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## **Ravensworth Finance Limited**

**Directors' report and financial statements  
For the year ended 30 September 2008**



Registered number      MC177875 (Cayman Islands)  
Registered number      FC027236 (UK)

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## **Directors' report**

The Directors present their report and the financial statements for the year ended 30 September 2008.

### **Principal activities and business review**

Ravensworth Finance Limited ("the Company") is an investment company whose principal activities are to make and manage investments. The Company had ceased to make and manage investments by 31 December 2008.

The Company's results for the year ended September 2008 show a profit after tax of £21,000 (2007: £792,000).

The Directors consider the results for the year to be satisfactory.

### **Post balance sheet events**

In December 2008 the Directors resolved that the Company should cease business and be wound up as soon as its outstanding affairs can be brought to a satisfactory conclusion. In pursuance of this decision, the Company entered into an arrangement with its immediate parent company, Ampersand Investments (UK) Limited ("Ampersand"), whereby Ampersand will bear all future costs, receive all future revenues, and act as agent of the Company until such time as it is wound up.

In December 2008 the Company resolved to repurchase and cancel all but one of its ordinary shares.

At 31 December 2008 the Company had no assets or liabilities, issued share capital of £1 and a deficit on its profit and loss reserves of £1.

### **Dividends**

Ordinary dividends totalling £40,000 (2007: £776,000) were declared during the year.

### **Directors and Directors' interests**

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

Stephen Hjorring

Michael Kirkman                      resigned 27 October 2008

Drew Price                              appointed 2 June 2008

Philip Shaw

Christianne Smart                      resigned 2 June 2008

None of the Directors who held office during the year had any disclosable interest in the shares of the Company.

No rights to subscribe for shares in or debentures of the Company were granted to any of the Directors or their immediate families or exercised by them during the year.

## **Directors' report (*continued*)**

### **Principal risks and uncertainties**

Refer to note 17 for details of the Company's policies relating to financial risk management.

### **Key performance indicators ("KPIs")**

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

### **Principal place of business**

The Company is managed and controlled in the UK. The offices of the Company and the location of board meetings throughout the year was 30 St Mary Axe, London EC3A 8EP.

### **Political and charitable contributions**

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

### **Auditors**

PricewaterhouseCoopers LLP expressed their willingness to continue in office.

By order of the Board



**Drew Price**  
Director  
18 June 2009

London  
United Kingdom

## Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that year. 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 that the financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the IASB;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a Director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

By order of the Board



**Drew Price**  
Director  
18 June 2009

London  
United Kingdom

## **Independent auditors' report to the members of Ravensthorpe Finance Limited**

We have audited the financial statements of Ravensthorpe Finance Limited for the year ended 30 September 2008 which comprises the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The Directors' responsibilities for preparing the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and IFRS as issued by the IASB are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the directors to assist them discharge their stewardship obligations and fiduciary responsibilities in respect of the Company in accordance with our engagement letter dated 8 April 2009 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 including without limitation under any contractual obligations of the company, 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985 as applicable to overseas companies.

We read the other information contained in the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the non-statutory financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

## **Independent auditors' report to the members of Ravensthorpe Finance Limited (*continued*)**

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union and IFRS as issued by the IASB, of the state of the Company's affairs as at 30 September 2008 and of its profit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 as applicable to overseas companies; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
London, United Kingdom  
23 June 2009

**Balance sheet**  
 as at 30 September 2008

	Note	2008 £000	2007 £000
<b>Current assets</b>			
Available for sale investments	3	1,020	252,002
Loans and receivables	4	1,025	307
Cash and cash equivalents		5	58
<b>Total assets</b>		<b>2,050</b>	<b>252,367</b>
<b>Current liabilities</b>			
Debenture Stock issued	5	-	(250,000)
Trade and other payables	5	(37)	(346)
<b>Total liabilities</b>		<b>(37)</b>	<b>(250,346)</b>
<b>Net assets</b>		<b>2,013</b>	<b>2,021</b>
<b>Equity</b>			
Equity share capital	6	2,000	2,000
Share premium	7	-	-
Retained earnings		-	19
Available for sale reserve	8	13	2
<b>Total equity</b>		<b>2,013</b>	<b>2,021</b>

The notes on pages 10 to 20 form part of these financial statements.

The financial statements on pages 6 to 20 were approved by the Board of Directors on 18 June 2009 and were signed on its behalf by:



**Drew Price**  
 Director



**Statement of changes in equity**  
 for the year ended 30 September 2008

	Share Capital £000	Share Premium £000	Retained earnings £000	AFS Reserve £000	Total £000
<b>Balance at 23 November 2006</b>	<b>2,000</b>	<b>250,000</b>	<b>3</b>	<b>-</b>	<b>252,203</b>
Debenture stock issued	-	(250,000)	-	-	(250,000)
Gains on AFS financial assets	-	-	-	2	2
Profit for the period	-	-	792	-	792
Ordinary dividends	-	-	(776)	-	(776)
<b>Balance at 30 September 2007</b>	<b>2,000</b>	<b>-</b>	<b>19</b>	<b>2</b>	<b>2,021</b>
Profit for the year			21		21
Fair value gain on AFS financial assets	-	-	-	15	15
Tax on fair value gain on AFS financial assets	-	-	-	(4)	(4)
Dividends relating to the year: - ordinary dividends			(40)		(40)
<b>Balance at 30 September 2008</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>2,013</b>

The notes on pages 10 to 20 form part of these financial statements.

**Income statement**  
**for the year ended 30 September 2008**

	Note	2008 £000	2007 £000
Investment income	10	6,178	10,090
Interest expense	11	(6,120)	(9,272)
Administrative expenses	12	(37)	(19)
		<hr/>	<hr/>
<b>Operating profit and profit before income tax</b>		<b>21</b>	<b>799</b>
Income tax	15	-	(7)
		<hr/>	<hr/>
<b>Profit for the year</b>		<b>21</b>	<b>792</b>
		<hr/>	<hr/>

The Company declared dividends on equity shares during the year of £40,000 (2007: £776,000).

The Company's results are derived from discontinued operations.

The notes on pages 10 to 20 form part of these financial statements.

**Cash flow statement**  
 for the year ended 30 September 2008

	Note	2008 £000	2007 £000
<b>Cash flows from operating activities</b>	16	<b>(1,013)</b>	<b>835</b>
Tax paid		-	(1)
<b>Net cash used in operating activities</b>		<b>(1,013)</b>	<b>834</b>
<b>Cash flows from financing activities</b>			
Disposal of preference shares		251,000	-
Redemption of debenture stock		(250,000)	-
Ordinary dividends paid	9	(40)	(776)
<b>Net cash generated in financing activities</b>		<b>960</b>	<b>(776)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(53)</b>	<b>58</b>
Balance at beginning of year		58	-
<b>Cash and cash equivalents</b>		<b>5</b>	<b>58</b>

Included within cash flows from operating activities are cash inflows relating to interest received of £28,000 (2007: £4,000) and cash outflows relating to interest paid of £6,443,000 (2007: £8,949,000).

## Notes

### *(forming part of the financial statements)*

#### **1 General information**

Ravensthorpe Finance Limited ("the Company") is a company which makes and manages investments. The Company is a limited liability company incorporated in the Cayman Islands and 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 is not listed on any exchange.

The financial statements were authorised for issue by the Board of Directors on 26 May 2009. Once approved, the financial statements cannot be amended without re-presenting them for approval by the Board.

#### **2 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied during the year unless otherwise stated.

##### ***Basis of preparation***

The financial statements were formerly prepared on a going concern basis and are now prepared on a break up basis as the Company ceased trading in December 2008. This change in the basis of preparation has had no impact on amounts presented in the financial statements. All assets and liabilities are now disclosed as falling due within one year.

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards, as adopted by the European Union and IFRIC interpretations. IFRS standards and interpretations are issued by the International Accounting Standards Board and comprise International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee.

The balance sheet and income statements in this document are presented in accordance with IAS 1 'Presentation of Financial Statements'. These financial statements are prepared on a historical cost basis, as modified for certain items which have been fair valued in accordance with appropriate International Financial Reporting Standards. All references to figures in the narrative passages of these financial statements are in absolute terms.

##### ***Standards, amendments and interpretations effective in the year***

- IAS 1 (Amendment) - Presentation of Financial Statements - Capital Disclosures
- IFRS 7 - Financial Instruments: Disclosures
- IFRIC 7 - Applying the Restatement Approach under IAS 29 (effective 1 March 2006)
- IFRIC 8 - Scope of IFRS 2 (effective 1 May 2006)
- IFRIC 9 - Reassessment of embedded derivative (effective June 1, 2006)
- IFRIC 10 - Interim Financial Reporting and Impairment (effective 1 November 2006)
- IFRIC 11, IFRS2 - Group Treasury Share Transactions (effective 1 March 2007)

The Company adopted IAS 1 and IFRS 7 on incorporation. These resulted in additional disclosures set out in Note 19. These do not have any impact on the classification and valuation of the company's financial instruments. The remaining interpretations were either not relevant to the company or had no impact on the Company's financial results.

## Notes (continued)

### ***Standards, amendments and interpretations issued but not yet effective and not adopted early***

- IAS 1 - Presentation of Financial Statements (revised) (effective 1 January 2009)
- IAS 23 (Amendment) - Borrowing costs (effective 1 January 2009)
- IFRS 8 - Operating Segments (effective 1 January 2009)
- IFRIC 12 - Service Concession Arrangements (effective 1 January 2008)
- IFRIC 13 - Customer Loyalty Programmes (effective 1 July 2008)
- IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction (effective 1 January 2008)

These new standards, amendments and interpretations are either not relevant to the Company or are not expected to have a material impact on the Company's financial statements in the year in which they are first adopted.

### ***Overseas company***

The financial statements have been prepared in accordance with the Companies Act 1985 as applicable to overseas companies.

### ***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 do not contain any significant areas involving estimates or judgements.

### ***Foreign currency translation***

Items included in the financial statements, are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Sterling, which is the Company's functional and presentation currency. There are no non-Sterling transactions which affect the financial statements.

### ***Interest income and expense***

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value, are recognised as interest income and interest expense in the income statement using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or a financial liability and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

### ***Cash and cash equivalents***

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### ***Debenture stock issued***

Issued debenture stock is carried at its par value on the balance sheet as a current liability.

### ***Share capital***

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets, or the entity's own equity.

### ***Dividend distribution***

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

### ***Deferred income tax***

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### ***Impairment***

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. Impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. In the case of securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired.

If an impairment loss has occurred on available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. If there is objective evidence that an impairment loss has been incurred on any other type of financial asset, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company will measure impairment on the basis of an instrument's fair value using an observable market price, where available.

### ***Capital management***

The Company regards its net assets 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 or invests in highly liquid investments.

The Company does not have any externally imposed capital requirements.

## Notes (continued)

### *Financial instruments*

#### Classification

The Company classifies its financial assets and financial liabilities in the following categories: at fair value through profit and loss, loans and receivables, and available for sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets and financial liabilities at initial recognition and re-evaluates this designation at every reporting date.

#### *(a) Financial assets or financial liabilities at fair value through profit or loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as 'held for trading' and therefore classified as financial assets at fair value through profit and loss unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in the income statement within 'investment income', in the period in which they arise.

#### *(b) Available-for-sale assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the balance sheet date.

#### Recognition and derecognition

Purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are recognised on the trade date and derecognised when the obligation to pay cash flows have expired or have been transferred.

#### Measurement

Financial assets and financial liabilities are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets and financial liabilities carried at fair value through profit or loss, are initially recognised at fair value and transaction costs are expensed in the income statement and subsequently carried at fair value.

Available-for-sale financial assets and financial liabilities at fair value through profit or loss are subsequently carried at fair value. Movements in fair value, excluding those relating to the effective interest rate which are taken to the income statement, are taken to AFS reserve. On the disposal of AFS investments any gain or loss is transferred from the AFS reserve and is recognised in the income statement. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

## Notes (continued)

### 3 Available for sale investments

	2008 £000	2007 £000
Opening balance	252,002	251,000
Disposal of preference share investment	(251,000)	-
Acquisition of UK Gilt investment	-	997
Premium amortisation and revaluation of UK Gilts	18	5
<b>Closing balance</b>	<b>1,020</b>	<b>252,002</b>

At the year end, the UK Gilt investment was fair valued at £1,020,000 (2007: £1,002,000), increasing its value by £18,000 (2007: decreasing its value by £12,000). Amortisation of £3,000 (2007: £2,000) is included within the income statement and the balance of £15,000 (2007: £2,000) has been credited to the available-for-sale reserve. The fair value adjustment has been arrived at using quoted market prices.

### 4 Loans and receivables

	2008 £000	2007 £000
Funds lent	1,008	-
Interest receivable on funds lent	2	-
Dividends and coupons receivable	15	307
	<b>1,025</b>	<b>307</b>

Funds lent relate to short term loans to Swiss Re Group companies.

### 5 Current liabilities

	2008 £000	2007 £000
Debenture Stock issued	-	(250,000)
Interest payable on Debenture Stock issued	-	(323)
Tax payable	(10)	(6)
Trade payables	(27)	(17)
	<b>(37)</b>	<b>(250,346)</b>

The Debenture Stock was redeemed by giving notice in accordance with the Debenture Stock Instrument Schedule.



## Notes (continued)

### 6 Equity share capital

	2008 £000	2007 £000
<b>Authorised</b>		
4,000,000 ordinary shares of £1 each	4,000	4,000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
2,000,000 ordinary shares of £1 each	2,000	2,000
	<u>          </u>	<u>          </u>

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

### 7 Share premium

	2008 £000	2007 £000
Opening balance	-	250,000
Debenture Stock issued	-	(250,000)
	<u>          </u>	<u>          </u>
Closing balance	-	-
	<u>          </u>	<u>          </u>

The Directors, in accordance with its Articles, resolved to issue the Debenture Stock out of share premium in December 2006. The Debenture Stock was allotted and issued as fully paid-up to the holder of the preference shares for no consideration in December 2006.

### 8 Available for sale reserve

	2008 £000	2007 £000
Opening balance	2	-
Mark to market movements	15	2
Tax on mark to market movements	(4)	-
	<u>          </u>	<u>          </u>
Closing balance	13	2
	<u>          </u>	<u>          </u>

Mark to market adjustments made in respect of available for sale investments are included as a movement in equity, and do not affect the profit or loss for the year.

## Notes (continued)

### 9 Dividends

Amounts paid in respect of ordinary dividends amounted to £40,000 (2007: £776,000). No dividends were declared but unpaid at the current or previous year end. The ordinary shareholder received 2 pence per share (2007: 38.8 pence per share) in respect of its shareholding.

### 10 Investment income

	2008 £000	2007 £000
Preference dividends receivable	6,097	10,047
UK Gilts - coupons receivable	48	37
Accretion of UK Gilt discount	3	2
Interest receivable	30	4
	<hr/> 6,178 <hr/>	<hr/> 10,090 <hr/>

### 11 Interest expense

	2008 £000	2007 £000
Interest payable on Debenture Stock issued	(5,750)	(9,270)
Interest payable	(370)	(2)
	<hr/> (6,120) <hr/>	<hr/> (9,272) <hr/>

### 12 Administrative expenses

	2008 £000	2007 £000
Service fees	(19)	(8)
Audit fees	(11)	(9)
Legal fees	(6)	(1)
Bank charges	(1)	(1)
	<hr/> (37) <hr/>	<hr/> (19) <hr/>

Service fees represent charges made by Swiss Re Services Limited ("SRSL") in relation to finance, operational, legal, infrastructure, advisory and other services provided to the Company to Swiss Re Group companies

### 13 Employees

The Company had no employees during the year, all services being provided by Swiss Re Services Limited, a Swiss Re Group company.

## Notes (continued)

### 14 Directors' emoluments

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

### 15 Taxation

	2008 £000	2007 £000
Analysis of charge in year		
Current tax	-	7
Income tax (credit) / expense	-	7

The tax charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below.

Factors affecting the tax charge for the year	£000	£000
Profit before income tax	21	799
Profit before income tax multiplied by the weighted average standard rate of corporation tax in the UK of 29% (2007: 30%)	6	240
Effects of:		
Non-taxable dividends receivable	(1,768)	(3,014)
Non-deductible interest expense	1,668	2,781
Losses not utilised	94	-
	-	7

The change in the statutory rate of corporation tax from 30% (2007) to 28.5% (2008) has arisen as a result of a change in legislation.

### 16 Cash generated from operating activities

	2008 £000	2007 £000
Profit before income tax	21	799
<u>Changes in working capital</u>		
Interest and coupon income	292	(305)
Interest accrued on Debenture Stock issued	(323)	323
Trade and other payables	10	17
Accretion of UK Gilt discount	(3)	(2)
Purchase of UK Gilt	-	(997)
Loans and receivables	(1,010)	1,000
Cash generated from operations	(1,013)	835

## Notes (continued)

### 17 Financial instruments

#### (a) *Financial risk management*

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

##### (i) *Foreign exchange risk*

The Company is not exposed to foreign exchange risk on its assets and liabilities as all its assets and liabilities are in Sterling.

##### (ii) *Market risk*

The Company has exposure to market risk on its available for sale investments. As its investments are expected to mature at par and are UK Government securities, the Company's exposure to market risk is not considered significant.

##### (iii) *Credit risk*

The Company has exposure to credit risk with a number of financial institutions to which the Company has lent funds.

Management regularly monitors the credit quality of the counterparties to which it is exposed. The directors believe that the credit risk to which the Company is exposed is low, given the high credit quality of the financial institutions in which the Company has invested and advanced funds to.

Management believe the amount of the exposure is indicated by the carrying value of the financial assets.

##### (iv) *Liquidity risk*

The Company holds assets that are sufficient to cover its liabilities. The assets are sufficiently liquid to meet the liabilities of the Company as they fall due.

##### (v) *Interest rate risk*

The Company has exposure to movements in interest rates. All of the assets in which the Company has invested earn a return which is based upon the prevailing LIBOR rate. As the Company has no significant interest bearing liabilities it has no significant interest rate risk.

##### (vi) *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 Company has adopted a system of comprehensive policies and a control framework which is designed to provide a sound and well controlled operational environment. The Company had no significant operational risk at the balance sheet date.

## Notes (continued)

### Financial instruments (continued)

#### *Fair value estimation*

##### **(b) Fair value of financial assets and financial liabilities**

The Company has significant loans and receivables. All counterparties are financial institutions which have high credit ratings. The maturities of all of these investments are all short term. The carrying value of the Company's financial assets approximates their fair value.

##### **(c) Capital management**

The Company regularly assess its financial resources, including capital resources and liquidity to ensure that they are adequate in both amount and quality, so that there is no significant risk that its liabilities cannot be met as they fall due.

### **18 Commitments and contingencies**

There are no commitments or contingencies at the balance sheet date.

### **19 Related parties**

Ampersand, a wholly owned subsidiary of Swiss Re Specialised Investments Holdings (UK) Limited ("SRSIH"), itself a wholly owned subsidiary of Swiss Reinsurance Company ("Swiss Re"), holds all of the ordinary shares in the Company, appoints the Board of Directors and, through the Board, directs the financial and operating policies of the Company with a view to gaining economic benefit from its activities. As such, Ampersand and other members of the Swiss Re Group, including Swiss Re International Treasury (Ireland) Limited ("SRITL"), Swiss Re Financial Products Corporation ("SRFPC") and Kilgallon Finance Limited ("Kilgallon"), are considered related parties of the Company.

Prior to April 2008, Yorkshire Bank Investments Limited ("YBIL"), a wholly owned subsidiary of National Australia Group Europe (UK Group) ("NAB UK Group"), owned all of the Debenture Stock issued by the Company. As a consequence of this, both are considered to be related parties of the Company. Furthermore, in accordance with the provisions of IAS 27 and SIC 12, the Company falls to be consolidated with the National Australia Bank Group ("NAB Group").

Pursuant to and for the purposes of IAS 24 Related Party Disclosures, the NAB Group and other members of the NAB Group are considered to be related parties in relation to the Company.

#### *Transactions with related parties*

##### **Ampersand**

Ordinary dividends paid to Ampersand in the year amounted to £40,000 (2007: £776,000). The Company also lent funds to Ampersand during the year. £1,010,000 was due to the Company at the year end and income receivable in the current year amounted to £29,000. The Company's £251,000,000 investment in Kilgallon preference shares was sold to Ampersand in April 2008.

##### **SRFPC**

The Company stock lent its UK Gilt investment to SRFPC throughout the current and previous year.

## Notes (continued)

### Related parties (continued)

#### *Transactions with related parties (continued)*

##### **Kilgallon**

Dividends receivable on the Company's investment in preference shares issued by Kilgallon amounted to £6,097,000 (2007: £10,047,000), with an amount declared but not received at the previous year end of £292,000. The preference share investment was sold during the year.

The Company borrowed funds from Kilgallon during the year and paid interest of £370,000. No amounts were outstanding at the year end.

##### **YBIL**

Interest payable to YBIL on Debenture Stock amounted to £5,750,000 (2007: £9,270,000) in the year. No amounts (2007: £323,000) were outstanding at the year end.

### **20 Post balance sheet events**

In December 2008 the Directors resolved that the Company should cease trading and be wound up as soon as its outstanding affairs can be brought to a satisfactory conclusion. In pursuance of this decision, the Company entered into an arrangement with its immediate parent company, Ampersand Investments (UK) Limited ("Ampersand"), whereby Ampersand will bear all future costs, receive all future revenues, and act as agent of the Company until such time as it is wound up. In December 2008 the Company resolved to repurchase and cancel all but one of its ordinary shares. At 31 December 2008 the Company had no assets or liabilities, issued share capital of £1 and a deficit on its profit and loss reserves of £1.

### **21 Ultimate parent undertaking**

The company formerly regarded by the Directors as the ultimate parent company is National Australia Bank Limited ("NAB"), a company incorporated in the State of Victoria, Australia. In consequence of the application of IAS 27 and SIC 12, and with regards to the substantive economic effect of the contractual arrangements in place, the Company was considered to be controlled by the NAB Group. Financial statements of NAB can be obtained by writing to National Australia Bank Limited (London Branch), 88 Wood Street, London EC2V 7QQ.

The smallest group in which the results of the Company were formerly consolidated was that headed by Clydesdale Bank plc ("Clydesdale") which was incorporated in Great Britain and registered in England and Wales. Financial statements of Clydesdale can be obtained by writing to the Corporate Affairs Department, 20 Merrion Way, Leeds, LS2 8NZ.

Since April 2008 the company regarded by the Directors as the ultimate parent company is Swiss Reinsurance Company ("Swiss Re"), a company incorporated in Zurich. In consequence of the application of IAS 27 and SIC 12, and with regards to the substantive economic effect of the contractual arrangements in place, the Company is now considered to be controlled by Swiss Re.

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