

Munichre General Services Limited

Directors' report and financial statements

For the year ended December 31, 1998

Registered number 1373441



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 May 12, 1999 at 12:15pm.

- 1 To receive the directors' report and audited accounts for the year ended December 31, 1998.
- 2 To transact any other business.

By order of the board

PJ Fox
Secretary

Registered Office:
154 Fenchurch Street
London
EC3M 6JJ

March 31, 1999

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 May 12, 1999 12:20pm.

- 1 To receive the directors' report and audited accounts for the year ended December 31, 1998.
- 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

PJ Fox
Secretary

Registered Office:
154 Fenchurch Street
London
EC3M 6JJ

March 31, 1999

Directors' report

The directors present their annual report and the audited financial statements for the year ended December 31, 1998.

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 7. The company has paid a dividend of £100 per share (1997:£100) and the directors recommend transferring the balance of the profit for the year to retained earnings.

Year 2000

The Company has assessed the risks and uncertainties associated with the year 2000 and has satisfied itself that the issues arising therefrom will give rise to no major problem with regards to its business and operations. No significant compliance costs have been incurred or are expected to be incurred in the future.

Directors and directors' interests

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

Karl Wittmann	(Chairman)	
Clemens von Bechtolsheim	(Managing Director)	
Hans-Dieter Sellschopp	(Vice Chairman)	(resigned May 8, 1998)
Anthony Hickinbotham		
Christoph Schurig		

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 accounts.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £nil (1997:£250).

Directors' report *(continued)*

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



PJ Fox
Secretary

154 Fenchurch Street
London
EC3M 6JJ

May 12, 1999

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;
- 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 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.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditor's report to the members of Munichre General Services Limited

We have audited the financial statements on pages 7 to 12.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 judgements 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, 1998 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

May 12, 1999

Profit and loss account

for the year ended December 31

1997		Note	1998
£			£
	Income		
<u>3,566,160</u>	Turnover	1	<u>3,566,604</u>
	Expenditure		
1,516,894	Salaries		1,733,587
155,115	Pension contributions	2	135,740
188,000	Seconded staff		188,000
100,742	Social security costs		111,650
77,685	Other staff related costs		72,455
25,202	Temporary staff		915
<u>27,657</u>	Staff recruitment		<u>5,246</u>
2,091,295	Staff costs	3	2,247,593
776,000	Rent, rates and other occupancy costs		510,989
105,242	Travel and entertainment		145,326
121,986	Internal electronic data processing		143,074
112,157	LIRMA and other external IT		120,552
86,025	Professional fees	4	92,596
52,995	Printing and stationery		73,372
32,918	Depreciation	7	38,064
33,698	Post and telecommunications		37,754
10,770	Affiliation dues		9,825
114	Office consumables		2,877
413	Sundry expenses		2,952
(8,000)	Sales of fixed assets		(6,031)
<u>(19,270)</u>	VAT		<u>(22,178)</u>
<u>1,305,048</u>	Other operating charges		<u>1,149,172</u>
<u>3,396,343</u>	Total expenditure		<u>3,396,765</u>
169,817	Operating profit		169,839
<u>10,000</u>	Other income	5	<u>10,000</u>
179,817	Profit on ordinary activities		179,839
<u>(69,413)</u>	Tax on profit	6	<u>(66,485)</u>
110,404	Profit for the financial year		113,354
<u>(100,000)</u>	Dividend paid		<u>(100,000)</u>
10,404	Retained profit for the financial year		13,354
<u>21,280</u>	Retained profit brought forward		<u>31,684</u>
31,684	Retained profit carried forward		45,038

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 December 31

1997 £	Note	1998 £
Fixed assets		
<u>40,177</u> Tangible assets	7	<u>48,869</u>
Current assets		
Debtors		
171,160 - amounts owed by group undertakings	8	117,843
- mortgage loans to employees	9	
18,597 Due within one year		16,204
413,831 Due after one year		367,800
<u>27,613</u> - sundry receivables		<u>22,503</u>
631,201		524,350
<u>6,170</u> Cash at bank and in hand		<u>3,483</u>
<u>637,371</u>		<u>527,833</u>
Creditors: amounts falling due within one year		
(166,021) - amounts owed to group undertakings	8	(96,660)
(55,000) - corporation tax payable		(55,000)
<u>(10,012)</u> - other creditors		<u>(11,204)</u>
<u>(231,033)</u>		<u>(162,864)</u>
<u>406,338</u> Net current assets		<u>364,969</u>
446,515 Total assets less current liabilities		413,838
(413,831) Creditors: amounts falling due after more than one year	9	(367,800)
<u>32,684</u>		<u>46,038</u>
Capital and reserves		
Share capital authorised, allotted, called up and fully paid - 510 (1997: 510) ordinary 'A' shares and 490 (1997: 490) ordinary 'B' shares of £1 each		
1,000		1,000
<u>31,684</u> Profit and loss account		<u>45,038</u>
32,684	10	46,038

Signed on behalf of the board



K Wittmann
Director



C von Bechtolsheim
Director

May 12, 1999

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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Pensions

The pension charge represents the amount of contributions payable to the pension scheme in respect of the accounting period.

Cash flow statement

Under Financial Reporting Standard 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.

2 Pension contributions

The company operates, in conjunction with associated group companies, a funded non-contributory defined benefits scheme. The assets of the scheme are held separately from those of the company, being invested with an insurance company. 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. The contributions are determined by a qualified actuary on the basis of triennial valuations, the most recent valuation being at January 1, 1998 when the market value of the fund was £5,971,000. The valuation shows a deficiency of £1,607,000 on a current funding level basis which is expected to be recovered through the adjustment in the funding rate. The report was produced using the projected unit method of funding and the main assumptions were that investment yield would be 8.5% per annum and salary increases would average 7% per annum. The level of funding was 100% of the benefits that had accrued to members.

Notes (continued)

3 Staff

The average number of persons employed by the company during the year was 39 (1997:34).

No director received any emoluments in 1998 (1997:nil) from the company in respect of his services.

4 Professional fees

Audit fees of £56,988 (1997:£54,520) and non-audit remuneration of £nil (1997:£19,505) paid to KPMG Audit Plc have been included under this caption.

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

	1998 £	1997 £
UK corporation tax at 31% (1997:31.5%) on the profit for the year on ordinary activities	80,000	80,000
Over provision in prior year	<u>(13,515)</u>	<u>(10,587)</u>
	<u>66,485</u>	<u>69,413</u>

7 Tangible fixed assets

	Motor cars £	Fixtures fittings and equipment £	Total £
Cost			
At beginning of year	50,274	446,604	496,878
Additions	22,519	32,956	55,475
Disposals	<u>(34,882)</u>	<u>-</u>	<u>(34,882)</u>
At end of year	<u>37,911</u>	<u>479,560</u>	<u>517,471</u>
Depreciation			
At beginning of year	41,555	415,146	456,701
Charge for year	5,629	32,435	38,064
On disposals	<u>(26,163)</u>	<u>-</u>	<u>(26,163)</u>
At end of year	<u>21,021</u>	<u>447,581</u>	<u>468,602</u>
Net book value			
At December 31, 1998	<u>16,890</u>	<u>31,979</u>	<u>48,869</u>
At December 31, 1997	<u>8,719</u>	<u>31,458</u>	<u>40,177</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 107 Königinstrasse, Munich, Germany.

The balances due (to) from group undertakings at December 31, comprise:

	1998 £	1997 £
Munich Re	(16,204)	(18,597)
Munichre Services Ltd	<u>(80,456)</u>	<u>(147,424)</u>
	<u>(96,660)</u>	<u>(166,021)</u>
 Munich Re	 <u>117,843</u>	 <u>171,160</u>

9 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 Munich Re. At December 31 they comprised:

	1998 £	1997 £
Due within the year	16,204	18,597
Due in more than one year and less than five years	98,968	92,558
Due thereafter	<u>268,832</u>	<u>321,273</u>
	<u>367,800</u>	<u>413,831</u>
	<u>384,004</u>	<u>432,428</u>

Interest income of £19,047 (1997:£24,190) 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.

Notes (continued)

10 Movement in shareholders' funds

	1998	1997
	£	£
Opening shareholders' funds	32,684	22,280
Retained profit for the year	<u>13,354</u>	<u>10,404</u>
Closing shareholders' funds	<u><u>46,038</u></u>	<u><u>32,684</u></u>

11 Related party transactions

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

**Munichre Services Limited
1998**



**Münchener Rück
Munich Re**