Swiss Re Capital Markets Limited
Annual Report 2010

Amending

Company Registration No. 3436761

Contents

Company information

Board of Directors	Robert M Ratcliffe (Chief Executive Officer and Chairman) Clare J Bousfield (resigned 9 July 2010) Stephen Hjorring Kanwardeep Ahluwalia
Company Secretary	Nicholas Raymond (resigned 21 March 2011) Jennifer Gandy (appointed 21 March 2011)
Registered Office	30 St Mary Axe London EC3A 8EP
Independent Auditors	PricewaterhouseCoopers LLP Hay's Galleria 1 Hay's Lane London SE1 2RD

Directors' report

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2010.

Principal activity

The principal activity of Swiss Re Capital Markets Limited ("the Company" or "SRCML") is the conduct of investment business, as authorised by the Financial Services Authority. This is not envisaged to change in the near future.

The Company is authorised and regulated by the Financial Services Authority to advise, arrange, manage and deal in investments both as agent and as principal.

These financial statements are presented in United States Dollars ("USD" or "$"), being the functional currency of the Company.

The Company's immediate parent undertaking is Swiss Re GB plc (together with Swiss Re GB plc's other subsidiaries, "the UK Group"). The Company's ultimate parent undertaking and controlling party is Swiss Reinsurance Company (together with Swiss Reinsurance Company's other subsidiaries, "the Group"), which is incorporated in Switzerland.

Review of business

The Company has made a satisfactory profit, despite continuing to reduce the scope of its activities and focusing on its core business areas. The risk profile of the Company has not changed materially in comparison to last year. The Company will continue to conduct investment business.

SRCML's Carrier Group Committee ("the Committee") is the sole management Committee reviewing the day to day business of the Company. In addition the Company leverages off the corporate governance structure of its ultimate parent, Swiss Reinsurance Company including, but not limited to, a weekly Risk Committee. The Carrier Group Committee comprises a number of stakeholders, responsible for overseeing specific areas of the Company, including representatives from Risk, Finance, Legal and Operations. This Committee meets monthly. The Committee has its authority delegated by the SRCML Board and as such it reports directly to the Board. The Committee oversees the Company's risk management policies and the strategy of the Company, as defined by the Board.

Future outlook

The Company expects to continue to trade profitably next year, whilst taking advantage of new investment business opportunities which reflect its focus on its core business areas. No significant change in the nature of Company's principal activities is expected.

On 17 February 2011, Swiss Re announced that it plans to establish a new corporate structure under a newly-formed holding company. For that purpose, it is planned that the newly-formed company will launch an exchange offer later in 2011 for all shares in Swiss Reinsurance Company Limited. It is contemplated that the corporate governance arrangements in the new holding company will mirror those currently operated in Swiss Reinsurance Company Limited. Further information on the new holding company structure was provided in an offer prospectus for the exchange offer, published on 31 March 2011.

Principal risks and uncertainties

The Company has positions in derivatives which are open to risks brought about by the movements of global financial markets, caused by fluctuations in interest rates, foreign exchange rates and other market forces. The Company's financial risks are reviewed on an ongoing basis by senior management, on a weekly basis at a Risk Committee and on a monthly basis by the Carrier Group Committee. A summary of the Company's market risk exposure is presented to the Board at scheduled meetings. From these reviews, strategies are developed to appropriately mitigate these risks using market procedures and financial instruments. For a detailed review of the Company's financial risk management refer to note 2.

The Company operates in a highly competitive global financial services market with strong competition for clients. The Company develops innovative products and practices to remain attractive to current and potential new clients.

The Company trains and seeks to retain high calibre employees. There are also a number of schemes linked to the Group's results that are designed to retain key individuals.

Key Performance Indicators

The following key performance indicators are evaluated at the monthly Carrier Group Committee meeting. The Regulatory Capital against requirements is considered a key measure by management of the Company's risk exposure:

	Measure	2010	2009
Regulatory capital against requirements	%	808	447
Liquidity Stress Test Results	%	225	116

Results and dividends

The profit on ordinary activities after taxation for the year amounted to $3,792,000 (2009: $11,691,000). A dividend of $10,000,000 (2009: $10,000,000) was declared and paid during the year. The Directors do not recommend the payment of an additional dividend following the end of the year.

Financial instruments

The Company holds financial instruments as part of its business. The Company's exposure to risk and its risk management policies are discussed in note 2.

Charitable and political donations

The Company made no charitable or political donations in the current or previous year.

Creditor payment policy

The Company pays its creditors as those liabilities become due. Market creditors will be settled within 3 working days as per normal investment business market practice. There are no non-market creditors at the end of the year.

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. Furthermore, the Directors have performed stress testing under different scenarios in order to assess the Company's susceptibility to risk exposure, and conclude that the Company will continue to operate as a going concern even under stress scenarios.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the Directors are required to:

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

The Directors are responsible for keeping 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. 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.

Directors' report

Statement of disclosure of information to independent 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

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

By order of the board

For and on behalf of

Swiss Re Capital Markets Limited

S Hjorring

Director

11 July 2011

Independent auditors' report

Independent auditors' report to the members of Swiss Re Capital Markets Limited

We have audited the revised financial statements of Swiss Re Capital Markets Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes. These revised financial statements have been prepared under the accounting policies set out therein and replace the original financial statements approved by the directors on 27 April 2011.

The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

Respective responsibilities of Directors and auditors

The directors' responsibilities for preparing revised financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that they give a true and fair view are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the revised financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 454 of the Companies Act 2006 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 revised financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and are properly prepared in accordance with the provisions of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008. We also report to you whether in our opinion the information given in the revised directors' report is consistent with the revised financial statements.

In addition we report to you if, in our opinion, the company has not kept adequate accounting records, if we have not received all the information and explanations we require for our audit, or if disclosures of directors' benefits, remuneration, pensions and compensation for loss of office specified by law are not made.

We read the revised directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

We are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK & 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 revised financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the revised financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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 revised 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 revised financial statements.

Independent auditors' report

Opinion

In our opinion:

- the revised financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- the revised financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice seen as at the date the original financial statements were approved;
- the revised financial statements have been properly prepared in accordance with the provisions of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008;
- the original financial statements for the year ended 31 December 2010 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in note 29 to these financial statements; and
- the information given in the revised directors' report is consistent with the revised financial statements.

Emphasis of matter – revision of financial statements

In forming our opinion on the revised financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 29 to these revised financial statements concerning the need to revise derivative assets, derivative liabilities and foreign exchange (losses) /gains. The original financial statements were approved on 27 April 2011 and our previous report was signed on that date. We have not performed a subsequent events review for the period from the date of our previous report to the date of this report.

C Stafford

Craig Stafford (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 July 2011

Profit and loss account

For the year ended 31 December 2010

	Note	2010 $'000	2009 $'000
Net trading income	5	7,204	8,586
Administrative expenses	6	(1,533)	(1,972)
Foreign exchange (losses) /gains		(5,381)	3,982
Other income	7	4,961	-
Operating profit		**5,251**	**10,596**
Interest receivable	10	1,775	10,790
Interest payable	11	(1,471)	(5,774)
Profit on ordinary activities before taxation		**5,555**	**15,612**
Tax on profit on ordinary activities	12	(1,763)	(3,921)
Profit for the financial year		**3,792**	**11,691**

All amounts shown above arose from continuing activities.

The notes on pages 10 to 26 form an integral part of these financial statements.

The total recognised gains and losses for the financial year are equal to the profit for the year as disclosed in the profit and loss account.

Balance sheet
For the year ended 31 December 2010

	Note	2010 $'000	2009 $'000
Current assets			
Financial assets at fair value through profit or loss	13	250,092	41,313
Other financial assets	14	395	366,846
Cash at bank		613	2,762
		251,100	**410,921**
Creditors: amounts falling due within one year			
Financial liabilities at fair value through profit or loss	15	(42,463)	(47,704)
Other financial liabilities	16	(93,664)	(229,672)
Other liabilities	17	(6,748)	(21,086)
Bank overdrafts		(1,236)	-
		(144,111)	**(298,462)**
Total assets less current liabilities		**106,989**	**112,459**
Creditors: amounts falling due after more than one year			
Financial liabilities at fair value through profit or loss	18	(26,175)	(25,315)
Other liabilities	19	(449)	(571)
		(26,624)	**(25,886)**
Net assets		**80,365**	**86,573**
Capital and reserves			
Called up share capital	22	60,143	60,143
Capital redemption reserve	23	391	391
Profit and loss reserve	26	19,831	26,039
Total shareholder's funds	27	**80,365**	**86,573**

The financial statements on pages 8 to 26 were approved by the Board of Directors on 11 July 2011 and were signed on their behalf by:

SHjorring

S Hjorring

Director

1. Accounting policies

a) Basis of preparation

These financial statements are prepared on a going concern basis, and under the historical cost convention modified to include the fair valuation of financial instruments, in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

The Company's immediate parent undertaking is Swiss Re GB plc (together with Swiss Re GB plc's other subsidiaries, "the UK Group"). The Company's ultimate parent undertaking and controlling party is Swiss Reinsurance Company (together with Swiss Reinsurance Company's other subsidiaries, "the Group"), which is incorporated in Switzerland. The Company's financial statements are included in the consolidated financial statements of Swiss Reinsurance Company, which are publicly available (Note 28). Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities within the Group.

Epsom Funding Limited ("Epsom"), a company whose entire ordinary share capital is owned by the Group, is not consolidated within the Group's results due to the fact the risks and rewards of its activities are not retained by the Group. However, as Epsom's parent undertaking holds all of its shares and appoints all of its Board Directors, and through the Board directs the financial and operating policies of Epsom with a view to gaining economic benefit from its activities, Epsom is considered a related party of the Company. (Note 25).

b) Foreign exchange

These financial statements are presented in United States Dollars ("USD" or "$"), also being the functional currency of the Company.

Monetary non-dollar assets and liabilities 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 under 'Foreign exchange gains / (losses)'. Monetary items in the profit and loss account have been restated at the average rate of exchange that approximates to the rate of exchange on the date the transaction was executed. Foreign exchange gains / losses are recognised in the profit and loss account under 'Foreign exchange gains / (losses)'. The prevailing exchange rate between USD and GBP on 31 December 2010 was 1.566 (31 December 2009: 1.615).

c) Revenue recognition

Income on financial instruments held for trading is recognised on a trade date basis. Fees relating to arranging transactions are recognised in net trading income when the transaction has been completed. Fees in respect of ongoing servicing of transactions are recognised on an accruals basis over the life of the transaction. Other fees receivable are accounted for as they fall due. Interest receivable is recognised in the profit and loss account as it accrues using the effective interest rate method.

d) Net trading income

A business trading in financial instruments has no equivalent to turnover, cost of sales, and gross profit. Consequently, the Directors consider certain adaptations to the Companies Act 2006 appropriate. Net trading income has been disclosed instead of turnover as this more meaningfully reflects the nature of the Company's activities. Net trading income includes:

- Net income earned on financial instruments at fair value through the profit or loss, including:
  1. Realised profits and losses on the purchase and sale of trading instruments;
  2. Unrealised gains and losses from the revaluation of trading instruments;
  3. Fees earned as a direct consequence of holding or transacting in certain traded debt securities and derivatives.

- The allocation of income and losses, in the prior year, between and among Group companies, including the Company in accordance with the transfer pricing arrangements applicable in that year. Additional income or losses allocated to the Company in the prior year represented allocations from fellow Group companies of profit or loss so as to reflect the Company's proper share of the overall profit or loss attributable to the global trading activity of the Group.

- Advisory fee income and expense in respect of arranging, and the ongoing servicing of transactions.

1. Accounting policies (continued)

e) Administrative expenses

All administration, staff and pension costs, excluding audit fees, are incurred by Swiss Re Services Limited ("SRSL"), a fellow subsidiary undertaking. SRSL makes a management charge to the Company for its share of these costs. This expense is recognised in the profit and loss account as it accrues.

f) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and the results stated in the financial statements.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are to be recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax assets and liabilities are not discounted.

g) Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through the profit or loss, loans and advances, investments that are held to maturity, and financial assets that are available for sale. The Company determines the classification of its investments on initial recognition.

Financial assets at fair value through the profit or loss

A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management. All derivatives are classified as held at fair value through profit or loss.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held to maturity

Investments classified as held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. The Company did not hold any held to maturity assets during the current or prior year.

Available for sale

These investments are those intended to be held for an indefinite period of time, which may be sold as part of the Company's official operations or otherwise. The Company did not hold any available for sale assets during the current or prior year.

h) Financial liabilities

Financial liabilities at fair value through the profit or loss

A financial liability is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management. All derivatives are classified as held at fair value through profit or loss.

Loans and advances

Loans and advances are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market.

1. Accounting policies (continued)

i) Traded debt securities

'Traded debt securities held for re-sale' and 'Traded debt securities - short positions' are classified within 'Financial assets or liabilities at fair value through profit or loss - held for trading' and are carried at fair value in the balance sheet. Any profit on fair valuing these instruments is taken to the profit and loss account within 'net trading income'. Fair values are normally determined by reference to quoted bid / offer market prices. The Company uses the trade date as the point of recognition and derecognition for these instruments.

j) Traded derivatives and foreign exchange contracts

Derivative instruments and foreign exchange contracts are all classified within 'Financial assets or liabilities at fair value through the profit and loss account - held for trading' and are carried at fair value in the balance sheet. All derivatives are held under constant review of both their realisable value and potential future return and are consequently categorised as held for trading in accordance with FRS 26. Fair values are normally determined by reference to quoted bid / offer market prices. Where quoted market prices are not available fair value is determined by discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Gains and losses are taken directly to the profit and loss account and are reported within trading income - net income earned on traded derivatives and net income earned on foreign exchange contracts respectively. The Company uses the trade date as the point of recognition and derecognition for these instruments.

k) Sale and repurchase agreements

The Company enters into purchase and resale and sale and repurchase agreements. These are treated as collateralised lending transactions and the amounts at which the securities were initially purchased and sold are included within 'Other financial assets' and 'Other financial liabilities' and are held at amortised cost in accordance with FRS 26. The difference between sale and repurchase and purchase and resale prices for such transactions is charged or credited to the profit and loss account over the life of the relevant transactions, using the effective interest rate method, within 'Interest receivable' and 'Interest payable and similar charges' as appropriate. The Company uses the settlement date as the point of recognition and derecognition.

l) Stock borrowing and lending agreements

The Company enters into stock borrowing and lending agreements. Income earned and expense paid on stock borrowing and lending agreements is reported as net trading income except when it is in the nature of interest, in which case it is reported as interest receivable and interest payable. Interest is measured and recognised in the profit and loss account as it accrues, using the effective interest rate method.

m) Offsetting financial instrument

The Company offsets financial instruments when the criteria of FRS 25: Financial Instruments: Disclosure and Presentation are met. A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when, and only when, the Company:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

n) Payment undertaking agreements and linked interest rate swaps

The Company has entered into payment undertaking agreements ("PUAs") whereby funds are borrowed and a long term fixed payment obligation is undertaken. PUAs are treated as debt instruments and are fair valued through profit or loss, having been designated as fair value liabilities through profit or loss on initial recognition, as permitted by FRS 26. The basis of this treatment is that the linked interest rate swaps are fair valued due to their status as derivatives and that different valuation treatments between the two types of financial instruments would cause a measurement inconsistency. Interest rate swaps are put in place to convert these fixed interest payables into floating rate payables.

1. Accounting policies (continued)

o) Financial guarantees

Issued financial guarantees are initially recognised at their fair value, and subsequently measured at the higher of the unamortized balance of the related fees received and deferred, and the expenditure required to settle the commitment at the balance sheet date. The latter is recognised when it is both probable that the guarantee will require to be settled and that the settlement amount can be reliably estimated. Financial guarantee instruments are recognised within 'Financial assets or liabilities at fair value through profit or loss'.

The Company has guarantees in issue (note 20), for which the Company does not receive fees. The fair value of these guarantees is nil.

p) Debt issued

Debt issued by the Company is classified as long-term and is carried in the balance sheet at amortised cost using the effective interest rate method. A derivative whose characteristics are not clearly and closely related to the host contract has been bifurcated from the debt host and is reported at fair value and recorded within 'Financial assets at fair value though profit or loss'.

2. Financial risk

Financial risk management

The Company's financial risks are reviewed on a monthly basis by the Carrier Group Committee.

a) Market risk

A summary of the Company's market risk is presented to the Committee, and to the Board at the scheduled meetings. Market Risk encompasses foreign exchange risk, interest rate risk and credit risk and arises from the following activities:

1. Writing term unfunded credit protection to market counterparties.
2. Entering into derivative contracts with both market counterparties and affiliates for the purpose of both trading activity and also to offset risk retained in relation to activities 1 and 2.

A daily Value at Risk calculation ("VaR") is carried out. This is a statistical measure of the potential losses that could arise from the trading positions, held over a 10-day holding period and a 99% confidence level. The VaR measure used assumes that our profit or loss follows a normal distribution, but also assumes that the profit or loss over the 10-day horizon does not benefit from risk management, stop-loss or hedging activity. As at 31 December 2010 the Company had a VaR of $80,000 (2009: $70,000). The majority of the VaR arises from exposure to volatility in credit spreads. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As stated above the Company is exposed beyond the 99th percentile so an overall stress scenario is also calculated on a daily basis. The stress test per risk factor is parameterised to the most adverse event in recent years for the risk factor. As at 31 December 2010 the aggregate stress result was de minimis (2009: $4,000,000).

All of the above tests are compared to pre-determined limits against which management can assess if further risk mitigation strategies are to be implemented to reduce the reported risk levels.

b) Foreign exchange risk

Foreign exchange risk is managed on an ongoing trade position basis as part of the Company's and Group's cash management procedures. When amounts in non USD currency are paid or received, foreign exchange contracts are put in place to convert the assets or liabilities into USD, thereby reducing foreign exchange exposure and risk. Movements in foreign exchange rates affecting off balance sheet positions do not create a material risk, as these are hedged using foreign exchange derivatives. These off balance sheet positions are monitored as part of the Company's credit risk and liquidity risk mitigation strategies. Foreign exchange risk sensitivity analysis is a constituent part of the daily VaR and aggregate stress values.

2. Financial risk (continued)

c) Interest rate risk

As the company does not engage in long term unhedged fixed interest positions, interest rate risk is not considered a material risk.

Interest rate risk is monitored on a daily basis. A dollar value of a basis point ("DV 01") sensitivity test is carried out whereby the profit effect of a 1 basis point change in base rates is measured. As at 31 December 2010 the Company had a DV01 profit of $1,590 (2009: profit of $1,600).

The DV01 test is compared to predetermined limits against which management can assess if further risk mitigation strategies are to be implemented to reduce the reported risk levels.

d) Liquidity risk

The Company's liquidity risk is reviewed on an ongoing basis at the Carrier Group Committee. The Committee reviews and challenges the Liquidity Risk data presented to it by the Liquidity Risk Officer and the Head of Treasury to ensure the Company has not breached any of the limits set by the Board. The key liquidity measures are the Stress Result and the Funding Coverage Ratio at the 1 week and 3 month time horizon.

The Stress Result applies assumptions to both the company's resources and expected requirements based on a 2 notch downgrade in Swiss Re's credit rating. In the event of a 2 notch downgrade the PUA's repayment would be triggered (note 17). At the year end the Stress Coverage Ratio was 225% (2009: 116%).

At the year end the Company had a positive Funding Coverage Ratio of 3.6 at the 1-7 day bucket (2009: 2.7) and 3.6 at the cumulative 1-90 day bucket (2009 1.4).

A maturity analysis of gross undiscounted contractual liabilities by debt maturity period is shown below:

2010 Unsecured liability	**Total**	**Overnight - 7 days**	**8 days - 1 month**	**1 month - 3 months**	**3 months- 6 months**	**6 months - 1 year**	**More than 1 year**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Funds borrowed	56,391	-	56,391	-	-	-	-
Cash collateral received under derivatives agreements	110,598	63,326	-	-	37,485	-	9,787
Funds borrowed at FVTPL *	108,758	-	-	-	-	-	108,758
Financial liabilities at FVTPL *	267,039	99,356	-	-	355	4,844	162,484
Total	542,786	162,682	56,391	-	37,840	4,844	281,029

2009 Unsecured liability	**Total**	**Overnight - 7 days**	**8 days -1 month**	**1 month - 3 months**	**3 months- 6 months**	**6 months - 1 year**	**More than 1 year**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Funds borrowed	8,649	-	8,649	-	-	-	-
Cash collateral received under derivatives agreements	222,497	114,386	108,111	-	-	-	-
Funds borrowed at FVTPL *	108,758	-	-	-	-	-	108,758
Financial liabilities at FVTPL *	94,428	-	49,080	10,563	1,360	19,180	14,245
Total	424,332	114,386	165,840	10,563	1,360	19,180	123,003

* "Fair value through profit or loss" has been abbreviated to "FVTPL"

Liquidity is managed using Group borrowing / lending, (reverse) sale and repurchase agreements with external and Group counterparties (Note 1k). Cash and liquid asset levels are reviewed to ensure that there are always sufficient liquid resources available to meet all contractual obligations when they fall due.

2. Financial risk (continued)

e) Credit risk

Credit Risk is monitored on a daily basis using credit ratings obtained from External Credit Assessment Agencies including Moody's and Standard & Poor's. The Company's exposures are predominately related to financial institutions and corporates.

Where Credit risk is deemed unacceptably high and when it is deemed to be beneficial the Company will agree an International Swaps and Derivatives Association (ISDA) Master netting agreement with the counterparty as a way to mitigate credit risk.

A daily credit sensitivity test ("CR01") is carried out which measures the profit or loss that results from a change of 1 basis point in credit spreads on 'Traded debt securities' and 'Traded derivatives'. As at 31 December 2010 the Company had a CR01 of $nil (2009: $nil).

As at 31 December 2010 the Company was exposed to the following credit risks.

1) Traded derivatives include credit default swaps whereby the Company has sold default protection to an external counterparty, the underlying being a basket of loans made by the entity to other Group companies. The Company has in turn purchased reciprocal protection from a Group counterparty which generates a credit risk that this Group counterparty will not fulfil its obligations. The total notional value of credit derivatives is $Nil (2009: $832,960,000). To mitigate this risk the Company held cash collateral provided as security by the Group counterparty to the value of $Nil (2009: $107,701,000).

2) The Company has in issue certain guarantees to external counterparties, the underlying being debt instruments issued by a Group counterparty (Note 20). The maximum amount payable under those guarantees is $5,000,000 (2009: $15,000,000). To mitigate this risk the Company held cash collateral provided as security by the Group counterparty to the value of $25,000,000 (2009: $24,222,000). The risk is also covered by a standing all obligations guarantee given by the Group counterparty's and the Company's mutual ultimate parent undertaking (Note 28).

3) Other financial assets receivable include trades pending settlement and past due failed trade receivables, from market clearing agents and market counterparties. The maximum exposure to credit risk is equal to the full value of each item at the balance sheet date, being $Nil at 31 December 2010 (2009: $Nil). The maximum ageing of past due failed trade receivables is 0 days (2009: 0 days). Delivery of traded debt securities is performed on a delivery versus payment basis, whereby ownership of the asset does not transfer to the purchaser until payment is received, thereby fully mitigating the credit risk exposure. These receivables are monitored on a daily basis.

4) Service fees receivable from Group undertakings represents amounts receivable from service fee income from Group companies (Note 6). The maximum exposure to credit risk is $Nil (2009: $28,161,000). The risk is also covered by a standing all obligations guarantee given by the Group counterparty's and the Company's mutual ultimate parent undertaking (Note 28).

5) Securities purchased under agreements to resell (reverse repos) represent loans made to Group counterparties. With accrued interest the maximum exposure to credit risk is $Nil (2009: $327,099,000). The value of the securities held as collateral, on an individual market counterparty basis, is monitored on a daily basis and as at the balance sheet date the fair value of this collateral is $Nil (2009: $435,853,000).

2. Financial risk (continued)

6) Credit Risk on traded debt securities is covered in Market risk section (Note 2a).
The table below discloses the Company's maximum credit exposure, split between those held in Swiss Re Group companies and those held externally:

2010:

$'000	Group	Non-Group	Total
Financial instruments at fair value through profit or loss	35,482	214,610	250,092
Other financial assets	-	395	395
Cash at bank	-	613	613
Total	35,482	215,618	251,100

2009:

$'000	Group	Non-Group	Total
Financial instruments at fair value through profit or loss	28,213	13,100	41,313
Other financial assets	362,141	4,705	366,846
Cash at bank	-	2,762	2,762
Total	390,354	20,567	410,921

The table below summarises the credit quality of the Company's financial assets at the balance sheet date. No financial assets were either past due or impaired in the current or prior year.

2010:

$'000	Fair value through profit or loss	Other financial assets	Cash at bank	Total
Swiss Re Group companies:				
AAA – A-	35,482	-	-	35,482
Non-group counterparties:				
AAA – A-	214,610	395	613	215,618
	250,092	395	613	251,100

2009:

$'000	Fair value through profit or loss	Other financial assets	Cash at bank	Total
Swiss Re Group companies:				
AAA – A-	28,213	362,141	-	390,354
Non-group counterparties:				
AAA – A-	12,917	1,736	2,762	17,415
Unrated	183	2,969	-	3,152
	41,313	366,846	2,762	410,921

f) Operational Risk

Operational risk is monitored by an operational risk officer and reported to management on a monthly basis.

The Company maintains Risk and Control Self Assessments for each functional area which enables it to develop risk matrices. These are entered into the Operational Risk Management Information System. The system takes into account the inherent risk of a specified risk and the design and operating effectiveness of the controls that instigated the risk are captured.

Loss history is also maintained. No losses arose as a result of operational events in the current or prior year.

3. Capital management

Capital adequacy and the use of regulatory capital are monitored daily by management, employing techniques based on the guidelines developed by the BASEL Committee and the European Community Directives, as implemented by the United Kingdom Financial Services Authority ("FSA"), for supervisory purposes. The required information both for capital and liquidity are filed with the FSA on a monthly basis.

The FSA requires that the Company holds a minimum level of regulatory capital at least equal to the higher of:

a) The base capital resources requirement which is currently €730,000
b) The sum of its credit risk, market risk and operational risk capital requirements

As of the reporting date the Company does not propose to hold any additional capital to cover its Pillar 2 requirement. Therefore, the Pillar 2 Requirement is equal to the Pillar 1 minimum capital charge.

During the year the Company was fully compliant with its regulatory capital requirements and there were no reportable breaches.

The Company regularly assesses its financial resources, including capital resources and liquidity resources, 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, therefore is fully compliant with BIPRU 12.2.1R

Both the Internal Capital Adequacy Assessment Process ("ICAAP") and the Individual Liquidity Adequacy Assessment ("ILAA") are performed annually. However, if changes in business strategy or operational environment suggest that the current level of financial resources is no longer adequate, the full assessment process will be performed more frequently. Less detailed internal capital adequacy assessments are carried out monthly based on the risk reports included in Note 2. If the monthly internal assessment highlights a need to increase the capital requirement then this will be carried out.

a) Capital Resources

	2010 $'000	2009 $'000
Tier 1 Capital Resources		
Ordinary Share Capital	60,143	60,143
Retained Earnings	19,831	26,039
Capital Redemption Reserve	391	391
Total Capital Resources	**80,365**	**86,573**

b) Capital Resource Requirements

Capital requirements represent the minimum regulatory capital that the Company needs to hold.

	2010 $'000	2009 $'000
Interest Rate Position Risk Requirement	500	364
Foreign Currency Position Risk Requirement	1,884	2,594
Counterparty Risk Capital Component	417	1,815
Concentration Risk Capital Component	-	1,794
Non-Trading Book Credit Risk	179	144
Operational Risk Requirement	6,960	12,657
Total Capital Resources Requirement	**9,940**	**19,368**

The Operational Risk Capital Requirement is calculated from using the standardised approach. The Company will apply Operational Risk Provision 13.3 until 31 December 2012. The Operational Risk Requirement for 2011, based on this annual report, will be $4,330,000 (2010: $6,960,000).

Counterparty Credit Risk is calculated via the Standard Approach and is to European Financial Institutions and Group companies. The Company recognises three external credit assessment institutions: Fitch, Standard & Poor's and Moody's.

All external derivatives are hedged by backing the risk out to a Group Entity via equal and opposite back-to back trades. Cash collateral is posted to SRCML by Group to cover the Group counterparty risk this leaves just the risk of default by the external counterparty.

During the year the Company changed its policy of investing surplus cash from Reverse Repurchase Agreements to the holding of short dated United States Treasury Bills.

4. Fair value disclosures relating to financial assets and liabilities

Valuation hierarchy

The table below shows financial assets and financial liabilities carried at fair value. The Group calculates the fair value of derivative assets by discounting future cash flows at a rate which incorporates counterparty credit spreads and calculates the fair value of its liabilities by discounting at a rate which incorporates its own credit spreads. In doing so, credit exposures are adjusted to reflect mitigating factors, namely collateral agreements which reduce exposures based on triggers and contractual posting requirements.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Netting and collateral $'000	Total $'000
Financial assets at fair value through profit or loss					
Traded debt securities - non-Group	204,855	-	-	-	204,855
Traded derivatives - Group	-	24,967	8,662	-	33,629
Traded derivatives - non-Group	-	-	22,236	(12,480)	9,755
FX derivatives - Group	-	100,831	-	(98,979)	1,853
	204,855	125,798	30,898	(111,459)	250,092
Financial liabilities at fair value through profit or loss					
Traded derivatives - Group	-	(13,952)	(8,922)	-	(22,874)
Traded derivatives - non-Group	-	(10,926)	(8,663)	-	(19,589)
FX derivatives - Group	-	(98,979)	-	98,979	-
	-	(123,857)	(17,585)	98,979	(42,463)

Fair value measurement and disclosures requires all assets and liabilities that are measured at fair value to be categorised within the fair value hierarchy. This three level hierarchy is based on the observability of inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities the Group has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are used when possible.

Level 2 inputs are market based inputs that are directly or indirectly observable but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (e.g. markets which have few transactions and prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (e.g. interest rates, yield curves, volatilities, payment speeds, credit risks and default rates) and (iv) inputs derived from, or corroborated by, observable market data.

Level 3 inputs are unobservable inputs. These inputs reflect the Group's own assumptions about market pricing using the best internal and external information available.

4. Fair value disclosures relating to financial assets and liabilities (continued)

Analysis of Level 3 financial assets and liabilities

	Traded derivatives - Group	Traded derivatives - non-Group	Total
	$'000	$'000	$'000
Financial assets			
Opening balances at 1/1/10	21,300	13,100	34,400
Gains/(losses) in net trading income	(91,697)	70,588	(21,109)
Foreign exchange gains/(losses)	-	1,505	1,505
Settlements	79,058	(62,596)	16,102
Closing balances at 31/12/10	8,661	22,236	30,898
Financial liabilities			
Opening balances at 1/1/10	(12,877)	(13,117)	(25,994)
Gains/(losses) in net trading income	27,714	(8,645)	19,069
Foreign exchange gains/(losses)	-	-	-
Settlements	(23,759)	13,099	(10,660)
Closing balances at 31/12/10	(8,922)	(8,663)	(17,585)

Included within the gains/(losses) recognised in the profit and loss account are losses of $1,515,000 related to Level 3 financial instruments that are held at year end. These amounts are included in net trading income.

	Valuation basis / technique	Main assumptions	Carrying Value $'000	Effect of reasonably possible alternative assumptions $'000
Derivative financial assets	Industry standard model / consensus pricing from market data provider	Probability of default, loss given default, correlation, volatility and yield curves	30,898	6,537
Derivative financial liabilities	Industry standard model / consensus pricing from market data provider	Probability of default, loss given default, correlation, volatility and yield curves	(17,585)	(5,289)

Reasonably possible alternative valuations have been calculated by flexing the credit spreads, or adjusting market yields, by a reasonable amount.

5. Net trading income

	2010 $'000	2009 $'000
Net income earned on financial instruments at fair value through profit or loss - held for trading:		
Net income earned on traded derivatives	7,474	63,101
Net expense earned on traded debt securities	-	(59,102)
Net income earned on foreign exchange contracts	103	767
	7,577	**4,766**
Net income earned on financial instruments at fair value through profit or loss - designated as such on initial recognition:		
Net income /(expense) on funds borrowed (Note 17), net of CVA DVA adjustments (note 17)	(860)	1,468
	(860)	**1,468**
Advisory fee expense:		
Advisory fees payable to Group companies	-	-
Advisory fees payable to non Group companies	(356)	(324)
	(356)	**(324)**
Advisory fee income:		
Advisory fees receivable from Group companies	17	595
Advisory fees receivable from non Group companies	826	2,081
	843	**2,676**
	7,204	**8,586**

6. Administrative expenses

Operating profit is stated after charging / (crediting):	2010 $'000	2009 $'000
Fees payable for auditing the Company's financial statements (Note 7)	374	429
Advisory fees payable to market counterparties - non Group companies	429	(562)
Management charges receivable - Group companies	-	(1,040)
Management charges payable - Group companies	730	3,145
	1,533	**1,972**

Advisory fees payable to market counterparties are in respect of the arranging and servicing of transactions entered into by the Company.

Management charges were made by a fellow subsidiary undertaking, Swiss Re Services Limited ("SRSL"). Administration, staff and pension costs are incurred by SRSL and all staff undertaking tasks for the Company are employed under contract with SRSL or other Group companies. Of the management charge $1,561,000 related to staff costs (2009: $10,256,000). The average number of such persons carrying out activities for the Company during the year was 53 (2009: 57). The Company had no employees during the current or prior years.

Certain key individuals employed by SRSL, and contracted to the Company, are entitled to deferred shares under a long term incentive scheme. All deferred shares are Swiss Reinsurance Company shares. The cost of this scheme is recharged to the Company by SRSL through the management recharge. For detailed disclosures refer to the SRSL accounts which can be obtained from the address in note 28.

SRSL sponsors a Group Personal Pension Plan for its staff administered by Axa Sun Life. Costs are charged to the profit and loss account of SRSL as they are incurred, and are recharged to the Company through the service charge.

7. Other income

Other income of $4,961,000 represents amounts formerly due to Swiss Re Group companies which were forgiven during 2010.

8. Auditors' remuneration

The total fees payable by the Company, excluding VAT, to its principal auditor, PricewaterhouseCoopers LLP, are payable solely in respect of audit services. There were no fees payable in respect of non-audit services in the current or prior year.

9. Directors' emoluments

	2010 $'000	2009 $'000
Aggregate emoluments, excluding pension contributions	97	91
Aggregate pension contributions to money purchase schemes	-	1

The emoluments, excluding pension contributions, of the highest paid Director for their services to the Company were $50,000 (2009: $68,000). Pension contributions in respect of this Director were nil (2009: nil). The number of Directors for whom pension contributions were made in the year is two (2009: one).

The number of Directors, including the highest paid, who have share options receivable under long-term incentive schemes is three (2009: one). The value of share options exercised in the year was nil (2009: nil).

The amounts disclosed above are an allocation of total emoluments and pension contributions based on the total time spent working for the Company.

10. Interest receivable

	2010 $'000	2009 $'000
Interest receivable from Group companies	1,766	10,642
Interest receivable from non Group companies	9	148
	1,775	**10,790**

11. Interest payable

	2010 $'000	2009 $'000
Interest payable to Group companies	1,070	4,954
Interest payable to non Group companies	401	820
	1,471	**5,774**

12. Tax charge on profit on ordinary activities

	2010 $'000	2009 $'000
Analysis of tax credit for the year		
Current tax		
UK corporation tax at 28% (2009: 28%)	(1,701)	(4,550)
Adjustments in respect of prior years	(183)	522
Total current tax	**(1,884)**	**(4,028)**
Deferred tax		
Origination and reversal of timing differences	103	107
Adjustments in respect of prior years	18	-
Total deferred tax	**121**	**107**
Tax charge on profit on ordinary activities	**(1,763)**	**(3,921)**

	2010 $'000	2009 $'000
Factors affecting the tax credit / (charge) for the year		
Profit on ordinary activities before taxation	5,555	15,770
Taxable income in the financial year multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	(1,566)	(4,416)
Adjustments in respect of prior years	(183)	522
Transitional spreading on adoption of FRS 26	(135)	(134)
Current tax charge / (credit) for the year	**(1,884)**	**(4,028)**

13. Financial assets at fair value through profit or loss

	2010 $'000	2009 $'000
Financial assets at fair value through profit or loss - held for trading:		
Traded derivatives - Group companies	33,629	28,131
Traded derivatives – non-Group companies	9,755	13,100
Traded debt securities – non-Group companies	204,855	-
Foreign exchange contracts - Group companies	1,853	82
Foreign exchange contracts – non-Group companies	-	-
	250,092	**41,313**

All 'Traded debt securities' are listed instruments.

14. Other financial assets

	2010 $'000	2009 $'000
Service fees receivable from Group undertakings	-	28,161
Securities purchased under agreement to resell - Group companies	-	327,099
Accrued income - Group companies	-	60
Accrued income - non Group companies	344	393
Other financial assets receivable – Group companies	-	6,822
Other financial assets receivable – non-Group companies	51	4,311
	395	**366,846**

Cash collateral, including accrued interest, given under derivatives agreements is fully receivable on reversal of the positions that are currently collateralised. The carrying value of financial assets receivable is not significantly different to the fair value of those assets at the year end.

15. Financial liabilities at fair value through profit or loss: amounts falling due within one year

	2010 $'000	2009 $'000
Financial liabilities at fair value through profit or loss - held for trading:		
Traded derivatives - Group companies	22,874	36,934
Traded derivatives - non Group companies	19,589	10,770
	42,463	**47,704**

These liabilities are short term positions relating to trading activities.

16. Other financial liabilities: amounts falling due within one year

	2010 $'000	2009 $'000
Funds borrowed from Group companies	56,384	8,651
Accrued interest on funds borrowed from Group companies	-	1,737
Management charges payable to Group companies	1,593	-
Funds Borrowed (Note 20)	933	8,367
Accrued interest on funds borrowed	-	10,609
Securities sold under agreements to repurchase - Group companies	-	50,628
Securities sold under agreements to repurchase - non Group companies	-	-
Cash collateral received under derivatives agreements - Group companies	34,754	142,084
Accrued interest on cash collateral received under derivatives agreements - Group companies	-	35
Cash collateral received under derivatives agreements - non Group companies	-	2,262
Accrued interest on cash collateral received under derivatives agreements – non Group companies	-	15
Other financial liabilities	-	5,284
	93,664	**229,672**

The cash collateral received under derivatives agreements is fully returnable on reversal of the positions that are collateralised. The cash received is allowed to be, and is, fully utilised within the normal cash management strategies of the Company. The Company pays market rates of interest on this collateral received.

Amounts owed under Securities sold under agreements to repurchase are brought about when the Company receives short term cash borrowings that are securitised by the posting of Traded debt securities assets to the same counterparty, representing a sale of the securities. Repayment of the cash borrowings coincide with the repurchase of the traded debt securities. The traded debt securities remain on the balance sheet of the Company (Note 12) as it retains the risks and rewards of ownership. The cash received is allowed to be, and is, fully utilised within the normal cash management strategies of the Company. The carrying value of other financial liabilities other is not significantly different to their fair value at the year end.

The Company previously issued a Principal Protected Note ("PPN") to a market counterparty. The original notional value of the PPN issued was $35,000,000 and it was scheduled to mature in 2032. During 2009 the repayment of the debt was accelerated and $933,000 (2009: $8,367,000) remained outstanding at the year end.

17. Other liabilities: amounts falling due within one year

	2010 $'000	2009 $'000
Taxation Group relief payable	6,674	20,991
Deferred tax	74	95
	6,748	**21,086**

Deferred tax

	2010 $'000	2009 $'000
At the beginning of the year	95	98
Movement in the year	(103)	(107)
Adjustment arising on implementation of tax rate change	(18)	-
Adjustments in respect of prior years	121	23
Foreign exchange on revaluation	(21)	81
	74	**95**

The actual liability for deferred tax provided in the financial statements is as follows:

	2010 $'000	2009 $'000
Transitional spreading on adoption of FRS 26	74	95
	74	**95**

18. Financial liabilities at fair value through profit or loss: amounts falling due after more than one year

	2010 $'000	2009 $'000
Financial liabilities at fair value through profit or loss - designated as such on initial recognition:		
Funds borrowed at fair value	26,175	25,315
	26,175	**25,315**

The funds borrowed and accrued interest on funds borrowed comprise of two PUAs, at an interest rate of 6%. These are payable in instalments of $14,003,000 in 2032 and $94,755,000 in 2036. The initial receipts totalled $15,982,000 and the remainder of the future payables being accrued interest of $92,776,000. Changes in the fair value of the PUAs are brought about by the movement of market interest rates and credit spreads. Interest rate swaps are put in place to convert these fixed interest payables into floating rate payables. PUAs are fair valued through the profit or loss having been designated as fair value liabilities through profit or loss on initial recognition, as permitted by FRS 26. The basis of this treatment is that the linked interest rate swaps are fair valued due to their status as derivatives and that different valuation treatments between the two types of financial instruments would cause a measurement inconsistency. This is a departure from the Companies Act 2006 which the Directors believe gives a true and fair view of the Company's affairs. Refer notes 1a and 1m.

Changes in the credit risk of the Company have been reflected in the fair value of the PUAs. The change in fair value of the PUAs relating specifically to credit spreads has been derived using Swiss Reinsurance Group credit spreads as at the year end. The impact at 31 December 2010 was a reduction in the liability of $10,084,000 (2009: increase in the liability of $6,048,000).

19. Other liabilities: amounts falling due after more than one year

Deferred tax	2010 $'000	2009 $'000
At the beginning of the year	571	593
Switch from non-current to current deferred tax liability	(74)	(95)
Foreign exchange on revaluation	(48)	73
	449	**571**

20. Commitments

The Company has in issue certain guarantees to market counterparties, the underlying being the market counterparty's own issued debt, held by a fellow Group company. The fair value of the guarantees is $nil (2009: $nil). The Company's maximum exposure at the balance sheet date is $5,000,000 (2009: $15,000,000). The guarantees have been fully cash collateralised to the value of the maximum exposure, which is included in 'Cash collateral received under derivatives agreements - Group companies' (Note 15). The remaining guarantee is due to expire during 2011.

21. Fair value disclosure

The carrying value of financial assets and financial liabilities approximates their fair value.

22. Share Capital

	2010 '000	2009 '000
Authorised:		
100,000 (2009: 100,000) ordinary shares of £1 each	£100	£100
300,000,000 (2009: 300,000,000) ordinary shares of $1 each	$300,000	$300,000
Called up, issued, allotted and fully paid:		
60,143,240 (2009: 60,143,240) ordinary shares of $1 each	60,143	60,143
	60,143	**60,143**

23. Capital redemption reserve

	2010 $'000	2009 $'000
As at 1 January and 31 December	**391**	**391**

24. Dividends

Dividends of $10,000,000 (2009: $10,000,000) were declared and paid during the year. No dividends were proposed but unpaid at the year end.

25. Related parties

Epsom Funding Limited ("Epsom"), a company whose entire ordinary share capital is owned by the Group, is not consolidated within the Group's results due to the fact the risks and rewards of its activities are not retained by the Group. However, as Epsom's parent undertaking holds all of its shares and appoints all of its Board Directors, and through the Board directs the financial and operating policies of Epsom with a view to gaining economic benefit from its activities, Epsom is considered a related party of the Company.

The Company formerly provided Epsom with credit protection over certain loans advanced to the UK Group using credit default swap ("CDS") derivatives. The derivative was terminated during 2010. At the end of the previous year, the Company reported an aggregate CDS fair value of $14,000, shown within "financial assets at fair value through profit and loss". Trading income (premium income) totalled $108,000 for the year (2009: $684,000).

26. Profit and loss account

	2010 $'000	2009 $'000
As at 1 January	26,039	24,348
Profit for the financial year	3,792	11,691
Dividends paid in the year	(10,000)	(10,000)
As at 31 December	**19,831**	**26,039**

27. Reconciliation of movements in equity shareholder's funds

	2010 $'000	2009 $'000
As at 1 January	86,573	84,882
Profit for the financial year	3,792	11,691
Dividends paid in the year	(10,000)	(10,000)
As at 31 December	**80,365**	**86,573**

28. Parent company

The immediate parent undertaking is Swiss Re GB plc.

The ultimate parent undertaking and controlling party is Swiss Reinsurance Company, which is incorporated in Switzerland. The parent company that heads the smallest and largest group including the company for which consolidated financial statements are prepared is Swiss Reinsurance Company.

Swiss Reinsurance Company financial strength is currently rated A+ by Standard & Poor and A1 by Moody's.

The financial statements of Swiss Re GB plc and Swiss Reinsurance Company may be obtained by applying to the Company Secretary, Swiss Re GB plc, 30 St Mary Axe, London, EC3A 8EP, United Kingdom.

29. Revision to the financial statements

Following the approval of the 2010 financial statements a misclassification of the impact of foreign exchange rates on the value of derivative assets and derivative liabilities was identified. As a result, the profit for the year as reported in the financial statements signed on 27 April 2011 was misstated. The misclassification has been corrected in these statutory financial statements, which replace those previously signed. These financial statements, which were approved on 11 July 2011, have been prepared as at the date of approval of the original financial statements and not as at the date of revision, and accordingly do not deal with events between those dates.