Swiss Re

Swiss Reinsurance Company UK Limited
Annual Report 2005

Contents

Directors and Officers

Board of Directors as at 21 March 2006	Allan Bridgewater	Independent Non Executive Director and Chairman
	Jacques Aigrain	Non Executive Director
	Martin Albers	Non Executive Director
	Dr Catherine Bell	Independent Non Executive Director
	John R Coomber	Non Executive Director
	William Dalton	Independent Non Executive Director
	John Fitzpatrick	Non Executive Director
	Ann F Godbehere	Non Executive Director
	Richard Hudson	Independent Non Executive Director
	Michel M Liès	Non Executive Director
	Martyn Parker	Non Executive Director
	Peter Ward	Independent Non Executive Director
	Walter Wickli	Executive Director
Company Secretary	Iain F Campbell	

Executive Team as at 21 March 2006	Walter Wickli	Chief Executive Officer
	Philippe Regazzoni	Market Unit Head / Deputy CEO
	Clare Bousfield	Chief Financial Officer
	Hugo Brown	Head of Client Team (Financial Institutions)
	David Chambers	Head of Client Team (UK Globals & Ireland)
	Deborah Chesney	Head of Claims and Liability Management
	Trevor Marley	Head of Underwriting (P&C London Hub)
	Emmanuel Uhlhorn	Head of Actuarial Services
Auditors	PricewaterhouseCoopers LLP Southwark Towers 32 London Bridge Street London SE1 9SY	
Registered Office	30 St Mary Axe London EC3A 8EP Telephone 020 7933 3000 Fax 020 7933 5000	
Company Registration Number	953475	

Directors' Report

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2005.

Principal activity

The principal activity of the Company continues to be the transaction of all classes of general reinsurance business.

Directors

The names of the current Directors are listed on page 2. The following persons served as Directors until their resignations: Sir Colin Campbell (28 April 2005), Mr J Dubois (28 April 2005) and Mr R de Fluiter (31 July 2005). Appointed as Directors were Mr M Albers (1 January 2006), Mr W Dalton (1 July 2005), Mr R Hudson (1 July 2005), Mr M Parker (1 January 2006) and Mr W Wickli (1 August 2005).

None of the Directors held any disclosable interest in the shares of the Company, Swiss Re GB Plc or any of its subsidiary companies during the year.

Results and Dividends

The results for the year are set out on pages 9 and 10. The Directors recommend that no dividends be declared on the ordinary shares. The following dividends were declared but not distributed on the preference shares: £1.8 million on the 7% cumulative preference shares (2004: £1.8 million not distributed).

Donations

The Company made no political contributions during the year (2004: £ nil). Donations to UK charities were dealt with through Swiss Re Services Limited in 2005 and 2004.

Acquisition

On 18 November 2005, Swiss Reinsurance Company, the ultimate parent company, announced that it had agreed to acquire GE Insurance Solutions from General Electric Company (GE) in a USD 6.8 billion transaction, subject to closing adjustments. The consideration to be paid to GE will consist of cash, Swiss Re shares, mandatory convertibles and notes. As a result, GE is expected to hold in excess of 10% of Swiss Re shares. Closing of the transaction is subject to regulatory approvals and other customary contractual closing conditions.

The acquisition of the two primary UK legal entities of GE Insurance Solutions is intended to be effected by an asset transfer to two subsidiaries within the SRGB Group. It is currently the intention that the business of GE Frankona Reinsurance Limited will be transferred to Swiss Reinsurance Company UK Limited and the business of GE Frankona Reassurance Limited will be transferred to Swiss Re Life and Health.Limited.

Financial risk management objectives

The ultimate responsibility for the Company's financial risk management principles and policies lies with the Board of Directors, which is also responsible for approving the Company's overall risk tolerance. The Company's Board committees that deal with risk management issues include the Risk Committee, the Investments Committee and the Audit Committee. Group Internal Audit monitors the execution of risk management processes.

The Company's financial risk management framework is established in accordance with Swiss Re's overall risk management framework and relevant guidelines.

The Audit Committee is responsible for satisfying itself that a proper internal control framework to manage financial risks is in place and that controls operate effectively.

The Company is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund obligations from contracts with policyholders. The key components of this financial risk are interest rate risk, currency risk and credit risk.

These risks arise from open positions in interest rate and currency which are exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments is therefore credit, market and liquidity risk.

The most significant exposure to both credit and market risk for the Company is in respect of invested assets. Within defined parameters the Board of the Company delegates to the respective committees the ability to change the Credit, Market and Liquidity Risk exposures. The Board delegates the responsibility for the day-to-day implementation of investment activities, by means of Service Level Agreements (subject to all regulatory requirements) to the Group's Asset Managers (Swiss Re Asset Management), with monitoring performed by the Investment Committee. Investment criteria are documented in the investment policy as approved by the Investment Committee on behalf of the Board. Overall monitoring for credit, market and liquidity risks is performed by the respective committees with Key Risk Indicators being reported to the Board.

Statement as to disclosure of information to auditors

At 21 March 2006, so far as each of the Directors of the Company is aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information, and to establish that the Company's auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and accordingly a resolution to propose their re-appointment will be submitted at the annual general meeting.

By order of the Board

Iain F Campbell
Company Secretary
21 March 2006

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Independent Auditors' Report

To the Members of Swiss Reinsurance Company UK Limited
We have audited the financial statements of Swiss Reinsurance Company UK Limited for the year ended 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors
As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 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 save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report

Opinion
In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

21 March 2006

Profit and Loss Account
Technical Account – General Business

For the year ended 31 December 2005

	Notes	2005 £'m	2005 £'m	2004 £'m	2004 £'m
Earned premiums, net of reinsurance					
Gross premiums written	2(a),(b)	278.0		301.2	
Outward reinsurance premiums		(180.5)		(191.1)	
Net premiums written		97.5		110.1	
Change in the gross provision for unearned premiums		19.2		32.8	
Change in the provision for unearned premiums, reinsurers' share		(11.5)		(19.3)	
Net change in the provision for unearned premiums		7.7		13.5	
Earned premiums, net of reinsurance			**105.2**		**123.6**
Allocated investment return transferred from the non technical account	1(i), 4		**19.8**		**29.7**
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(273.2)		(733.4)	
Reinsurers' share		205.6		445.2	
Net claims paid		(67.6)		(288.2)	
Change in the provision for claims					
Gross amount		111.8		263.3	
Reinsurers' share		(93.4)		(117.7)	
Net change in the provision for claims		18.4		145.6	
Claims incurred, net of reinsurance			**(49.2)**		**(142.6)**
Net operating expenses	2(c)		**(24.5)**		**(21.6)**
Change in the equalisation provision	8		**0.8**		**0.2**
Balance on the technical account for general business			**52.1**		**(10.7)**

All of the above amounts derive from continuing activities.

Profit and Loss Account
Non Technical Account

For the year ended 31 December 2005

	Notes	2005 £'m	2005 £'m	2004 † £'m	2004 † £'m
Balance on the general business technical account			**52.1**		**(10.7)**
Investment income	4	33.7		35.6	
Unrealised gains on investments	4	11.9		14.9	
Investment expenses and charges	4	(8.9)		(21.3)	
Allocated investment return transferred to the general business technical account	4	(19.8)		(29.7)	
Net investment return	4		**16.9**		**(0.5)**
Other income			1.8		0.4
Other charges, including value adjustments			(1.3)		(2.0)
Profit / (loss) on ordinary activities before tax			**69.5**		**(12.8)**
Tax on profit / (loss) on ordinary activities	7		(12.2)		8.3
Profit / (loss) on ordinary activities for the financial year			**57.3**		**(4.5)**
Preference shares appropriations	9		-		(1.8)
Retained profit / (loss) for the financial year			**57.3**		**(6.3)**

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2005

		2005 £'m	2004 † £'m
Profit /(loss) for the financial year		57.3	(6.3)
Total gains/(losses) relating to the year		57.3	(6.3)
Prior year adjustment on adoption of FRS17	5	1.6	-
Tax at 30% in the UK on prior year adjustment		(0.5)	-
Total gains/(losses) recognised since last annual report		**58.4**	**(6.3)**

† restated (note 1a(ii), 17, 18 and 23)

Balance Sheet

For the year ended 31 December 2005

Assets	Notes	2005 £'m	2005 £'m	2004 † £'m	2004 † £'m
Investments					
Investments in group undertakings and participating interests	10	166.5		163.1	
Financial investments	11	670.6		594.1	
Deposits with ceding undertakings	12	2.0		3.7	
			839.1		**760.9**
Reinsurers' share of technical provisions					
Provision for unearned premiums		75.6		83.5	
Claims outstanding	20	812.3		881.5	
			887.9		**965.0**
Debtors					
Debtors arising out of reinsurance operations	13	198.9		230.5	
Deferred taxation	1(l), 14	0.4		3.1	
Other debtors	15	1.6		43.4	
			200.9		**277.0**
Other assets					
Cash at bank		39.2		15.4	
			39.2		**15.4**
Prepayments and accrued income					
Accrued interest		7.4		6.2	
Deferred acquisition costs		22.8		28.1	
			30.2		**34.3**
Total assets			**1,997.3**		**2,052.6**

Balance Sheet

For the year ended 31 December 2005

Liabilities	Notes	2005 £'m	2005 £'m	2004 † £'m	2004 † £'m
Capital and reserves					
Called up share capital	16	474.0		474.0	
Profit and loss account	17	(121.6)		(178.9)	
Equity shareholder's funds	18		**352.4**		**270.1**
Non equity shareholder's funds	18		-		**25.0**
Technical provisions					
Provision for unearned premiums		126.2		139.2	
Claims outstanding	20	1,379.8		1,445.0	
Equalisation provision	8	-		0.8	
			1,506.0		**1,585.0**
Provision for other risks and charges					
Other provisions	21		**3.9**		**5.0**
Creditors					
Creditors arising out of reinsurance operations	22	106.4		142.4	
Other creditors including taxation and social security	23	28.6		25.1	
			135.0		**167.5**
Total liabilities			**1,997.3**		**2,052.6**

The financial statements on pages 9 to 28 were approved by the Board of Directors on 21 March 2006 and were signed on their behalf by:

Allan Bridgewater
Chairman

Notes to the Financial Statements

1. Accounting policies

a) Basis of preparation

i) The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, and with the Statement of Recommended Practice of Accounting for Insurance Business issued by the Association of British Insurers issued in December 2005. The accounting policies adopted reflect UK financial reporting standards and statements of accounting practice applicable at the end of the financial year, as considered appropriate for a reinsurance Company.

The financial statements present information on the activities of the Company as an individual undertaking and do not reflect the activities of the Group as a whole; the Company is exempt from the requirement to prepare and deliver group accounts by virtue of Section 228 of the Companies Act 1985, being a wholly owned subsidiary and consolidated within the accounts of Swiss Re GB Plc, registered in England.

In accordance with FRS 1 (Revised), the Company is exempt, as a wholly owned subsidiary, from the requirement to prepare a cashflow statement.

The Company has availed itself of the exemption, under FRS 3, from including a note of historical cost profit and losses relating to gains and losses arising on the holding or disposal of investments.

In accordance with FRS 8, the Company is exempt, as a wholly owned subsidiary, from the requirement to disclose transactions with entities that are part of the Group or investees of the Group qualifying as related parties.

ii) *Changes in accounting policies*

FRS 17 "Retirement Benefits" has been adopted in 2005 by the parent Company Swiss Re GB Plc. The Company, under paragraph 12 of FRS 17, have accounted for the contributions paid and the deficit remains with the principal employer's accounts.

The presentation requirements of Financial Reporting Standard 25 *Financial Instruments: Disclosure and Presentation* (FRS 25) have been adopted, with the result that preference shares are now classified as equity. As permitted by the standard, comparative amounts have not been restated.

b) Premiums

General business premiums written reflect business incepted during the year and include adjustments to premiums written in prior financial periods and estimates for pipeline premiums.

Outward reinsurance premiums, commissions and claims are accounted for in the same financial period as the premium for the related inwards reinsurance business.

1. Accounting policies (continued)

c) *General business technical provisions*

i) Unearned premiums are those proportions of the premiums written in a financial year that relate to periods of risk after the balance sheet date. They are determined principally on a daily basis. The costs of acquiring new insurance contracts and the renewal of existing contracts which are incurred during a financial year but which relate to a subsequent year are deferred to the extent that they relate to unearned premiums at the balance sheet date.

ii) Provision is made for the estimated cost of claims outstanding at the end of the financial year, including those incurred but not reported at that date, and for the related costs of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current financial year, together with the amount by which settlement or reassessment of claims from previous financial years differs from the provision at the beginning of the financial year.

Such provisions, although not capable of precise assessment, are made in the light of information made available by cedants, statistically based projections and technical judgement. These are the subject of on-going review and any resulting adjustments are reported in the financial year in which they are identified. Further details of adjustments made to prior years' provisions are shown in note 3.

iii) An equalisation provision has been established and calculated in accordance with the requirements of the Integrated Prudential Sourcebook for Insurers to mitigate exceptional high loss ratios for classes of business displaying a high degree of claims volatility. The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, they are required by Schedule 9A of the Companies Act 1985, to be included within technical provisions.

1. Accounting policies (continued)

d) Claims provisions and related reinsurance recoveries

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience as adjusted to reflect changes in the underlying exposures.

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company or cedant processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods
- changes in the claims, social, economic and legal environment
- the effects of inflation
- changes in the mix of business
- the impact of large losses
- movements in industry benchmarks

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Additionally, claims reserves include provisions, where considered appropriate, for actual and potential disputes in relation to the settlement of claims liabilities, incurred in the usual course of business.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Notes to the Financial Statements

1. Accounting policies (continued)

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected, and the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each underwriting year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Property and accident business

Property and accident business is "short tail", in that there is not a significant delay between the occurrence of the claim and the claim being reported to the Company. The costs of claims notified to the Company at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

Motor, Marine and Liability claims

Motor, marine and liability claims are longer tail than the classes of business described above and so a larger element of the claims provision relates to incurred but not reported claims. Claims estimates for these classes of business are derived from a combination of loss ratio based estimates and an estimate based upon actual claims experience using a formula whereby greater weight is given to actual claims experience as time passes. The initial estimate of the loss ratio based on the experience of previous years adjusted for factors such as exposure changes, premium rate changes and claims inflation, and on the anticipated market experience, is an important assumption in this estimation technique. As regards the liability and motor classes, the assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Liability business is also subject to the emergence of new types of latent claims but no allowance is included for this as at the balance sheet date.

Reinsurance recoveries

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies.

Notes to the Financial Statements

1. Accounting policies (continued)

e) General business technical result

This is determined on an annual basis and applied consistently across all classes of business.

f) Investments

Listed investments are stated at mid-market value on the balance sheet date, or on the last stock exchange trading day before the balance sheet date. Other investments are valued by the Directors on a realisable basis. Investments in subsidiaries are at current value, the Directors best estimate of this is net asset value.

g) Investment income

Investment income is accounted for on a receivable basis. Interest is accrued up to the balance sheet date.

h) Gains and losses on investments

Unrealised gains and losses represent the difference between the valuation of investments at the balance sheet date and their average cost. Realised gains or losses represent the difference between net sale proceeds of investments and their average cost.

i) Allocation of investment return

Investment income, gains and losses (realised and unrealised), investment expenses and charges arising on investments attributed to shareholder's and general business funds, are reported in the non technical account. An allocation is made from the non technical account to the general business technical account of the actual investment return on investments supporting the general business technical provisions and related shareholder's funds.

j) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange prevailing at the balance sheet date. Revenue transactions denominated in foreign currencies are translated into sterling at average rates of exchange for the year. Profits and losses arising from the fluctuation of exchange rates are included in the non technical account.

k) Taxation

The charge for taxation is based on the profit for the year, and takes into account taxation deferred because of timing differences between certain items for taxation and accounting purposes.

Notes to the Financial Statements

1. Accounting policies (continued)

l) Deferred taxation

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax balances are not discounted.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

m) Pension costs

The Company is recharged its share of pension contributions from Swiss Re Services Limited in relation to the Swiss Re GB Pension Scheme which is a hybrid scheme containing both defined benefit and defined contribution benefits schemes. Contributions recharged to the Company in relation to the defined contribution benefits are charged to revenue when due.

The full disclosures as required by FRS 17 are given in the accounts of Swiss Re Services Limited and the consolidated accounts of Swiss Re GB Plc.

n) Operating leases

The rental costs relating to operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

o) Unexpired Risks Provision

Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

Notes to the Financial Statements

2. Segmental information for general business

a) Analysis by class

	Property reinsurance 2005 £'m	Casualty reinsurance 2005 £'m	Marine reinsurance 2005 £'m	Total reinsurance 2005 £'m
Gross premiums written	**61.2**	**156.9**	**59.9**	**278.0**
Gross premiums earned	70.4	159.7	67.1	297.2
Gross claims incurred	(21.7)	(41.8)	(97.9)	(161.4)
Gross operating expenses	(19.1)	(32.5)	(9.4)	(61.0)
Gross balance	**29.6**	**85.4**	**(40.2)**	**74.8**
Reinsurance balance	(21.8)	(57.0)	35.5	(43.3)
Net balance	**7.8**	**28.4**	**(4.7)**	**31.5**
Allocated investment return	4.0	11.5	4.3	19.8
Change in equalisation provision	-	-	0.8	0.8
Balance on the technical account	**11.8**	**39.9**	**0.4**	**52.1**

	Property reinsurance 2004 £'m	Casualty reinsurance 2004 £'m	Marine reinsurance 2004 £'m	Total reinsurance 2004 £'m
Gross premiums written	**73.6**	**168.9**	**58.7**	**301.2**
Gross premiums earned	68.3	205.9	59.8	334.0
Gross claims incurred	(17.1)	(383.9)	(69.1)	(470.1)
Gross operating expenses	(20.6)	(25.5)	(8.0)	(54.1)
Gross balance	**30.6**	**(203.5)**	**(17.3)**	**(190.2)**
Reinsurance balance	(18.7)	157.9	10.4	149.6
Net balance	**11.9**	**(45.6)**	**(6.9)**	**(40.6)**
Allocated investment return	6.7	18.6	4.4	29.7
Change in equalisation provision	(1.8)	-	2.0	0.2
Balance on the technical account	**16.8**	**(27.0)**	**(0.5)**	**(10.7)**

b) Gross premiums written by geographic area

	2005 £'m	2004 £'m
United Kingdom	219.5	242.5
Marine: International	58.5	58.7
	278.0	**301.2**

All business results from contracts concluded in the United Kingdom.

Net assets and profit cannot be practically divided between segments.

2. Segmental information for general business (continued)

c) Net operating expenses for General Business

	2005 £'m	2004 £'m
Acquisition costs	48.6	40.6
Change in deferred acquisition expenses	0.3	0.4
Administrative costs	12.1	13.1
Gross operating expenses	**61.0**	**54.1**
Reinsurance commissions and profit participation	(36.5)	(32.5)
Net operating expenses	**24.5**	**21.6**

3. Prior years' claim provisions for general business

Over or (under) provisions in general business net claims provisions at the beginning of the year by comparison to payments and provisions at the end of the year were:

	2005 £'m	2004 £'m
Property reinsurance	11.2	10.5
Casualty reinsurance	20.5	(114.1)
Marine reinsurance	2.5	(11.4)
	34.2	**(115.0)**

The above is inclusive of a review of claims estimation methodology. This has resulted in a reduction in prior years net claims provisions of £37.2 million (after tax £26.0 million).

4. Investment return summary

	Non technical amount 2005 £'m	Non technical account 2004 £'m
Investment income		
Income from investments	32.0	34.5
Gains on the realisation of investments	1.7	1.1
	33.7	**35.6**
Investment expenses and charges		
Investment management expenses	(0.7)	(0.9)
Losses on the realisation of investments	(8.2)	(20.4)
	(8.9)	**(21.3)**
Unrealised gains on investments	**11.9**	**14.9**
Total investment return	**36.7**	**29.2**
Analysed by		
Allocated investment return transferred to the general business technical account	19.8	29.7
Investment return in non technical account	16.9	(0.5)
	36.7	**29.2**

4. Investment return summary (continued)

Income from investments includes £ nil million of group income (2004: £0.5 million).

A transfer has been made from the non technical account to the general business technical account in order to reflect allocated investment income. The calculation of allocated investment return has been based on the actual return on those assets which are attributable to general business technical provisions and related shareholders' funds. The rate of return assumed for the year was 3.61% (2004: 4.86%).

5. Profit on ordinary activities before tax

This is stated after charging:

	2005 £'m	2004 £'m
Operating lease rental on other leases	-	1.4
Auditors' remuneration for audit	0.2	0.2

The auditors provided no other services during the year.

All administration, staff and pension costs, including audit fees, have been incurred by Swiss Re Services Limited, a fellow subsidiary undertaking, and all staff have service contracts with that Company. Swiss Re Services Limited has made a management charge to the Company for its share of these costs. The Company has released the pension provision, as a prior year adjustment in the Statement of Total Recognised Gains and Losses, as it does not carry a pension liability.

6. Directors' emoluments

	2005 £'000	2004 £'000
Aggregate emoluments	**413.9**	**675.0**

Highest paid Director

The emoluments of the highest paid Director were £413,861 (2004: £675,000). The current and previous year's figures include payments in respect of the Swiss Re Group's international assignment package. Retirement benefits accruing under a defined benefit pension scheme as at 31 December 2005 were £64,894 (2004: £65,000).

No other Director received emoluments for their services and undertakings on behalf of this Company.

Notes to the Financial Statements

7. Taxation

	Non technical account 2005 £'m	Non technical account 2004 £'m
UK corporation tax at 30% (2004: 30%)		
Current tax on income for the year	14.1	(34.0)
Adjustment in respect of prior years	(4.6)	(23.7)
Current tax charge / (credit) for the period	**9.5**	**(57.7)**
Deferred tax: origination and reversal of timing differences	4.2	23.7
Adjustment in respect of prior years	(1.5)	25.7
Tax on profit / (loss) on ordinary activities	**12.2**	**(8.3)**

Factors affecting the tax credit for the period

The tax credit for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'m	2004 £'m
Non-technical account		
Profit / (loss) on ordinary activities before tax	**69.5**	**(12.9)**
Profit / (loss) on ordinary activities multiplied by standard rate of corporate tax in the UK of 30% (2004: 30%)	20.9	(3.9)
Adjustment to technical liabilities disclaimed under S107 FA 2000	(4.2)	(23.6)
Imputed interest benefit arising from S107 FA 2000 reserves	(1.6)	(2.8)
Unrealised gain on valuation of subsidiary undertakings	(1.0)	(3.6)
Unrealised loss on equities at 31 December 2001 (spread over 6 years)	-	(0.1)
Adjustments to tax credit in respect of previous periods	(4.6)	(23.7)
Current tax charge / (credit) for the period	**9.5**	**(57.7)**

	2005 £'m	2004 £'m
Statement of realised gains and losses		
Profit on ordinary activities before tax	1.6	-
Profit on ordinary activities multiplied by standard rate of corporate tax in the UK of 30% (2004: 30%)	0.5	-
Current tax charge for the period	**0.5**	-

8. Equalisation provision

As explained in the accounting policy in 1c) iii) on page 14 an equalisation provision is established in the financial statements. There is no effect on shareholder's funds (2004: £0.8 million). The decrease in the provision during the year had the effect of increasing the technical account for general business and profit on ordinary activities before taxation by £0.8million (2004: £0.2 million increase).

9. Dividends and appropriations

	2005 £'m	2004 £'m
Preference share appropriations	-	**1.8**

In 2004, in accordance with the provisions of FRS4, the Company appropriated through the profit and loss account preference share dividends for the year on the Company's 7% cumulative preference shares of £1.8 million.

10. Investments in group undertakings and participating interests

	Net Asset Value 2005 £'m	Cost 2005 £'m	Net Asset Value 2004 £'m	Cost 2004 £'m
Shares in subsidiary undertakings	166.5	132.5	163.1	136.5
	166.5	**132.5**	**163.1**	**136.5**

11. Financial investments

	Market value 2005 £'m	Cost 2005 £'m	Market value 2004 £'m	Cost 2004 £'m
Debt securities and other fixed income securities	670.0	670.0	594.0	602.3
Deposits with credit institutions	0.6	0.6	0.1	0.1
	670.6	**670.6**	**594.1**	**602.4**

	2005	2004
Included in the above were investments		
Listed on the UK Stock Exchange	444.8	450.6
Listed on overseas Stock Exchanges	225.2	143.4
	670.0	**594.0**

As at 31 December 2005 investments with a market value of £55.8 million were deposited as security for future liabilities on reinsurance contracts for statutory and other purposes (2004: £62.5 million).

12. Deposits with ceding undertakings

	2005 £'m	2004 £'m
Non group undertakings	**2.0**	**3.7**

13. Debtors arising out of reinsurance operations

	2005 £'m	2004 £'m
Other reinsurance debtors	**198.9**	**230.5**

14. Deferred taxation

	Deferred taxation debtor 2005 £'m	Deferred taxation debtor 2004 £'m
At the beginning of the year	3.1	52.5
Movement in the year	(2.7)	(49.4)
At the end of the year	**0.4**	**3.1**

The asset recognised for deferred tax in the financial statements is as follows:

	2005 £'m	2004 £'m
Asset recognised in the balance sheet:		
Technical reserves disclaimed under 107 FA 2000	-	2.9
Accelerated capital allowances	0.3	-
Unrealised losses on equity investments	0.1	0.2
	0.4	**3.1**

In accordance with the provisions of FRS 19 "Deferred tax" full provision has been made for deferred tax on assets and liabilities arising on timing differences. Deferred tax balances have not been discounted, as permitted by FRS 19.

15. Other debtors

	2005 £'m	2004 £'m
Fellow subsidiary undertakings	-	2.2
Parent undertakings	0.4	0.1
Taxation recoverable	-	40.4
Other debtors	1.2	0.7
	1.6	**43.4**

16. Called up share capital

	2005 £'m	2004 £'m
Authorised		
625,000,000 £1 Ordinary shares	625.0	625.0
25,000,000 £1 7% Cumulative preference shares	25.0	25.0
	650.0	**650.0**
Allotted and called up:		
Equity shares:		
449,000,000 £1 Ordinary shares fully paid	449.0	449.0
25,000,000 £1 7% Cumulative preference shares fully paid	25.0	-
Non equity shares:		
25,000,000 £1 7% Cumulative preference shares fully paid	-	25.0
	474.0	**474.0**

7% cumulative preference shares

Shareholders are entitled to receive dividends at 7% per annum on the par value of these shares on a cumulative basis, at the discretion of the Company's Directors. Arrears from 16 August 2000 to 31 December 2005 amount to £9.6m (2004: £7.8m). The 7% cumulative preference shares, are non redeemable. On winding up, the preference shareholders rank above ordinary shareholders and are entitled to receive £1 per share and any dividends unpaid in respect of their shares.

17. Profit and Loss Reserves

	Profit and loss account £'m
Balance at 1 January as previously reported	(180.0)
Retained profit in the year	57.3
Prior year adjustment on adoption of FRS 17	1.1
At the end of the year	**(121.6)**

	2005 £'m	2004 † £'m
Non distributable reserves	(121.6)	(178.9)
	(121.6)	**(178.9)**

Notes to the Financial Statements

18. Reconciliation of movements in shareholder's funds

	2005 £'m	2004 † £'m
Shareholder's funds at the beginning of the year as previously stated	294.0	278.5
Prior year adjustment on adoption of FRS 17	1.1	1.1
Shareholder's funds at the beginning of the year after restatement	**295.1**	**279.6**
Profit/(loss) for the financial year	57.3	(6.3)
Reversal of non-equity dividend appropriation	-	1.8
Ordinary shares issued	-	20.0
Net addition to shareholder's funds	**57.3**	**15.5**
Shareholder's funds at the end of the year	**352.4**	**295.1**
Equity shareholder's funds	352.4	270.1
Non equity shareholder's funds		
7% Cumulative preference shares fully paid	-	25.0
Shareholder's funds at the end of the year	**352.4**	**295.1**

19. Operating lease

	Land & Buildings 2005 £'m	Land & Buildings 2004 £'m
Operating leases which expire:		
Between two and five years	-	1.4
	-	**1.4**

20. Claims outstanding

	2005 £'m	2004 £'m
General business		
Gross amount	1,379.8	1,445.0
Reinsurance amount	(812.3)	(881.5)
	567.5	**563.5**

21. Provisions for other risks and charges

Guarantees have been given by the Company in favour of The Prudential Assurance Company Limited and the Royal Bank of Scotland (Industrial Leasing) Limited in respect of the leases granted to Market Building Limited. A loss pursuant to the granting of these guarantees has arisen. There was a provision of £2.6 million at the beginning of the year which was augmented by a further £1.2 million giving a balance of £3.8 million. Of this, £0.5 million was utilised during the year leaving a balance of £3.3 million at the end of the year.

There are no future lease obligations for unoccupied premises (2004: £2.0 million).

A guarantee has been given by the former members of the Institute of London Underwriters to enable it to meet future operating expenses arising from existing commitments. The Company's obligation under this guarantee, as a former member, was a provision of £0.4 million at the beginning of the year, which increased to £0.7 million. Of this, £0.1 million of this was utilised during the year, leaving a balance of £0.6 million at the end of the year.

22. Creditors arising out of reinsurance operations

	2005 £'m	2004 £'m
Parent undertakings	85.7	106.7
Non group undertakings	20.7	35.7
	106.4	**142.4**

23. Other creditors including taxation and social security

	2005 £'m	2004 † £'m
Subsidiary undertakings	11.7	6.0
Other	3.2	4.4
Accrual and deferred income	12.5	14.7
Tax payable	1.2	-
	28.6	**25.1**

24. Capital and other financial commitments

There were no capital and other financial commitments outstanding as at 31 December 2005 (2004: £ nil).

25. Pensions and other post-retirement benefits

The Swiss Re GB Pension scheme is a hybrid scheme with defined benefit and defined contribution benefits. Pension contributions are borne by Swiss Re Services Limited and recharged through the management charge to the operating companies. All other pension costs are borne by Swiss Re Services Limited.

The Company is unable to identify its share of the defined benefit assets and liabilities and has therefore adopted the exemption provided in Financial Reporting Standard 17, Retirement Benefits (FRS 17), which allows it to be accounted for as a defined contribution scheme.

The Company's contributions to the Scheme paid by Swiss Re Services Limited, in respect of defined benefits, amounted to £3.0 million (2004: £2.9 million). This comprised the regular contribution cost and its share of the total amount payable into the Scheme in order to reduce the deficit to zero over the next eight years (2004: nine). The regular contribution cost amounted to £1.4 million (2004: £1.4 million) and the reduction of the deficit £1.6 million (2004: £1.5 million).

The pension cost for the defined contribution part of the scheme, which represents contributions recharged to the Company, is £0.2 million (2004: £1.0 million). No amount payable was outstanding as at 31 December 2005 (2004: £ nil) in respect of these contributions.

The full disclosures as required by FRS 17 are provided in the accounts of Swiss Re Services Limited, and the consolidated accounts of Swiss Re GB Plc.

26. Subsidiary undertakings

The whole of the ordinary share capital of the following companies was held as at 31 December 2005:

Subsidiary undertakings	Activity
SR International Business Insurance Company Limited	Insurance Company
Palatine Insurance Company Limited	Insurance Company

The above companies are registered in England and Wales.

27. Ultimate parent Company

The Company is a wholly owned subsidiary. The immediate parent Company is Swiss Re GB Plc.

The smallest group for which consolidated financial statements are prepared is that of Swiss Re GB Plc, which is registered in England and Wales.

The largest group for which consolidated financial statements are prepared and the ultimate holding Company is that of Swiss Reinsurance Company which is incorporated in Switzerland.

The financial statements of the immediate and ultimate parent companies may be obtained by applying to the Company Secretary, Swiss Re GB Plc, 30 St Mary Axe, London EC3A 8EP.