Swiss Re

Swiss Reinsurance Company UK Limited
Annual Report 2003

Contents

Directors and Officers

Board of Directors as at 23 March 2004	Allan Bridgewater, CBE, ACII	Independent Non Executive Director and Chairman
	Jacques Aigrain	Non Executive Director
	Dr Catherine Bell	Independent Non Executive Director
	Prof Sir Colin Campbell	Independent Non Executive Director
	John R Coomber, FIA	Non Executive Director
	Jacques Dubois	Non Executive Director
	Ruurd de Fluiter	Executive Director and CEO
	Michel M Liès	Non Executive Director
	Peter Ward, FIA FCII	Independent Non Executive Director
	John Fitzpatrick	Non Executive Director (appointed 1 April 2003)
	Ann F Godbehere, FCGA	Non Executive Director (appointed 15 July 2003)
Company Secretary	Iain Campbell, FCCA	

Executive Management Team as at 23 March 2004	Ruurd de Fluiter	Chief Executive Officer
	Alfred Haug	Head of Underwriting (Facultative)
	Trevor Marley	Head of Underwriting (Treaty)
	Roger Halms, ACII	Client Team Manager (UK/Ireland)
	Patrick Murphy-O'Connor	Client Team Manager (Lloyd's)
	David Chambers	Client Team Manager (Globals)
	Deborah Chesney, CPA, ANZIIF, ASIA	Head of Claims and Liability Management
	Andrew Hitchcox, MA, FIA	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 2003.

Principal activity and review of the business

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.

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.

Share capital

On 30 December 2003, 35,000,000 £1 ordinary shares were issued at par for cash.

Results and Dividends

The results for the year are set out on pages 9 to 10. The Directors recommend that no dividends be declared on the equity shares. The following dividends were declared on the non equity shares: £0.2 million on the 10% partly cumulative preference shares (2002: £ 0.2 million) and £1.8 million on the 7% cumulative preference shares (2002: £ 1.8 million).

Donations

The Company made no political contributions during the year (2002: £ nil). Donations to UK charities amounted to £76,850 (2002: £83,455).

Suppliers payment policy

It is the Company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been met. The Company's average creditor payment period at 31 December 2003 was 8 days (2002: 8 days).

Internal Environmental Management

Swiss Re supports sustainable growth of the economy through its services, insurance products and investment policy. In its implementation of internal environmental management, Swiss Re shows that it is serious about reducing the environmental burden in its own company premises and properties, and practices this approach on a daily basis.

The key aims for operating and maintaining our premises include the optimisation of energy, waste disposal, traffic and material costs and improving internal environmental performance by reducing or optimising the absolute energy and material flows.

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 Campbell
Company Secretary
23 March 2004

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.

Operational Review

For the world at large, 2003 was marked by war in Iraq and a virtually perpetual state of alert against terrorist attacks. In these uncertain times, effective risk management and risk transfer are more important than ever and it is no surprise to me that much greater emphasis is now being placed on counter-party financial strength. These trading conditions highlight the value of Swiss Re UK's superior security but even so, we are not convinced the proliferation of so-called 'downgrade clauses' is in the market's best interests and we shall continue to resist their application.

Whilst 2003 turned out to be a relatively satisfactory year for insurers as a whole, the reinsurance market continued to suffer from the adverse development of US liability business underwritten during 1997-2002. Swiss Re UK withdrew from this segment in 2002, which is why our gross premiums written declined to £484 million this year. The negative balance of £25 million on the technical account for 2003 is testimony to the fact that we have not yet fully emerged from the shadow of this portfolio. The legacy of this US business has drowned out the more attractive results posted by our continuing business lines. However, following a capital issued of £35 million I am happy to point out that our shareholder's funds stand at over £278 million and that our total assets now stand at £2,388 million.

Hard work and determination during the January renewal season allowed us to achieve most of our business goals. Looking ahead, it is vital that the market maintains its recent underwriting discipline because, for example, claims inflation continues to outstrip premium rate rises and we are faced with fresh unknowns through the enactment of the Courts Bill. Although I am encouraged that the continuing introduction of new capital to our industry demonstrates that it remains attractive to investors, it is far too early for the gains we have made in recent years to be frittered away by reckless competition.

I am writing this piece in my office in 30 St Mary Axe, Swiss Re UK's new location in the City. Looking back on the financial year just closed, I would like to thank all of our staff for their hard work and ceaseless efforts to restore the Company to profitability. Looking forward, I am sure we will all derive further inspiration and energy from our exciting new surroundings.

Ruurd de Fluiter
Chief Executive Officer
23 March 2004

Independent Auditors' Report

To the Members of Swiss Reinsurance Company UK Limited

We have audited the financial statements which comprise the profit and loss account, statement of total recognised gains and losses, balance sheet and the related notes which have been prepared in accordance with the accounting policies set out in the notes to the financial statements.

Respective responsibility of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Directors' report and the Operational Review.

Basis of Audit Opinion

We conducted our audit in accordance with auditing standards 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 judgements 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.

Equalisation reserves

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amount set aside at 31 December 2003, and the effect of the movement in those reserves during the year on the general business technical result and loss before tax, are disclosed in accounting policy 1c) iii) and note 9 respectively.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2003 and of its loss 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
23 March 2004

Southwark Towers
32 London Bridge Street
London SE1 9SY

Profit and Loss Account
Technical Account – General Business

For the year ended 31 December 2003

	Notes	2003 £'m	2003 £'m	2002 £'m	2002 £'m
Earned premiums, net of reinsurance					
Gross premiums written	2(a),(b)	484.1		523.6	
Outward reinsurance premiums		(298.9)		(324.1)	
Net premiums written		185.2		199.5	
Change in the gross provision for unearned premiums		4.1		(64.3)	
Change in the provision for unearned premiums, reinsurers' share		(2.5)		38.6	
Net change in the provision for unearned premiums		1.6		(25.7)	
Earned premiums, net of reinsurance			**186.8**		**173.8**
Allocated investment return transferred from the non technical account	1(i), 4		**21.4**		**27.6**
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(269.4)		(267.8)	
Reinsurers' share		140.3		165.3	
Net claims paid		(129.1)		(102.5)	
Change in the provision for claims					
Gross amount		(229.3)		(208.7)	
Reinsurers' share		163.3		120.5	
Net change in the provision for claims		(66.0)		(88.2)	
Claims incurred, net of reinsurance			**(195.1)**		**(190.7)**
Net operating expenses	2(c)		**(40.6)**		**(31.7)**
Change in the equalisation provision	9		**2.3**		**(3.3)**
Balance on the technical account for general business			**(25.2)**		**(24.3)**

All of the above amounts derive from continuing activities.

Profit and Loss Account
Non Technical Account

For the year ended 31 December 2003

	Notes	2003 £'m	2003 £'m	2002 £'m	2002 £'m
Balance on the general business technical account			**(25.2)**		**(24.3)**
Investment income	4	43.8		52.7	
Unrealised gains on investments	4	-		5.3	
Investment expenses and charges	4	(16.7)		(18.9)	
Unrealised losses on investments	4	(5.9)		-	
Allocated investment return transferred to the general business technical account	4	(21.4)		(27.6)	
Net investment return	4		**(0.2)**		**11.5**
Other income			0.8		1.2
Other charges, including value adjustments			(1.3)		(1.7)
Loss on ordinary activities before tax	5		**(25.9)**		**(13.3)**
Tax on loss on ordinary activities	8		6.2		9.8
Loss on ordinary activities for the financial year			**(19.7)**		**(3.5)**
Preference shares appropriations	10		(2.0)		(2.0)
Retained loss for the financial year			**(21.7)**		**(5.5)**

There are no other gains or losses arising other than those reported above.

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2003

	2003 £'m	2002 £'m
Total recognised losses for the year	(21.7)	(5.5)
Prior year adjustment	-	66.5
Total (losses)/gains recognised since last annual report	**(21.7)**	**61.0**

Balance Sheet

For the year ended 31 December 2003

Assets	Notes	2003 £'m	2003 £'m	2002 £'m	2002 £'m
Investments					
Investments in group undertakings and participating interests	11	167.1		170.5	
Other financial investments	12	651.7		572.9	
Deposits with ceding undertakings	13	4.8		15.0	
			823.6		**758.4**
Reinsurers' share of technical provisions					
Provision for unearned premiums		105.7		111.5	
Claims outstanding	22	1,010.0		892.6	
			1,115.7		**1,004.1**
Debtors					
Debtors arising out of reinsurance operations	14	286.0		229.4	
Deferred taxation	1(l), 15	52.5		62.5	
Other debtors	16	48.8		34.9	
			387.3		**326.8**
Other assets					
Tangible assets	17	-		0.8	
Cash at bank and in hand		41.3		74.4	
			41.3		**75.2**
Prepayments and accrued income					
Accrued interest and rent		5.3		4.1	
Deferred acquisition costs		14.8		15.5	
			20.1		**19.6**
Total assets			**2,388.0**		**2,184.1**

Balance Sheet

For the year ended 31 December 2003

Liabilities	Notes	2003 £'m	2003 £'m	2002 £'m	2002 £'m
Capital and reserves					
Called up share capital	18	454.0		419.0	
Profit and loss account	19	(175.5)		(155.8)	
Equity shareholder's funds	20		**239.8**		**226.5**
Non equity shareholder's funds	20		**38.7**		**36.7**
Technical provisions					
Provision for unearned premiums		176.2		185.9	
Claims outstanding	22	1,692.2		1,545.4	
Equalisation provision	9	1.0		3.3	
			1,869.4		**1,734.6**
Provision for other risks and charges					
Other provisions	23		**4.7**		**5.4**
Creditors					
Creditors arising out of reinsurance operations	24	217.6		163.8	
Other creditors including taxation and social security	25	17.8		17.1	
			235.4		**180.9**
Total liabilities			**2,388.0**		**2,184.1**

The financial statements on pages 9 to 30 were approved by the Board of Directors on 23 March 2004 and were signed on their behalf by:

Allan Bridgewater
Chairman

Notes to the Financial Statements

1. Accounting policies

a) Basis of preparation

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 1998. 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.

The transitional disclosures required under FRS 17 "Retirement Benefits" have been presented in Note 27. These disclosures are presented in addition to the requirements under the existing standard. The full provisions of the new standard are not required to be implemented until the 31 December 2005 year end.

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.

Notes to the Financial Statements

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 pro-rata 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 Interim 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 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.

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.

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 theses 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.

Pollution claims

There may be a long delay between the occurrence and notification of these types of claim. In estimating the cost of claims the Company considers the type of risks written historically that may give rise to exposure to these risks, notifications received from policyholders, the nature and extent of the cover provided, the current legal environment, changes in the effectiveness of clean up techniques and industry benchmarks of the typical cost of claims of this kind and of total expected insured losses.

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.

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 prudent basis, having regard to their realisable value. Investments in subsidiaries are included at 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 or technical accounts as appropriate.

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.

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 loses 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) Tangible assets

Capital expenditure relating to tangible assets is capitalised in the balance sheet and is written off on a straight line basis over the estimated useful lives, on the following bases:

Computer equipment	3 years
Motor vehicles	4 years
Fixtures and fittings	6 years
Property refurbishment	6 years

n) 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 to members. Employer contributions are charged to revenue on a basis which spreads the costs of pensions over the expected service lives of employees in the scheme. Contributions recharged to the Company in relation to the Defined Contribution benefits are charged to revenue when due.

o) 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.

p) 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.

2. Segmental information for general business

a) Analysis by class

	Property reinsurance 2003 £'m	Casualty reinsurance 2003 £'m	Marine reinsurance 2003 £'m	Total reinsurance 2003 £'m
Gross premiums written	**109.5**	**290.3**	**84.3**	**484.1**
Gross premiums earned	123.7	294.1	70.4	488.2
Gross claims incurred	(60.7)	(356.6)	(81.4)	(498.7)
Gross operating expenses	(27.8)	(58.6)	(15.0)	(101.4)
Gross balance	**35.2**	**(121.1)**	**(26.0)**	**(111.9)**
Reinsurance balance	(24.8)	70.0	17.8	63.0
Net balance	**10.4**	**(51.1)**	**(8.2)**	**(48.9)**
Allocated investment return	5.0	13.4	3.0	21.4
Change in equalisation provision	0.7	-	1.6	2.3
Balance on the technical account	**16.1**	**(37.7)**	**(3.6)**	**(25.2)**

	Property reinsurance 2002 £'m	Casualty reinsurance 2002 £'m	Marine reinsurance 2002 £'m	Total reinsurance 2002 £'m
Gross premiums written	**112.3**	**326.8**	**84.5**	**523.6**
Gross premiums earned	89.0	282.1	88.2	459.3
Gross claims incurred	(73.7)	(332.0)	(70.8)	(476.5)
Gross operating expenses	(19.8)	(47.4)	(12.0)	(79.2)
Gross balance	**(4.5)**	**(97.3)**	**5.4**	**(96.4)**
Reinsurance balance	(0.9	51.2	(2.5)	47.8
Net balance	**(5.4)**	**(46.1)**	**2.9**	**(48.6)**
Allocated investment return	8.0	16.6	3.0	27.6
Change in equalisation provision	(1.7)	-	(1.6)	(3.3)
Balance on the technical account	**0.9**	**(29.5)**	**4.3**	**(24.3)**

b) Gross premiums written by geographic area

	2003 £'m	2002 £'m
United Kingdom	399.8	439.1
Marine: International	84.3	84.5
	484.1	**523.6**

All business results from contracts concluded in the United Kingdom.

2. Segmental information for general business (continued)

c) Net operating expenses for General Business

	2003 £'m	2002 £'m
Acquisition costs	91.1	81.0
Change in deferred acquisition costs	0.1	(9.9)
Administrative costs	10.2	8.1
Gross operating expenses	**101.4**	**79.2**
Reinsurance commissions and profit participation	(60.8)	(47.5)
	40.6	**31.7**

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:

	2003 £'m	2002 £'m
Property reinsurance	(10.0)	(15.1)
Casualty reinsurance	(61.1)	(68.6)
Marine reinsurance	(18.6)	(9.7)
	(89.7)	**(93.4)**

4. Investment return summary

	Non technical amount 2003 £'m	Non technical account 2002 £'m
Investment income		
Income from investments	30.6	30.4
Gains on the realisation of investments	13.2	22.3
	43.8	**52.7**
Investment expenses and charges		
Investment management expenses	(1.2)	(1.0)
Losses on the realisation of investments	(15.5)	(17.9)
	(16.7)	**(18.9)**
Unrealised (losses)/gains on investments	**(5.9)**	**5.3**
Total investment return	**21.2**	**39.1**
Analysed by		
Allocated investment return transferred to the general business technical account	21.4	27.6
Investment return in non technical account	(0.2)	11.5
	21.2	**39.1**

Notes to the Financial Statements

4. Investment return summary (continued)

Income from investments includes £0.6 million of group income (2002: £0.6 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 shareholder's funds. The rate of return assumed for the year was 3.23% (2002: 4.52%).

5. Loss on ordinary *activities before tax*

This is stated after charging:

	2003 £'m	2002 £'m
Operating lease rental on other leases	1.4	1.4
Auditor's remuneration for audit	0.1	0.2

The auditors provided no other services during the year.

6. Employee information

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.

7. Directors emoluments

	2003 £'000	2002 £'000
Aggregate emoluments	422	450

Highest paid Director

The emoluments of the highest paid Director were £422,000 (2002: £239,000). 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 2003 were £89,000 (2002: £ nil).

Notes to the Financial Statements

8. Taxation

	Non technical account 2003 £'m	Non technical account 2002 £'m
UK corporation tax at 30% (2002: 30%)		
Current tax on income for the year	(5.8)	(8.5)
Adjustment in respect of prior years	(10.4)	(5.3)
Current tax credit for the period	**(16.2)**	**(13.8)**
Deferred tax: origination and reversal of timing differences	(1.0)	4.0
Adjustment in respect of prior years	11.0	-
Tax on loss on ordinary activities	**(6.2)**	**(9.8)**

Factors affecting the tax charge for the period

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

	2003 £'m	2002 £'m
Non-technical account		
Loss on ordinary activities before tax	**(25.9)**	**(13.3)**
Loss on ordinary activities multiplied by standard rate of corporate tax in the UK of 30% (2002: 30%)	(7.8)	(4.0)
Imputed interest benefit arising from S107 FA 2000 reserves	0.1	(0.6)
Change in value of investments	-	(3.8)
Unrealised loss on equities at 31 December 2001 spread over 6 years	(0.1)	(0.1)
Expenses not deductible for tax purposes	0.2	-
Short term timing differences	(3.3)	-
Adjustments to tax credit in respect of previous periods	(10.4)	(5.3)
Current tax credit for the period	**(21.3)**	**(13.8)**

9. Equalisation provision

As explained in the accounting policy in 1c) iii) on page 14 an equalisation provision is established in the financial statements. The effect of this is to reduce shareholder's funds by £1.0 million (2002: £3.3 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 £2.3 million (2002: £3.3 million reduction).

10. Dividends and appropriations

	2003 £'m	2002 £'m
Preference share appropriations	**2.0**	**2.0**

In accordance with the provisions of FRS4, the Company has appropriated through the profit and loss account preference share dividends for the year on the Company's 10% partly cumulative preference shares of £0.2 million (2002: £0.2 million) and 7% cumulative preference shares of £1.8 million (2002: £1.8 million). However, as the Company does not have sufficient distributable reserves in order to pay such preference share dividends, these dividends have been credited back within profit and loss account reserves (note 19).

11. Investments in group undertakings and participating interests

	Current value 2003 £'m	Cost 2003 £'m	Current value 2002 £'m	Cost 2002 £'m
Shares in subsidiary undertakings	160.8	136.5	160.9	136.5
Loans to subsidiary undertakings	6.3	12.0	9.6	12.0
	167.1	**148.5**	**170.5**	**148.5**

12. Other financial investments

	Current value 2003 £'m	Cost 2003 £'m	Current value 2002 £'m	Cost 2002 £'m
Shares and other variable yield securities	-	-	55.9	69.7
Debt securities and other fixed income securities	651.3	662.7	516.8	512.4
Deposits with credit institutions	0.4	0.4	0.2	0.2
	651.7	**663.1**	**572.9**	**582.3**
Included in the above were investments				
Listed on the UK Stock Exchange	321.1		247.6	
Listed on overseas Stock Exchanges	330.2		325.1	
	651.3		**572.7**	

As at 31 December 2003 investments with a market value of £89.3 million were deposited as security for future liabilities on reinsurance contracts for statutory and other purposes (2002: £95.2 million).

13. Deposits with ceding undertakings

	2003 £'m	2002 £'m
Non group undertakings	**4.8**	**15.0**

Notes to the Financial Statements

14. Debtors arising out of reinsurance operations

	2003 £'m	2002 £'m
Other reinsurance debtors	**286.0**	**229.4**

15. Deferred taxation

	Deferred taxation debtor 2003 £'m	Deferred taxation debtor 2002 £'m
At the beginning of the year	62.5	66.5
Reversal of timing differences	(10.0)	-
Contribution in the year	-	(4.0)
At the end of the year	**52.5**	**62.5**

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

	2003 £'m	2002 £'m
Asset recognised in the balance sheet:		
Technical reserves disclaimed under 107 FA 2000	52.2	61.5
Unrealised losses on equity investments	0.3	0.4
Short-term timing differences	-	0.6
	52.5	**62.5**

In accordance with the provisions of FRS 19 "Deferred tax" full provisions 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.

16. Other debtors

	2003 £'m	2002 £'m
Subsidiary undertakings	-	0.2
Fellow subsidiary undertakings	0.4	0.1
Parent undertakings	0.1	-
Group undertakings	0.1	0.1
Taxation recoverable	47.6	32.7
Other debtors	0.6	1.8
	48.8	**34.9**

Notes to the Financial Statements

17. Tangible fixed assets

	Computer Equipment £'m	Motor Vehicles £'m	Fixtures, Fittings & Office Equipment £'m	Total £'m
Cost:				
At 1 January 2003	0.9	0.6	0.1	1.6
Disposals	(0.9)	(0.6)	(0.1)	(1.6)
At 31 December 2003	-	-	-	-
Depreciation:				
At 1 January 2003	(0.6)	(0.2)	-	(0.8)
Disposals	0.6	0.2	-	0.8
At 31 December 2003	-	-	-	-
Net book value:				
At 1 January 2003	0.3	0.4	0.1	0.8
At 31 December 2003	-	-	-	-

All fixed assets were transferred to Swiss Re Services Limited on 1 January 2003.

18. Called up share capital

	2003 £'m	2002 £'m
Authorised		
615,500,000 £1 Ordinary shares	615.5	615.5
25,000,000 £1 7% Cumulative preference shares	25.0	25.0
8,000,000 £1 10% Partly cumulative preference shares	8.0	8.0
1,500,000 £1 Redeemable deferred shares	1.5	1.5
	650.0	**650.0**
Allotted and called up:		
Equity shares:		
421,500,000 £1 Ordinary shares fully paid	421.5	386.5
3,000,000 £1 Ordinary shares 33.3p paid	1.0	1.0
Non equity shares:		
5,000,000 £1 7% Cumulative preference shares fully paid	25.0	25.0
5,000,000 £1 10% Partly cumulative preference shares fully paid	5.0	5.0
1,500,000 £1 Redeemable deferred shares fully paid	1.5	1.5
	454.0	**419.0**

18. Called up share capital (continued)

Changes to share capital

On 30 December 2003, 35,000,000 £1 ordinary shares were issued at par for cash.

10% Partly cumulative preference shares

These shares are entitled to a 10% dividend each year. Dividend arrears accumulate at a rate of 5% each year. Arrears accruing from 31 December 1999 to 31 December 2003 amount to £1.2 million (2002: £1.0 million). The shares have no voting rights, rank equally with the 7% non cumulative preference shares but above all other shares in a winding up and are entitled only to a capital repayment plus any dividend arrears.

7% cumulative preference shares

These shares are entitled to a 7% dividend each year. Dividend arrears accumulate at a rate of 7% each year. Arrears accruing from 16 August 2000 to 31 December 2003 amount to £6.0 million (2002: £4.2 million). The shares have no voting rights, rank equally with the 10% partly cumulative preference shares but above all other shares in a winding up and are entitled only to a capital repayment.

Redeemable deferred shares

These shares have no dividend entitlement. The latest date for redemption is 31 December 2004, with no premium payable on redemption. Redemption is at the Company's option at three month's notice, the earliest date of redemption at balance sheet date is 1 April 2004. The shares have no voting rights, rank below preference and ordinary shares in a winding up and are entitled only to a capital repayment.

19. Reserves

	Profit and loss account £'m
At the beginning of the year	(155.8)
Retained loss in the year	(21.7)
Preference share appropriations (note 10)	2.0
At the end of the year	**(175.5)**

	2003 £'m	2002 £'m
Distributable reserves	-	-
Non distributable unrealised reserves	(175.5)	(155.8)
	(175.5)	**(155.8)**

Notes to the Financial Statements

20. Reconciliation of movements in shareholder's funds

	2003 £'m	2002 £'m
Loss for the financial year	(21.7)	(5.5)
Reversal of non-equity dividend appropriation	2.0	2.0
Ordinary shares issued	35.0	-
Net addition/(reduction) to shareholder's funds	**15.3**	**(3.5)**
Shareholder's funds at the beginning of the year	263.2	266.7
Shareholder's funds at the end of the year	**278.5**	**263.2**
Equity shareholder's funds	239.8	226.5
Non equity shareholder's funds		
7% Cumulative preference shares fully paid	31.0	29.2
10% Partly cumulative preference shares fully	6.2	6.0
Redeemable deferred shares fully paid	1.5	1.5
Shareholder's funds at the end of the year	**278.5**	**263.2**

21. Operating lease

	Land & Buildings 2003 £'m	Land & Buildings 2002 £'m
Operating leases which expire:		
Within one year	-	-
Between two and five years	1.4	1.4
	1.4	**1.4**

22. Claims outstanding

	2003 £'m	2002 £'m
General business		
Gross amount	1,692.2	1,545.4
Reinsurance amount	(1,010.0)	(892.6)
	682.2	**652.8**

Terrorist Attack of 11 September 2001

The terrorist attack in the United States, as reported last year, has resulted in a number of reinsurance claims being made against the Company. These claims and the Company's assessment of future claims development had a material effect on the Company's results. The current estimate of the gross loss to the Company is approximately £183 million (2002: £208 million) against which the Company will recover from its own reinsurance protections with the ultimate parent company approximately £77 million (2002: £85 million). The Company's assessment of the gross loss has changed following receipt of claims and loss advices from cedants. Some 73% (2002: 80%) of the group's gross exposure emanated from its property reinsurance account, which includes direct insurers of the World Trade Centre complex and other property affected by the September 11 terrorist attack. The balance of the loss was spread over the remainder of the group's non-marine business lines, which include aviation and liability business.

22. Claims outstanding (continued)

The estimate may be further affected by subsequent legal developments such as the determination of the question as to whether the attack on the World Trade Centre was one insured occurrence or two insured occurrences as the insured contends. Although the Company has no direct exposure for the World Trade Centre loss, determination of the occurrence issue may affect a number of its reinsurance obligations. An action has commenced in the US to resolve this issue. The Directors have estimated the loss on the basis of one insured occurrence. The net financial effect on the Company if the Court were to rule that there were two insured occurrences would be substantially mitigated due to recoveries that would follow the outcome in the direct case. The Directors consider that the reserves included in respect of this loss are consistent with current knowledge of the facts underlying the claim.

23. Other provisions

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 £2.2 million at the beginning of the year which increased to £2.8 million. £0.5 million was utilised during the year leaving a balance of £2.3 million at the end of the year. A further provision of £1.4 million has been established which increased to £2.0 million during the year, to cover future lease obligations from 2004 to 2006 not covered by rental income.

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 £0.6 million at the beginning of the year. £0.2 million of this was utilised during the year, leaving a balance of £0.4 million at the end of the year.

A provision for redundancies has been established following the decision to review the manner in which international business is written. This provision amounted to £1.2 million at the beginning of the year. £0.9 million was utilised during the year and £0.3 million was released leaving a closing balance of £ nil at the end of the year.

24. Creditors arising out of reinsurance operations

	2003 £'m	2002 £'m
Parent undertakings	133.8	123.8
Non group undertakings	83.8	40.0
	217.6	**163.8**

25. Other creditors including taxation and social security

	2003 £'m	2002 £'m
Parent undertakings	0.1	-
Subsidiary undertakings	11.7	8.8
Other	6.0	6.3
Taxation	-	2.0
	17.8	**17.1**

26. Capital and other financial commitments

Capital expenditure contracted for but not provided amounted to £ nil (2002: £ nil).

27. Pensions and other post-retirement benefits

As of 1 January 2003, Swiss Re Services Limited became the employer for all employees working in the Swiss Re GB Plc group. All pension costs are therefore borne by Swiss Re Services Limited and recharged through the management charge to the operating companies.

On 1 January 2003, Swiss Re Services Ltd became a Participating Employer for the Swiss Re GB Pension Scheme (the "Scheme"), a funded defined benefit and defined contribution pension scheme. On 27 February 2004 Swiss Re Services Limited became the Principal Employer of the Scheme, the assets of which are held separately from those of Swiss Re Services Limited.

The Company was charged £1.7 million (2002: £1.3 million) by Swiss Re Services Limited in relation to contributions to the Scheme in respect of the normal contribution cost, an increase in pensions in payment and its share of the total amount payable into the Scheme in order to reduce the deficit to zero over the next ten years.

For SSAP 24, the regular cost is increased by the reduction of the deficit over the expected remaining future working lifetime of the active members of the Scheme. The Company has a provision of £1.4 million (2002: £1.6 million) resulting from the difference between the amount recharged to, and the amounts funded by, the Company.

The pension cost for the defined contribution part of the scheme, which represents contributions recharged to the Company, is £28,000 million (2002: £ nil). No amoun payable was outstanding as at 31 December 2003 in respect of these contributions.

The full disclosures as required by SSAP 24 and also FRS 17 are given in the accounts of Swiss Re Services Limited, and the consolidated accounts of Swiss Re G Plc.

28. Subsidiary undertakings

The whole of the ordinary share capital of the following companies was held as at 31 December 2003:

Subsidiary undertakings	Activity
SR International Business Insurance Company Limited	Insurance Company
Palatine Insurance Company Limited	Insurance Company
Swiss Re (UK) House Limited	Property investment company
SR Mitre	Property investment company
Reintra	Rehabilitation and reintegration services

The above companies are registered in England and Wales.

Notes to the Financial Statements

29. Ultimate parent company

The Company is a wholly owned subsidiary. The immediate parent company is Swiss Re GB plc which is registered in England and Wales. The ultimate parent company is 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 Reinsurance Company UK Limited, 30 St Mary Axe, London EC3A 8EP.