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Swiss Re Strategic Investments UK Limited

**Directors' report and financial statements
for the year ended 31 December 2015**



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 2015

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.

During the current year the Company sold its shares of Swiss Re (Barbados) Finance Limited ("SR(B)FL") to Swiss Re Principal Investment Company Ltd ("PICO") in exchange for a loan of £236,514,000.

The Company's results for the year show a profit for the financial year of £21,267,000 (2014 Profit of £13,164,000).

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

Dividends

No ordinary dividends (2014 £15,838,000) were declared or paid during the current year.

Future developments

There are no current plans to enter into any new deals in the near future.

Going concern

The Directors have considered the going concern position of the Company for a period of 12 months from the date of this report. The Directors believe the Company will continue to operate as a going concern, with liabilities falling due within the period to be met by the resources currently available to the Company or by alternative arrangements as described in the Liquidity Risk section of note 17.

Financial risk management

Details of the Company's financial risk management policies can be found in note 17.

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:

Drew Price

Nicholas Fogg (resigned 5 November 2015)

Stephen Hjorring (appointed 5 November 2015)

Kevin Purcell (appointed 5 November 2015)

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

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.

Directors' report (continued)

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

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 year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the non-statutory 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law). 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements
- prepare the non-statutory 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 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. 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.

Directors' report (continued)

Statement of disclosure of information to auditors

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

A handwritten signature in black ink, appearing to read 'Drew Price', with a long horizontal flourish extending to the right.

Drew Price
Director
15 June 2016

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

Report on the financial statements

Our opinion

In our opinion, Swiss Re Strategic Investments UK Limited's financial statements (the "financial statements")

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended, and
- have been properly prepared in accordance with United Kingdom Accounting Standards

What we have audited

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise

- the balance sheet as at 31 December 2015,
- the profit and loss account for the year then ended,
- the statement of changes in equity for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 2, 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) ("ISAs (UK & 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 for and only for the company's directors as a body for management purposes in accordance with our engagement letter dated 3 December 2015 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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers UK

PricewaterhouseCoopers LLP
Chartered Accountants
London

17 June 2016

Profit and loss account
 for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Net trading income	4	25,072	14,839
Administrative expenses	5	(35)	(35)
Operating profit		25,037	14,804
Interest receivable and similar income	8	360	-
Profit on ordinary activities before taxation		25,397	14,804
Tax on profit on ordinary activities	9	(4,130)	(1,640)
Profit for the financial year		21,267	13,164

The Company has no recognised gains and losses other than the profit for the financial year
 Accordingly no statement of comprehensive income is presented

The Company's results are derived from continuing operations

The notes on pages 9 to 18 form an integral part of these financial statements

Balance sheet
 as at 31 December 2015

	Note	2015 £000	2014 £000
Non-current assets			
Investments in group companies	10	-	211,442
Loans and receivables	11	236,514	-
		236,514	211,442
Current assets			
Debtors	12	2,072	5,270
Cash at bank and in hand		184	187
		2,256	5,457
Current Liabilities			
Creditors amounts falling due within one year	13	(604)	-
		(604)	-
Net current assets		1,652	5,457
Net assets		238,166	216,899
Capital and reserves			
Called up share capital	14	11	11
Share premium account	15	211,442	211,442
Retained earnings	16	26,713	5,446
Total shareholders' funds		238,166	216,899

The notes on pages 9 to 18 form an integral part of these financial statements

The profit and loss account, balance sheet, statement of changes in equity, and the notes to the financial statements on pages 6 to 18 were approved by the Board of Directors on 15 June 2016 and were signed on its behalf by



Drew Price
 Director

Statement of changes in equity
for the year ended 31 December 2015

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total Equity £000
Balance as at 1 January 2014	11	247,300	8,120	255,431
Profit for the financial year	-	-	13,164	13,164
Repayment of capital	-	(35,858)	-	(35,858)
Ordinary dividends paid	-	-	(15,838)	(15,838)
At 31 December 2014	11	211,442	5,446	216,899
Profit for the financial year	-	-	21,267	21,267
At 31 December 2015	11	211,442	26,713	238,166

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

1 General information

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 15 June 2016. Once approved, the financial statements cannot be amended without re-presenting them for approval by the Board.

2 Statement of compliance

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standards 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Accounting policies

The following accounting policies have been applied consistently in relation to the Company's financial statements.

Basis of preparation / Overseas company

The financial statements have been prepared on a going concern basis in accordance with section 396 of the Overseas Companies Regulation of 2009 and United Kingdom applicable accounting standards as issued by the UK Accounting Standards Board under historical cost convention. The financial statements were audited in accordance with International Standards on Auditing (UK and Ireland) as issued by the Financial Reporting Council.

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.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except where it is more likely than not that deferred tax assets will not be recoverable. Timing differences arise where transactions or events during the year result in an obligation to pay more tax in the future, or a right to pay less tax in the future.

Notes to the financial statements (continued)

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference

Net trading income

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

Dividend income from equity shares interests is not included in taxable profit as it is deemed non-taxable

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in 'net trading income', 'interest receivable and similar income' and 'interest payable and similar charges' in the profit and loss account using the effective interest method based on the nature of the underlying financial instrument

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant year. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial 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 and provisions are made for any permanent diminution in value

Administrative expenses

All administration, staff and pension costs, including audit fees, are incurred by Swiss Re Services Limited ("SRSL"), a Swiss Re Group company. SRSL makes a management charge to the Company for its share of these costs. This expense is recognised in the profit and loss account as it accrues

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments

Notes to the financial statements (continued)

Classification

The Company classifies its financial assets and financial liabilities as of 31 December 2015 as loans and receivables. The Company determines the classification of its investments at initial recognition. Loans and receivables are basic financial assets with fixed or determinable payments that are not quoted in an active market. These are initially recognised at transaction price and are subsequently carried at recognised cost using the effective interest method.

Recognition and derecognition

Purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are recognised on the trade date and derecognised when the obligation to pay cash flows have expired or have been transferred.

Measurement

Financial assets and financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs.

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.

Exemptions for qualifying entities under FRS 102

The Company's immediate parent undertaking is Swiss Re Specialised Investments Holdings (UK) Limited ("SRSIH"). The Company's ultimate parent company and ultimate controlling party is Swiss Re Ltd ("Swiss Re"). The intermediate parent company is registered in the United Kingdom and the ultimate parent company is registered in Switzerland. The Company's financial statements are included in the consolidated financial statements of Swiss Re, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 paragraph 1 12(b). The Company is also exempt under FRS 102 paragraph 1 12(e) from disclosing key management personnel compensation in total and disclosing related party transactions with other companies that are wholly owned within the Group according to FRS 102 paragraph 33 1A. Shareholders have been notified and have not objected to the exemptions. It is also the Company's intention to use these exemptions next year.

4 Net trading income

	2015	2014
	£000	£000
Gains from sale of SR(B)FL	25,072	-
Dividend from SR(B)FL	-	14,838
Interest on cash balance	-	1
	<u>25,072</u>	<u>14,839</u>

Notes to the financial statements (continued)

5 Administrative expenses

	2015 £000	2014 £000
Audit fees	(28)	(32)
Other expenses	(7)	(3)
	<u>(35)</u>	<u>(35)</u>

6 Employees

The Company had no employees during the current or previous year

7 Directors' emoluments

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

8 Interest receivable and similar income

	2015 £000	2014 £000
Interest receivable from Group companies	<u>360</u>	-

See details of underlying loan in note 11

Notes to the financial statements (continued)

9 Tax on profit on ordinary activities

Analysis of charge in year

	2015 £000	2014 £000
Current tax:		
Tax on profit on ordinary activities	(573)	-
	<u>(573)</u>	<u>-</u>
Deferred Tax:		
Changes in tax rates	(319)	(6)
Origination and reversal of timing differences	(3,238)	(1,634)
Total deferred tax charge for the year	<u>(3,557)</u>	<u>(1,640)</u>
Tax charge on profit on ordinary activities	<u>(4,130)</u>	<u>(1,640)</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 20.25% (2014: 21.5%). The differences are explained as follows:

	2015 £000	2014 £000
Profit on ordinary activities before taxation	<u>25,397</u>	<u>14,804</u>
Profit on ordinary activities multiplied by the weighted average standard rate of corporation tax of 20.25% (2014: 21.5%)	(5,143)	(3,184)
Effects of:		
Capital gains not subject to corporation tax	5,077	-
Non-taxable income	-	3,190
Income of foreign affiliates subject to UK tax	(1,436)	(1,726)
Creditable tax on income of foreign affiliates	81	86
Changes in tax rates	(319)	(6)
Losses carried forward with no value	(2,390)	-
Total tax charge for the year	<u>(4,130)</u>	<u>(1,640)</u>

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is nil (2014: nil).

During the year the UK corporation tax rate was decreased. Following Budget 2015 announcements, there will be a further reduction in the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020.

Notes to the financial statements (continued)

Deferred taxation provided for at the respective enacted rates falling to 18% (2014 20%) in the financial statements is set out below

Deferred Tax

	2015 £000	2014 £000
At the beginning of the year	5,270	6,910
Change in deferred tax rate	(266)	-
Rate differential due to scheduling for future years	(53)	(6)
Movement in the year	<u>(3,238)</u>	<u>(1,634)</u>
At the end of the year	<u>1,713</u>	<u>5,270</u>
	2015 £000	2014 £000
Tax losses carried forward to be set against future taxable profits	<u>1,713</u>	<u>5,270</u>

The net deferred tax asset expected to reverse in 2016 is £708,000 (2014 £1,608,000) This primarily relates to the offsetting of unused tax losses carried forward against profits generated from the interest income from PICO

In addition to the deferred tax asset recognised in this year, there are further tax losses within the company of £2,390,000 (2014 nil) that are available indefinitely for offset against future taxable profits of the Company. Deferred tax assets have not been recognised in respect of these losses as it is uncertain there will be future taxable profits beyond the deferred tax asset already recognised that can be offset against such losses. There are also capital gains tax losses within the company of £53,792,954 (2014 £61,274,000) that are available for offset against future chargeable gains of the Company

10 Non-current assets, investments in group companies

	2015 £000	2014 £000
As at 1 January	211,442	247,300
Repayment of capital	-	(35,858)
Sale of SR(B)FL	<u>(211,442)</u>	<u>-</u>
As at 31 December	<u>-</u>	<u>211,442</u>

The Company sold its entire holding of SR(B)FL to PICO on 23 November 2015

Notes to the financial statements (continued)

11 Loans and receivables

	2015 £000	2014 £000
Funds advanced to Group companies	236,514	-

On 23 November 2015 the Company issued a loan to PICO which served as the proceeds of the sale of the Company's shares of SR(B)FL to PICO. £236,514,000 has been lent at a fixed rate of 1.42%. The interest will be capitalised every 3 months and the loan will mature on 15 June 2018.

12 Debtors

	2015 £000	2014 £000
Amounts falling due within one year		
- Deferred tax	708	1,608 *
Amounts falling due after one year		
- Deferred tax	1,005	3,662 *
- Interest on funds advanced to Group companies	359	-
	2,072	5,270

*Restated due to reclassification from amounts falling due within one year to amounts falling due after one year – total debtors remains unchanged

13 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Accruals and deferred income		
Corporation tax	(573)	-
Accrued expenses	(31)	-
	(604)	-

Notes to the financial statements (continued)

14 Called up share capital

	2015 £000	2014 £000
Authorised		
50,000 (2014 50,000) Ordinary shares of \$1	<u>37</u>	<u>37</u>
Allotted, called up and fully paid		
15,255 (2014 15,255) Ordinary shares of \$1	<u>11</u>	<u>11</u>

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.

15 Share premium account

Opening share premium account	211,442	247,300
Repayment of capital	-	(35,858)
Closing share premium account	211,442	211,442

16 Retained earnings

	2015 £000	2014 £000
At 1 January	5,446	247,300
Profit for the financial year	21,267	13,164
Dividends paid	-	(15,838)
At 31 December	26,713	5,446

17 Financial risk

(a) 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. At the balance sheet date, the Company's liabilities are almost entirely a one-time tax liability as a result of a tax law change. The Company can generate the necessary cash to make this payment by issuing new shares, requesting additional share premium, borrowing from another Group company, or selling assets. Therefore, there is minimal liquidity risk.

Notes to the financial statements (continued)

Credit risk

The Company's exposure to credit risk arises from the possibility that counterparties may default on their obligations to the Company. The Company manages its credit risk by minimising its exposure to external counterparties. 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 majority of the Company's credit risk is associated with its loan to PICO. PICO is a member of the Swiss Re Group which has a Best's financial strength rating of A.

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. At the balance sheet date the Company does not have any significant exposure to price risk.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human errors or external events. To monitor and control operating risk, Swiss Re 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. At the balance sheet date, the Company holds a loan with PICO which pays a fixed rate of interest. The Company has no liabilities that pay based on interest rates so there is minimal 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 has significant non-Sterling assets and liabilities at the balance sheet date, it does not have significant exposure to foreign exchange risk.

(b) Capital management

The Company regularly assesses its financial resources, including capital resources and liquidity to ensure that they are adequate in both amount and quality, so that there is no significant risk that its liabilities cannot be met as they fall due.

The Company regards its net assets as its capital. The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern, and to manage its market risk, interest rate risk and credit risk and its cost of capital. To maintain or adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, request additional share premium, or sell assets to reduce its liabilities. To manage its market risk and credit exposure the Company lends only to, and invests in, highly rated counterparties and regularly monitors those credit ratings.

The Company does not have any externally imposed capital requirements.

Notes to the financial statements (continued)

18 Dividends

No dividends (2014 £15,838,000) were declared or paid during the current year

19 Ultimate parent undertaking

The immediate parent company is Swiss Re Specialised Investments Holdings (UK) Limited ("SRSIH"). 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.

20 Post balance sheet date events

The Company has evaluated whether events or transactions have occurred after 31 December 2015 that would require recognition or disclosure in these financial statements through 15 June 2016, which is the issuance date of these financial statements. There are no subsequent events that have had a material effect on the Company.

21 Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014.

There is nothing to report on the transition statement for the profit and loss account, balance sheet, and statement of changes in shareholder equity and therefore they are not presented in the note.