Swiss Re Capital Markets Limited
Annual Report 2015

Company Registration No. 3436761

Contents

Company information

Board of Directors	Stephen Hjorring (Chief Executive Officer and Chairman)
	Stuart Brown
	Ian Haycock
	Jonathan Graham (appointed 14 March 2016)
	Kanwardeep Ahluwalia (resigned 31 March 2015)
	Susan Holliday (resigned 18 September 2015)
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

Strategic report

The Board of Directors ("Directors") present their Strategic report of Swiss Re Capital Markets Limited (the "Company") for the year ended 31 December 2015.

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 $1,476,000 (2014: profit of $7,766,000). During 2015, the Board of Directors of the Company approved a dividend of $15,000,000 which was paid to the immediate parent company in May 2015. No dividends were declared or paid during the year ended 31 December 2014.

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 has adopted FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" effective for accounting periods beginning on or after 1 January 2015.

Development and performance

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

Principal objectives and strategies

The 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's immediate parent undertaking is Swiss Re GB Limited (together with Swiss Re GB Limited's other subsidiaries, "the UK Group"). The Company's ultimate parent undertaking and controlling party is Swiss Re Ltd (together with Swiss Re Ltd'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, 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 is expected.

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 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.

Strategic report

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 Group 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 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	2015	2014
Regulatory capital against requirements	%	543	491
Liquidity stress test results	%	5,779	178

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

11 April 2016

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2015.

Board of Directors

Stephen Hjorring (Chief Executive Officer and Chairman)

Ian Haycock

Stuart Brown

Jonathan Graham (appointed 14 March 2016)

Kanwardeep Ahluwalia (resigned 31 March 2015)

Susan Holliday (resigned 18 September 2015)

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

Branches outside the UK

The company incorporated an active branch in Australia effective 29 October 2013. The branch originated its first environmental commodity derivative transaction during 2014.

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 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.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

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

(a) so far as 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.

On behalf of the Board

Stephen Hjorring

Director

11 April 2016

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

Report on the financial statements

Our opinion

In our opinion, Swiss Re Capital Markets Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the Balance Sheet as at 31 December 2015;
- the Statement of Income and Retained Earnings for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 5 to 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jessica Miller

Jessica Miller (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 April 2016

Statement of Income and Retained Earnings

For the year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Net trading income	7	4,269	2,449
Administrative expenses	8	(2,029)	(2,478)
Other operating expenses		(359)	(184)
Operating profit/(loss)		**1,881**	**(213)**
Interest receivable and similar income	11	5	9
Interest payable and similar charges	12	(7)	(8)
Profit/(loss) on ordinary activities before taxation		**1,879**	**(212)**
Tax on profit/(loss) on ordinary activities	13	(403)	7,978
Profit for the financial year		**1,476**	**7,766**
Retained profits at 1 January		85,580	77,814
Dividends Paid		(15,000)	-
Retained profits at 31 December		**72,056**	**85,580**

All amounts shown above arose from continuing activities.

The notes on pages 11 to 31 form an integral part of these financial statements.

There is no difference between the profit/(loss) on ordinary activities before taxation and profit for the year stated above and their historical cost equivalents.

The total recognised gains and losses for the financial year are equal to the profit for the year as disclosed in the statement of income and retained earnings. Recognised and unrecognised losses are disclosed together, separate disclosure will not aid in any economic decision making. Immaterial balances are not disregarded, they are disclosed in full in the notes of the financial statements.

Balance Sheet

As at 31 December 2015

	Note	2015 $'000	2014 $'000
Current assets			
Financial assets at fair value through profit or loss	14	64,394	142,791
Other financial assets	15	2,667	4,857
Cash at bank and in hand		23,346	12,288
		90,407	159,936
Creditors: amounts falling due within one year			
Financial liabilities at fair value through profit and loss	17	(14,415)	(12,245)
Other financial liabilities	18	(3,424)	(6,530)
Other liabilities	19	(512)	(2,705)
		(18,351)	(21,480)
Net current assets		72,056	138,456
Creditors: amounts falling due after more than one year	16	-	(52,876)
Net assets		**72,056**	**85,580**
Capital and reserves			
Called up share capital	23	60,143	60,143
Other reserves	24	391	391
Retained earnings	26	11,522	25,046
Total equity		**72,056**	**85,580**

The statement of income and retained earnings, balance sheet, and notes to the financial statements on pages 9 to 31 were approved by the Board of Directors on 11 April 2016 and were signed on their behalf by:

Stephen Hjorring

Director

Notes to the financial statements

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 Financial Reporting Standards 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in Note 29.

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 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 Swiss Re GB Limited ("SRGB") (together with Swiss Re GB Limited's other subsidiaries, "the UK Group"). The Company's ultimate parent company and ultimate controlling party is Swiss Re Ltd ("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. Shareholders have been notified and have not objected to the exemptions. It is also the Company's intention to use these exemptions next year.

c) Foreign currency

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 statement of income and retained earnings ("SOIRE") under 'Other operating 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'. The prevailing exchange rate between USD and GBP on 31 December 2015 was 1.474 (31 December 2014: 1.559), the prevailing exchange rate between USD and EUR on 31 December 2015 was 1.087 (31 December 2014: 1.210), the prevailing exchange rate between USD and AUD on 31 December 2015 was 0.728 (31 December 2014: 0.819), and the prevailing exchange rate between USD and JPY on 31 December 2015 was 0.008 (31 December 2014: 0.008).

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 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 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.

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 not interest bearing.

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.

3. Accounting policies (continued)

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 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.

Basic loans and advances

Loans and advances are basic financial assets with fixed or determinable payments that are not quoted in an active market. These are initially recognised at transaction price and are subsequently carried at amortised cost using the effective interest method.

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.

Basic loans and advances

Loans and advances are basic financial liabilities with fixed or determinable payments that are not quoted in an active market. These are initially recognised at transaction price and are subsequently carried at amortised cost using the effective interest method.

Traded debt securities

'Traded debt securities' are classified within 'Financial assets at fair value through profit or loss' and are carried at fair value in the balance sheet. Any profit or loss on fair valuing these instruments is taken to the statement of income and retained earnings 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.

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) Offsetting financial instruments

The Company offsets financial instruments when the criteria of FRS 102 p. 11.38A: 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.

i) Payment undertaking agreements and linked interest rate swaps

The Company had entered into payment undertaking agreements ("PUAs") whereby funds were borrowed and a long term fixed payment obligation were undertaken. PUAs were treated as debt instruments and were fair valued through profit or loss, having been designated as fair value liabilities through profit or loss on initial recognition, as permitted by FRS 102. The basis of that treatment was that the linked interest rate swaps were 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 were put in place to convert those fixed interest payables into floating rate payables. The PUAs and linked interest rate swaps were terminated on 18 March 2015. See Note 21 for additional information.

j) Debt issued

Debt issued by the Company is classified as basic short-term and is carried in the balance sheet at amortised cost using the effective interest rate method.

k) CVA/DVA

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.

l) 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.

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

3. Accounting policies (continued)

n) 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 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 2015 the Company had a VaR of $28,000 (2014: $49,000). The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

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 JPY. The impact of a 1% strengthening of the USD/GBP exchange rate at 31 December 2015 would be an increase in net assets of $55,000 (2014: decrease of $2,000). The impact of a 1% strengthening of the USD/EUR exchange rate at 31 December 2015 would be an increase in net assets of $32,000 (2014: $17,000). The impact of a 1% strengthening of the USD/AUD exchange rate at 31 December 2015 would be an increase in net assets of $nil (2014: $nil). The impact of a 1% strengthening of the USD/JPY exchange rate at 31 December 2015 would be an increase in net assets of $17,000 (2014: $nil).

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 2015 the Company had a DV01 profit of $nil (2014: profit of $nil).

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.

4. Financial risk (continued)

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 5,779% for both time horizons (2014: 178%).

At the year end the Company had a positive Funding Coverage Ratio of 57.8 at the 1-7 day bucket (2014: 34.2) and 57.8 at the cumulative 1-90 day bucket (2014: 24.).

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

2015	**Total**	**Overnight - 7 days**	**8 days - 1month**	**1 month - 3 months**	**3months - 6 months**	**6 months - 1 year**	**More than 1 year**
Unsecured liability	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other financial liabilities	3,424	757	2,667	-	-	-	-
Financial liabilities at FVTPL * (held for trading)	14,415	-	-	907	13,313	195	-
Total	17,839	757	2,667	907	13,313	195	-

2014	**Total**	**Overnight - 7 days**	**8 days - 1month**	**1 month - 3 months**	**3months - 6 months**	**6 months - 1 year**	**More than 1 year**
Unsecured liability	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other financial liabilities	6,530	528	4,610	1,392	-	-	-
Funds borrowed at FVTPL * (designated)	108,758	-	-	-	-	-	108,758
Financial liabilities at FVTPL * (held for trading)	12,245	-	-	-	12,245	-	-
Total	127,533	528	4,610	1,392	12,245	-	108,758

* "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.

4. Financial risk (continued)

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 2015 the Company had a CR01 of $454,000 (2014: $74,000).

As at 31 December 2015 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 2015, other financial assets consist of one trade pending settlement in the amount of $2,667,000 (2014: one trade, $4,610,000). There were no past due failed trades at 31 December 2015 or 2014. 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 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:

2015

$'000	Group	Non-Group	Total
Financial instruments at fair value through profit or loss	13,764	50,630	64,394
Other financial assets	2,667	-	2,667
Cash at bank and in hand	-	23,346	23,346
Total	16,431	73,976	90,407

2014

$'000	Group	Non-Group	Total
Financial instruments at fair value through profit or loss	38,503	104,288	142,791
Other financial assets	4,857	-	4,857
Cash at bank and in hand	-	12,288	12,288
Total	43,360	116,576	159,936

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.

2015

$'000	Fair value through profit or loss	Other financial assets	Cash at bank and in hand	Total
Swiss Re Group companies:				
AAA – A-	13,764	2,667	-	16,431
Non-group counterparties:				
AAA – A-	50,556	-	23,346	73,902
BBB – B-	74	-	-	74
	64,394	2,667	23,346	90,407

4. Financial risk (continued)

2014 $'000	Fair value through profit or loss	Other financial assets	Cash at bank and in hand	Total
Swiss Re Group companies:				
AAA – A-	38,503	4,857	-	43,360
Non-group counterparties:				
AAA – A-	98,998	-	12,288	111,286
BBB – B-	5,290	-	-	5,290
	142,791	4,857	12,288	159,936

At the balance sheet date, the Company had collateral held as security in the form of United States Government Bonds valued at $16,319,000 (2014: $37,803,000) received under derivative agreements, fully returnable on reversal of the positions that are collateralised with Group companies. The Company has not sold or re-pledged any of the collateral held.

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 Environmental and Commodities Markets (ECM) business. It is the policy of the Company to execute back-to-back ECM 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 derivative assets is driven by movements of observed weather patterns.

5. Capital management (unaudited)

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 2015 was $9,344,000 (2014: $11,422,000).

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.

5. Capital management (unaudited) (continued)

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

	2015	2014
	$'000	$'000
Tier 1 Capital Resources		
Ordinary Share Capital	60,143	60,143
Retained Earnings	11,522	25,046
Capital Redemption Reserve	391	391
Total Capital Resources	**72,056**	**85,580**

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 2015 was $70,580,000 (2014: $71,126,000)

b) Capital Resource Requirements

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

	2015	2014
	$'000	$'000
Interest Rate Position Risk Requirement	200	196
Foreign Currency Position Risk Requirement	819	139
Counterparty Risk Capital Component	483	406
Non-Trading Book Credit Risk	374	197
Commodities Risk	-	189
Credit Valuation Adjustment Risk	297	417
Operational Risk Requirement	1,499	1,534
Total Capital Resources Requirement	**3,672**	**3,078**

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 2016, based on this annual report, will be $1,759,000 (2015: $1,499,000).

5. Capital management (unaudited) (continued)

Counterparty Credit Risk is calculated via the Standard Approach and the exposures at 31 December 2015 and 2014 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 2015 and 2014.

2015

Jurisdiction	Description of activities	Name	Number of employees	Turnover	Profit before tax	Accounting tax charge (credit)	Cash tax paid on profit or loss	Public subsidies received
UK	Investment management	Swiss Re Capital Markets Limited	none	4,269	1,879	403	-	-
Australia	Investment management	Swiss Re Capital Markets Limited, Australia Branch	none	-	-	-	-	-

2014

Jurisdiction	Description of activities	Name	Number of employees	Turnover	Loss before tax	Accounting tax charge (credit)	Cash tax paid on profit or loss	Public subsidies received
UK	Investment management	Swiss Re Capital Markets Limited	none	2,266	(212)	(46)	-	-
Australia	Investment management	Swiss Re Capital Markets Limited, Australia Branch	none	-	-		-	-

Return on assets for the year ended 31 December 2015 was 1.63% (2014: 4.86%)

6. Fair value disclosures relating to financial assets and liabilities

Valuation hierarchy

The table on the next page 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.

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

2015

	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	49,975	-	-	49,975
Traded derivatives	-	-	14,419	14,419
	49,975	-	14,419	64,394
Financial liabilities at fair value through profit or loss				
Traded derivatives	-	-	(14,415)	(14,415)
	-	-	(14,415)	(14,415)

2014

	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	98,998	-	-	98,998
Traded derivatives	-	30,496	13,297	43,793
	98,998	30,496	13,297	142,791
Financial liabilities at fair value through profit or loss				
Traded derivatives	-	-	(12,245)	(12,245)
Funds borrowed at fair value	-	(52,876)	-	(52,876)
	-	(52,876)	(12,245)	(65,121)

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.

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

Analysis of Level 3 financial assets and liabilities:

2015	Traded derivatives - Group	Traded derivatives - non-group	Total
	$'000	$'000	$'000
Financial assets			
As at 1 January	8,007	5,290	13,297
Purchases	10,830	989	11,819
Gains/(losses) recognised in the SOIRE			
through net trading income on assets held at the end of the year	10,558	3,174	13,732
through net trading income on assets settled during the year	(6,741)	(2,995)	(9,736)
Settlements	(8,890)	(5,803)	(14,693)
As at 31 December	13,764	655	14,419
Financial liabilities			
As at 1 January	(5,290)	(6,955)	(12,245)
Issuances	(989)	(10,830)	(11,819)
(Losses)/gains recognised in the SOIRE			
through net trading income on liabilities held at the end of the year	(3,176)	(10,553)	(13,729)
through net trading income on liabilities settled during the year	2,995	6,731	9,726
Settlements	5,803	7,849	13,652
As at 31 December	(657)	(13,758)	(14,415)

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

2014	Traded derivatives - Group	Traded derivatives - non-group	Total
	$'000	$'000	$'000
Financial assets			
As at 1 January	5,182	179	5,361
Purchases	4,524	8,685	13,209
Gains/(losses) recognised in the SOIRE			
through net trading income on assets held at the end of the year	2,574	5,253	7,827
through net trading income on assets settled during the year	12,805	(8,318)	4,487
Settlements	(17,078)	(509)	(17,587)
As at 31 December	8,007	5,290	13,297
Financial liabilities			
As at 1 January	(179)	(4,274)	(4,453)
Issuances	(8,685)	(4,524)	(13,209)
(Losses)/gains recognised in the SOIRE			
through net trading income on liabilities held at the end of the year	(5,253)	(2,430)	(7,683)
through net trading income on liabilities settled during the year	8,318	(12,805)	(4,487)
Settlements	509	17,078	17,587
As at 31 December	(5,290)	(6,955)	(12,245)

For the year ended 31 December 2015, the Company recognised losses of $146,000 in the statement of income and retained earnings related to Level 3 financial instruments (for the year ended 31 December 2014: $409,000 profit).

7. Net trading income

	2015 $'000	2014 $'000
Net income earned on financial instruments at fair value through profit or loss - held for trading:		
Net income earned on traded derivatives and traded securities	2,172	17,948
	2,172	**17,948**
Net income earned on financial instruments at fair value through profit or loss - designated as such on initial recognition:		
Net (expense) on funds borrowed	(5,442)	(17,162)
	(5,442)	**(17,162)**
Advisory fee income:		
Advisory fees receivable from Group companies	7,539	1,663
	7,539	**1,663**
	4,269	**2,449**

8. Administrative expenses

Operating profit is stated after charging:	**2015** $'000	**2014** $'000
Fees payable for auditing the Company's financial statements (Note 9)	297	294
Management charges payable - Group companies	1,732	2,184
	2,029	**2,478**

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 $1,144,000 related to staff costs (2014: $1,448,000). 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 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.

9. Independent auditors' remuneration

The total fees payable by the Company (Note 8), excluding VAT, to its principal auditor, PricewaterhouseCoopers LLP, are payable solely in respect of audit services. Fees paid in respect of non-audit services during the year ended 31 December 2015 were $nil (2014: $56,000).

10. Directors' emoluments

	2015 $'000	2014 $'000
Aggregate emoluments, excluding pension contributions	39	53
Aggregate pension contributions to money purchase schemes	2	3

The number of Directors for whom pension contributions were made in the year is five (2014 five).

The number of Directors, including the highest paid, who have share options receivable under long-term incentive schemes is four (2014: three). The value of share options exercised in the current and prior year was nil.

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 SRSL and are compensated based on the amount of time spent on the entity throughout the year.

11. Interest receivable and similar income

	2015 $'000	2014 $'000
Interest receivable and similar income	5	9
	5	**9**

12. Interest payable and similar charges

	2015 $'000	2014 $'000
Interest payable and similar charges	7	8
	7	**8**

13. Tax on profit/(loss) on ordinary activities

	2015	2014
	$'000	$'000
Analysis of tax (charge)/credit for the year		
Current tax:		
UK corporation tax at 20.25% (2014: 21.5%)	(478)	(57)
Adjustments in respect of prior years	-	7,946
Total current tax	**(478)**	**7,889**
Deferred tax:		
Origination and reversal of timing differences	76	87
Adjustments arising on implementation of tax rate change	(1)	2
Total deferred tax	**75**	**89**
Tax (charge)/credit on profit/(loss) for the year	**(403)**	**7,978**

The current tax charge for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2015	2014
	$'000	$'000
Factors affecting the tax (charge)/credit for the year		
Profit/(loss) on ordinary activities before taxation	1,879	(212)
Taxable income in the financial year multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	(380)	46
Adjustments in respect of prior years	(1)	7,948
Difference in tax rates	(6)	(7)
Exchange rate differences	(16)	(9)
Current tax (charge)/credit for the year	**(403)**	**7,978**

Legislation has been enacted in Finance Act 2015 to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% 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.

14. Financial assets at fair value through profit or loss

	2015	2014
	$'000	$'000
Financial assets at fair value through profit or loss - held for trading:		
Traded derivatives - Group companies	13,764	38,503
Traded derivatives – non-Group companies	656	5,290
Traded debt securities – non-Group companies	49,974	98,998
	64,394	**142,791**

All 'Traded debt securities' are listed instruments.

15. Other financial assets

	2015	2014
	$'000	$'000
Accrued income - Group companies	-	91
Other financial assets receivable – Group companies	2,667	4,766
	2,667	**4,857**

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

16. Creditors: amounts falling due after more than one year

	Note	2015	2014
		$'000	$'000
Amounts falling due after more than one year:			
Financial liabilities at fair value through profit and loss	20	-	52,876
		-	52,876

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

	2015	2014
	$'000	$'000
Financial liabilities at fair value through profit or loss – held for trading:		
Traded derivatives - Group companies	657	5,290
Traded derivatives - non Group companies	13,758	6,955
	14,415	**12,245**

These liabilities are short term positions relating to trading activities.

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

	2015	2014
	$'000	$'000
Funds borrowed from Group companies	-	1,392
Accrued expenses - Group companies	757	528
Other financial liabilities - non-Group companies	2,667	4,610
	3,424	**6,530**

At 31 December 2014, funds borrowed from Group companies are comprised of an unsecured borrowing at an interest rate of 2.77% and a maturity date of 31 March 2015. There were no outstanding borrowings from Group companies at 31 December 2015. At 31 December 2015, other financial liabilities – non-Group companies comprised of a final pay out on an ECM derivative contract that expired on 31 December 2015, with the final pay out settled on 19 January 2016.

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

19. Other liabilities: amounts falling due within one year

	2015	2014
	$'000	$'000
Taxation Group relief payable	512	2,628
Deferred tax	-	77
	512	**2,705**

Deferred tax

	2015	2014
	$'000	$'000
At the beginning of the year	77	86
Movement in the year	(76)	(87)
Adjustment arising on implementation of tax rate change	1	(2)
Adjustments in respect of prior periods	-	8
Foreign exchange on revaluation	(2)	(5)
Switch from non-current to current deferred tax liability	-	77
	-	**77**

The actual liability for deferred tax due within one year provided in the financial statements is as follows:

	2015	2014
	$'000	$'000
Deferred income	-	77
	-	77

The amount of the net reversal of deferred tax expected to occur next year is $nil (2014: 77,000), relating to the reversal of existing timing differences on deferred income.

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

	2015	2014
	$'000	$'000
Financial liabilities at fair value through profit or loss		
- designated as such on initial recognition:		
Funds borrowed at fair value	-	52,876
	-	**52,876**

Funds borrowed, including accrued interest on funds borrowed, comprised two PUAs, at an interest rate of 6%. These were 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 was accrued interest of $92,776,000. Changes in the fair value of the PUAs were brought about by the movement of market interest rates and credit spreads. Interest rate swaps were in place to convert those fixed interest payables into floating rate payables. The PUAs were 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 102. The basis of that treatment was that the linked interest rate swaps were 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.

On 18 March 2015, the company early terminated the PUAs and the linked interest rate swaps. The agreed termination amount paid of $61,130,563 for the PUAs was calculated using the future cash flows discounted at the risk free rate plus 25 basis points and the agreed termination amount received of $33,164,975 on the linked interest rate swaps was fair market value calculated using the future cash flows discounted at the risk free rate.

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

Deferred tax	2015	2014
	$'000	$'000
At the beginning of the year	-	85
Switch from non-current to current deferred tax liability	-	(77)
Foreign exchange on revaluation	-	(8)
	-	-

22. Fair value disclosure

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

23. Called up share capital

	2015	2014
	'000	'000
Authorised:		
100,000 (2014: 100,000) ordinary shares of £1 each	£100	£100
300,000,000 (2014: 300,000,000) ordinary shares of $1 each	$300,000	$300,000

	2015	2014
	$'000	$'000
Called up, issued, allotted and fully paid:		
60,143,240 (2014: 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.

24. Capital redemption reserve

	2015	2014
	$'000	$'000
As at 1 January and 31 December	**391**	**391**

25. Dividends

On 26 March 2015, the Board of Directors of the Company approved the declaration of a dividend of $15,000,000 payable to the immediate parent company. The dividend was paid in May 2015. No dividends were declared or paid during the prior year.

	2015	2014
	$'000	$'000
0.25 (2014: nil) per $1 share	(15,000)	-

26. Retained earnings

	2015	2014
	$'000	$'000
At 1 January	25,046	17,280
Profit for the financial year	1,476	7,766
Dividend	(15,000)	-
At 31 December	**11,522**	**25,046**

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.

27. Reconciliation of movements in equity shareholders' funds

	2015	2014
	$'000	$'000
At 1 January	85,580	77,814
Profit for the financial year	1,476	7,766
Dividend	(15,000)	-
At 31 December	**72,056**	**85,580**

28. Controlling Parties

The immediate parent undertaking is Swiss Re GB Limited.

The ultimate parent undertaking and controlling party is Swiss Re Ltd, 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 and Swiss Re Ltd, respectively.

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

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

29. Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014.

There is nothing to report on the transition statement for the Statement of Income and Retained Earnings or Balance Sheet therefore they are not presented in the note.