Swiss Re Capital Markets Limited
Annual Report 2019

Company Registration No. 3436761

Contents

Company information

Board of Directors	Stephen Hjorring (Chief Executive Officer) Stuart Brown Andy Palmer (appointed 28 May 2019) David Tremain (appointed 15 October 2019) Jonathan Graham Stephen Snipes Ian Haycock (Resigned 16 October 2019)
Company Secretary	Jennifer Gandy
Registered Office	30 St. Mary Axe London EC3A 8EP
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

The Board of Directors ("Directors") present their Strategic report of Swiss Re Capital Markets Limited (the "Company") for the year ended 31 December 2019.

Results and dividends

The Company has reported a satisfactory result and remains in a strong financial position at the year end. The profit for the financial year amounted to $350,000 (2018: profit of $2,647,000). No dividends were declared or paid during the year ended 31 December 2018 and 2019 respectively.

The statement of income and retained earnings, balance sheet and notes to the financial statements are presented in United States Dollars ("USD" or "$"), being the functional currency of the Company.

Financial reporting framework

The Company prepared the financial statements under FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland."

Development and performance

The Company focused on its core business areas and principal activities and maintained a balanced investment approach throughout the year that is appropriate to the ultimate parent undertaking and controlling party's risk appetite and strategy. In the first quarter of 2019, the Company unwound all Life Capital Foreign Exchange, Interest Rate and Equity derivative contracts, which will reduce the Company's exposure to market volatility surrounding the uncertainty of Brexit. Refer to Note 4h for information on Brexit Risk. Refer to the Future outlook, at page 3, for information on the changes anticipated. Refer to the Results and dividends, at page 3, for information on the performance of the Company.

Principal objectives and strategies

The principal objective of the Company is to advise, arrange, manage and deal in investments both as agent and as principal, as authorised by the Financial Conduct Authority. The Company enters into derivatives on behalf of Environmental and Commodities Market (ECM) and Industry Loss Warranty (ILW) trading desk. These trades consist of an external facing trade with an opposite, but otherwise identical in terms, internal back-to-back trade that passes all of the risk to another Swiss Re Group entity.

Swiss Re Europe Holdings S.A. ("SREH"), the Company's immediate parent is incorporated in Luxembourg. The Company's ultimate parent undertaking and controlling party is Swiss Re Ltd ("SRL") (together with SRL's other subsidiaries, "the Group"), which is incorporated in Switzerland.

Business model

The risk profile of the Company has remained low, similar to the previous year, and the Company continues to conduct investment business only where suitable opportunities exist. The Company's level of capitalisation and its capital structure are determined by regulatory capital requirements as well as management's view of risks and opportunities arising both from its business operations and from capital markets.

The Company's Carrier Group Committee ("the Committee") is the sole management committee reviewing the day to day business of the Company. The Committee, which meets monthly, comprises a number of stakeholders responsible for overseeing specific areas of the Company, including representatives from risk, compliance, finance, legal and operations. The Committee has its authority delegated by the Company's Board of Directors ("the 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. In addition the Company leverages off the corporate governance structure of the Group.

Future outlook

The Company expects 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 the Company's principal activities related to ECM and ILW business is expected. However, following Brexit decision several transactions with E.U. counterparties were completed in 2019 by the Swiss Re Capital Markets Europe S.A., a sister company of SRCML established in Luxembourg. This trend is expected to continue in 2020.

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, equities and other market forces. The Company also has exposure to weather conditions due to its positions in environmental commodity derivatives. The Company's financial risks are reviewed on an ongoing basis by senior management and the risk officers of the Company who report to the Committee at least monthly. 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 4.

Section 172 (1) statement

The directors have acted in a way that they considered, in good faith, to be most likely to promote the long term success of the Company for the benefit of its members, having regard to the following:

The likely consequences of any decision in the long term. The Company is wholly owned by Swiss Re Europe Holdings S.A ("SREH"). and as such will always operate to the standards set by the group. Any decision taken will be aligned to the strategy of the wider group and be made in the best interests of all stakeholders. Impacts of any decisions will be determined through ongoing risk assessment conducted with all relevant stakeholders. Refer to Development and Performance section for details on the activity of the Company during the year 2019 and the main decisions taken.

The company has no employees on its own but outsourced expertise from other group companies, all operating to the HR standards and fairness requirements set by the group.

The Directors consider the key stakeholders of The Company to be its business clients and the UK regulator (FCA). The Company recognises the importance of building strong relationships and actively engages with both to ascertain their views and take them into account when making significant decision. The Company and its directors rely on the Compliance department to representant the Company to the FCA and, in the opposite, to reflect the supervisory requirements or recommendations to the directors and ensure that any decision will be taken in accordance with them. The composition of BoD equally ensures the presence of at least one front office representative for each business line. Business client's views and considerations are therefore assured to be reflected in any Directors discussion and ultimately decisions.

The Directors recognise the importance of assessing the impact of their action on the Community and the environment. Refer to the Subsequent event section for further details on the current environment and Covid 19, recently declared as pandemic.

Regardless of how the competencies are assigned internally with the Group, externally the Company is an independent legal entity. The directors bear sole responsibility and liability for meeting legal obligations and complying with the legal and regulatory environment to which they are subject to. They have the right and obligation to take all measures to fulfil their legal duties

The Company is wholly owned by SREH and that shareholder is actively involved in key decisions of the company. Information is shared effectively to ensure that the shareholder is engaged.

Subsequent event

The rapid spread of the coronavirus, which has been declared a pandemic, and the actions being taken to contain it on an increasingly global basis have led to significant volatility in the financial markets and are having an adverse impact on global business and economic activity. There is an increasing likelihood that the coronavirus and containment efforts could have adverse effects on the global economy and could possibly lead to a global recession. The Group is closely monitoring developments and the potential impact of the spread of infection and global responses on, for example, asset prices and insurance exposures, as well as on its operations.

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 Conduct Authority ("FCA"), for supervisory purposes. The required information for capital and liquidity are filed with the FCA on a quarterly and monthly basis, respectively.

The FCA 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 holds additional capital to cover its Pillar 2 stress scenario. The additional Pillar 2 capital held at 31 December 2019 was $12,203,000 (2018: $15,454,000).

As a result of an FCA assessment, received on 19 October 2018, the Individual Capital Requirement ("ICR") calculation methodology was updated, which had led to a higher minimum requirement. This has had no further impact on the Company as more than sufficient capital is held by the Company.

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 the overall liquidity adequacy rule.

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 described in Note 4. If the monthly internal assessment highlights a need to increase the capital requirement then this will be carried out.

a) Capital Resources (unaudited)

	2019	2018
	$,000	$,000
Tier 1 Capital Resources		
Ordinary Share Capital	60,143	60,143
Retained Earnings	8,407	8,057
Capital Redemption Reserve	391	391
Total Capital Resources	**68,941**	**68,591**

After adjustments for cumulative gains and losses due to changes in own credit risk on fair valued liabilities and other transitional adjustments to Common Equity Tier 1 Capital in accordance with the Capital Requirements Regulation ("CRR") as set out in the Official Journal of the European Union, the eligible Tier 1 capital at 31 December 2019 was $68,153,000 (2018: $65,805,000).

b) Capital Resource Requirements (unaudited)

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

	2019	2018
	$,000	$,000
Interest Rate Position Risk Requirement	217	169
Foreign Currency Position Risk Requirement	250	273
Counterparty Risk Capital Component	3,171	4,968
Non-Trading Book Credit Risk	278	407
Large Exposure Risk Requirement	1,326	7,494
Credit Valuation Adjustment Risk	819	4,261
Operational Risk Requirement	875	1’048
Capital Conservation Buffer	2,227	4,364
Total Capital Resources Requirement	**9,163**	**22,984**

Capital Requirement Directives IV ("CRD IV") became effective 1 January 2014. CRD IV sets quantitative and qualitative enhancement to the capital adequacy for investment firms.

The CRD framework consists of three pillars:

- Pillar 1 specifies the minimum amount of capital that a financial services firm is required to maintain to support its business
- Pillar 2 requires the firm to assess whether any additional capital should be maintained against any risks not adequately covered under Pillar 1

- Pillar 3 specifies the disclosures which the firm is required to make about its capital, its risk exposures and its risk assessment process.

See Note 4 for additional information about the companies risk exposures.

The Company calculates the Operational Risk Capital Requirement using the Standardised Approach in accordance with Article 317 of the CRR. The Operational Risk Requirement for 2020, based on this annual report, will be $1,022,000 (2019: $875,000).

Counterparty Credit Risk is calculated via the Standard Approach and the exposures at 31 December 2019 and 2018 are to European corporates and Group companies. The Company recognises three external credit assessment institutions: Fitch, Standard & Poor's and Moody's.

External derivative positions are hedged by backing the risk out to a Group entity via equal and opposite back-to-back trades. Cash collateral is posted to the Company by the Group entity to cover the Group counterparty risk. This leaves only the risk of default by the external counterparty.

CRD IV seeks to improve the transparency of firm activities by requiring annual disclosure of profits, taxes and subsidies in different jurisdictions. The table below shows jurisdictions, profits and tax paid for the years ended 31 December 2019 and 2018.

2019 $,000

Jurisdiction	Description of activities	Name	Number of employees	Turnover	Profit before tax	Accounting tax charge	Cash tax paid on profit or loss	Public subsidies received
UK	Investment management	Swiss Re Capital Markets Limited	none	4,061	394	72	451	-
Australia	marketing of environmental commodity derivatives	Swiss Re Capital Markets Limited, Australia Branch	none	585	28	12	22	-

2018 $,000

Jurisdiction	Description of activities	Name	Number of employees	Turnover	Profit before tax	Accounting tax charge	Cash tax paid on profit or loss	Public subsidies received
UK	Investment management	Swiss Re Capital Markets Limited	none	6,207	3,218	589	156	-
Australia	marketing of environmental commodity derivatives	Swiss Re Capital Markets Limited, Australia Branch	none	640	45	27	12	-

Return on assets for the year ended 31 December 2019 was 0.3% (2018: 1.64%).

Key Performance Indicators

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

	Measure	2019	2018
Regulatory capital against requirements	%	370	200
Liquidity stress test results	%	623	321

The liquidity stress test results, discussed in Note 4 of the notes to the financial statements, represent the coverage ratio of cash sources over cash uses for the cumulative period of 1 to 90 days under a stressed scenario.

On behalf of the Board

Stephen Hjorring

Director

7 April 2020

Stephen Hjorring
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Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2019.

Board of Directors

Stephen Hjorring (Chief Executive Officer)

Stuart Brown

Andy Palmer

David Tremain

Jonathan Graham

Stephen Snipes

Directors' list is both during the year and up to the date of signing the financial statements.

Branches outside the UK

The company incorporated a branch in Australia effective 29 October 2013. The branch's principle objective is the marketing of environmental commodity derivatives. The branch does not participate in active trading, hence it does not participate in the pricing, negotiation or contracting of derivatives for Swiss Re Capital Markets Limited.

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 4 of the financial statements.

Directors' indemnity

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

Creditor payment policy

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

Future developments and dividends

For information on the Company's future developments and dividends refer to the future outlook and results and dividends sections of the Strategic report.

Going concern

The Directors have considered the going concern position of the Company for a period of at least 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 liquidity 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. The Directors have considered the risk and uncertainty regarding Brexit, and Brexit is not considered to have any impact on the going concern risk.

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

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 each of the Directors of the Company is aware, there is no relevant audit information of which the Company’s auditors are unaware; and

(b) each of the Directors have taken all the steps that he or she ought to have taken as a Director in order to make himself or herself 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. The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 487(2) of the Companies Act 2006.

On behalf of the Board

Stephen Hjorring
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Stephen Hjorring

Director

7 April 2020

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

Report on the audit of the financial statements

Opinion

In our opinion, Swiss Re Capital Markets Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2019; the Statement of Income and Retained Earnings for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the directors' responsibilities in respect of the financial statements on pages 5 and 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 April 2020

Statement of Income and Retained Earnings

For the year ended 31 December 2019

	Note	2019 $,000	2018 $,000
Net trading income	6	4,902	6,847
Administrative expenses	7	(5,861)	(5,125)
Other operating income	8	1,444	1,566
Operating profit		**485**	**3,288**
Interest payable and similar expenses		(51)	(25)
Profit before taxation		**434**	**3,263**
Tax on profit	11	(84)	(616)
Profit for the financial year		**350**	**2,647**
Retained earnings at 1 January		8,057	5,410
Dividends paid		0	0
Retained earnings at 31 December		**8,407**	**8,057**

All amounts shown above arose from continuing activities.

The notes on pages 13 to 30 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 financial year as disclosed in the statement of income and retained earnings.

Balance Sheet

As at 31 December 2019

	Note	2019 $,000	2018 $,000
Non-current assets			
Financial assets at fair value through profit or loss	13	20,293	41,663
Current assets			
Financial assets at fair value through profit or loss	12	76,735	90,843
Collateral receivable	15	-	1,006
Other financial assets	14	5,824	2,438
Cash at bank and in hand		17,349	25,464
Total current assets		**99,908**	**119,751**
Current liabilities			
Financial liabilities at fair value through profit or loss	16	(14,007)	(20,178)
Obligation to return collateral	20	(8,200)	(5,106)
Other financial liabilities	18	(8,040)	(24,591)
Other liabilities	19	(720)	(1,343)
Total current liabilities		**(30,967)**	**(51,218)**
Net current assets		**68,941**	**68,533**
Total assets less current liabilities		**89,234**	**110,196**
Non-current liabilities			
Financial liabilities at fair value through profit or loss	17	(20,293)	(41,605)
Net assets		**68,941**	**68,591**
Capital and reserves			
Called up share capital	22	60,143	60,143
Other reserves	23	391	391
Retained earnings	25	8,407	8,057
Total equity		**68,941**	**68,591**

The statement of income and retained earnings, balance sheet, and notes to the financial statements on pages 11 to 30 were approved by the Board of Directors on 7 April 2020 and were signed on their behalf by:

Stephen Hjorring
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Stephen Hjorring

Director

All notes to the financial statements are audited unless stated otherwise.

1. General Information

The principal objective of Swiss Re Capital Markets Limited ("the Company") is to advise, arrange, manage and deal in investments both as agent and as principal, as authorised by the Financial Conduct Authority.

The company is a private company limited by shares and is incorporated and domiciled in England & Wales. The address of its registered office is 30 St. Mary Axe, London, EC3A 8EP, United Kingdom.

2. Statement of compliance

The individual financial statements of Swiss Re Capital Markets Limited have been prepared in compliance with United Kingdom Accounting Standards, including FRS 102 and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

a) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value though profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. The only critical estimates used by management are in regard to the valuation of Environmental Commodities Markets and Industry Loss Warranty derivative transactions as discussed in the financial instruments section (Note 3 g). FRS 102 also requires management to exercise its judgement in the process of applying the company's accounting policies.

b) Exemptions for qualifying entities under FRS 102

The Company's immediate parent undertaking is SREH. The Company's ultimate parent company and ultimate controlling party is SRL. The Company's intermediate parent is Swiss Reinsurance Company Ltd ("SRZ"). Both the ultimate and intermediate parent companies are registered in Switzerland. The Company's financial statements are included in the consolidated financial statements of SRZ, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 paragraph 1.12(b). The Company is also exempt under FRS 102 paragraph 1.12(e) from disclosing key management personnel compensation in total and disclosing related party transactions with other companies that are wholly owned within the Group according to FRS 102 paragraph 33.1A. It is also the Company's intention to use these exemptions next year.

c) Foreign currency

These financial statements are presented in USD, 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 statement of income and retained earnings ("SOIRE") under 'Other operating income/expenses'. Monetary items in the statement of income and retained earnings 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 losses are recognised in the statement of income and retained earnings under 'Other operating expenses'.

3. Accounting policies (continued)

d) Revenue recognition

Income on financial instruments held for trading is recognised on a trade date basis. Fees relating to arranging transactions or acting as an agent are recognised in net trading income when the transaction has been completed, except for when the fees are based on premiums and it is not certain what the future premium amounts will be. In this case, fees are recognised as received. Fees in respect of ongoing servicing of transactions are recognised on an accrual basis over the life of the transaction. Other fees receivable are accounted for as they fall due. Interest receivable is recognised in the statement of income and retained earnings as it accrues using the effective interest rate method.

e) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of income and retained earnings, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. No deferred tax has been recognised for the current or prior year.

i. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred tax

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.

f) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the balance sheet. Cash held in current accounts is non-interest bearing.

3. Accounting policies (continued)

g) Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through the profit or loss and loans and advances. The Company determines the classification of its investments on the date of 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. The financial assets in this category are also considered complex and are initially measured at fair value, which is normally the transaction price and subsequently carried at fair value and the changes in the fair value are recognised in profit or loss. All derivatives are classified as held at fair value through profit or loss.

When appropriate, valuations are adjusted for various factors such expectation and volatility of underlying value and risk drivers. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used. These estimates can be subjective in nature and involve assumptions based on management's view of market conditions. Accordingly, the results of applying these techniques may not represent amounts that will ultimately be realised from these assets and liabilities.

Collateral receivable/ Obligation to return collateral

The Company receives and posts cash collateral related to the ECM, ILW and Life Capital derivative trading activities. The company also exchanged security collateral in the form of United States and United Kingdom Government Bonds, but security collateral received is reported off-balance sheet since the Company has not sold the collateral nor has the transferor of the collateral defaulted. For detail of non-cash collateral, refer to Note 4e.

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. The financial liabilities in this category are also considered complex and are initially measured at fair value, which is normally the transaction price and subsequently carried at fair value and the changes in the fair value are recognised in profit or loss. All derivatives are classified as held at fair value through profit or loss.

When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used. These estimates are subjective in nature and involve assumptions based on management's view of market conditions. Accordingly, the results of applying these techniques may not represent amounts that will ultimately be realised from these assets and liabilities.

Traded derivatives and foreign exchange contracts

Derivative instruments and foreign exchange contracts are all classified within 'Financial assets or liabilities at fair value through profit or loss' 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 102 section 11 and 12. 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 statement of income and retained earnings and are reported within net trading income. The Company uses the trade date as the point of recognition and derecognition for these instruments.

3. Accounting policies (continued)

h) Credit valuation adjustments / Debit valuation adjustments

Credit valuation adjustments ("CVA") are necessary when the market price (or parameter) is not indicative of the credit quality of the counterparty. As few classes of derivative contracts are listed on an exchange, the majority of derivative positions are valued using internally developed models that use observable market parameters as the inputs for the models. An adjustment is necessary to reflect the credit quality of each derivative counterparty to arrive at the overall fair value of a derivative instrument. The adjustment also takes into account contractual factors designed to reduce the Company's credit exposure to each counterparty, such as collateral and legal rights of offset.

Debit valuation adjustments ("DVA") are necessary to reflect the credit quality of the Company in the valuation of liabilities measured at fair value. The methodology to determine the adjustment is consistent with CVA and incorporates Swiss Re's credit spread as observed through the credit default swap market.

i) Distribution to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of income and retained earnings.

j) Net trading income

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

k) Administrative expenses

All administration, staff and pension costs, excluding audit fees, are incurred by SRZ, Swiss Re Services Limited ("SRSL"), Swiss Re Management Ltd, UK Branch ("SRML"), and Swiss Re America Holding Corporation ("SRAH"), fellow subsidiary undertakings. SRZ, SRSL, SRML and SRAH make management charges to the Company for its share of these costs. This expense is recognised in the statement of income and retained earnings as it accrues.

4. Financial risk

Financial risk management

The Company's financial risks are reviewed on a monthly basis by the 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, credit risk and environmental risk and arises from entering into derivative contracts with both market counterparties and affiliates for the purpose of both trading activity and also to offset risk.

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 trading profit or loss over the 10-day horizon does not benefit from risk management, stop-loss or hedging activity. As at 31 December 2019 the Company had a VaR loss of $15,263 (2018: $18,340). The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

4. Financial risk (continued)

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. Foreign exchange risk sensitivity analysis is a constituent part of the daily VaR and aggregate stress values.

The Company has assets and liabilities denominated in GBP, EUR, AUD and CHF. The impact of a 1% strengthening of the USD/GBP exchange rate at 31 December 2019 would be a decrease in net assets of $31,000 (2018: decrease of $31,000). Given the minor exposure in EUR, CHF and AUD, the impact of a 1% strengthening of the USD/EUR, CHF/USD and AUD/USD exchange rate at 31 December 2019 would not have any significant impact in net assets (2018: decrease of $2,000 from the AUD exposure solely).

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 ("DV01") sensitivity test is carried out whereby the profit effect of a 1 basis point change in base rates is measured. As at 31 December 2019 the Company had a DV01 loss of $1,799 (2018: $1,239,).

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 meetings of the 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 horizons. The Stress Result applies assumptions to both the Company's resources and expected requirements based on a 3 notch downgrade in Swiss Re's credit rating. At the year end, the Stress Coverage was 623% for both time horizons (2018: 321%).

At the year end the Company had a positive Funding Coverage Ratio of 6.2 at the 1-7 day bucket (2018: 3.2) and 6.2 at the cumulative 1-90 day bucket (2018: 3.2).

4. Financial risk (continued)

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

2019	Total	Overnight - 3 months	3months - 6 months	6 months - 1 year	1 year - 5 years	5 years - 10 years	More than 10 years
Unsecured liability	$,000	$,000	$,000	$,000	$,000	$,000	$,000
Other financial liabilities	8,040	8,040	-	-	-	-	-
Financial liabilities at FVTPL							
(held for trading)	31,826	4,143	8,590	957	18,136	-	-
Total	39,866	12,183	8,590	957	18,136	-	-

2018	Total	Overnight - 3 months	3months - 6 months	6 months - 1 year	1 year - 5 years	5 years - 10 years	More than 10 years
Unsecured liability	$,000	$,000	$,000	$,000	$,000	$,000	$,000
Other financial liabilities	24,366	24,366	-	-	-	-	-
Financial liabilities at FVTPL							
(held for trading)	62,140	13,982	5,681	433	22,097	5,990	13,957
Total	86,506	38,348	5,681	433	22,097	5,990	13,957

* "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. 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.

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 enter into 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 2019 the Company had a CR01 of $378,000 (2018: $251,000).

As at 31 December 2019 the Company was exposed to the following credit risks.

1) Other financial assets receivable include trades pending settlement and past due failed trade receivables, from market clearing agents and market counterparties. At 31 December 2019, other financial assets mainly consist of eight trades pending settlement in the total amount of $5,411,000 (2018: five trades, $1,155,000). There were no past due failed trades at 31 December 2019 or 2018. 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.

2) Credit Risk on traded debt securities and derivatives is covered in the Market risk section (Note 4a). The table below discloses the Company's maximum credit exposure, split between those held in the Group companies and those held externally:

4. Financial risk (continued)

2019

$,000	Group	Non-Group	Total
Derivative financial instruments	18,516	1,777	20,293
Financial assets at fair value through profit or loss	11,709	65,026	76,735
Other financial assets	5,692	132	5,824
Cash at bank and in hand	-	17,349	17,349
Total	35,917	84,284	120,201

2018

$,000	Group	Non-Group	Total
Derivative financial instruments	40,625	1,038	41,663
Financial assets at fair value through profit or loss	18,819	72,024	90,843
Other financial assets	1,460	978	2,438
Cash at bank and in hand	-	25,464	25,464
Collateral Receivable	1,006	-	1,006
Total	61,910	99,504	161,414

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.

2019

$,000	Fair value through profit or loss	Other financial assets	Cash at bank and in hand	Collateral Receivable	Total
Swiss Re Group companies:					
AAA – A-	30,225	5,692			35,917
Non-group counterparties:					
AAA – A-	62,871	78	17,349		80,298
BBB – B-	3,932	54			3,986
	97,028	5,824	17,349	-	120,201

2018

$,000	Fair value through profit or loss	Other financial assets	Cash at bank and in hand	Collateral Receivable	Total
Swiss Re Group companies:					
AAA – A-	59,444	1,460	-	1,006	61,910
Non-group counterparties:					
AAA – A-	71,540	839	25,464	-	97,843
BBB – B-	1’522	139	-	-	1,661
	132,506	2,438	25,464	1,006	161,414

At the balance sheet date, the Company had collateral held as security in the form of United States and United Kingdom Government Bonds valued at $39,890,669 (2018: $156,257,000) received under derivative agreements, fully returnable on reversal of the positions that are collateralised with Group companies. At the balance sheet date, the Company has not re-pledged or sold any of the collateral held (2018: $45,798,000 were re-pledged).

4. Financial risk (continued)

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 mitigate the risk are captured.

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

g) Environmental Risk

Risk management provides monitoring and oversight, granularly and aggregated, through the business cycle for ECM and ILW business. It is the policy of the Company to execute back-to-back ECM and ILW trades immediately with a Group Entity; therefore, the Company is not exposed to environmental risk relating to these trades on a net basis. The fair value of the ECM and ILW derivative assets is driven by movements of observed weather patterns.

h) Brexit Risk

The United Kingdom (U.K.) has entered the "Transition Period" as part of the process of leaving the European Union (E.U.) (referred to as Brexit). Significant negotiation between the U.K. and the remaining members of the E.U. will take place during 2020, and there remains uncertainty on the future relationship notably the nature of access for UK entities to E.U. markets following the cessation of the Transition Period. This commutes to uncertainty surrounding our business, including our relationships with existing and future counterparties. The Group is continuously monitoring and considering potential implications of Brexit on Swiss Re, but it remains uncertain of the impact on SRCML's ability to "passport" its Markets in Financial Instruments Directive (MiFID) investment firm license and Insurance Mediation Directive (IMD) license into other E.U. countries. Refer to the Future outlook note of the Strategic report, at page 3, for further information regarding the Company's steps taken for Brexit.

5. 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 Company 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.

The valuation methodology estimates exit price by computing expected loss and applying a risk premium in the form of an exit price adjustment. The underlying value and risk drivers are generally either just weather variables (e.g., temperature, precipitation, wind, etc.) or weather variables together with a commodity price (e.g., a natural gas or electric power price). No direct market observed pricing is available. As a result, mark-to-model is necessary. The fair value calculated is therefore based on modeled possible scenarios of these weather and commodity price outcomes jointly.

2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$,000	$,000	$,000	$,000
Traded debt securities				
- Non-Group	62,723	-	-	62,723
Traded derivatives				
- Group	-	-	30,225	30,225
- Non-Group	-	-	4,080	4,080
	62,723	-	34,305	97,028
Financial liabilities at fair value through profit or loss				
Traded derivatives				
- Group	-	-	(4,080)	(4,080)
- Non-Group	-	-	(30,220)	(30,220)
	-	-	(34,300)	(34,300)

2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$,000	$,000	$,000	$,000
Traded debt securities				
- Non-Group	70,660	-	-	70,660
Traded derivatives				
- Group	-	25,775	33,669	59,444
- Non-Group	-		2,402	2,402
	70,660	25,775	36,071	132,506
Financial liabilities at fair value through profit or loss				
Traded derivatives				-
- Group	-	(25,774)	(2,409)	(28,183)
- Non-Group	-	-	(33,600)	(33,600)
	-	(25,774)	(36,009)	(61,783)

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.

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

Analysis of Level 3 financial assets and liabilities:

2019	Traded derivatives - Group	Traded derivatives - non-group	Total
	$,000	$,000	$,000
Financial assets			
As at 1 January	33,674	2,397	36,071
Additions	39,343	(140)	39,203
Gains/(losses) recognised in the SOIRE			
through net trading income on assets held			
at the end of the year	(16,929)	2,727	(14,202)
through net trading income on assets settled			
during the year	9,667	(1,438)	8,229
Settlements	(35,530)	534	(34,996)
As at 31 December	30,225	4,080	34,305
Financial liabilities			
As at 1 January	(2,415)	(33,594)	(36,009)
Issuances	140	(39,343)	(39,203)
(Losses)/gains recognised in the SOIRE			
through net trading income on assets held			
at the end of the year	(2,727)	16,928	14,201
through net trading income on assets settled			
during the year	1,445	(9,667)	(8,222)
Settlements	(523)	35,456	34,933
As at 31 December	(4,080)	(30,220)	(34,300)

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

2018	Traded derivatives - Group	Traded derivatives - non-group	Total
	$,000	$,000	$,000
Financial assets			
As at 1 January	21,646	5,245	26,891
Additions	42,145	-	42,145
Gains/(losses) recognised in the SOIRE			
through net trading income on assets held			
at the end of the year	(20,676)	(2,447)	(23,123)
through net trading income on assets settled			
during the year	(8,369)	1,612	(6,757)
Settlements	(1,072)	(2,013)	(3,085)
As at 31 December	33,674	2,397	36,071
Financial liabilities			
As at 1 January	(5,257)	(21,572)	(26,829)
Issuances	(4)	(42,141)	(42,145)
(Losses)/gains recognised in the SOIRE			
through net trading income on assets held			
at the end of the year	2,440	20,683	23,123
through net trading income on assets settled			
during the year	(1,603)	8,360	6,757
Settlements	2,009	1,076	3,085
As at 31 December	(2,415)	(33,594)	(36,009)

For the year ended December 2019, the Company recognised a loss of $34,000 in the statement of income and retained earnings related to Level 3 financial instruments (for the year ended 31 December 2018: $1,000 profit).

6. Net trading income

	2019	2018
	$,000	$,000
Net income earned on financial instruments at fair value through profit or loss - held for trading:		
Net income earned / (loss) on traded derivatives and traded securities	(34)	1
	(34)	**1**
Advisory fee income:		
Advisory fees from Group companies	4,936	6,756
Advisory fees from Non-Group companies	-	90
	4,936	**6,846**
	4,902	**6,847**

7. Administrative expenses

Operating profit is stated after charging:	2019	2018
	$,000	$,000
Fees payable for auditing the Company's financial statements (Note 10)	288	263
Management charges payable - Group companies	5,426	4,712
Other service charges payable - Group companies	32	33
Other service charges payable - Non-Group companies	115	117
	5,861	**5,125**

Management charges were made by a fellow subsidiary undertakings, SRZ, SRSL, SRML and SRAH. The majority of administration, staff and pension costs are incurred by SRSL, SRML or SRAH and all staff undertaking tasks for the Company are employed under contract with one of those Group companies. Of the management charge $3,204,000 related to staff costs (2018: $2,782,000). The Company had no employees during the current or prior years.

Certain key individuals employed by other Group companies, and contracted to the Company, are entitled to deferred shares under a long term incentive scheme. All deferred shares are SRZ shares. The cost of this scheme is recharged to the Company by SRSL or SRML through the management recharge. For detailed disclosures refer to the SRSL or SRML financial statements, which can be obtained from the address in Note 29.

SRSL sponsors a Group Personal Pension Plan for its staff administered by Friends Life. Costs are charged to the statement of income and retained earnings of SRSL as they are incurred, and are recharged to the Company through management charges.

8. Other Operating Income

	2019	2018
	$,000	$,000
Foreign currency gain/(loss)	(157)	383
Interest income	1,601	1,183
	1,444	**1,566**

Interest income includes income generated from accretion of discount on U.S. Treasury Bills, bank interest income, netted against fees and related expenses, and interest in relation to collateral activity.

9. Independent auditors' remuneration

The total fees payable by the Company (Note 7), excluding VAT, to its only auditors, PwC, are payable solely in respect of statutory and CASS audit services for a total amount of USD 275 016 and USD 12 873 respectively. There were no fees paid in respect of non-audit services during the year ended 31 December 2019 (2018: $nil).

10. Directors' emoluments

	2019	2018
	$,000	$,000
Aggregate emoluments, excluding pension contributions	38	49
Aggregate pension contributions to money purchase schemes	1	2

The number of Directors for whom pension contributions were made in the year is four (2018: two).

The number of Directors, including the highest paid, who have share options receivable under long-term incentive schemes is three (2018: three). The value of share options exercised in the current period was $518 (2018: $1,289).

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

The Directors are provided by SRML, SRSL and Swiss Re Corporate Solutions Ltd (SRCSS) and are compensated based on the amount of time spent on the entity throughout the year.

11. Tax on profit

The current tax charge for the year differs from the standard rate of corporation tax in the UK, of 19% (2018: 19%).
The differences are explained below:

	2019	2018
	$'000	$'000
Analysis of tax charge for the year		
Current tax:		
UK corporation tax at 19.00% (2018: 19%)	(72)	(597)
Adjustments in respect of prior years	-	(6)
Overseas taxation	(12)	(13)
Total current tax	**(84)**	**(616)**
Deferred tax:		
Origination and reversal of timing differences		
Adjustments arising on implementation of tax rate change		
Total deferred tax		
Tax charge on profit for the year	**(84)**	**(616)**

Legislation had been enacted to further reduce the main UK corporation tax rate to 17% from 1 April 2020. Where relevant, deferred tax balances have been remeasured using these enacted future rates, using the rate at which the timing differences are expected to reverse.

11. Tax on profit (continued)

	2019	2018
	$,000	$,000
Factors affecting the tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19.00% (2018: 19%). The differences are explained as follows:		
Profit before taxation	434	3,263
Taxable income in the financial year multiplied by the standard		
rate of corporation tax in the UK of 19.00% (2018: 19%)	(82)	(620)
Exchange rate differences	(2)	15
Adjustments in respect of prior years	-	(6)
Overseas tax differences	-	(5)
Total tax charge for the year	**(84)**	**(616)**

12. Financial assets at fair value through profit or loss - Current

	2019	2018
	$'000	$'000
Financial assets at fair value through profit or loss - held for trading:		
Traded derivatives - Group companies	11,709	18,819
Traded derivatives – Non-Group companies	2,303	1,364
Traded debt securities – Non-Group companies	62,723	70,660
	76,735	**90,843**

All 'Traded debt securities' are listed instruments with maturities of six months or less (2018: three). All 'Traded derivatives' are ECM or ILW and mature before 31 December 2019.

13. Financial assets at fair value through profit or loss – Non-current

	2019	2018
	$'000	$'000
Financial assets at fair value through profit or loss - held for trading:		
Traded derivatives - Group companies	18,517	40,625
Traded derivatives – Non-Group companies	1,776	1,038
	20,293	**41,663**

All 'Traded derivatives' are ECM, ILW, foreign exchange swaps or interest rate swaps contracts and mature after 31 December 2019.

14. Other financial assets

	2019	2018
	$,000	$,000
Other financial assets receivable – Group companies	5,692	1,460
Other financial assets receivable – Non-Group companies	132	978
	5,824	**2,438**

The carrying value of financial assets receivable is not significantly different to the fair value of those assets at the year end.

Other financial assets receivable is largely made up of derivatives that have matured prior to year-end, which have not yet settled, and receivables for fee income.

15. Collateral Receivable

	2019	2018
	$,000	$,000
Collateral Receivable - Group Companies	-	1,006
	-	**1,006**

The collateral receivable from Group companies is in relation to the Life Capital trading activity.

16. Financial liabilities at fair value through profit or loss – Current

	2019	2018
	$'000	$'000
Financial liabilities at fair value through profit or loss - held for trading:		
Traded derivatives - Group companies	2,311	5,880
Traded derivatives - non Group companies	11,696	14,298
	14,007	**20,178**

All 'Traded derivatives' are ECM, ILW, foreign exchange swaps, interest rate swaps or equity contracts and mature before 31 December 2019.

17. Financial liabilities at fair value through profit or loss – Non-current

	2019	2018
	$'000	$'000
Financial liabilities at fair value through profit or loss - held for trading:		
Traded derivatives - Group companies	1,776	22,303
Traded derivatives - non Group companies	18,517	19,302
	20,293	**41,605**

All 'Traded derivatives' are ECM, ILW, foreign exchange swaps or interest rate swaps contracts and mature after 31 December 2019.

18. Other financial liabilities

	2019	2018
	$,000	$,000
Accrued expenses - Group companies	1,995	2,035
Accrued expenses - Non-Group companies	682	405
Other financial liabilities - Group companies	-	21,696
Other financial liabilities - Non-Group companies	5,363	455
	8,040	**24,591**

The carrying value of other financial liabilities is not significantly different to their fair value at the year end.

Other financial liabilities is largely made up of derivatives that have matured prior to year-end, which have not yet settled. 2019 Group companies financial liabilities include premiums for two trades that were received prior to year-end, however, were not remitted to the back-to-back counterparty until after year-end.

19. Other liabilities

	2019	2018
	$,000	$,000
Taxation Group relief payable	720	1,329
Taxation payable to tax authorities	-	14
	0,720	**1,343**

20. Obligation to return collateral

	2019	2018
	$’000	$’000
Obligation to Return Collateral - Group Companies	8,200	1,006
Obligation to Return Collateral - Non-Group Companies	-	4,100
	8’200	**5’106**

The collateral received from Group and Non-Group companies is in relation to the ECM and Life Capital trading activity.

21. Fair value disclosure

The Other Financial Assets, Other Financial Liabilities, Cash and cash equivalents, Collateral Receivable and Obligation to Return Collateral are recognised on an amortised cost basis that is considered to be a close approximation to fair value.

22. Called up share capital

	2019	2018
	$,000	$,000
Authorised:		
100,000 (2018: 100,000) ordinary shares of £1 each	£100	£100
300,000,000 (2018: 300,000,000) ordinary shares of $1 each	300,000	300,000

	2,019	2,018
	$,000	$,000
Called up, issued, allotted and fully paid:		
60,143,240 (2018: 60,143,240) ordinary shares of $1 each	60,143	60,143
	60,143	**60,143**

There has been no movement in share capital during the year, it has been fully paid and allotted.

23. Other reserves

	2019	2018
Capital Redemption Reserve:	$,000	$,000
As at 1 January and 31 December	**391**	**391**

24. Dividends

No dividends were declared or paid during the year ended 31 December 2019 and 2018.

25. Retained earnings

	2019	2018
	$,000	$,000
At 1 January	8,057	5,410
Profit for the financial year	350	2,647
Dividend	-	-
At 31 December	**8,407**	**8,057**

Amount of retained earnings and capital available for distribution are restricted due to minimum regulatory capital requirements. See Note 5 for additional information on the Capital Requirements Directive framework.

26. Reconciliation of movements in equity shareholders' funds

	2019	2018
	$,000	$,000
At 1 January	68,591	65,944
Profit for the financial year	350	2,647
Dividend	-	-
At 31 December	**68,941**	**68,591**

27. Controlling Parties

The immediate parent undertaking is SREH.

The ultimate parent undertaking and controlling party is SRL, 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 SRZ and SRL, respectively.

SRL's financial strength is currently rated AA- by Standard & Poor and Aa3 by Moody's.

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