

Swiss Re Specialised Investments Holdings (UK) Limited

Annual report 2016

Registered number 4442605

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Contents

Strategic report	1
Directors' report	3
Independent auditors' report to the members of Swiss Re Specialised Investments Holdings (UK) Limited	5
Statement of income and retained earnings	7
Balance sheet	8
Notes to the financial statements	9

Strategic report

The Board of Directors ("Directors") present their strategic report of Swiss Re Specialised Investments Holdings (UK) Limited (the "Company") for the year ended 31 December 2016.

Results and dividends

The Company's results for the year ended 31 December 2016 show a loss for the financial year of £3,832,028 (2015: loss £5,977,251). The 2016 loss is primarily driven by interest paid on the Eurobond security offset by dividend income from subsidiaries and tax benefits. The Company did not declare or pay an ordinary dividend during the year (2015: £nil).

The Directors consider the overall results for the year, including underlying performance of the Company's investments in subsidiaries at 31 December 2016, to be satisfactory. It is anticipated the Company will continue to raise and invest funds.

Development and performance

The Company focused on its core business areas and principal activities, and maintained a balanced investment approach throughout the year that is appropriate to the ultimate parent undertaking and controlling party's risk appetite and strategy. This is not envisaged to change in the near future.

Principal objectives and strategies

The Company is an investment company and holding company of a group of companies ("SRSIH Group") whose principal activities are raising and investing of funds.

The Company's immediate parent is Swiss Re Ltd which is incorporated in Switzerland.

Business model

The risk profile of the Company is low as it primarily conducts activities on behalf of the Swiss Re Group ("Group"). Many of the structured transactions have matured or been run off. Currently, there are two structured transactions that remain active; Virgo and Echo. The goal of both structures is to generate external and internal funding at a favourable rate. Project Virgo is centred on a £600,000,000 Eurobond which is held by Swiss Re (Barbados) Finance Limited and issued by the Company. Project Echo consisted of a series of trades between Lloyds Banking Group, Farnham Funding Limited, and Ampersand Investments (UK) Limited ("Ampersand"). All Project Echo securities have matured and the deal is scheduled to terminate in 2017.

Future Outlook

The Company expects to have a slightly different result operationally in 2017 in comparison to 2016 since Project Echo will terminate during the year and as such will benefit through earnings in Ampersand. Income from Virgo should be similar in 2017 compared to 2016 with no new transactions planned. The Company intends to use intercompany funding and future dividends to meet its liabilities going forward.

At this point, there are no plans for the Company to enter into any new transactions in 2017.

Principal risks and uncertainties

Refer to note 19 for details of the Company's policies relating to financial risk management.

Strategic report (continued)

Key performance indicators ("KPIs")

Given the straightforward nature of the business and the low volume of transactions, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or financial position of the business.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Drew Price', with a horizontal line drawn underneath it.

Drew Price
Director
18 July 2017

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Directors and Directors' interests

The Directors who held office during the year and up to the date of signing of these financial statements were as follows:

Drew Price
Stephen Hjorring
Damon Lambert (Appointed 28 September 2016)
Ian Bullock (Appointed 28 September 2016)
Kevin Purcell (Resigned 28 September 2016)

No Director had any interest in any material contract or arrangement with the Company during or at the end of the year, or any interest in the Company shares.

Political and charitable contributions

The Company made no political or charitable contributions during the current year or previous year.

Principal place of business

The offices of the Company and the location of board meetings during the year was 30 St Mary Axe, London EC3A 8EP.

Future developments

There are no current plans to enter into any new deals in the near future.

Going concern

The Directors have considered the going concern position of the Company for a period of 12 months from the date of this report. The Directors believe the Company will continue to operate as a going concern and has sufficient resources to meet its liabilities as they fall due within that period.

Directors indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of Directors' responsibilities

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

Directors' report (continued)

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he 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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

On behalf of the Board



Drew Price
Director
18 July 2017

Independent auditors' report to the members of Swiss Re Specialised Investments Holdings (UK) Limited

Report on the financial statements

Our opinion

In our opinion, Swiss Re Specialised Investment Holdings (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance sheet as at 31 December 2016;
- the Statement of income and retained earnings for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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As explained more fully in the Statement of Directors' responsibilities set out on page N, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Jessica Miller (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

20 July 2017

**Statement of income and retained earnings
for the year ended 31 December 2016**

	Note	2016 £000	2015 £000
Net trading income	4	12,500	10,000
Administrative expenses	5	(43)	(54)
Operating profit		12,457	9,946
Interest receivable and similar income	8	-	48
Interest payable and similar charges	9	(20,372)	(20,285)
Loss on ordinary activities before taxation		(7,915)	(10,291)
Tax on loss on ordinary activities	10	4,083	4,313
Loss for the financial year		(3,832)	(5,978)
Retained earnings at 1. January		17,038	23,016
Retained earnings at 31 December		13,206	17,038

The Company has no recognised gains and losses other than the loss for the financial year. Accordingly no statement of comprehensive income is presented.

The Company's results are derived from continuing operations.

The notes on pages ⁹~~10~~ to 17 form part of these financial statements.

Balance sheet
as at 31 December 2016

	Note	2016 £000	2015 £000
Non-current assets			
Investments in group companies	12	612,152	612,152
		612,152	612,152
Current assets			
Debtors: amounts falling due within one year	13	8,191	8,474
Cash at bank and in hand		55	204
		8,246	8,678
Current liabilities			
Creditors: amounts falling due within one year	14	(6,192)	(2,792)
		(6,192)	(2,792)
Net current assets		2,054	5,886
Total assets less current liabilities		614,206	618,038
Long term liabilities			
Amounts payable to group companies	15	(600,000)	(600,000)
Net assets		14,206	18,038
Capital and reserves			
Called up share capital	16	1,000	1,000
Retained earnings	17	13,206	17,038
Total equity		14,206	18,038

The notes on pages ⁹10 to 17 form part of these financial statements.

The financial statements on pages ⁷8 to 17 were approved by the Directors on 18 July 2017 and were signed on its behalf by:



Drew Price
Director

Notes to the financial statements (forming part of the financial statements)

1 General information

The Company is a limited liability company incorporated in the UK and is domiciled, managed and controlled in the UK. The offices of the Company and the location of board meetings throughout the year were 30 St Mary Axe, London EC3A 8EP. The Company's equity is not listed on any exchange; however, it has a Eurobond listed on the Channel Islands Securities Exchange Authority Limited. The Company is registered in the UK under the registration number 4442605.

The financial statements were authorised for issue by the Directors on 18 July 2017. Once approved, the financial statements cannot be amended without re-presenting them for approval by the Board.

2 Statement of compliance

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standards 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. 2015 was the first year that the Company presented its results under FRS 102. There was nothing to report on the transition statement for the Statement of Income and Retained Earnings or Balance Sheet as a result of the transition to FRS 102, effective 1 January 2014.

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with section 9 of FRS 102 and United Kingdom accounting standards as issued by the UK Accounting Standards Board under historical cost accounting rules. The financial statements were audited in accordance with International Standards on Auditing (UK and Ireland) as issued by the Financial Reporting Council.

Taxation

The tax expense represents the sum of tax currently payable and deferred tax. Tax payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of income and retained earnings because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's current tax balance is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except where it is more likely than not that deferred tax assets will not be recoverable. Timing differences arise where transactions or events during the year result in an obligation to pay more tax in the future, or a right to pay less tax in the future.

Notes to the financial statements (continued)

Net trading income

Net trading income represents dividend income generated through Group investment strategies.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The financial statements contain estimates of impairment charges on investments.

Consolidated financial statements

The Company has taken advantage of the exemption contained within s401 of the Companies Act 2006 not to prepare consolidated financial statements.

Foreign currencies

Transactions in currencies other than the reporting currency of the entity are recorded at the rate of exchange prevailing on the date of transaction.

Monetary assets and liabilities in the balance sheet, other than those covered by matching forward contracts, are restated at the prevailing rate of exchange on the balance sheet date with any foreign exchange difference taken to the statement of income and retained earnings in the period.

Dividend income

Dividend income on ordinary shares classified as equity is recognised when declared.

Investments

Equity shares intended to be held on a continuing basis are disclosed as non-current asset investments. These are included in the balance sheet at cost, adjusted for any amortisation of premium or discount incurred at acquisition, or adjustments for any repayments of capital, on an appropriate basis over the period until the investment's contracted or anticipated maturity. Provision is made for any permanent diminution in value of the investment.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as liabilities in the year in which the dividends are approved by the shareholders.

Cash at bank and in hand

Cash at bank and in hand comprises deposits repayable on demand with any qualifying financial institution, less overdrafts from any qualifying financial institution repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if a maturity or period of notice of not more than 24 hours or one working day has been agreed. Cash includes cash in hand and deposits denominated in foreign currencies. Cash held in current accounts is not interest bearing.

Notes to the financial statements (continued)

Interest receivable and payable

Interest expense on financing and interest income on funds lent that are not generated through investment strategies are included under "interest receivable and similar income" and "interest payable and similar charges."

Exemptions for qualifying entities under FRS 102

The Company's ultimate parent company and ultimate controlling party is Swiss Re Ltd which is registered in Switzerland. The Company's financial statements are included in the consolidated financial statements of Swiss Re Ltd, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 paragraph 1.12(b). The Company is also exempt under FRS 102 paragraph 1.12(e) from disclosing key management personnel compensation in total and disclosing related party transactions with other companies that are wholly owned within the Group according to FRS 102 paragraph 33.1A. Shareholders have been notified and have not objected to the exemptions. It is also the Company's intention to use these exemptions next year.

4 Net trading income

	2016 £000	2015 £000
Dividend income from equity investments	12,500	10,000

5 Administrative expenses

	2016 £000	2015 £000
Audit fees	(37)	(37)
Other expenses	(5)	(16)
Bank charges	(1)	(1)
	(43)	(54)

In furtherance of the rationalisation of its investments, the Company enters into Management and Cost Bearing Agreements ("the Agreements") with SR Delta Investments (UK) Limited ("Delta") and SR Cayman Holdings Limited within the SRSIH Group. Under the terms of the Agreements, the Company will settle all current and future administrative and other expenses, will receive any current and future revenues, and will act as agent of the respective entities. These entities have been dissolved during the year 2016 and should not incur any further expenses.

6 Employees

The Company had no employees during the current or prior year, all services being provided by Swiss Re Management Limited.

Notes to the financial statements (continued)

7 Directors' emoluments

The Directors received no remuneration in respect of their services to the Company in the current or prior year.

8 Interest receivable and similar income

	2016 £000	2015 £000
Group companies		
- Interest on funds advanced	-	48

9 Interest payable and similar charges

	2016 £000	2015 £000
Group companies		
- Interest on funds borrowed	(54)	(23)
- Interest on Eurobond	(20,318)	(20,262)
	<u>(20,372)</u>	<u>(20,285)</u>

10 Tax on loss on ordinary activities

Analysis of tax credit in the financial year	2016 £000	2015 £000
Current tax:		
UK corporation tax	4,083	4,109
Adjustments in respect of prior periods	-	204
Total current tax	<u>4,083</u>	<u>4,313</u>

The total tax credit for the year and comparative year differs from the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below.

Factors affecting the tax credit for the year:	2016 £000	2015 £000
Loss on ordinary activities before tax	<u>7,915</u>	<u>10,291</u>

Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20.00% (2015: 20.25%)

1,583 2,084

Effects of:

Non taxable income

2,500 2,025

Adjustments in respect of prior periods

- 204

Total tax credit for the year

4,083 4,313

Notes to the financial statements (continued)

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is nil (2015: £nil).

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

There are also capital gains tax losses within the company of £16,175,022 (2015: £17,126,494) that are available for offset against future chargeable gains of the Company.

11 Dividends

There were no dividends paid in the current or prior year.

12 Investments in group companies

	2016 £000	2015 £000
Investments in subsidiaries		
As at 1 January	612,152	612,152
As at 31 December	612,152	612,152

The Directors consider the carrying value of the remaining investments to be supported by their underlying assets.

The unlisted entities in which the Company has an interest are set out in the table below.

	Principal activity	Class of share	% held
<u>Barbados</u>			
Swiss Re (Barbados) Finance Limited*	Investment	Ordinary	44
<u>Cayman Islands</u>			
Ampersand Investments (UK) Limited	Investment	Ordinary	100
Swiss Re Strategic Investments UK Limited	Investment	Ordinary	100

The financial year-end date of all of the Company subsidiaries is 31 December. All interests are directly held unless indicated by *, in which case they are held by companies within the SRSIH Group.

13 Debtors: amounts falling due within one year

	2016 £000	2015 £000
Amounts owed by Group companies		
- Group relief receivable	8,191	8,474
	8,191	8,474

Notes to the financial statements (continued)

14 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Amounts owed to Group companies		
- Funds borrowed	(5,210)	(1,800)
- Accrued interest on Eurobond	(944)	(944)
- Accrued interest on funds borrowed	(2)	(1)
- Expenses payable	(36)	(47)
	<u>(6,192)</u>	<u>(2,792)</u>

Funds borrowed from Group companies represent short term advances at prevailing commercial interest rates.

15 Amounts payable to group companies

	2016 £000	2015 £000
Amounts owed to Group undertakings		
- Eurobond	<u>(600,000)</u>	<u>(600,000)</u>

The Eurobond is listed on the Channel Islands Securities Exchange Authority Limited and was issued at par in February 2012, has a nominal of £600,000,000 and bears interest at 3.377%, paying quarterly with a maturity date of 15 June 2018. The Eurobond is held by Swiss Re (Barbados) Finance Limited.

16 Called up share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
1,000,000 (2015: 1,000,000) Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

17 Retained earnings

	2016 £000	2015 £000
At 1 January	17,038	23,015
Loss for the financial year	(3,832)	(5,977)
At 31 December	<u>13,206</u>	<u>17,038</u>

Notes to the financial statements (continued)

18 Fair value disclosure

The carrying value of financial assets and current financial liabilities approximates their fair value. The fair value of the Company's non-current financial liabilities (note 15) is £627,691,120 (2015: £635,931,000).

19 Financial risk management

Risk management is an inherent part of the business activities of the Group, of which this Company is a part. The Company's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of its major risks. The Company exercises oversight through the Directors.

An overview of the key aspects of risk management and use of financial instruments is provided below:

Liquidity risk

Liquidity risk arises from the general funding needs of the Company's activities and in the management of its assets and liabilities. The Company's funding needs are met by other Group companies and the funds are managed in a manner consistent with the overall Group liquidity management framework.

An analysis of debt by maturity period is shown below:

2016:	Total	Less than one year	Between 1 and 2 years	Between 2 and 5 years
Amounts Payable:	£000	£000	£000	£000
Funds borrowed	5,210	5,210	-	-
Eurobond	629,422	20,262	609,160	-
Total contractual payments	634,632	25,472	609,160	-
2015:	Total	Less than one year	Between 1 and 2 years	Between 2 and 5 years
Amounts Payable:	£000	£000	£000	£000
Funds borrowed	1,800	1,800	-	-
Eurobond	649,739	20,317	20,262	609,160
Total contractual payments	651,539	22,117	20,262	609,160

Notes to the financial statements (continued)

Credit risk

The Company's exposure to credit risk arises from the possibility that counterparties may default on their obligations to the Company. The Company manages its credit risk by minimising its exposure to external counterparties. The amount of the Company's maximum exposure to credit risk is indicated by the carrying value of its financial assets. The cash balance of £54,629 (2015: £204,022) is held at JP Morgan which has a rating of A+ (Fitch). The Company also has credit risk related to amounts due from Group companies of £8,191,832 (2015: £8,474,003). The maximum exposure the Company has with its investment in Ampersand is £400,700,000 (2015: £400,700,000) and its investment in Swiss Re Strategic Investments UK Limited is £211,452,150 (2015: £211,452,150). The Group has a Best's financial strength rating of A+.

Market risk

Market risk represents the potential loss in value of portfolios and financial instruments caused by adverse movements in market variables such as interest and foreign exchange rates, credit spreads and equity and commodity prices. As the Company's only directly held investments are in other Group companies, it does not itself have significant exposure to market risk.

Interest rate risk

Interest rate risk is the risk of loss resulting from movements in interest rates. The Company does not have any significant short term fixed interest positions, however it has long term borrowings at a fixed rate of interest of 3.377% with a maturity date of 2018. The Company has significant liabilities and assets (through its investment in subsidiaries) that are sensitive to short term movements in interest rates linked to LIBOR, however these are closely matched such that the Company's net exposure to interest rate movements is not significant.

Foreign exchange risk

Foreign exchange risk is the risk of fluctuations in future cash flows arising from changes in foreign exchange rates. At the balance sheet date the Company had foreign currency bank balances and investments in subsidiaries, the net of which is not significant. The Company therefore is not considered to have significant exposure to foreign exchange risk.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events. To monitor and control operating risk, the Group and the Company maintain a system of comprehensive policies and a control framework designed to provide a sound and well-controlled operational environment.

Notes to the financial statements (continued)

Capital management

The Company regards its equity and retained profits as its capital. The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern, and to manage its market risk, interest rate risk and credit risk and its cost of capital. To maintain or adjust its capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce its debt. To manage its market risk and credit exposure the Company lends only to, and invests in, highly rated counterparties and regularly monitors those credit ratings. To manage its interest rate risk the Company loans funds under agreements with short maturity dates, either on a standalone basis or across its subsidiaries, or invests in highly liquid investments.

The Company does not have any externally imposed capital requirements.

20 Ultimate parent undertaking

The ultimate parent company and the ultimate controlling party is Swiss Re Ltd, a company incorporated in Switzerland.

The smallest and largest group in which the results of the Company are consolidated is that headed by Swiss Re Ltd. The consolidated financial statements of the Group are available to the public and may be obtained from 30 St Mary Axe, London EC3A 8EP.

21 Post balance sheet date events

The Company has evaluated whether events or transactions have occurred after 31 December 2016 that would require recognition or disclosure in these financial statements through 18 July 2017, which is the issuance date of these financial statements. There are no subsequent events that have had a material effect on the Company.