

**Swiss Re Specialised Investments Holdings (UK)
Limited**

(formerly Chambergrove Limited)

**Directors' report and consolidated financial
statements**

Registered number 4442605

**Period from incorporation to
31 July 2003**



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Directors' report

The Directors present their annual report and the audited financial statements for the period from incorporation to 31 July 2003.

Principal activities and business review

Swiss Re Specialised Investments Holdings (UK) Limited ("the company") is an investment company and holding company of a group of companies ("the group") whose principal activities are the raising and investing of funds.

The company was incorporated in England on 20 May 2002 as Chambergrove Limited.

On 20 May 2002, the company issued 1 ordinary share of £1 to Clifford Chance Nominees Limited. This share was acquired by the Swiss Reinsurance Company on 6 August 2002.

The company changed its name to Swiss Re Specialised Investments Holdings (UK) Limited on 8 August 2002.

On 12 August 2002, the company issued 999,999 ordinary shares of £1 each to Swiss Reinsurance Company.

During the period, the company acquired a number of subsidiaries. The names of these subsidiaries and acquisition details are set out in notes 2 and 14 of the financial statements.

The group results for the period ended 31 July 2003 show a profit after tax of £10,307,000.

The company's own result for the period is shown in note 12 to the financial statements.

The Directors consider results of the group for the period ending 31 July 2003 to be satisfactory.

Refer to note 25 for details of events occurring after the balance sheet date.

It is envisaged that the company and the group will continue to invest and hold positions in high grade equity and fixed income investments and financial instruments.

Dividends

No dividend was accrued or paid by the company during the period.

Directors' report *(continued)*

Directors and directors' interests

The Directors who held office during the period were as follows:

Martin Richards	(appointed 20 May 2002, resigned 6 August 2002)
Matthew Layton	(appointed 20 May 2002, resigned 6 August 2002)
Dieter Enkelmann	(appointed 12 December 2002, resigned 2 May 2003)
Irene Salvi	(appointed 6 August 2002)
Robert Ratcliffe	(appointed 6 August 2002)
Alan Wilkinson	(appointed 6 August 2002)
Richard Banks	(appointed 6 August 2002)
David Godfrey	(appointed 11 September 2002)
Rishi Kapur	(appointed 11 March 2003)
Nigel Morris-Jones	(appointed 11 March 2003)
George Quinn	(appointed 2 May 2003)

None of the Directors who held office during the period had any disclosable interest in the shares of the company or of its subsidiaries.

No rights to subscribe for shares in, or debentures of, the company or its subsidiaries were granted to any of the Directors or their immediate families, or exercised by them, during the period.

Principal place of business

The offices of the company and the location of board meetings during the period were at 35 Wilson Street, London.

Directors' report *(continued)*

Political and charitable contributions

The group made no political or charitable contributions during the period.

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office. A resolution for their reappointment, and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board



Richard Banks

Director


10 December 2004

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Richard Banks

Director

10 December 2004

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

We have audited the financial statements which comprise the consolidated profit and loss account, the consolidated balance sheet, the parent company's balance sheet and the related notes which have been prepared under the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

Basis of audit opinion

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

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and group as at 31 July 2003 and the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A large, stylized handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
10 December 2004

Consolidated profit and loss account
for the period ended 31 July 2003

	Note	2003 £000	2003 £000
Investment income	3		51,917
Continuing operations		39,428	
Acquisitions		12,489	
Administrative expenses	4		(16,648)
Operating profit			35,269
Continuing operations		21,514	
Acquisitions		13,755	
Other interest receivable and similar income	8		2,368
Interest payable and similar charges	9		(27,310)
Profits on ordinary activities before taxation	5		10,327
Tax on profit on ordinary activities	10		(20)
Profit on ordinary activities after taxation			10,307
Minority interests: dividends on non-equity shares	11,21		(13,146)
Loss for the financial period			(2,839)

There is no difference between the profit on ordinary activities before taxation and the loss for the financial period stated above at their historical cost equivalents.

The group's results are derived from continuing operations.

The notes on pages 11 to 29 form part of these accounts.

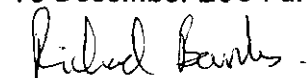
Statement of group total recognised gains and losses
for the period ended 31 July 2003

	Note	2003 £000
Loss for the financial period		(2,839)
Deficit on revaluation of fixed asset investments	19	(12,185)
Exchange differences on retranslation	20	449
Total group recognised gains and losses for the financial period		(14,575)

Consolidated balance sheet
at 31 July 2003

	Note	2003 £000
Fixed assets		
Intangible assets		
- Negative goodwill	13	(31,771)
Investments	14	662,694
		<hr/>
		630,923
Current assets		
Debtors		
- Amounts falling due after more than one year	15	162,848
- Amounts falling due within one year	16	1,160,683
Cash at bank and in hand		13,697
		<hr/>
		1,337,228
Creditors: amounts falling due within one year	17	(1,681,726)
		<hr/>
Net current liabilities		(344,498)
		<hr/>
Net assets		286,425
		<hr/>
Capital and reserves		
Called up share capital	18	1,000
Revaluation reserve	19	(12,185)
Profit and loss account	20	(2,390)
		<hr/>
Equity shareholders' funds	21	(13,575)
Minority interests: non-equity shares	22	300,000
		<hr/>
Equity shareholder's funds and minority interests		286,425
		<hr/>

The financial statements on pages 7 to 29 were approved by the Board of Directors on 10 December 2004 and were signed on its behalf by:

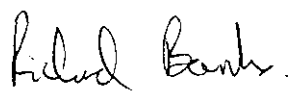


Richard Banks
 Director

Company balance sheet
at 31 July 2003

	Note	2003 £000
Fixed assets		
Investments	14	900,807
Current assets		
Debtors	16	8,584
Cash at bank and in hand		168
		<hr/>
		8,752
Creditors: amounts falling due within one year	17	(928,187)
		<hr/>
Net current liabilities		(919,435)
		<hr/>
Net liabilities		(18,628)
		<hr/>
Capital and reserves		
Called up share capital	18	1,000
Profit and loss account	20	(19,628)
		<hr/>
Equity shareholders' funds	21	(18,628)
		<hr/>

The financial statements on pages 7 to 29 were approved by the Board of Directors on 10 December 2004 and were signed on its behalf by:



Richard Banks
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements are prepared under the historical cost convention, modified by the inclusion of certain fixed asset investments at fair value, and in accordance with applicable accounting standards.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking controlling 90% or more of the company's voting rights includes the company in its own published consolidated financial statements which are publicly available.

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. Refer note 12.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries.

Shares in subsidiaries, acquisitions and goodwill

Shares in subsidiaries are carried on the balance sheet at the underlying net asset value, including attributable goodwill. Changes in the value of the net assets are taken to reserves.

On the acquisition of a business, fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition. Under FRS 10, goodwill is amortised to the profit and loss account over its remaining useful economic life up to a maximum of 20 years.

Where the aggregate fair values of the total net assets acquired exceed the cost of their acquisition, negative goodwill is deducted from the carrying value of any non-monetary assets acquired, and to the extent of any excess, capitalised in the balance sheet and amortised to profit and loss over the periods expected to be benefited.

Notes (continued)

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, with the exception of transactions covered by a matching forward contract, in which case the rate of exchange implied in the contract is used.

Monetary items in the balance sheet, other than those covered by matching forward contracts (see above), are restated at the prevailing rate of exchange on the balance sheet date with any foreign exchange difference taken to the profit and loss account in the financial period.

Net Investment Method

Profits and losses of subsidiaries, which have functional currencies other than sterling are translated into sterling at average rates of exchange. Assets and liabilities denominated in foreign currencies are translated at the balance sheet date exchange rates.

Exchange differences arising from the retranslation of the opening net assets of subsidiaries which have functional currencies other than sterling are taken to reserves together with differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the balance sheet date.

Taxation

Deferred tax is recognised, without discounting, in respect of all temporary 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.

Investment income

A business investing in financial instruments has no equivalent to turnover, cost of sales and gross profit. Consequently, the Directors consider certain departures from the Companies Act 1985 appropriate. Investment income, as defined as income generated through group investment strategies, has been disclosed instead of turnover as this reflects more meaningfully the nature and the results of the company's and the group's activities.

Investments

Debt securities, equity shares and other similar interests intended to be held on a continuing basis are disclosed as fixed 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 impairment.

Notes (continued)

Stock borrowing and lending agreements

Members of the group enter into stock lending agreements incidental to their investment activities. Income earned on stock lending is reported as investment income except when in the nature of interest, in which case it is reported as interest receivable.

Derivatives

Members of the group may enter into interest rate, foreign currency, credit or other derivatives whether to manage interest rate risk, as a hedge of transactions undertaken or anticipated, or as part of investment strategies. The accounting treatment applied follows the purpose and intention for which the derivative was entered into as follows:

Fair Value Method

Derivatives entered into as part of investment strategies and where more than an insignificant fair value exposure to movements in interest rates is retained are carried on the balance sheet within "Fixed asset investments" at fair value ("mark to market"). Unrealised gains and losses on these contracts are recognised in the revaluation reserve account.

Hedging Method

Derivatives entered into as part of investment strategies and where no or an insignificant fair value exposure to movements in interest rates is retained are carried on the balance sheet within "Fixed asset investments" at amortised cost. Amounts payable or receivable on these contracts are recognised in investment income.

Derivatives held to manage interest rate risk are accounted for on an accruals basis, with amounts payable or receivable in respect of interest rate swap agreements being recognised in the net interest payable charge of the year to which the contract relates.

Gains or losses on all other derivatives entered into for hedging purposes are recognised in earnings or reserves, or are reflected in the carrying amounts of the hedged item, as appropriate, when the hedged transaction occurs.

The criteria required for a derivative instrument to be classified as a hedge are that:

- the transaction must be expected to match or eliminate substantially all of the risk inherent in the assets, liabilities, other positions or cash flows being hedged; and
- evidence of the intention to hedge and linkage with the underlying risk inherent in the assets, liabilities, other positions or cash flows being hedged, must be established at the outset of the transaction.

Gains or losses on hedging instruments, which are cancelled due to termination of the hedged transaction or which cease to be effective, are recognised in the income statement immediately.

Interest income and expense

Interest expense on financing, interest income on funds lent and net interest on interest rate swap hedges that are not generated through group investment strategies, are included under "Other interest receivable and similar income" and "Interest payable and similar charges".

Notes (continued)

2 Acquisitions

The following investment companies were acquired by the group during the period and accounted for using the acquisition method of accounting.

Subsidiary undertakings	Country of incorporation	Proportion of share capital acquired %	Date of Acquisition	Consideration £000
Dunstanburgh Finance (Cayman) Limited	Cayman Islands	100	13 November 2002	302,169
SR Delta Investments (UK) Limited	UK	100	26 November 2002	2,244
SR Dorus Investments Limited	Cayman Islands	100	20 May 2003	150,721
SR Cayman Holdings Limited	Cayman Islands	100	30 June 2003	1,450
				<hr/> 456,584 <hr/>

On 13 November 2002, Ampersand Investments (UK) Limited, a subsidiary company, acquired 100% of the shares of Dunstanburgh Finance (Cayman) Limited from Lehman Brothers International (Europe) for a cash consideration of £302,169,400. No goodwill arose as a result of this acquisition.

On 26 November 2002, the Company acquired 100% of the issued share capital of SR Delta Investments (UK) Limited from Bayerische Hypo-Und Vereinsbank AG for a cash consideration of €3,525,000 (£2,243,098). The amount of negative goodwill arising as a result of the acquisition was £975,536, £915,972 of which was taken to the profit and loss account during the period. Refer note 13.

On 20 May 2003, the Company acquired 75% of the issued share capital of SR Dorus Investments Limited ("Dorus") from HBOS Treasury Services plc for a cash consideration of £750,000 and a further 25% on 21 May 2003 for £250,000. In addition, on 21 May 2003, the Company acquired 100% of the preference share capital of Dorus for a consideration of £149,720,639, payable on 21 May 2004 with interest. The amount of negative goodwill arising as a result of the acquisition was £30,242,665, £387,398 of which was taken to the profit and loss account during the period. Refer note 13.

On 30 June 2003, the Company acquired 100% of the issued share capital of SR Cayman Holdings Limited from Swiss Re GB plc, a fellow subsidiary of Swiss Reinsurance Company, for a cash consideration of £1,450,000. The amount of negative goodwill arising as a result of the acquisition was £1,916,140, £59,504 of which was taken to the profit and loss account during the period. Refer note 13.

Notes (continued)

Acquisitions (continued)

The following table summarises the financial performance of the acquired subsidiaries for the period preceding the date of acquisition.

	Dunstanburgh Finance (Cayman) Limited	SR Delta Investments (UK) Limited	SR Dorus Investments Limited	SR Cayman Holdings Limited
	£000	£000	£000	£000
Investment Income	38	3,582	36	5,707
Operating profit	38	3,582	33	5,703
Profit / (loss) before taxation	38	(4,000)	49	6,093
Taxation	-	-	(33)	-

The following table summarises the adjustments made to book value of the major category of assets and liabilities acquired to arrive at the fair values included in the consolidated financial statements at the acquisition date, an analysis of the consideration paid and the resulting negative goodwill arising on acquisition.

	Dunstanburgh Finance (Cayman) Limited	SR Delta Investments (UK) Limited	SR Dorus Investments Limited	SR Cayman Holdings Limited	Total
	£000	£000	£000	£000	£000
Investments					
- Book amount	-	-	179,634	189,949	369,583
- Revaluation	-	-	-	-	-
- Fair value at acquisition	-	-	179,634	189,949	369,583

Table continues on the following page.

Notes (continued)

Acquisitions (continued)

	Dunstanburgh Finance (Cayman) Limited £000	SR Delta Investments (UK) Limited £000	SR Dorus Investments Limited £000	SR Cayman Holdings Limited £000	Total £000
Current assets					
- Book amount	302,169	391,490	3,084	40,130	736,873
- Revaluation	-	(206)	-	-	(206)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
- Fair value at acquisition	302,169	391,284	3,084	40,130	736,667
Creditors and provisions					
- Book amount	-	(385,920)	(1,755)	(26,713)	(414,388)
- Revaluation	-	(2,145)	-	-	(2,145)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
- Fair value at acquisition	-	(388,065)	(1,755)	(26,713)	(416,533)
Preference shares					
- Book amount	-	-	-	(200,000)	(200,000)
- Revaluation	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
- Fair value at acquisition	-	-	-	(200,000)	(200,000)
Net assets at fair value	<hr/> 302,169	<hr/> 3,219	<hr/> 180,963	<hr/> 3,366	<hr/> 489,717
Consideration paid					
Cash	302,169	2,244	1,000	1,450	306,863
Deferred purchase obligation	-	-	149,721	-	149,721
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Negative goodwill on acquisition	-	(975)	(30,242)	(1,916)	(33,133)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Fair value adjustments were made on the acquisition of SR Delta Investments (UK) Limited to bring its underlying assets (corporate bonds, subsequently disposed of) and liabilities (a deferred purchase obligation, refer note 17) in line with market values at the date of acquisition.

Negative goodwill to the extent of £1,362,000 was amortised during the period. Refer to notes 4 and 13.

Notes (continued)

3 Investment income

	Period ended 31 July 2003
	£000
Dividend income from equity investments	13,453
Income from Royal Bank of Scotland Additional Value Shares	289
Income from Royal Bank of Scotland American Depository Receipts	544
Income from gilt investments	9,662
Coupon income accrued on corporate bonds	253
Amortisation of forward premiums and discounts on forward foreign exchange contracts	(1,732)
Losses realised on disposal of corporate bonds	(215)
Gain on disposal of hedging derivatives	12,720
Income from derivative investments	739
Interest receivable on funds advanced – group	8,486
Interest receivable on funds advanced – non-group	4,095
Interest receivable on reverse repo agreements	3,221
Stock lending fees	402
	<hr/>
	51,917
	<hr/>

4 Administrative Expenses

Service fees	(16,976)
Legal expenses	(407)
Investment related expenses	(592)
Audit expenses - group	(24)
Bank charges	(11)
Amortisation of negative goodwill	1,362
	<hr/>
	(16,648)
	<hr/>

Service fees represent charges made by Swiss Re Services Limited in relation to finance, operational, legal, infrastructure, investment advisory and other services provided to the group by the Swiss Re group, including £12,175 for services provided by directors to the company and its subsidiaries.

5 Profit on ordinary activities before taxation

The auditors received remuneration of £24,000 for audit services rendered for the group. Further auditor's remuneration has been incurred by Swiss Re Services Limited and recharged as part of service fees to the company.

Notes (continued)

6 Employees

The company and the group had no employees during the period, all services being provided by group companies for which a charge was made for during the period.

7 Directors emoluments

The Directors received no direct remuneration in respect of their services to the group. No pension benefits were accruing under money pension schemes during the period. Refer to note 4.

8 Other interest receivable and similar income

	Period ended 31 July 2003 £000
Group undertakings	
- Funds advanced	2,116
- Interest rate swaps	146
Non-group undertakings	
- Cash deposits	106
	<hr/>
	2,368
	<hr/>

9 Interest payable and similar charges

	Period ended 31 July 2003 £000
Group undertakings	
- Funds borrowed	(3,691)
- Interest rate swaps	(46)
Non-group undertakings	
- Funds borrowed	(9,737)
- Repo agreement	(13,330)
- Funding cost on preference share financing arrangement	(506)
	<hr/>
	(27,310)
	<hr/>

Notes (continued)

10 Tax on profit on ordinary activities

Analysis of charge in financial period:	Period ended 31 July 2003 £000
<i>Current tax</i>	
UK corporation tax at 30%	20
	<hr/>
Tax on profit on ordinary activities	20
	<hr/>
Factors affecting the tax charge for the current year:	
Profit on ordinary activities before tax	10,327
	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	3,098
<i>Effects of:</i>	
Non deductible expenses	4,235
Dividends received	(4,037)
Non taxable income	(4,231)
Additional statutory debits	(5,097)
Taxable income on interest rate swaps hedging non-equity shares	1,205
Losses not utilised	3,525
Negative goodwill amortisation	(409)
Taxable income taken to revaluation reserve	1,731
	<hr/>
Current tax charge for the year	20
	<hr/>

Notes (continued)

11 Minority interests: dividends on non-equity shares

	Period ended 31 July 2003 £000
Dividends paid	(15,367)
Dividends accrued	(1,796)
	<hr/>
	(17,163)
Interest rate swap hedges	4,017
	<hr/>
	(13,146)
	<hr/>

Interest rate swap hedges are with Swiss Re Financial Products Corporation and are to hedge preference dividends payable to Swiss Re GB plc on fixed rate preference shares issued by Ampersand Investments (UK) Limited. Refer note 22 for further details.

12 Parent company profit and loss account

As permitted by Section 230 of the Companies Act 1985 the profit and loss account for the parent company has not been included in these accounts. The loss after tax for the period from incorporation to 31 July 2003 was £19,628,000.

13 Negative goodwill

	Group £000
At 20 May 2002	-
Arising on acquisitions during the period	(33,133)
Amortised during the period	1,362
	<hr/>
Negative goodwill at 31 July 2003	(31,771)
	<hr/>

Refer note 2 for details of acquisitions made during the financial period.

Notes (continued)

14 Fixed asset investments

Company	2003 £000
Ordinary Shares in subsidiary undertakings at cost	
At 20 May 2002	-
Additions	604,738
At 31 July 2003	604,738
Preference shares in subsidiary undertakings at cost	
At 20 May 2002	-
Additions	296,069
At 31 July 2003	296,069
Net book value at 31 July 2003 - Company	900,807

The preference shares represent holdings in two subsidiary undertakings. On 21 May 2003, the company acquired 180,000,000 4.82% cumulative redeemable preference shares of £1 each in SR Dorus Investments Limited at a cost of £149,720,693. On 18 July 2003, the company subscribed for 400,000,000 7.8384% cumulative preference shares of NZ\$ 1 each in SR Edinburgh Limited at a cost of £146,348,602.

Group	Swiss Re GB plc £000	American Depository Receipts £000	Additional Value Shares £000	Total £000
Preference shares at amortised cost				
20 May 2002	-	-	-	-
Additions	300,000	-	-	300,000
Acquired with subsidiary	-	123,471	64,991	188,462
Amortisation of discount on purchase	-	83	371	454
At 31 July 2003	300,000	123,554	65,362	488,916

Notes (continued)

Fixed asset investments (continued)

Group			
Redemption hedge	Contracts for Difference £000	Credit Default Swap £000	Total £000
20 May 2002	-	-	-
Acquired with subsidiary	1,080	407	1,487
Amortisation of premia	2	(83)	(81)
	<hr/>	<hr/>	<hr/>
At 31 July 2003	1,082	324	1,406
	<hr/>	<hr/>	<hr/>
Derivatives at fair value			
- Group			4,813
- Non-group			167,559
			<hr/>
At 31 July 2003			172,372
			<hr/>
Net book value at 31 July 2003 - Group			662,694
			<hr/> <hr/>

Swiss Re GB plc preference shares at cost represent preference share investments in, a fellow subsidiary company of the Swiss Reinsurance Company.

American Depositary Receipts and Additional Value Shares represent preference share investments in The Royal Bank of Scotland Group Plc. The market values of these preference share investments at 31 July 2003, was £185,785,000.

Redemption hedge premiums represents the premiums paid to acquire a number of derivative instruments which are used to hedge against the risk that these holdings may not be redeemed at par.

Investments in the subsidiary undertakings are stated at cost.

During the financial period, the group acquired a company, SR Dorus Investments Limited, which held interest rate swaps. The swaps, which at the balance sheet date were held by Ampersand Investments (UK) Limited, are disclosed within fixed asset investments. The fair value of these fixed asset investments at the balance sheet date was £167,559,027. The counterparty under the swap agreements, Banque AIG, are fixed rate payers. The duration of the swaps range from 11 to 20 years. The derivatives at fair value – group relates to interest rate swaps with Swiss Re Financial Products Corporation, who are fixed rate receivers. The duration of the swaps range from 11 to 20 years.

Notes (continued)

Fixed asset investments (continued)

The companies in which the Company's interest at the period end is more than 20% of the ordinary share capital are as follows:

Subsidiary undertakings	Country of incorporation	Year end	Voting rights %	Proportion of share capital held %
Ampersand Investments (UK) Limited	Cayman Islands	31/07/03	100	100
Banian Investments UK Limited*	Jersey	31/12/02	100	100
Cyrenaic Investments (UK) Limited*	UK	31/07/03	100	100
Dunstanburgh Finance (Cayman) Limited*	Cayman Islands	31/07/03	100	100
SR Cayman Holdings Limited	Cayman Islands	31/12/02	100	100
SR Dorus Investments Limited	Cayman Islands	21/05/03	100	100
SR Delta Investments (UK) Limited	UK	31/05/03	100	100
SR Edinburgh Limited	Cayman Islands	31/12/03	25	75
Swiss Re Funding UK Limited*	Cayman Islands	31/12/02	100	100
Swiss Re Strategic Investments UK Limited*	Cayman Islands	31/12/02	100	100

The principal activity of all the above subsidiary undertakings is making and managing investments.

With the exception of companies marked with an asterisk (*), whose shareholdings are held by intermediate holding companies within the group, all shareholdings are in the name of Swiss Re Specialised Investments Holdings (UK) Limited. All subsidiaries have been included in the consolidation.

The shares of the company and all of the subsidiary undertakings are unlisted.

All subsidiaries with non- coterminous year-ends are as a result of acquisitions made during the financial period, with the exception of Banian Investments UK Limited whose year end was set as the calendar year for commercial reasons, and SR Edinburgh Limited which was incorporated on 1 July 2003.

Details of acquisitions are in note 2. Investments in Ampersand Investments (UK) Limited (£600,000,000) and SR Edinburgh Limited (£7,500) are in respect of share capital and share premiums paid directly to those subsidiaries.

SR Edinburgh Limited is fully consolidated in the group accounts on the basis that the Company can exercise dominant influence by virtue of its ability to appoint the majority of directors.

Notes (continued)

15 Debtors: amounts falling due after more than one year

	Group 2003 £000	Company 2003 £000
Amounts owed by group undertakings		
- Funds advanced	162,848	-

£66,750,000 was advanced to Swiss Re GB Plc at a Sterling LIBOR plus 0.25% compounded and repayable on 31 December 2012. Compounded interest at 31 July 2003 amounted to £328,000. Swiss Re GB Plc is a fellow subsidiary of the Swiss Reinsurance Company.

\$150,000,000 was advanced to Swiss Re GB Plc at USD LIBOR plus 0.25% and is repayable on 15 December 2008. The loan may be repaid at an earlier date subject to an agreement between both parties. Currency exposure on the loan has been hedged such that the effective interest rate is Sterling LIBOR.

16 Debtors : amounts falling due within one year

	Group 2003 £000	Company 2003 £000
Amounts owed by group undertakings		
- Funds advanced	657,725	6,630
- Amounts owed by subsidiaries	-	1,919
- Deposit on foreign exchange contract premiums	6,901	-
- Interest receivable on funds advanced	2,201	35
- Dividends receivable	1,758	-
- Interest accrued on other assets	1,000	-
- Other	3	-
Amounts owed by non-group undertakings		
- Funds advanced	61,577	-
- Cash collateral held under reverse repo agreements	426,965	-
- Dividends receivable	2,313	-
- Funds advanced interest receivable	202	-
- Bank interest receivable	38	-
	<u>1,160,683</u>	<u>8,584</u>

The funds advanced to group undertakings primarily relate to amounts loaned at a prevailing commercial rate of interest to Swiss Re Financial Products Corporation, a fellow subsidiary of the Swiss Reinsurance Company. These amounts are typically repayable on demand.

Notes (continued)

17 Creditors

	Group 2003 £000	Company 2003 £000
Amounts owed to group undertakings		
- Funds borrowed	(534,510)	(2,462)
- Amounts payable under interest rate swaps	(22,088)	-
- Inter-company recharges	(17,195)	(17,052)
- Amounts payable under foreign currency contracts	(3,952)	-
- Accrued dividends on preference shares	(1,796)	-
- Amounts owed to subsidiaries	-	(757,424)
- Other	(2)	-
Amounts owed to non-group undertakings		
- Amounts due in respect of deferred purchase obligation	(435,660)	-
- Funds borrowed	(150,912)	(150,913)
- Amount due under repo agreement	(313,330)	-
- Amounts due under preference share financing arrangements	(200,000)	-
- Accrued dividends on preference shares	(1,677)	-
- Amounts payable under foreign currency contracts	(151)	-
- Other	(336)	(336)
- Deferred income: stock loan fee	(95)	-
- UK Corporation tax payable	(22)	-
	<u>(1,681,726)</u>	<u>(928,187)</u>

The amount due in respect of deferred purchase obligation represents the amount due by SR Delta Investments (UK) Limited ("Delta"), a subsidiary company, to Bayerische Hypo-Und Vereinsbank AG, London Branch ("HVB"), to fund Delta's acquisition from HVB of a portfolio of European medium term notes. The final amount payable is €622,888,000, due on 15 August 2003. Accrued interest in respect of the deferred payment is shown above at the implicit funding rate of 2.94%.

The funds borrowed from group undertakings primarily relate to an amount borrowed by Ampersand Investments (UK) Limited, a subsidiary company, at a prevailing commercial rate of interest from Swiss Re Treasury (Luxembourg) SA, a fellow subsidiary of the Swiss Reinsurance Company. At the balance sheet date the amount owing to Swiss Re Treasury (Luxembourg) SA was £436,484,460 repayable on 31 October 2003. This represents a draw down made on 31 July 2003 on a revolving credit facility of \$1.5billion, which expires on 31 March 2004.

The funds borrowed from non-group undertakings relate to an amount due to HBOS Treasury Services plc ("HBOS") in relation to the acquisition of SR Dorus Investments Limited preference shares from HBOS. This amount is due on 21 May 2004 with interest at 3 month LIBOR compounded.

Notes (continued)

Creditors (continued)

Prior to acquisition by the group, Swiss Re Funding UK Limited, a group subsidiary company, issued 100,000,000 Class B cumulative redeemable fixed rate preference shares of £0.01 with a premium of £0.99 to Scottish Power UK Plc, for a total consideration of £100,000,000. The redemption date of these shares is 20 August 2003. Swiss Re Funding UK Limited also issued 100,000,000 Class A cumulative redeemable fixed rate preference shares of £1 each to Senator House Investments (UK) Limited, for a total consideration of £100,000,000. The redemption date of these shares is 25 April 2006. These preference shares are shown above as "Amounts due under preference share financing arrangements" by virtue of American style put options granted by a fellow subsidiary company to the respective holders of the preference shares.

The Amount due under repo agreement relates to a financing arrangement that matures on 14 August 2007. However, due to an acceleration right within the repo agreement, the arrangement could be terminated by the creditor within a three month period. The group can exit the repo agreement at any time. The market value of the collateral given under the repo agreement was £313,495,000.

18 Called up share capital

	Group	Company
<i>Authorised</i>	2003	2003
	£000	£000
Equity		
1,500,000,000 Ordinary shares of £1 each	1,500,000	1,500,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity		
1,000,000 Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
	1,000	1,000
	<hr/>	<hr/>

The company was incorporated on 20 May 2002 with the issue of 1 ordinary share of £1 to Clifford Chance Nominees Limited. This share was acquired by the Swiss Reinsurance Company on 6 August 2002.

On 12 August 2002, the Company issued 999,999 ordinary shares of £1 to the Swiss Reinsurance Company.

Each ordinary share carries one vote which may be exercised at general meetings of the company.

All share issues were made to finance the group's investment activities.

Notes (continued)

19 Revaluation reserve

	Group 2003 £000
As at 20 May 2002	-
Deficit on revaluation of fixed asset investments	(12,185)
	<hr/>
As at 31 July 2003	(12,185)
	<hr/> <hr/>

The deficit on the revaluation of fixed asset investments relates to the fair value adjustment made on Banque AIG interest rate swaps from their book value (at amortised cost) when they were held in SR Dorus Investments Limited of £184,557,504 as at 28 July 2003, to their fair value at the balance sheet date when they are held by Ampersand Investments (UK) Limited. These are reflected in note 14 as "Derivatives at fair value", together with derivatives entered into by Ampersand Investments (UK) Limited with Swiss Re Financial Products Corporation, on which the full change in value since their transaction date has been taken to the revaluation reserve.

20 Profit and loss account

	Group 2003 £000	Company 2003 £000
As at 20 May 2002	-	-
Retained loss for the period	(2,839)	(19,628)
Exchange differences on retranslation	449	-
	<hr/>	<hr/>
As at 31 July 2003	(2,390)	(19,628)
	<hr/> <hr/>	<hr/> <hr/>

Exchange differences relate to the retranslation, at the balance sheet date, of the opening net assets and results of Delta Investments (UK) Limited, as subsidiary which has a non-sterling functional currency.

Notes (continued)

21 Reconciliation of movements in equity shareholders' funds

	Group 2003 £000	Company 2003 £000
As at 20 May 2002	-	-
Loss for the financial period	(1,878)	(19,628)
Dividends on non-equity shares (net of interest rate swap hedges)	(13,146)	-
New share capital issued	1,000	1,000
Exchange differences on retranslation	449	-
Net reduction in to shareholders' funds	(13,575)	(18,628)
Closing equity shareholders' funds	(13,575)	(18,628)

22 Minority interests: non-equity shares

	Group 2003 £000
Non-equity preference shares	
300,000,000 redeemable preference shares of £0.01 each	3,000
Share premium	297,000
	300,000

On 14 August 2002, Ampersand Investments (UK) Limited, a subsidiary company, issued 300,000,000 redeemable preference shares with a par value of £0.01 to Swiss Re GB Plc at a premium of £0.99 each.

The holders of preference shares are entitled to be paid a fixed cumulative preferential dividend payable in respect of each Preference Dividend Period at the Preference Dividend Rate of 4.75% on the amount paid up in respect of each Preference Share. The preference shares may be redeemed, in part or in whole by Ampersand Investments (UK) Limited at any time. On a winding up, the preference shares rank above ordinary shares and are entitled to repayment of nominal value, premium paid up and any accrued but unpaid dividends.

Notes (continued)

23 Related party disclosures

The Company is controlled by Swiss Reinsurance Company.

As 100% of the voting rights of the Company are controlled within the group headed by Swiss Reinsurance Company, incorporated in Switzerland, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions with entities which form part of the group. The consolidated financial statements of Swiss Reinsurance Company, within which this company is included, can be obtained from the address given in note 24.

24 Holding Company

The Company's immediate and ultimate holding company is Swiss Reinsurance Company, a company incorporated and resident in Switzerland. Copies of the group accounts of Swiss Reinsurance Company are available to the public and may be obtained from 30 St Mary Axe, London, EC3A 8EP.

25 Events occurring after the end of the period

On 9 September 2003, Ampersand Investments (UK) Limited, a subsidiary company, terminated its interest rate swaps with Banque AIG. These swaps were terminated at market rates and did not give rise to a financial effect within the subsidiary. However, as a result of the termination, the unamortised portion of the negative goodwill, which arose on the acquisition of SR Dorus Investments Limited, amounting to £29,642,994 at the date of termination, was credited to the group profit and loss account on that date. In addition, following the termination of the Banque AIG swaps and the derivatives held with Swiss Re Financial Products Corporation on that date, the revaluation reserves resulting from the fair value adjustment on these assets (a deficit of £12,185,000 as at the balance sheet date) will be recycled to the consolidated profit and loss account.