Finance Act 2012, which passed into law on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013.

On 5 December 2012, the Government announced a further reduction in the main rate of corporation tax to 21% from 1 April 2014. In addition, on 20 March 2013 the Government announced a further reduction in the main rate of corporation tax to 20% from 1 April 2015.

The reduced rates of 21% and 20% had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements. The impact of these changes on future periods will be dependent on the level of taxable profit in those periods.

Notes to the financial statements *(continued)*

7 Investments

	2012 £000	2011 £000
Investment in group company	247,300	-

This represents the company's investment of 2,473 ordinary shares in Swiss Re (Barbados) Finance limited ("SRBFL") that were acquired in February in return for the company issuing 255 further ordinary shares to Ampersand, its then parent company

8 Creditors amounts falling due within one year

	2012 £000	2011 £000
Accruals and deferred income		
Accrued expenses	(27)	(16)

9 Called up share capital

	2012 £000	2011 £000
Authorised		
50,000 Ordinary shares of \$1 each	37	37
Allotted, called up and fully paid		
15,255 Ordinary shares of \$1 each (2011 15,000 Ordinary shares of \$1 each)	11	11

Each ordinary share carries one vote which may be exercised at general meetings of the Company. All share issues were made to finance the Company's investment activities.

In February the Company issued 255 ordinary shares to Ampersand in consideration for Ampersand transferring to the Company 2,473 ordinary shares in Swiss Re (Barbados) Finance Limited ("SRBFL"). These 255 ordinary shares were issued at a premium of £247,299,838 or £969,803 per share.

Notes to the financial statements *(continued)*

10 Profit and loss account

	2012 £000	2011 £000
As at January	106	124
Loss for the financial year	(24)	(18)
Dividends	(106)	-
	<hr/>	<hr/>
As at 31 December	(24)	106
	<hr/>	<hr/>

11 Reconciliation of movements in equity shareholders' funds

	2012 £000	2011 £000
Opening shareholders' funds	117	135
Loss for the financial year	(24)	(18)
Dividends	(106)	-
Share premium of issuance of ordinary share	247,300	-
	<hr/>	<hr/>
Closing shareholders' funds	247,287	117
	<hr/>	<hr/>

12 Financial risk management

The Company's activities at the balance sheet date potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Liquidity risk

Liquidity risk arises from the general funding needs of the Company's activities and in the management of its assets and liabilities. The Company's funding needs are met by cash on deposit. As such, the Company does not have exposure to liquidity risk.

Credit risk

The Company's exposure to credit risk arises from the possibility that counterparties may default on their obligations to the Company. The amount of the Company's maximum exposure to credit risk is indicated by the carrying value of its financial assets. At the balance sheet date the Company does not have any significant exposure to credit risk.

Notes to the financial statements (*continued*)

Price risk

Price risk represents the potential loss in value of portfolios and financial instruments caused by adverse movements in market variables such as interest and foreign exchange rates, credit spreads and equity and commodity prices. As the Company has no significant financial assets other than sterling cash it does not have significant exposure to price risk.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events. To monitor and control operating risk, the Group and the Company maintain a system of comprehensive policies and a control framework designed to provide a sound and well-controlled operational environment.

Interest rate risk

Interest rate risk is the risk of loss resulting from movements in interest rates. The Company does not hold any fixed interest positions at the balance sheet date and so does not have significant exposure to interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk of fluctuations in future cash flows arising from changes in foreign exchange rates. As the Company no longer had significant non-Sterling assets and liabilities at the balance sheet date it does not have significant exposure to foreign exchange risk.

13 Dividends

Dividends amounting to £106,000 (£7.10 per share) (2011: £nil) were declared and paid to ordinary shareholders during the year.

14 Related party disclosures

As 100% of the voting rights of the Company are controlled within the Swiss Re Group, the Company has taken advantage of the exemption within FRS 8 not to disclose transactions with entities which form part of the Swiss Re Group.

15 Ultimate parent undertaking

The immediate parent company is Swiss Re Specialised Investments Holdings (UK) Limited. The ultimate parent company and the ultimate controlling party is Swiss Re Ltd ("Swiss Re"), a company incorporated in Switzerland.

The smallest and largest group in which the results of the Company are consolidated is that headed by Swiss Re. The consolidated financial statements of the Swiss Re Group are available to the public and may be obtained from 30 St Mary Axe, London EC3A 8EP.