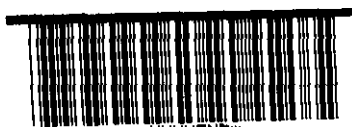


Munichre General Services Limited

Directors' report and financial statements

For the year ended 31 December 2004

Registered number 1373441



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Directors' report and financial statements

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Notice of directors' meeting

Notice is hereby given that a meeting of the directors will be held at 154 Fenchurch Street, London EC3M 6JJ on 18 May 2005 at 10.00 am.

- 1 To receive the directors' report and audited accounts for the year ended 31 December 2004.
- 2 To transact any other business.

By order of the board



AJ Chapman
Secretary

Registered Office:
Level 31
25 Canada Square
London
E14 5LQ

18 May 2005

Notice of Annual General Meeting

Notice is hereby given that a meeting of the directors will be held at 154 Fenchurch Street, London EC3M 6JJ on 18 May 2005 at 10.00 am.

- 1 To receive the directors' report and audited accounts for the year ended 31 December 2004.
- 2 To re-appoint the auditor.
- 3 To authorise the directors to fix the remuneration of the auditor.
- 4 To transact any other business.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a member.

By order of the board



AJ Chapman
Secretary

Registered Office:
Level 31
25 Canada Square
London
E14 5LQ

18 May 2005

Directors' report

The directors present their annual report and the audited financial statements for the year ended December 31, 2004.

Principal activities

The principal activity of the company is to provide services to the United Kingdom General Branch of Munich Reinsurance Company.

Business review

The results for the year are set out on page 6. The company has recommended a dividend of £350 per share (2003:£270) and the directors recommend transferring the balance of the profit for the year to retained earnings.

Directors and directors' interests

The directors who held office during the year were as follows:

Clemens von Bechtolsheim (Managing Director)
Manfred Aldag (Resigned January 13, 2005)
Pina Albo (Appointed January 12, 2005)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any other group company.

Fixed assets

Information relating to tangible fixed assets is given in note 7 to the financial statements.

Political and charitable contributions

The company made no political donations during this or the previous year. Charitable donations during the year of £130 were made (2003: £0).

Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board



AJ Chapman
Secretary

Registered Office:
Level 31
25 Canada Square
London
E14 5LQ

18 May 2005

Statement of directors' responsibilities

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

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

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Report of the independent auditor to the members of Munichre General Services Limited

We have audited the financial statements on pages 6 to 12.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at December 31 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

19 May 2005

Profit and loss account

for the year ended December 31

2003 £		Note	2004 £
7,562,397	Turnover		10,517,084
(7,202,283)	Operating Expenses	4	(9,950,804)
<u>360,114</u>	Operating Profit		<u>566,280</u>
10,000	Other Income	5	10,000
<u>370,114</u>	Profit on ordinary activities before taxation		<u>576,280</u>
(166,736)	Tax on Profit on ordinary activities	6	(216,768)
<u>203,378</u>	Profit on ordinary activities after taxation		<u>359,512</u>
(270,000)	Dividend paid		(350,000)
<u><u>(66,622)</u></u>	Retained profit/(loss) for the financial year	11	<u><u>9,512</u></u>

The results for the year relate entirely to continuing activities. There are no recognised gains or losses other than those shown in the profit and loss account.

Balance sheet

at 31 December

2003 £		Note	2004 £
18,156	Fixed assets		
	Tangible assets	7	173,925
65,466	Deferred pension costs	2	
654,668	Due within one year		65,466
<u>720,134</u>	Due after one year		<u>589,200</u>
			654,666
	Current assets		
	Debtors		
41,787	- Amounts owed by group undertakings	8	18,549
20,505	- Mortgage loans to employees	10	
171,429	Due within one year		19,110
230,801	Due after one year		152,319
95,458	- Sundry receivables		110,797
<u>559,980</u>	Deferred tax	6	<u>65,228</u>
304,718			366,003
<u>864,698</u>	Cash at bank and in hand		<u>330,937</u>
			696,940
(224,236)	Creditors: amounts falling due within one year		
-	- Amounts owed to group undertakings	8	(10,913)
(1,204,786)	- Corporation tax payable	6	(200,439)
<u>(1,429,022)</u>	- Other creditors	9	<u>(1,149,811)</u>
			(1,361,163)
(564,324)	Net current liabilities		(664,223)
<u>173,966</u>	Total assets less current liabilities		<u>164,368</u>
(171,429)	Creditors: amounts falling due after more than one year	10	(152,319)
<u>2,537</u>	Net assets		<u>12,049</u>
1,000	Capital and Reserves		
	Share capital authorised, allotted, called up and fully paid -		1,000
	510 (2003: 510) ordinary 'A' shares and 490 (2003: 490)		
	ordinary 'B' shares of £1 each		
1,537	Profit and loss account	11	11,049
<u>2,537</u>			<u>12,049</u>

Signed on behalf of the board



C von Bechtolsheim
 Director

18 May 2005

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Turnover

The company derives its income from agency agreements under which it provides services both to the United Kingdom General Branch of Munich Reinsurance Company and to Great Lakes Reinsurance (U.K.) plc.

Depreciation

Motor cars and items of equipment individually costing more than £3,000 are depreciated at the rate of 25% per annum, straight-line. Items individually costing less than £3,000 are included in the profit and loss account as the expenditure is incurred.

Taxation

The charge for taxation is based upon the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision is made for deferred tax in accordance with FRS 19.

Defined benefit pension scheme

The company operates, in conjunction with associated group companies, a funded non-contributory defined benefit pension scheme. The scheme closed to new members on 31 December 2000. The assets of the scheme are held separately from those of the company, being invested with the investment subsidiary of Standard Life Assurance Company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Cash flow statement

Under FRS 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the company in its own published consolidated financial statements.

Notes (continued)

2 Pension scheme

A full valuation of the defined benefit pension scheme was carried out at March 31, 2004 by the scheme actuary. The major assumptions used by the actuary were:

	Funding % per annum	MFR % per annum	Solvency % per annum
Rate of Interest			
- before retirement	6.25	9.00	4.23
- after retirement	6.25	8.00	4.23
Rate of Salary Increases	5.00	6.00	NA
Rate of Earnings CAP	2.50	4.00	3.00

The full valuation at March 31, 2004 showed a deficit in funding of £7,992,000. The actuary recommends that contributions for the 3 years from 31 March 2004 should be increased from 21.1% to 57.8% to decrease the deficit following the impact of poor investment markets and improving mortality trends.

In the year ended December 31, 2000 a special contribution of £2,509,000 was made to the scheme to increase the level of funding, Munichre General Services Limited's share of which was £782,000, and the Munich Re Services share of which was £200,000. This transfer is being written off over the estimated average working lives' of employees, 15 years starting from 1st January 2000. At December 31, 2004 £654,666 remains to be written off in future years, (2003:£720,134).

3 Staff

The average number of persons employed by the company during the year was 77 (2003:76).

	2004 £	2003 £
Salaries	3,719,726	3,035,620
Social security costs	446,437	302,404
Other Pension costs	1,290,410	469,151
	<u>5,456,573</u>	<u>3,807,175</u>

No director received any emoluments in 2004 (2003:£nil) from the company in respect of their services.

4 Operating expenses

Operating expenses include the following

	2004 £	2003 £
Staff costs (Note 3)	5,456,573	3,807,175
Depreciation (Note 7)	73,024	22,086
Audit fees	115,000	136,245

5 Other income

This is derived from an agency agreement whereby the company acts as a non-exclusive underwriting agent for Great Lakes Reinsurance (U.K.) plc.

6 Taxation

6a Analysis of tax charge

	2004 £	2003 £
UK corporation tax on the profit on ordinary activities for the year	230,526	150,389
Change in allowance for capital allowances and other timing differences	(13,758)	16,347
	<u>216,768</u>	<u>166,736</u>

Notes (continued)

6b Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained below:

	2004	2003
	£	£
Profit on ordinary activities before taxation	576,280	370,114
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2003: 30%)	172,884	111,034
Effects of:		
Expenses not tax deductible for tax purposes	96,474	54,820
Capital allowances and other timing differences	(38,832)	(15,465)
Current tax charge for the year	<u>230,526</u>	<u>150,389</u>

6c Deferred tax asset

	2004	2003
	£	£
At beginning of year	95,458	243,689
Deferred tax charge in profit and loss account for the year	(30,230)	(166,736)
Deferred tax transfer from Munich Re Services Limited	-	18,505
At end of year	<u>65,228</u>	<u>95,458</u>

7 Tangible fixed assets

	Motor Cars	Fixtures fittings and equipment	Total
	£	£	£
Cost			
At beginning of year	28,281	1,127,219	1,155,500
Additions	-	228,793	228,793
At end of year	<u>28,281</u>	<u>1,356,012</u>	<u>1,384,293</u>
Depreciation			
At beginning of year	28,281	1,109,063	1,137,344
Charge for year	-	73,024	73,024
At end of year	<u>28,281</u>	<u>1,182,087</u>	<u>1,210,368</u>
Net book value			
At December 31, 2003	-	18,156	18,156
At December 31, 2004	-	<u>173,925</u>	<u>173,925</u>

Notes (continued)

8 Ultimate holding company and intercompany balances

The company's parent company and ultimate holding company is Münchener Rückversicherungs-Gesellschaft (Munich Re), a joint stock company incorporated in Germany with limited liability. Copies of Munich Re accounts can be obtained from Königinstrasse 107, 80802 Munich, Germany.

	2004 £	2003 £
The balance due from group undertakings at December 31	<u>18,549</u>	<u>41,787</u>
The balance due to group undertakings at December 31	<u>(10,913)</u>	<u>(224,236)</u>

9 Other Creditors

	2004 £	2003 £
Income deferred	687,401	756,141
Sundry Creditors	<u>462,410</u>	<u>448,645</u>
	<u>1,149,811</u>	<u>1,204,786</u>

10 Loans to directors, officers and employees and associated financing

The company has advanced house purchase loans on mortgages to employees for periods up to twenty-five years. These loans bear interest at 5½% per annum and are financed by matching loans from Münchener Rückversicherungs-Gesellschaft (Munich Re). At December 31 they comprised:

	2004 £	2003 £
Due within the year	19,110	20,505
Due after one year	<u>152,319</u>	<u>171,429</u>
	<u>171,429</u>	<u>191,934</u>

Interest income of £10,045 (2003:£9,241) was received by the company from these mortgages and paid on to Munich Re. In view of the back to back nature of the loans, this income and expense have been excluded from both the turnover and expenditure figures in the profit and loss account.

Included in the balance outstanding at December 31, 2004 is a loan to a director, C von Bechtolsheim of £19,877.

Notes (continued)

11 Reconciliation of movement in shareholders' funds

	Share Capital £	Profit & Loss Account £	Total £
At 1 January 2004	1,000	1,537	2,537
Retained profit/(loss) for the financial year	-	9,512	9,512
At 31 December 2004	<u>1,000</u>	<u>11,049</u>	<u>12,049</u>

12 Related party transactions

Advantage has been taken of the exemption in FRS8 from disclosing related party information as these accounts relate to a wholly owned subsidiary and the consolidated financial statements in which they are included are publicly available from the address in note 8.