

Admin Re UK Limited (formerly Life Assurance Holding Corporation Limited)
Annual report 2008

WEDNESDAY



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Directors and officers

Board of Directors	Weldon Wilson	Chairman
	Jonathan Yates	Chief Executive Officer
	David Baxter	Director
	Tim Carroll	Director (resigned 31 December 2008)
	Bob Howe	Director
	Richard Hudson	Director
	Mark Swallow	Director
	Craig Thornton	Director
Company Secretary	Paul Shakespeare	
Solicitors	Herbert Smith, London	
	Wragge & Co, Birmingham	
	Nicholson, Graham & Jones, London	
Bankers	HSBC	
Consulting actuaries	Tillinghast Towers Perrin, London	
Auditors	PricewaterhouseCoopers LLP Hay's Galleria 1 Hay's Lane London SE1 2RD	
Registered office	Windsor House Telford Centre Shropshire TF3 4NB Telephone: 0870 887 3333 Fax: 0870 709 1111	
Company Registration Number	2970583	

Directors' report

The directors present their report and the audited financial statements on pages 10 to 38 for the year to 31 December 2008.

Business review and principal activities

The principal activity of the Company is to act as the parent undertaking of Windsor Life Assurance Company Limited (WLA) which conducts ordinary long-term insurance business in the United Kingdom, namely life assurance, pensions, permanent health and annuities.

The Company acquired Barclays Life Assurance Company Limited (BLA) on 31 October 2008 comprising around 760,000 life insurance, pension policies and annuity contracts representing £6.8 billion in invested assets. It is the intention that there will be a Part VII transfer of the BLA business to WLA over the next 12 months. The cost of the acquisition was £765.1m which has been funded by three additional intercompany loans with its parent Swiss Re GB Plc. BLA has a contingent loan liability which was previously owed to its prior parent undertaking however this has now been transferred and is now owed to Admin Re UK Limited (ARUK). The carrying value of the loan at 31 December 2008 is £380.4m and forms part of the Fixed asset investments shown in note 17(a).

During the year, the company has continued to take on the third party administration of life and pensions policies from the legacy book of Norwich Union. At 31 December 2008 around 1.2 million policies have been migrated, generating £3.5m of income and £61.2m to cover implementation costs.

Due to declining asset values as a result of the current economic conditions, WLA has taken a number of actions to protect its solvency position. As a result, SRGB has made a capital contribution of £141m to ARUK, with ARUK in turn making a £141m capital contribution to WLA. The capital injection received from SRGB has been reflected in the accounts within the profit and loss reserves and the capital injection to WLA has been reflected as an increase in the investment in WLA which is carried at cost. In addition, there were three intra-group retrocession (IGR) arrangements between WLA and Swiss Reinsurance Company to improve the regulatory capital position of WLA. The IGR's give a reduction in annuity liabilities of £390m in return for an obligation to transfer to the reinsurer future surplus emerging on certain unit linked business and also provide protection against future improvements in mortality for some annuity business. Management continue to monitor the solvency of WLA in order to manage this risk.

A management service agreement (MSA) was implemented from 1 January 2008 whereby the Company manages expenses on behalf of WLA and recharges them for the expense management system they provide. The amount recharged is based on a pre-determined per policy tariff. The financial risk is therefore transferred to the Company and any costs incurred in excess of the tariffs received will be borne by the Company and any excess income retained by the Company.

Future outlook

The uncertain economic outlook for the UK makes it difficult to predict what the market growth will be in the short term. The Directors expect that the trends experienced in 2008 will continue throughout 2009.

In addition to paying dividends to its holding company, the Company will continue to meet its obligations in respect of its liabilities as they fall due. These include the funding of payroll and pension scheme contributions.

The Company continues to look for opportunities consistent with the desire of its parent company, Swiss Re, to offer life and pension administration solutions to direct insurance writers.

Directors' report

Principal risks and uncertainties

The principal operational risks facing the Company arise from excess expenses over tariffs received on both the MSA and the Norwich Union (NU) project, where an upper limit to recharges applies. The Company mitigates this risk by having a robust budget and planning cycle as well as monthly variance reports and analysis. These reports are reviewed by relevant executives and cost centre managers and remedial action taken if required.

The Company participates in a defined benefit pension scheme. There is a risk that the cash contributions required to this scheme increases or decreases due to changes in factors such as investment performance, the rates used to discount liabilities and life expectations. Any increase in contributions will reduce the Company's cashflow. Decisions on pension scheme funding, asset allocation and benefit promises are taken by management in consultation with the pension scheme trustees and suitably qualified advisors. The Board participates in major decisions on the funding and design of the pension scheme.

The Company is an intermediate holding company that invests in life assurance companies. From its investments it receives dividends and interest and it also pays out dividends to its parent company. It manages its cash flow risk by only paying out dividends once they are received from its investments and once all expenses have been covered. If there are timing differences between cash received and dividends paid then surplus cash is placed only with approved counter-parties or invested in high quality government or corporate bonds. These investments provide liquidity to meet any obligations when due at reasonable cost. The Company does not use derivative instruments, nor is it exposed to currency or equity price risk other than through its investment in subsidiaries.

Remaining risks and uncertainties are congruent on the investment risk in the Company's subsidiaries with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of WLA are discussed in the business review section of WLA's annual report which does not form part of this report.

Key Performance Indicators

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

Results, dividends and transfers in reserves

The results for the year are set out on pages 10 to 12. The directors paid an interim 2007 dividend of £125.0m during the year (2007: £118.0m). They do not propose the payment of a further interim dividend (2007: £125.0m). They do not propose to declare a final dividend (2007: £nil). The retained profit for the year is £39.3m (2007: £249.8m loss).

Directors

The directors of the Company are shown on page 3.

Directors' interests

No director had any disclosable interests in the share capital of the company or any other group company.

Statement of directors' responsibilities

The following statement should be read in conjunction with the independent auditors' report set out on page 8 with a view to distinguishing for shareholders the respective responsibilities of the directors and auditors in relation to the financial statements.

Directors' report

Company law requires the directors to prepare financial statements for each financial year, which 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 the new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent; Directors' report
- 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 that the financial statements comply with the above requirements and also confirm that:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Website posting

These financial statements are published on the website www.windsor-life.com.

The maintenance and integrity of the Windsor Life Assurance Company Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Creditors payment policy

It is the company's policy to pay suppliers promptly and it fully supports the Government's initiative to encourage and promote the practice. The Company's average creditor payment period at 31 December 2008 was 27 days (2007: 34 days).

Employee involvement

During the year the Company continued its policy of seeking to inform and involve employees on matters which concern them and in the achievement of its business goals. The company has a comprehensive system for consultation and communication involving regular meetings between management and employees, team briefings and the issue of various bulletins and a staff handbook.

Directors' report


Employment of persons who are disabled

It is the Company's policy to give the same consideration to disabled persons as to others in respect of applications for employment, continuation of employment, training, career development and promotion, having regard to their particular aptitudes and abilities.

Auditors

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

On behalf of the Board of Directors



Jonathan Yates
Director
12 June 2009

Independent auditors' report to the members of Admin Re UK Limited

We have audited the financial statements of Admin Re UK Limited for the year ended 31 December 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 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.

Independent auditors' report to the members of Admin Re UK Limited

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 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

12 June 2009

Profit and loss account

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Turnover	2	101.9	35.1
Administrative expenses (including exceptional items of £140m (2007: £349.3m))	3	(275.9)	(399.8)
Operating loss		(174.0)	(364.7)
Income from fixed asset investments	5	215.0	111.0
Profit/(loss) on ordinary activities before interest and taxation		41.0	(253.7)
Interest receivable and other similar income	6	13.5	12.8
Interest payable and other similar charges	7	(23.8)	(12.0)
Other finance costs	10	(0.1)	(0.5)
Profit/(loss) on ordinary activities before taxation		30.6	(253.4)
Taxation on profit/loss on ordinary activities	11	11.1	(1.9)
Profit/(loss) for the financial year	16, 26	41.7	(255.3)

All of the amounts above are in respect of continuing operations.

The accounting policies and notes on pages 13 to 38 form an integral part of these financial statements.

Statement of total recognised gains and losses

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Profit/(loss) for the year (page 10)		41.7	(255.3)
Actuarial (loss)/profit on pension scheme	10	(3.3)	7.7
Movement in related deferred tax	10	0.9	(2.2)
Total profit/(loss) recognised since last annual report		39.3	(249.8)

The accounting policies and notes on pages 13 to 38 form part of these financial statements.

Balance sheet

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Fixed assets			
Investments			
Shares in group undertakings	17a	1,044.7	659.0
Loans to group undertakings	17a	380.4	-
		1,425.1	659.0
Tangible assets	18	8.1	3.6
Current assets			
Other debtors	19	29.5	17.2
Cash at bank and in hand		13.2	15.1
		42.7	32.3
Creditors: amounts falling due within one year	23	(67.3)	(30.6)
Net current (liabilities)/assets		(24.6)	1.7
Total assets less current liabilities		1,408.6	664.3
Creditors: amounts falling due after more than one year	24	(920.6)	(308.0)
Provisions for other risks and charges	22	(2.6)	(3.0)
Net assets excluding pension deficit		485.4	353.3
Pension deficit	10	(19.0)	(28.2)
Net assets including pension deficit		466.4	325.1
Capital and reserves			
Called up share capital	14	73.0	73.0
Share premium account	15	83.9	83.9
Other reserves	15	0.8	0.8
Profit and loss account	16	308.7	167.4
Shareholders' funds	26	466.4	325.1

The financial statements were approved by the Board of Directors on 12 June 2009.



Jonathan Yates
Director

The notes on pages 13 to 38 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

a) Basis of presentation

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 1985 and applicable accounting standards.

The Company has taken advantage of the exemption under S228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements. The Company is exempt from preparing a cash flow statement in accordance with Financial Reporting Standard 1 (revised 1996) as the ultimate parent company Swiss Reinsurance Company, prepares a consolidated cash flow statement in which the results of the company are included. In addition, advantage has been taken of the exemption available under Financial Reporting Standard 8, not to disclose details of transactions with other related companies due to the ultimate parent undertaking controlling more than 90% of the share capital of ARUK.

Urgent Issues Task Force (UITF) 44 FRS 20, Group and treasury share transaction is applicable to the Company for the year ended 31 December 2008. This does not have any significant impact on the Company's accounts.

The Company has adopted the amendment to FRS 17 'Retirement benefits' in full in these financial statements. As well as changing certain disclosures, the adoption of this amendment has given rise to a change in accounting policy in respect of the valuation of listed equity investments and bonds which are held in scheme assets which are now valued at the current bid price, having previously been valued at mid-market value. The effect of this change in accounting policy was to reduce profit before tax and profit after tax by £0.2m. There was no restatement of comparatives made for the prior year as the impact was insignificant.

The Company has adopted FRS 26 'Financial instruments: Recognition and measurement' in respect of a loan issued interest-free during the year. This adoption has resulted in a fair value being applied to the liability using the effective interest method and a value of £86m being taken to equity on initial recognition.

b) Share-based payments

Employees of Admin Re have been granted share options under the Employee Participation Plan (the EPP) consisting of Save As You Earn Plan and the Supplementary Plan. Certain employees have also been granted restricted shares and stock appreciation rights. These options are over stock in the Swiss Reinsurance Company, the ultimate holding company of Admin Re and a public limited company quoted on the European Stock Exchange. As a result provision for the expected cost of settling any options are accrued in the accounts of Admin Re over the life of the plans and full disclosure of the movements in the plan can be found in note 27.

The group uses the Black Scholes option pricing model or a binomial option model to value the options. The options are measured on inception at fair value and then the fair value is re-measured at each balance sheet date.

c) Turnover

Turnover relates to income received from group undertakings as a result of the MSA and recharges of conversion expenses in relation to NU. All turnover is accounted for when earned.

d) Investments

i. Shares in and loans to subsidiary undertakings

Shares in and loans to subsidiary undertakings are valued at the lower of cost and net realisable value.

ii. Other financial investments

Other financial investments are valued at lower of cost and net realisable value.

e) Interest payable

Interest payable is charged to the profit and loss account on an accruals basis.

Notes to the financial statements

1. Accounting policies (continued)

f) Tangible assets

Tangible assets are capitalised and depreciated by equal annual instalments over their estimated useful lives. The principal rates per annum used for this purpose are as follows:

	%
Computer equipment	33.33
Fixtures, fittings and office equipment	20.00

g) Taxation

Tax is charged on all profit and income earned to date less reliefs.

Provision is made for deferred tax assets and 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 and discounted to take into account the likely timing of payments and the pattern of the expected realisation of investments. Deferred tax is recognised in the profit and loss account for the period. Deferred tax assets are recognised where it is considered more likely than not, that there is expected to be adequate taxable income in the foreseeable future against which the deferred assets may be recovered.

h) Pension scheme

Pension arrangements for the majority of the company's staff are operated through a defined benefit scheme and for the remaining staff through a defined contribution Group Personal Pension scheme.

As at 31 December 2005 a full actuarial valuation of the defined benefit scheme showed a deficit, the related costs of which are charged to the profit and loss account of the Company. The funding policy of the scheme is to follow the recommendation of the scheme actuary, eliminating any surpluses/deficits arising over a number of years by decreasing/increasing contributions, respectively.

Contributions due from the Company are charged in full to the profit and loss account of the Company in the period in which they arise. Similarly in respect of the Group Personal Pension Scheme, the cost of pensions in the accounting period are recharged to the profit and loss account as they arise.

i) Operating leases

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term. For empty or sub-let properties any anticipated shortfall, between projected rent expense and income, is provided for in full at appropriate discount rates and the provision is released as this expense is incurred.

j) Contingent loan

A contingent loan arrangement exists between ARUK and BLA. Contingent loan arrangements combine risk transfer with an element of financing. In such circumstances it is not practical to separate out the financing element from the transfer of insurance risk.

The asset has been recognised under the balance sheet heading "Shares and loans to subsidiary undertakings", in the appropriate sub-heading. Interest receivable on the contingent loan arrangement is being recognised in "Interest receivable and other similar income" in the profit and loss account.

Notes to the financial statements

2. Turnover

	2008 £m	2007 £m
Turnover	64.9	18.1
Income from group undertakings	37.0	17.0
	101.9	35.1

Income from group undertakings relates to management services provided to WLA in accordance with the MSA implemented from 1 January 2008.

3. Administrative expenses

Expenses represent costs relating directly to Admin Re and those incurred as a consequence of the MSA as described within the Directors' Report on page 4. (i) In 2008 an impairment was made to shares and loans in subsidiary undertakings of £140.0m. In 2007 the impairment provision relating to shares and loans in subsidiary undertakings had been reversed and was included in administrative expenses. (ii) In 2007 the Company agreed to waive the remaining amount due on the contingent loan made to its principal undertaking, WLA. (iii) In 2007 the NMRBF was transferred in accordance with the Part VII transfer.

	2008 £m	2007 £m
Management recharges	-	17.0
Administrative expenses	135.9	33.5
Exceptional movement in impairment provision (i)	140.0	(87.5)
Exceptional contingent loan waiver (ii)	-	422.2
Exceptional movement in NMRBF (iii)	-	14.6
	275.9	399.8

4. Profit on ordinary activities before tax

	2008 £m	2007 £m
Profit on ordinary activities before tax is stated after charging:		
Auditors' remuneration (exclusive of VAT)		
Fees payable for the Company's financial statements	0.1	0.1
Other services relating to taxation	-	0.2
Depreciation	1.2	0.6

In addition operating lease rentals of £2.5m (2007:£1.9m) have been charged against the property leases provision.

5. Income from fixed asset investments

	2008 £m	2007 £m
Dividends received from subsidiary undertakings	215.0	111.0

Notes to the financial statements

6. Interest receivable and other similar income

	2008 £m	2007 £m
Income from loans to group companies	11.0	12.5
Income from bank deposits	2.5	0.3
	13.5	12.8

In 2007 income from loans to group companies related to a contingent loan to WLA which was waived without recourse during 2007.

In 2008 the income relates to a contingent loan with BLA (see note 20).

7. Interest payable and other similar charges

	2008 £m	2007 £m
Included in interest payable :		
Interest payable to group companies	20.4	11.9
Other finance costs	3.4	0.1
	23.8	12.0

8. Staff costs

Salary costs are now incorporated within the MSA recharges which commenced from 1 January 2008. In 2007 Windsor Life and NU salaries were recharged in full. During the year employment costs were recharged on a reducing basis to NU as further staff transferred to ARUK. As all employee contracts of employment are with ARUK, the full costs are included below.

	2008 £m	2007 £m
Wages and salaries	40.8	20.3
Social security costs	4.3	1.9
Regular pension costs	5.8	3.4
Other pension costs	-	0.1
Redundancy costs	0.7	-
Long-term incentive plan	-	0.3
	51.6	26.0

The average number of employees employed by the company during the year was as follows:

	2008 No.	2007 No.
Administration and operation of the business	1,646	743

Notes to the financial statements

9. Directors' emoluments

In 2008 Directors' emoluments have been disclosed in the accounts of group entities based on the time spent by Directors on the affairs of those entities. In 2007 the aggregate emoluments of 1 director remunerated by the Company (including pension scheme contributions) were as follows:

	2008 £m	2007 £m
Emoluments	-	0.5
Payments under long-term incentive scheme	-	0.2
Pension contributions	-	0.1

In 2007 retirement benefits were accruing for 1 director under a defined benefit scheme. In addition, that director is also a member of an Unfunded Unapproved Retirement Benefit Scheme (UURBS) which has superseded the previous Funded Unapproved Retirement Benefit Scheme (FURBS). Appropriate provision for amounts due under the UURBS have been made. Full details of these Private Retirement Trusts are included in note 10.

	2008 £m	2007 £m
Highest paid director:		
Emoluments	-	0.5
Payments under long-term incentive plan	-	0.2
Pension scheme contributions	-	0.1

In 2007 the accrued pension for the highest paid director was £0.1m and accrued lump sum was 0.2m based on his service to the Company.

Notes to the financial statements

10. Pension provisions

The Company operates one defined benefit scheme, the Admin Re Staff Pension Scheme formerly the Windsor Pension and Life Assurance Scheme, following the National Mutual Retirement Benefits Fund (NMRBF) merger with the Scheme in April 2008.

Admin Re Staff Pension Scheme

The Admin Re Staff Pension Scheme operates for staff and the assets are held in separate, trustee administered funds. This was closed to new members on 1 October 2000 and became contributory. In addition, the Company arranged for a Group Personal Pension scheme to be created. The Group Personal Pension scheme is a defined contribution pension scheme. The Company also operates an unfunded unapproved retirement benefit scheme or private retirement trusts for one director and one member of staff.

The latest full actuarial valuation was performed by Watson Wyatt, a firm of independent actuaries as at 31 December 2008 which will be available for 2009 disclosures. 2008 calculations are based on the 31 December 2005 full actuarial valuation also performed by Watson Wyatt. The contribution made in respect of current service for the year was £3.5m (2007: £1.6m) and is incorporated within the MSA recharges, but recharged directly to WLA in 2007. With effect from 1 January 2007 the Company contributed to the Scheme at a rate of 27.1% of pensionable salaries and to cover those expenses incurred by the Scheme and the cost of the death-in-service benefits for those members of the Scheme who are entitled only to those benefits. The Company also pays a fixed amount of £10.1m per annum by monthly instalments by means of deficit contributions. In April 2008, the proportion of assets relating to employees who transferred to LV, was transferred to that company and a one-off payment of £3.6m was made by ARUK, to fund the shortfall. During 2008, total employer contributions of £18.3m were paid to the Scheme, including £3.2m to meet the fund's investment manager expenses to the Scheme.

	At 31 December 2008	At 31 December 2007	At 31 December 2006
The major assumptions used by the actuary were:			
Discount rate	6.25%	5.85%	5.15%
Inflation rate	3.00%	3.25%	3.00%
Rate of increase in salaries	3.90%	6.15%	5.90%
Rate of increase in pensions	3.00%	3.25%	3.00%
Rate of increase in deferred benefits during deferment	3.00%	3.25%	3.00%
Mortality assumptions:			
Longevity at age 60 for current pensioners			
- Men	27.5 years	27.3 years	26.6 years
- Women	30.2 years	30.1 years	29.5 years
Longevity at age 60 for future pensioners			
- Men	29.0 years	28.9 years	31.4 years
- Women	31.5 years	27.6 years	30.4 years

Under the projected unit method because the scheme is closed, the age profile will increase, hence the current service cost is expected to rise.

Notes to the financial statements

10. Pension provisions (continued)

The assets of the scheme and the expected return on assets (net of administrative expenses) were:

Value at:	31 December 2008 £m	31 December 2007 £m	31 December 2006 £m
Equities	61.7	44.6	41.0
Bonds	74.4	47.0	42.0
Property	9.7	-	-
Other	1.6	0.1	0.8
Total market value of assets	147.4	91.7	83.8
Present value of scheme liabilities	(173.1)	(114.9)	(119.2)
Deficit in the scheme	(25.7)	(23.2)	(35.4)
Deficit funded by the company	25.7	23.2	35.4
Related deferred tax asset at 28% (2007 at 28% and 2006 at 30%)	(7.2)	(6.5)	(10.6)
Net pension liability funded by the company	18.5	16.7	24.8

The equity investments and bonds which are held in scheme assets are quoted and are valued at the current bid price following the adoption of the amendment to FRS 17. Previously these were valued at mid-market price. There is no significant impact of this change on the value of the scheme assets at 31 December 2007 and therefore no restatement of balances.

Reconciliation of present value of scheme liabilities	2008	2007
At 1 January	114.9	119.2
Current service cost	3.1	2.2
Interest cost	10.4	6.0
Employee contributions	0.3	0.2
Benefits paid	(7.2)	(3.7)
Net actuarial gain	(35.3)	(9.0)
Fund merger (NMRBF)	86.9	-
At 31 December	173.1	114.9

Reconciliation of fair value of scheme assets		
At 1 January	91.7	83.8
Expected return on assets	10.4	5.5
Contributions paid by employer	11.9	7.2
Employee contributions	0.2	0.2
Benefits paid	(7.2)	(3.7)
Actuarial losses	(39.5)	(1.3)
Fund merger (NMRBF)	79.9	-
At 31 December	147.4	91.7

Components of the defined benefit cost:	2008 £m	2007 £m
Amounts included within operating profit		
Service cost	(3.1)	(2.2)

Amounts included as other finance costs	2008 £m	2007 £m
Return on pension scheme assets	10.4	5.5
Interest on pension scheme liabilities	(10.5)	(6.0)
Net charge to finance costs	(0.1)	(0.5)

Notes to the financial statements

10. Pension provisions (continued)

Amounts included within the statement of total recognised gains and losses:	2008 £m	2007 £m
Actual return less expected return on pension scheme assets	(39.5)	(1.3)
Experience losses arising on the scheme liabilities	(0.4)	(0.2)
Changes in assumptions underlying the present value of the scheme liabilities	35.7	9.3
Actuarial loss recognised in the statement of total recognised gains and losses	4.2	7.8
Movement in deferred tax	(1.1)	(2.2)
Amounts included within the statement of total recognised gains and losses	3.1	5.6

The changes in assumptions underlying the present value of the scheme liabilities are as a result of changes to financial assumptions, such as the discount rate.

The following items existing at the reporting date are shown appropriately as a proportion of the present value of the scheme assets or liabilities at the balance sheet date:

	2008	2007	2006
Difference between expected and actual return on scheme assets:			
Amount (£m)	(39.5)	(1.3)	0.4
Percentage of scheme assets	26.8%	1.4%	0.5%
Experience gains and losses arising on the scheme liabilities			
Amount (£m)	(0.4)	(0.2)	(1.4)
Percentage of present value of the scheme liabilities	0.2%	0.2%	1.2%
Total recognised in statement of total recognised gains and losses			
Amount (£m)	4.2	7.8	(10.6)
Percentage of the present value of the scheme liabilities	3.0%	6.8%	8.9%

Notes to the financial statements

10. Pension provisions (continued)

Private retirement trusts

	At 31 December 2008	At 31 December 2007
The major assumptions used by the actuary were:		
Discount rate	6.25%	5.85%
Inflation rate	3.00%	3.25%
Rate of increase in salaries	3.90%	6.15%
Rate of increase in pensions	3.00%	3.25%
Rate of increase in deferred benefits during deferment	3.00%	3.25%
Mortality assumptions:		
Longevity at age 60 for current pensioners		
- Men	27.5 years	27.3 years
Longevity at age 60 for future pensioners		
- Men	29.0 years	28.9 years

Value at:	31 December 2008 £m	31 December 2007 £m
Equities	0.2	0.2
Other	-	0.1
Total market value of assets	0.2	0.3
Present value of scheme liabilities	(0.9)	(1.7)
Deficit in the scheme	(0.7)	(1.4)
Deficit funded by the company	0.7	1.4
Related deferred tax asset at 28% (2007: 30%)	(0.2)	(0.4)
Net pension liability funded by the company	0.5	1.0

The equity investments and bonds which are held in scheme assets are quoted and are valued at the current bid price following the adoption of the amendment to FRS 17. Previously these were valued at mid-market price. There is no material impact of this change on the value of the scheme assets at 31 December 2007.

	2008 £m	2007 £m
Reconciliation of present value of scheme liabilities		
At 1 January	1.7	1.5
Current service cost	0.1	0.1
Interest cost	0.1	-
Net actuarial (gain)/loss	(1.0)	0.1
At 31 December	0.9	1.7
Reconciliation of fair value of scheme assets		
At 1 January	0.3	0.3
Actuarial losses	(0.1)	-
At 31 December	0.2	0.3

Notes to the financial statements

10. Pension provisions (continued)

Amounts included within the statement of total recognised gains and losses:		2008 £m	2007 £m
Actual return less expected return on pension scheme assets		-	-
Experience gains and (losses) arising on the scheme liabilities		0.2	(0.3)
Changes in assumptions underlying the present value of the scheme liabilities		0.7	0.2
Actuarial gain and (losses) recognised in the statement of total recognised gains and losses		0.9	(0.1)
Movement in deferred tax		(0.2)	-
Amounts included within the statement of recognised gains and losses		0.7	(0.1)
		2008	2007
Difference between expected and actual return on scheme assets:			
Amount (£m)		0.1	-
Percentage of scheme assets		25.8%	0.8%
Experience gains and losses arising on the scheme liabilities			
Amount (£m)		(0.2)	(0.3)
Percentage of present value of the scheme liabilities		20.5%	15.9%
Total recognised in statement of total recognised gains and losses			
Amount (£m)		(0.9)	(0.1)
Percentage of the present value of the scheme liabilities		99.5%	5.5%

Notes to the financial statements

10. Pension provisions (continued)

The National Mutual Retirement Benefits Fund (NMRBF)

The liabilities of the NMRBF are included within the Admin Re Staff Pension Scheme following the NMRBF merger with the Scheme in April 2008. The NMRBF is included within the financial statements of ARUK for the year ended 31 December 2007, as the employees were transferred in accordance with the Part VII transfer (see note 8). The arrangement ensured that the transfer of liabilities was on a fully-funded basis and no change to the pension scheme resulted after this action. The impact of this resulted in a charge of £10.5m to the profit and loss account for the year ended 31 December 2007.

At 31
December
2007

The major assumptions used by the actuary were:

Discount rate	5.85%
Inflation rate	3.25%
Rate of increase in salaries	6.15%
Rate of increase in payment on pre April 97 excess over GMP pensions	3.25%
Rate of increase in payment on April 1997 to April 2006 pensions	3.25%
Rate of increase in payment on post April 2006 pensions	3.25%

The assets of the scheme and the expected rates of return were:

Value at:	31 December 2008 £m	31 December 2007 £m
Equities	-	47.4
Index-linked bonds	-	18.3
Fixed interest bonds	-	17.7
Cash	-	0.7
Total market value of assets	-	84.1
Present value of scheme liabilities	-	(98.7)
Deficit in the scheme	-	(14.6)
Deficit funded by the company	-	14.6
Related deferred tax asset at 28%	-	(4.1)
Net pension liability funded by the company	-	10.5

Reconciliation of present value of scheme liabilities	2008	2007
At 1 January	98.7	-
Current service cost	0.3	-
Interest cost	1.3	-
Benefits paid	(0.4)	-
Fund merger	(86.9)	-
Curtailments	(3.6)	-
Settlements	(9.4)	-
Transfer in as a result of the Part VII	-	98.7
At 31 December	-	98.7

Notes to the financial statements

10. Pension provisions (continued)

The National Mutual Retirement Benefits Fund (NMRBF)

Reconciliation of fair value of scheme assets	2008	2007
At 1 January	84.1	-
Expected return on assets	1.4	-
Contributions paid by employer	5.1	-
Benefits paid	(0.4)	-
Fund merger	(79.9)	-
Settlements	(10.3)	-
Transfer in as a result of the Part VII	-	84.1
At 31 December	-	84.1

	2008 £m	2007 £m
Components of the defined benefit cost:		
Amounts included within operating profit		
Service cost	0.2	-
Effect of curtailments and settlements	(2.6)	-
	(2.4)	-

Amounts included as other finance costs		
Return on pension scheme assets	1.4	-
Interest on pension scheme liabilities	(1.4)	-
Net charge to finance costs	-	-

	2008 £m	2007 £m
Total pension deficit		
Net pension liability funded by the company	18.5	16.7
Net private retirement trusts' liability funded by the company	0.5	1.0
Net NMRBF liability funded by the company	-	10.5
Net pension deficit (page 12)	19.0	28.2

Group Personal Pension Scheme		
Contributions to the Group Personal Pension Scheme for the year was:	2.0	0.1

Notes to the financial statements

11. Taxation

(a) Tax charge

	2008 £m	2007 £m
Deferred tax charge (see note 21)	(4.7)	(6.4)
Current tax credit	15.8	4.5
Total tax credit/(charge)	11.1	(1.9)
Corporation tax has been calculated at 28.5% (2007: 30%)		

(b) Factors affecting tax charge for the period

The tax assessed for the year is lower (2007: lower) than the standard rate of corporation tax in the UK (28.5%). The differences are explained below:

	2008 £m	2007 £m
Profit/(loss) on ordinary activities before tax	30.6	(253.4)
Corporation tax (charge)/credit at the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(8.7)	76.0
Effects of:		
Expenses permanently disallowed for tax purposes/(reversed)	(36.8)	(104.8)
Dividends from subsidiary undertakings not subject to tax	61.3	33.3
Current corporation tax credit for year	15.8	4.5

12. Deferred tax charge

	2008 £m	2007 £m
Origination and reversal of timing differences	0.2	0.6
Decrease in tax losses	-	9.8
(Decrease) in discount	-	(1.8)
Pension cost relief lower/(in excess) of pension cost charge	4.5	(2.2)
Deferred tax charge for year	4.7	6.4

Notes to the financial statements

13. Dividends

	2008 £m	2007 £m
2007 interim (0.0144p per share)	125.0	-
2006 interim (0.0162p per share)	-	118.0
	125.0	118.0

The directors do not propose an interim (2007:£125m) or final dividend (2007:nil) in respect of the financial year ended 31 December 2008.

14. Share capital

(a) Authorised share capital

	2008 Number	£'000	2007 Number	£'000
Equity share capital:				
Ordinary 1p				
A shares	3,800,000	38	3,800,000	38
B shares	3,800,000	38	3,800,000	38
C shares	9,750,000	98	9,750,000	98
E shares	230,031	2	230,031	2
Converted shares	400,540	4	400,540	4
Total ordinary share capital	17,980,571	180	17,980,571	180
Undesignated 1p	13,275,000	132	13,275,000	132
Total ordinary equity share capital	31,255,571	312	31,255,571	312
Equity redeemable share capital:				
2nd series convertible redeemable preference 1p				
A shares	2,000,000	20	2,000,000	20
B shares	2,000,000	20	2,000,000	20
J shares	375,000	4	375,000	4
	4,375,000	44	4,375,000	44
Deferred shares 1p	7,664,369,429	76,644	7,664,369,429	76,644
Total equity redeemable share capital	7,668,744,429	76,688	7,668,744,429	76,688
Total equity share capital	7,700,000,000	77,000	7,700,000,000	77,000

Notes to the financial statements

14. Share capital (continued)

(b) Allotted, issued and fully paid share capital

	2008		2007	
	Number	£'000	Number	£'000
Equity share capital:				
Ordinary 1p				
A shares	3,771,165	38	3,771,165	38
B shares	3,771,165	38	3,771,165	38
C shares	8,919,325	89	8,919,325	89
E shares	119,538	1	119,538	1
CRP1 Ordinary shares	400,540	4	400,540	4
Total ordinary share capital	16,981,733	170	16,981,733	170
Undesignated 1p	-	-	-	-
Total ordinary equity share capital	16,981,733	170	16,981,733	170
Equity redeemable share capital:				
2nd series convertible redeemable preference 1p				
A shares	2,000,000	20	2,000,000	20
B shares	2,000,000	20	2,000,000	20
J shares	375,000	4	375,000	4
	4,375,000	44	4,375,000	44
Deferred shares 1p:				
- Warranty guarantee	7,279,343,261	72,793	7,279,343,261	72,793
- Converted "E" shares	394,969	4	394,969	4
- Converted Series 1 CRPS	3,974,460	40	3,974,460	40
	7,283,712,690	72,837	7,283,712,690	72,837
Total equity redeemable share capital	7,288,087,690	72,881	7,288,087,690	72,881
Total equity share capital	7,305,069,423	73,051	7,305,069,423	73,051

Notes to the financial statements

14. Share capital (continued)

(c) Authorised and issued share capital

	2008 Authorised £'000	Issued £'000	2007 Authorised £'000	Issued £'000
Balance	77,000	73,051	77,000	73,051

(d) Principal rights of the convertible redeemable shares

All events that would have led to a conversion have now passed.

Dividends

The shares have no rights to dividends.

Return of capital

The shares rank equally with the ordinary shares for return of capital but have no right to participate in the profits of the company.

Voting

The shares carry voting rights in relation to resolutions to wind up the company, reduce the capital or vary or abrogate their rights.

(e) Principal rights of the redeemable deferred shares

		Deferred shares arising from:		
		Warranty recovery	Conversion	Warranty guarantee
Redemption:	Earliest date	At any time	At any time	11 March 2005
	Latest date	None	None	None
	Premium payable on redemption	Nil	Nil	Nil

Deferred shares issued under the warranty recovery clause of the Windsor Life acquisition agreement or following the conversion of the convertible redeemable preference shares are redeemable at par immediately. Deferred shares issued under the warranty guarantee will be redeemed for £1 in total.

Deferred shares are entitled, before any dividend on any other class of shares, to a fixed, cumulative, preferential annual dividend at the rate of 0.00001% per annum on the nominal capital credited as paid up. None of the deferred share class has any voting rights.

On winding-up deferred shares resultant from a conversion only have rights to a return of capital at the value paid up after the primary repayment rights of each ordinary share are fulfilled.

(f) Rights attributable to E shares

The E shares of the company rank pari passu with the other ordinary shares of the company in respect of voting rights, dividends and the rights on return of capital.

15. Reserves

The reserves of the company are:

	Share premium account £m	Other reserves £m	Total reserves £m
At 1 January 2008 and at 31 December 2008	83.9	0.8	84.7

Notes to the financial statements

16. Profit and loss account

	Total reserves £m
At 31 December 2007	167.4
Capital contribution from parent	227.0
Profit for the financial year	41.7
Dividends	(125.0)
Actuarial gain on pension scheme	(3.3)
Related movement in deferred tax	0.9
At 31 December 2008	308.7

The parent company, SRGB transferred cash of £50m in October 2008 and £91m in December 2008 which was immediately transferred to ARUK's own subsidiary undertaking WLA, in order for it to support its capital position and hence solvency requirements. This has been recognised as an increase in its investment in subsidiary as shown in note 17.

In addition an interest-free loan of £382m was given to ARUK from the parent company. Under FRS26 interest on the loan is recognised at fair value, resulting in a capital contribution from parent of £86m.

17. Fixed asset investments

(a) The Company's investments are made up of:

	Shares in group undertakings £m	Loans to group undertakings £m	Total £m
At 1 January 2008	659.0	-	659.0
Acquisition of BLA (i)	384.7	380.4	765.1
Capital contribution (ii)	141.0	-	141.0
Impairment (iii)	(140.0)	-	(140.0)
At 31 December 2008	1,044.7	380.4	1,425.1

(i) The Company acquired the entire share capital of BLA on 31 October 2008 for a consideration of £765.1m (including acquisition costs of £2.8m). Included within the consideration is a contingent loan of £380.4m which is owed to ARUK by BLA (see note 20).

(ii) The Company made a capital contribution to WLA during the year.

(iii) The directors revise the carrying value of the Company's investments in subsidiary undertakings in the manner set out in the accounting policies. In doing this the directors consider the value of all fixed assets of the company without necessarily revaluing those assets. They are satisfied that they are worth, in total, not less than the aggregate amount at which they are stated in the Company's financial statements. The relevant items in question are accordingly stated on the basis that a revaluation of the Company's assets took place at the financial year end with an impairment in value of £140.0m.

Notes to the financial statements

17. Fixed asset investments (continued)

(b) Subsidiary undertakings

The subsidiary undertakings of the Company are all registered in England and Wales:

Company	Principal activity
Windsor Life Assurance Company Limited *(d)	Long-term insurance
Gresham Life Assurance Society Limited *	Dormant
C Financial Management Limited *(d)	Intermediate holding company
C Life Assurance Company Limited *	Dormant
C Life Pensions Limited *	Dormant
CLPT Limited *	Dormant
RFSG (UK) Limited *(d)	Intermediate holding company
ALAC (UK) Limited *	Dormant
RAFS Limited *	Dormant
Targetchief Limited * (d)	Intermediate holding company
G Life H Limited *	Intermediate holding company
GL&P Limited *	Dormant
FPS Holdings Limited *	Dormant
G Assurance & Pension Services Limited *	Non-trading
G Financial Services Limited *	Dormant
G Management Services Limited *	Non-trading from 31 December 2007
G Trustees Limited *	Non-trading
ERIP General Partner Limited **	Partnership
NM Life Residential Limited *	Property portfolio investment company
Namulas Pension Trustees Limited*	Corporate and pensioner trustees
National Mutual Life Assurance Society*	Non-trading
National Mutual Trustees Limited *	Staff pension fund trustees
Barclays Life Assurance Company Limited*(d)	Long-term insurance
BLAC Limited*	Non-trading

* 100% ordinary share capital held by the Company

** 80% ordinary share capital held by the Company

(d) directly held by the Company

The Company has confirmed that so long as it remains the immediate parent undertaking of its subsidiaries, it intends to provide such financial and other support as is necessary for the subsidiary undertakings to continue to trade or otherwise meet their obligations as they fall due.

18. Tangible assets

	Computer equipment £m	Fixtures, fittings and office equipment £m	Total £m
Cost			
At 1 January 2008	4.5	-	4.5
Addition	4.0	1.4	5.4
Transfers	0.1	0.2	0.3
At 31 December 2008	8.6	1.6	10.2
Depreciation			
At 1 January 2008	(0.9)	-	(0.9)
Charge in the year	(1.1)	(0.1)	(1.2)
At 31 December 2008	(2.0)	(0.1)	(2.1)
Net Book Value			
At 31 December 2008	6.6	1.5	8.1
At 31 December 2007	3.6	-	3.6

Notes to the financial statements

19. Debtors, prepayments and accrued income

	2008 £m	2007 £m
Other debtors	2.7	11.4
Amounts due from group undertakings	26.3	5.1
Deferred tax asset (note 21)	0.5	0.7
	29.5	17.2

20. Contingent loan arrangements

The Company has in place a loan balance due to a contingent loan arrangement with its subsidiary undertaking BLA which transferred to ARUK on completion of the acquisition of BLA from Barclays Bank plc. Repayment is required by BLA out of surplus emerging on certain contracts held within the non-profit fund. Interest on the loan is also contingent on these surpluses. The interest element of the loan is repayable at 7.1% per annum on a straight line basis.

The net amount of the financing outstanding is £380.4m (2007: nil) and is included within "Fixed asset investments" (note 17a). Interest receivable on the contingent loan arrangement is being recognised in "Interest receivable and other similar income" in the profit and loss account. Interest accruing on the loan is included within "Debtors - Amounts due from group undertakings" (Note 19).

The predicted future margins arising from BLA have been reviewed at year end to ensure their present value is sufficient to cover the contingent loan amount outstanding.

Notes to the financial statements

21. Deferred tax asset

	Accumulated losses £m	Timing differences £m	Deferred tax asset £m
At 1 January 2008	(0.1)	0.8	0.7
Amount charged to the profit and loss account	(0.1)	(0.1)	(0.2)
At 31 December 2008	(0.2)	0.7	0.5
Deferred tax asset excluding pension asset			0.5
Pension asset			7.4
Total deferred tax asset including pension asset			7.9
Deferred tax 1 January 2008			11.7
Deferred tax charged to the profit and loss account			(4.7)
Deferred tax asset credited to the statement of total recognised gains and losses			0.9
Total deferred tax asset at 31 December 2008			7.9

Deferred tax assets are recognised only when projections indicate that it is more likely than not that timing differences will reverse or losses will be relieved within the group.

There are unprovided deferred tax assets of £10m (2007: £8m) in respect of management expenses and other accumulated losses, which are not expected to be recoverable.

22. Provisions for other risks and charges

The movement in the provision is as follows:

	Property leases £m
At 1 January 2008	3.0
Additional provision	2.2
Utilised in year	(2.5)
Provision released unused	(0.2)
Discount unwind	0.1
At 31 December 2008	2.6

"Property leases" relate to the estimated net cost of carrying empty leased properties during the time until they reach a break point in the lease or are expected to be sub-let. The timing and amount depends on the property and the circumstances of any lease. All provisions are discounted at 2.56% (2007: 4.47%) based on the 5 year gilt rate at 31 December.

Notes to the financial statements

23. Creditors: amounts falling due within one year

	2008 £m	2007 £m
Other creditors (including taxation and social security)	18.0	9.1
Amounts due to group undertakings	49.3	67.5
	67.3	76.6

24. Creditors: amounts falling due after more than one year

	2008 £m	2007 £m
Loans due to group undertakings	920.6	262.0

Loans due to group undertakings relate to five loan facilities with the Company's immediate parent undertaking Swiss Re GB Plc. The first facility of £48m is repayable on 31 March 2011. Interest is payable on the last quarter day based on 3 month LIBOR at the preceding quarter day plus 25 basis points. The second facility of £260m is repayable on 31 May 2018. Interest is payable annually on 5 April at a fixed rate of 5.87%. £46m of capital was repaid on this loan in 2008. The third facility of £380m is repayable on 4 May 2010. Interest is payable quarterly in arrears at a per annum rate of 3 month LIBOR plus 50 basis points with a step up to 3 month LIBOR plus 60 basis points from 5 August 2009. The interest rate is set on the 1st day of the interest period. The fourth and fifth facilities of £0.3m and £382m are repayable on 14 November 2012 and 28 October 2012 respectively. Interest does not accrue on these loans. The aggregate fair value of the fifth facility is £296m and this has been determined using a discounted cash flow model and a discount rate of 6.6% based on a risk-free rate plus an adjustment of 401 basis points to reflect the credit spread on a similar Swiss Re bond at that date. The difference between the amount advanced and the fair value amount has resulted in a value of £86m taken to equity (see note 26).

	2008 £m	2007 £m
Principal due:		
- between one and five years	814.6	134.0
- after five years	106.0	128.0
	920.6	262.0

25. Operating lease commitments

Annual commitments in respect of non-cancellable leases of the Company are as follows:

	Land and buildings 2008 £m	Land and buildings 2007 £m
Operating leases which expire:		
- between one and five years	1.6	1.8
- after five years	0.8	0.9
	2.4	2.7

Against the liabilities for land and buildings there are sub-leases for which there are contracted rents receivable of £1.3m (2007: £1.2m).

Notes to the financial statements

26. Reconciliation of movement in shareholders' funds

	2008 £m	2007 £m
Opening shareholders' funds at 1 January	325.1	692.9
Profit/(loss) for the financial year	41.7	(255.3)
Capital contribution from parent company	227.0	-
Dividends	(125.0)	(118.0)
Movement in deferred tax	0.9	(2.2)
Actuarial (loss)/gain	(3.3)	7.7
Closing shareholders' funds including pension deficit at 31 December	466.4	325.1
Pension deficit	19.0	28.2
Closing shareholders' funds excluding pension deficit at 31 December	485.4	353.3

Notes to the financial statements

27. Share based payment transaction plans

The Group maintains a number of active share based compensation arrangements. All ARUK plans constitute grants of rights by ARUK to equity instruments of the ultimate parent company (Swiss Reinsurance Company) and they have therefore been accounted for as cash settled.

The carrying amount of the liability at the end of the prior year has been settled during the current year. The Company is recharged the cost of all share based compensations by its holding company SRGB plc. The total change for 2008 in respect of all share based payment plans was £0.1m (2007: £0.1m) and this amount is fully provided for at year end.

(a) Swiss Re Employee Participation Plan

Swiss Re operates a global Employee Participation Plan (EPP). In the UK, the EPP comprises the Save As You Earn Plan (SAYE) and the Supplementary Plan. The rules of the EPP provide for an overall limit on savings made in relation to the EPP for a particular year.

SAYE

The SAYE plan is granted annually under the Inland Revenue approved Save As You Earn share option schemes in the United Kingdom and Ireland. It allows the SRGB Group to offer UK employees the opportunity to acquire shares in Swiss Re on preferential terms and to acquire those shares in the most tax efficient manner. The SAYE plan consists of a savings contract with a three year savings period, subject to annual maximum limit. At maturity employees receive their accumulated savings balance and a tax free bonus which can be used to either elect to purchase Swiss Re shares at a predetermined discount or receive cash equal to the accumulated savings balance and the tax free bonus.

Supplementary Plan

The Supplementary Plan operates in a similar way to the SAYE plan and comes into operation when the Inland Revenue approved ceiling for the tax free benefit allowed in terms of the SAYE plan is exceeded. Benefits generated under the Supplementary Plan are paid in cash at the end of the savings period.

The fair value of the options relating to the SAYE and Supplementary Plan was estimated on the date of grant, using the Black Scholes Option pricing model. The following weighted average assumptions were used in this model:

Assumption	2008	2007
Share price	£32.24	£35.70
Exercise price	£52.56	£36.05
Expected volatility	20%	20%
Expected life	3 years	3 years
Expected dividend yield	4.0%	4.5%
Risk free interest rate	2.2%	2.2%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options) adjusted for future expected dispersion of returns of the Swiss Re share price.

As at 31 December 2008, options to subscribe for ordinary shares of 3,241 in the Company under the SAYE and Supplementary Plan were outstanding as follows:

Date of grant	Number of options	Exercise price(p)	Exercise date	Fair value at grant date (p)	Implied length
01.06.06	17,799	3,159	31.05.09	660	3 years
01.06.07	6,534	3,605	31.05.10	1,060	3 years
01.06.08	31,977	3,241	31.05.11	330	3 years

Notes to the financial statements

27. Share based payment transaction plans (continued)

A summary of the activity of the SAYE and Supplementary Plan is as follows:

	Weighted average exercise price(p)	Number of options 2008	Weighted average exercise price(p)	Number of options 2007
Outstanding, 1 January	3,456	29,539	3,159	20,291
Options granted	3,241	39,897	3,605	9,903
Options forfeited	3,384	(13,126)	3,602	(655)
Options exercised	-	-	-	-
Outstanding, 31 December	3,257	56,310	3,456	29,539
Exercisable, 31 December	-	-	-	-
Weighted average fair value of options granted during the year per share	20	-	1,060	-

(b) The Employee Restricted Share Plan

The Employee Restricted Share Plan (ERSP) grants select employees of Swiss Re and its affiliates with a right to future participation in Swiss Re shares, for free. The shares are subject to a four year vesting period during which the shares may not be transferred or traded. Ownership rights are also restricted. At the end of the vesting period, the participating employee is free to transfer or sell the shares.

The expense recognised is based on the number of shares outstanding and the market price at the measurement date. The corresponding liability reflects an increase in equity in SRZ, the ultimate parent company, whose shares are being issued.

As at 31 December 2008, options to subscribe for ordinary shares in the Company under the ERSP were outstanding as follows:

Date of grant	Number of options	Exercise price(p)	Exercise date	Fair value at grant date (p)	Implied length
17.02.05	1,250	Nil	17.02.09	3,690	4 years

A summary of the activity of the ERSP is as follows:

	Weighted average exercise price(p)	Number of options 2008	Weighted average exercise price(p)	Number of options 2007
Outstanding, 1 January	-	1,250	-	1,250
Options granted	-	-	-	-
Options forfeited	-	-	-	-
Options exercised	-	-	-	-
Options sold	-	-	-	-
Options expired	-	-	-	-
Outstanding, 31 December	-	1,250	-	1,250
Exercisable, 31 December	-	-	-	-

The fair value of the options relating to the ERSP were estimated on date of grant to be not materially different from the quoted share price at that date and so the quoted share price has been used as the fair value.

Notes to the financial statements

27. Share based payment transaction plans (continued)

(c) Stock Appreciation Rights

The Stock Appreciation Rights (SAR) grant to certain employees the rights to appreciation from Swiss Re shares between the grant date and the exercise date. The SAR have a two year vesting period after which the employees have a further three years in which to exercise their rights. At exercise the entitlement is settled in cash.

As at 31 December 2008, options to subscribe for ordinary shares of 3,576p in the company under the SAR were outstanding as follows:

Date of grant	Number of options	Exercise price(p)	Exercise date	Fair value at grant date (p)	Implied length
15.06.06	27,000	3,576	14.06.08	1,042	2 years

The fair value of the options relating to the SAR was estimated on the date of grant, using a binominal option pricing model. The following weighted average assumptions were used in this model:

Assumption	2008	2007
Share price	£32.24	£39.00
Exercise price	£52.56	£39.75
Expected volatility	20%	20%
Expected life	2 years	1 year
Expected dividend yield	4%	4.5%
Risk free interest rate	2.2%	2.2%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options) adjusted for future expected dispersion of returns of the Swiss Re share price.

A summary of the activity of the SAR is as follows:

	Weighted average exercise price(p)	Number of options 2008	Weighted average exercise price(p)	Number of options 2007
Outstanding, 1 January	3,603	27,000	3,603	27,000
Options granted	-	-	-	-
Options forfeited	3,603	(2,000)	-	-
Options exercised	-	-	-	-
Options sold	-	-	-	-
Options expired	-	-	-	-
Outstanding, 31 December	-	-	-	-
Exercisable, 31 December	3,603	25,000	3,603	27,000
Weighted average fair value of options granted during the year per share	-	-	-	-

No options were granted during 2007 and 2008.

Notes to the financial statements

27. Share based payment transaction plans (continued)

(d) Bonus Share Plan

Prior to 2008 employees could elect to receive their bonus in cash or shares. This option was withdrawn in 2008. For employees electing to receive bonus shares, Swiss Re contributes an additional one future share for every four shares purchased out of the bonus amount. The shares have a four year holding period during which time they cannot be sold, but are still eligible for dividends. The recipient is liable to tax and NI on the full value of the shares on the date they are received. No further tax or NI arises at the end of the four year period.

The cost to the employer is the value of the future shares awarded. An expense, and a corresponding increase in liability, is recognised based on the number of future shares outstanding and the quoted market price at the measurement date. The expense is spread over a four year period from the award date.

The details of the shares outstanding at 31 December 2008 are as follows:

Performance year	2008	2007
Date of grant	April 2007	April 2007
No of shares awarded and outstanding	60	60

The market value of the bonus shares at the date of grant was £45.63.

28. Ultimate parent undertaking

The smallest and largest group in which the results of the Company are consolidated is that of which Swiss Reinsurance Company Ltd is the parent company. The consolidated accounts of Swiss Reinsurance Company Ltd may be obtained from its registered office at Mythenquai 50/60, PO Box 8022, Zurich, Switzerland.

The immediate parent company is Swiss Re GB Plc, incorporated in England and Wales.