

ALLIANZ RISK TRANSFER (U.K.) LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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for the Year Ended 31 December 2008

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ALLIANZ RISK TRANSFER (U.K.) LIMITED

COMPANY INFORMATION
for the Year Ended 31 December 2008

DIRECTORS:

T Bruendler
C T Fischer Hirs
B Kirwan

SECRETARY:

C J Kiddle Morris

REGISTERED OFFICE:

57 Ladymead
GUILDFORD
SURREY
GU1 1DB

REGISTERED NUMBER:

4326287 (England and Wales)

AUDITORS:

KPMG LLP
Registered Auditor
Chartered Accountants
8 Salisbury Square
LONDON
EC4 8BB

BANKERS:

Royal Bank of Scotland
62/63 Threadneedle Street
LONDON
EC2R 8LA

REPORT OF THE DIRECTORS
for the Year Ended 31 December 2008

The directors present their report with the financial statements of the company for the year ended 31 December 2008.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the provision of Alternative Risk Transfer services.

REVIEW OF BUSINESS

The results for the Company show a pre-tax profit of £270,614 (2007: £141,712) and turnover of £1,837,364 (2007: £1,530,563). The Directors are not recommending the payment of a final ordinary dividend (2007: £nil).

Background

Since its founding in 1997, Allianz Risk Transfer Group is the centre of competence for alternative risk transfer business within the Allianz Group. Its core lines of business are Large Corporate Structured Insurance, Reinsurance, Insurance Linked Securities and Alternative Assets.

ART Group's mission is to provide innovative approaches in the management of financial and insurance risk through the implementation of leading edge risk analyses and portfolio management processes.

The Company's role is to source and triage opportunities for other ART Group entities. It does not source business for third parties. The relevant entities have opportunity to bind these opportunities or reject them.

As to the first quarter 2009 the ART Group will no longer be writing Alternative Asset business, this principally effects structured credit transactions. It is not anticipated that this will have a material effect on staffing or results for the Company.

Business environment

2008 was historically volatile in all areas of the financial services industry but particularly in structured credit. This made sourcing quality transactions more complicated. It also created additional focus on in force portfolios.

The Company continues to be a valued member of the ART Group and will continue to source insurance, reinsurance and Insurance Linked Securities for the ART Group.

Sources of Business

The Company sources business opportunities direct from large corporations or through financial intermediaries such as brokers or investment banks.

Future outlook

The Company will continue to implement its strategic mission as dictated by ART Group.

Principal risks and uncertainties

ART does not trade, take any risk or hold client monies. It is a marketing arm of ART Group. Its only obligations are to its employees, Revenue Service and offices supplies.

ART (UK) is embedded in and benefits from the Internal Control System ("ICS" or "ART ICS") which the ART Group has implemented. It is risk-based and built on the COSO framework for Enterprise Risk Management.

The ART ICS is a means for ART Group to assure that throughout ART Group effective systems and controls are in place.

Operational risk objectives are to protect ART Group's reputation and the Allianz brand; ensure adherence to all applicable laws and regulations (external barriers) as well as to Allianz and ART policies & guidelines (internal barriers) pertaining to corporate governance, integrity management, proper business conduct, including good market practice and fair dealing and the prevention of financial crimes.

REPORT OF THE DIRECTORS
for the Year Ended 31 December 2008

DIRECTORS

The current directors are set out in the table below. All held office throughout the period from 1 January 2008 to the date of this report.

T Bruendler
C T Fischer Hirs
B Kirwan

The Company has taken advantage of the repeal of the requirement for Directors to disclose their interests and those of their families in the shares of the Company as introduced by Companies Act 2006 (s 1295 and SI 2007/1093). Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The Company provided qualifying third party indemnity provisions to certain directors of associated companies during the financial year and at the date of this report.

SECRETARY

Ms I M Daniel resigned as Secretary on 8 January 2008 and was replaced by J C Wall, who in turn resigned on 11 December 2008 on which date C J Kiddle Morris was appointed as Secretary.

AUDITORS

The Auditors KPMG LLP will be deemed to have been reappointed at the end of 28 days beginning with the day on which copies of this report and accounts are sent to Members.

**STATEMENT OF DIRECTORS'
RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

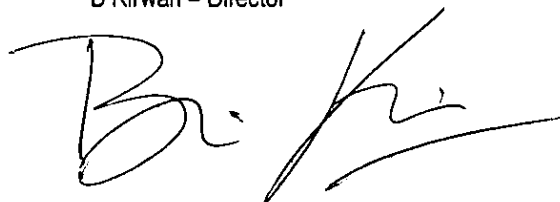
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

ON BEHALF OF THE BOARD:

B Kirwan – Director

Date: 15/May/2009



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANZ RISK TRANSFER (U.K.) LIMITED

We have audited the financial statements of Allianz Risk Transfer (U.K.) Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

Basis of audit opinion

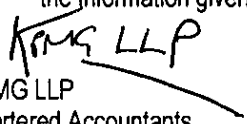
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK 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.


KPMG LLP
Chartered Accountants
8 Salisbury Square
LONDON
EC4Y 8BB

Registered Auditor

Date 15/5/09

ALLIANZ RISK TRANSFER (U.K.) LIMITED**PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2008**

	Notes	31.12.08 £	31.12.07 £
TURNOVER		1,837,364	1,530,563
Administrative expenses		<u>(1,639,619)</u>	<u>(1,448,157)</u>
		197,745	82,406
Other operating income		<u>-</u>	<u>150</u>
OPERATING PROFIT	2	197,745	82,556
Interest receivable and similar income		<u>72,869</u>	<u>59,156</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		270,614	141,712
Tax on profit on ordinary activities	4	<u>(78,234)</u>	<u>(45,183)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>192,380</u>	<u>96,529</u>

There were no recognised gains or losses during the period other than those passing through the profit and loss account.

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

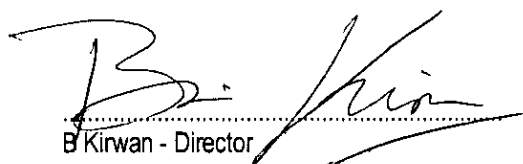
The notes on pages 7 to 11 form part of these financial statements

ALLIANZ RISK TRANSFER (U.K.) LIMITED**BALANCE SHEET**
31 December 2008

	Notes	31.12.08 £	£	31.12.07 £	£
FIXED ASSETS					
Tangible assets	5		7,555		3,978
CURRENT ASSETS					
Debtors	6	43,670		10,165	
Cash at bank		<u>2,007,477</u>		<u>1,739,766</u>	
		2,051,147		1,749,931	
CREDITORS					
Amounts falling due within one year	7	<u>699,654</u>		<u>587,241</u>	
NET CURRENT ASSETS			<u>1,351,493</u>		<u>1,162,690</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,359,048</u>		<u>1,166,668</u>
CAPITAL AND RESERVES					
Called up share capital	8		1,000,000		1,000,000
Profit and Loss Account	9		<u>359,048</u>		<u>166,668</u>
SHAREHOLDERS' FUNDS	11		<u>1,359,048</u>		<u>1,166,668</u>

The financial statements were approved by the Board of Directors on
its behalf by:

15/May/2009 and were signed on


B Kirwan - Director

The notes on pages 7 to 11 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2008****1. ACCOUNTING POLICIES****Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company is a wholly owned subsidiary of an ultimate parent company in whose consolidated financial statements it is included and which are publicly available.

Turnover

Turnover represents gross services provided during the year, net of Value Added Tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer Equipment	- Straight line over 3 years
Fixtures and Fittings	- 25% on reducing balance

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Related parties

As the Company is a wholly owned subsidiary of Allianz Risk Transfer AG, the Company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated Financial Statements of Allianz Risk Transfer AG, within which this Company is included, can be obtained from the address given in note 10.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2. OPERATING PROFIT

The operating profit is stated after charging:

	31.12.08	31.12.07
	£	£
Depreciation - owned assets	4,258	5,870
Auditors Remuneration	5,875	5,875
Foreign exchange differences	<u>40</u>	<u>28</u>

There were no other services provided by the auditors to the Company.

Directors' emoluments	<u>441,530</u>	<u>365,452</u>
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NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2008

3. STAFF COSTS

	31.12.08 £	31.12.07 £
Wages and salaries	940,621	792,704
Social security costs	96,733	78,485
Other pension costs	46,858	32,700
Other benefits	<u>7,005</u>	<u>10,512</u>
	<u>1,091,217</u>	<u>914,401</u>

Directors' remuneration		
Emoluments	367,034	302,462
Social security costs	46,291	38,052
Other pension costs	21,200	17,400
Other benefits	<u>7,005</u>	<u>7,538</u>
	<u>441,530</u>	<u>365,452</u>

The average monthly number of employees during the year was as follows:

	31.12.08	31.12.07
Production and distribution	<u>3</u>	<u>4</u>

4. TAXATION

Tax on profit on ordinary activities

a) Analysis of charge in period:

	31.12.08 £	31.12.07 £
<u>UK Corporation Tax</u>		
Current tax on income for the period	78,234	45,660
Adjustment in respect of the prior year	-	(427)
Corporation Tax Interest	<u>-</u>	<u>(50)</u>
Total current tax	<u>78,234</u>	<u>45,183</u>
Deferred tax	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>78,234</u>	<u>45,183</u>

b) Factors affecting the tax charge

The current tax charge for the period is higher than the standard rate of corporation tax in the UK of 28.5% (2007 30%). The difference is explained below:

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2008

	31.12.08	31.12.07
	£	£
Profit on ordinary activities before tax	<u>270,614</u>	<u>141,712</u>
Current tax at 28.5% (2007: 30%)	77,118	42,529
Effects of:		
Expenses not deductible for tax purposes	4,037	4,267
Capital Allowances	(2,921)	(1,136)
Prior year overprovided	-	(42)
Interest received	<u>-</u>	<u>(5)</u>
Total current tax charge (see above)	<u>78,234</u>	<u>45,183</u>

5. TANGIBLE FIXED ASSETS

	Computer Equipment £	Fixtures and Fittings £	Totals £
COST OR VALUATION			
At 1 January 2008	37,362	3,903	41,265
Additions	<u>-</u>	<u>7,837</u>	<u>7,837</u>
At 31 December 2008	<u>37,362</u>	<u>11,740</u>	<u>49,102</u>
DEPRECIATION			
At 1 January 2008	34,214	3,073	37,287
Charge for year	<u>2,092</u>	<u>2,168</u>	<u>4,260</u>
At 31 December 2008	<u>36,306</u>	<u>5,241</u>	<u>41,547</u>
NET BOOK VALUE			
At 31 December 2008	<u>1,056</u>	<u>6,499</u>	<u>7,555</u>
At 31 December 2007	<u>3,148</u>	<u>830</u>	<u>3,978</u>

Cost or valuation at 31 December 2008 is represented by:

	Computer Equipment £	Fixtures and Fittings £	Totals £
Valuation in 2002	11,615	2,030	13,645
Cost	<u>25,747</u>	<u>9,710</u>	<u>35,457</u>
	<u>37,362</u>	<u>11,740</u>	<u>49,102</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2008

If Computers, fixtures & fittings had not been revalued they would have been included at the following historical cost:

	31.12.08	31.12.07
	£	£
Cost	<u>35,457</u>	<u>27,620</u>
Aggregate depreciation	<u>27,902</u>	<u>23,642</u>

Computers, fixtures & fittings were valued on an existing use basis on 31 December 2002 by the Directors.

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.08	31.12.07
	£	£
Prepayments and Accrued Income	<u>43,670</u>	<u>10,165</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.08	31.12.07
	£	£
Amounts owed to group undertakings	44,663	87,171
Other creditors, including taxation and social security	132,770	47,487
Accruals and deferred income	<u>522,221</u>	<u>452,583</u>
	<u>699,654</u>	<u>587,241</u>

8. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.08	31.12.07
			£	£
1,000,000	Ordinary	£1	<u>1,000,000</u>	<u>1,000,000</u>

9. RESERVES

	Profit and Loss Account £
At 1 January 2008	166,668
Profit for the year	<u>192,380</u>
At 31 December 2008	<u>359,048</u>

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2008****10. ULTIMATE PARENT COMPANY**

The Company is a subsidiary undertaking of Allianz Risk Transfer AG, incorporated in Switzerland.

The largest group in which the results of the Company are consolidated is that headed by Allianz SE, incorporated in Germany. The smallest group in which they are consolidated is that headed by Allianz Risk Transfer AG of Lavaterstrasse 67, CH-8002, Zurich, Switzerland. The consolidated Financial Statements of these groups are available to the public and may be obtained from Lavaterstrasse 67, CH-8002, Zurich, Switzerland.

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.08	31.12.07
	£	£
Profit for the financial year	192,380	96,529
Net addition to shareholders' funds	192,380	96,529
Opening shareholders' funds	1,166,668	1,070,139
Closing shareholders' funds	1,359,048	1,166,668

12. PENSION SCHEME

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £46,858 (2007: £32,700).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2007: £nil).

13. OPERATING LEASE COMMITMENTS

The following operating lease commitments are committed to be paid within one year:

	31.12.08	31.12.07
	Land and buildings	
	£	£
Operating leases which expire:		
In the second to fifth years inclusive	214,320	-
	214,320	-

ALLIANZ RISK TRANSFER (U.K.) LIMITED**PROFIT AND LOSS ACCOUNT**
for the Year Ended 31 December 2008

	31.12.08		31.12.07	
	£	£	£	£
Turnover				
Services Provided		1,837,364		1,530,563
Other income				
Deposit Account Interest	72,798		59,156	
Corporation Tax Interest	<u>71</u>		<u>150</u>	
		<u>72,869</u>		<u>59,306</u>
		1,910,233		1,589,869
Expenditure				
Rent and Service Charges	108,635		102,600	
Directors' Gross salaries	367,034		356,419	
Directors' Income Protection Plan Payments	1,130		1,071	
Directors' Life Assurance Payments	5,875		6,467	
Directors' Social Security	46,291		38,052	
Directors' Pension Contribution	21,200		17,400	
Salaries	573,587		488,927	
National Insurance	50,442		40,433	
Pensions	16,111		21,262	
Other Benefits	9,547		2,974	
Telephone	9,030		12,826	
Printing, Postage and Stationery	824		1,450	
Marketing	377		14,369	
Travelling Expenses	93,524		102,751	
Computer Service Charges and Line Rental	40,168		17,343	
Human Resource Costs	66,816		71,608	
Sundry Expenses	44,879		33,464	
Accountancy	25,217		13,763	
Irrecoverable VAT	35,067		20,662	
Legal and Professional Fees	102,632		63,651	
Auditors Remuneration	5,875		5,875	
Foreign exchange losses	40		28	
Entertaining	<u>9,906</u>		<u>7,808</u>	
		<u>1,634,207</u>		<u>1,441,203</u>
		276,026		148,666
Finance costs				
Bank Charges and Interest		<u>1,154</u>		<u>1,083</u>
Carried forward		274,872		147,583

This page does not form part of the statutory financial statements

ALLIANZ RISK TRANSFER (U.K.) LIMITED**PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2008**

	31.12.08		31.12.07	
	£	£	£	£
Brought forward		274,872		147,583
Depreciation				
Computer Equipment	2,092		5,587	
Fixtures and Fittings	<u>2,166</u>		<u>284</u>	
		4,258		5,871
NET PROFIT		<u>270,614</u>		<u>141,712</u>

This page does not form part of the statutory financial statements