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Swiss Re Strategic Investments UK Limited

Directors' report and financial statements
for the year ended 31 December 2018

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Registered number CR113738 (Cayman Islands)

Swiss Re Strategic Investments UK Limited
Directors' report and financial statements
31 December 2018

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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 2018.

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. The company was made dormant in 2019.

Project Virgo was terminated in June 2018 and was centred on a £600,000,000 Eurobond which was held by Swiss Re (Barbados) Finance Limited ("SRBFL"). The Company's involvement in the deal was limited to the repayment of share premium and reserves in the form of a final dividend as well as a loan repayment to Ampersand Investments (UK) Limited ("Ampersand").

The Company's results for the year show a profit for the financial year of £968,000 (2017: £2,649,000).

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

Dividends

Dividends were declared and paid to Swiss Re Specialised Investments Holdings (UK) Limited ("SRSIH") of £2,962,687 in 2018 (2017: £30,000,000).

A dividend of £214,360,024 was declared by the Company on 12 June 2018, comprising of distributable share premium of £211,441,337 and retained earnings of £2,918,687. Following this, Share Premium was reduced to nil (Note 12). This dividend was paid on 15 June 2018. On 5 November 2018, the Company declared a further dividend of £44,000, which was paid on 6 December 2018.

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 14.

Financial risk management

Details of the Company's financial risk management policies can be found in note 14.

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
Stephen Hjörning
Damon Lambert
Ian Bullock

Directors' report (continued)

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.

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 in respect of the financial statements

The directors are responsible for preparing the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice for management purposes.

The directors must not approve the financial statements unless they are satisfied that the financial statements 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 the financial statements, the directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- making judgements and accounting estimates that are reasonable and prudent; and
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors 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.

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.

Swiss Re Strategic Investments UK Limited
Directors' report and financial statements
31 December 2018

On behalf of the Board

A handwritten signature in black ink, appearing to read "Drew Price". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Drew Price
Director
10 September 2019

**Statement of income and retained earnings
 for the year ended 31 December 2018**

	Note	2018 £000	2017 £000
Net interest income	4	1,354	3,370
Operating profit		1,354	3,370
Administrative expenses	5	(72)	(30)
Profit on ordinary activities before taxation		1,282	3,340
Tax on profit on ordinary activities	7	(314)	(691)
Profit for the financial year		968	2,649
Retained earnings at 1 January		1,994	29,345
Dividends paid to SRSIH	13	(2,962)	(30,000)
Retained earnings at 31 December		-	1,994

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

The Company's results are derived from discontinued operations.

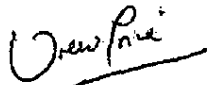
The notes on pages 6 to 13 form an integral part of these financial statements.

Balance sheet
 as at 31 December 2018

	Note	2018 £000	2017 £000
Current assets			
Loans and receivables	8	-	243,694
Debtors	9	-	314
Cash at bank and in hand		-	34
		-	<u>244,042</u>
Current Liabilities			
Creditors: amounts falling due within one year	10	-	(30,595)
		-	<u>(30,595)</u>
Net current (liabilities)/assets		-	<u>213,447</u>
Net assets			
Capital and reserves			
Called up share capital	11	-	11
Share premium account	12	-	211,442
Retained earnings	13	-	1,994
Total shareholders' funds		-	<u>213,447</u>

The notes on pages 6 to 13 form an integral part of these financial statements.

The statement of income and retained earnings, balance sheet, and the notes to the financial statements on pages 4 to 13 were approved by the Board of Directors on 10 September 2019 and were signed on its behalf by:



Drew Price
 Director

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 CR1 13738, 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 10 September 2019. 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").

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.

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)

3 Accounting policies (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.

Net interest income

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

Interest income and expense for all interest-bearing financial instruments are recognised in 'net interest income' in the statement of income and retained earnings 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.

Administrative expenses

All administration, staff and pension costs, including audit fees, are incurred by Swiss Re Management Limited ("SRML"), a Swiss Re Group company. SRML 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.

Classification

The Company classifies its financial assets and financial liabilities as of 31 December 2018 as loans and receivables, debtors and creditors. 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.

Notes to the financial statements (continued)

3 Accounting policies (continued)

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. There were no critical accounting estimates and judgements during the year.

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 immediate 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 Interest Income

	2018 £000	2017 £000
Interest receivable from Group companies	1,567	3,453
Interest payable to Group companies	(213)	(83)
	<u>1,354</u>	<u>3,370</u>

5 Administrative expenses

	2018 £000	2017 £000
Accrued expenses - audit fee for PWC	-	(22)
Operating expenses - recharges from SRML	(10)	(7)
Management and cost bearing agreement	(62)	(1)
	<u>(72)</u>	<u>(30)</u>

In December 2018 the Company entered into an arrangement with its immediate parent company, SRSIH, whereby SRSIH will bear all future costs, receive all future revenues, and act as agent of the Company until such time as it is wound up or the Company is recapitalised.

Notes to the financial statements (continued)

6 Employees

The Company had no employees during the current or previous year.

7 Tax on profit on ordinary activities

Analysis of charge in year

	2018 £000	2017 £000
Deferred Tax:		
Adjustments in respect of previous periods	(70)	(44)
Origination and reversal of timing differences	(244)	(647)
Total deferred tax charge for the year	<u>(314)</u>	<u>(691)</u>
Tax charge on profit	<u>(314)</u>	<u>(691)</u>

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the United Kingdom at 19.00% (2017: 19.25%). The differences are explained as follows:

	2018 £000	2017 £000
Profit before taxation	1,282	3,340
Profit on ordinary activities multiplied by the weighted average standard rate of corporation tax of 19.00% (2017: 19.25%)	(244)	(647)
Effects of:		
Adjustments in respect of previous periods	(70)	(44)
Total tax charge for the year	<u>(314)</u>	<u>(691)</u>

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is *£nil* (2017: *£nil*).

Legislation has been enacted to further reduce the main UK corporation tax rate to 19% with effect from 1 April 2017 to 31 March 2020 and 17% from 1 April 2020.

Notes to the financial statements (continued)

7 Tax on profit on ordinary activities (continued)

Deferred taxation provided for at the respective enacted rate at 17% (2017: 17%) in the financial statements is set out below:

Deferred Tax	2018	2017
	£000	£000
At the beginning of the year	314	1,005
Movement in the year	(314)	(647)
Adjustments in respect of prior periods	-	(44)
At the end of the year	-	314
	2018	2017
	£000	£000
Tax losses carried forward to be set against future taxable profits	-	314

The amount of the net reversal of deferred tax expected to occur next year is £nil (2017: £313,743), relating to the utilisation of brought forward management expense losses.

There is deferred tax unprovided of £2,397,208 (2017: £2,330,783) on further losses 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 any such losses. There is also deferred tax unprovided of £50,668,158 (2017: £50,668,158) on capital gains tax losses that are available for offset against future chargeable gains of the Company.

8 Loans and receivables

	2018	2017
	£000	£000
Funds advanced to Group companies	-	243,533
Interest on funds advanced to Group companies	-	161
	-	<u>243,694</u>

On 23 November 2015 the Company issued a loan to Swiss Re Principal Investments Company Ltd ("PICO") which served as the proceeds of the sale of the Company's shares of SRBFL to PICO. £236,514,000 was lent at a fixed rate of 1.42%. The interest was capitalised every 3 months and the loan matured on 15 June 2018.

Notes to the financial statements (continued)

9 Debtors

	2018 £000	2017 £000
Amounts falling due within one year		
- Deferred tax	-	314
	<u>-</u>	<u>314</u>

10 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Amounts falling due within one year	-	(30,000)
Corporation tax	-	(573)
Accrued expenses	-	(22)
	<u>-</u>	<u>(30,595)</u>

11 Called up share capital

	2018 £000	2017 £000
Authorised		
50,000 (2017: 50,000) Ordinary shares of \$1	<u>37</u>	<u>37</u>
Allotted, called up and fully paid		
1 (2017: 15,255) Ordinary shares of \$1	<u>-</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.

12 Share premium account

	2018 £000	2017 £000
Opening share premium account	211,442	211,442
Return of share premium	(211,442)	-
Closing share premium account	<u>-</u>	<u>211,442</u>

Notes to the financial statements (continued)

13 Retained earnings

	2018 £000	2017 £000
At 1 January	1,994	29,345
Profit for the financial year	968	2,649
Dividends paid to SRSIH	<u>(2,962)</u>	<u>(30,000)</u>
At 31 December	<u>-</u>	<u>1,994</u>

Dividends were paid to SRSIH during 2018 and 2017.

14 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 does not have any significant 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 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 Company does not have any significant exposure to credit risk.

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 and credit spreads. 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.

Notes to the financial statements (continued)

14 Financial risk (continued)

Interest rate risk

Interest rate risk is the risk of loss resulting from movements in interest rates. 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.

15 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.

16 Post balance sheet date events

The Company has evaluated whether events or transactions have occurred after 31 December 2018 that would require recognition or disclosure in these financial statements through date 10 September 2019, which is the issuance date of these financial statements.