Amending

**Munichre General Services Limited**

**Directors' report and financial statements**

For the year ended 31 December 2007
Registered number 1373441

# Directors' report and financial statements

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

**Principal activities**
The principal activity of the company is to provide services to the United Kingdom General Branch of Munich Reinsurance Company AG

**Business review**
The company continues to fulfil its role as a service provider to the Munich Re UK General Branch but during 2007 the role was expanded as part of Munich Re Group s decision to bring together in one location in the City its non-marine non-life insurance and reinsurance operations This move was successfully completed during the summer As well as a physical move a number of the back-office and front-office functions have been consolidated including a Claims Shared Service which also supports the business of our sister company Great Lakes Reinsurance (UK) plc

As reported last year MRGS holds the leasehold interest in the third floor of Plantation Place together with the fixed assets associated with the new offices and as a result, the company s balance sheet has grown substantially As the company is a wholly owned subsidiary of Munich Reinsurance Company AG the level of risk is however limited

There was no dividend declared during 2007 (2006 none) and directors recommend transferring the profit for the year to retained earnings

**Key Performance Indicators**
1 Costs incurred in respect of provision of administration services (In respect of administration services only operating expenses)
2 Margin on services provided by MRGS (In respect of administration services only operating profit divided by operating expenses)

| Key Performance Indicators | 2007 | 2006 |
|---|---|---|
| Costs in respect of administration services (£m) | 17 7 | 13 8 |
| Margin on administration services | 4 2% | 4 3% |

**Principal risks and uncertainties**
As the principal activities are provision of services and staff to MRUKGB and other Munich Re UK trading entities MRGS is dependant on the continuing need for those services Therefore should MRUKGB cease to require the services from MRGS it would have a dramatic and adverse impact on MRGS Because of the nature of the business of MRUKGB its place in the UK reinsurance market and its status as part of the UK branch of Munich Re this risk is not considered significant.

**Directors and directors' interests**
The directors who held office during the year were as follows

| | |
|---|---|
| Sebastian Hueskes | |
| Pina Albo | (Resigned 31 December 2007) |
| Manfred Aldag | (Appointed 31 December 2007) |

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

**Fixed assets**
Information relating to tangible fixed assets is given in note 8 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 £850 were made (2006 £200)

**Disclosure of information to auditors**
The directors who held office at the date of approval of this directors report confirm that, so far as they are each aware there is no relevant audit information of which the Company s auditors are unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company s auditors are aware of that information

**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

SG Pendlebury
Secretary

Registered Office
Plantation Place
30 Fenchurch Street
London
EC3M 3AJ

23 May 2008

## Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom accounting standards and applicable law (UK Generally Accepted Accounting Practice)
The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements,
- 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 proper accounting records that 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 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

## Independent auditors' report to the members of Munichre General Services Limited

We have audited the financial statements of Munichre General Services Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

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' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities (page 2)

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Directors Report is consistent with the financial statements

In addition we report to you if in our opinion, 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 other transactions is not disclosed

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

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the 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 in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

23 May 2008

**Profit and loss account**

for the year ended 31 December

| | Note | 2007<br>£ | 2006<br>£ |
|---|---|---|---|
| Turnover | | 17 672 691 | 13 829 519 |
| Expenses | 5 | (16 930 736) | (13 241 309) |
| Operating Profit | | 741 955 | 588 210 |
| Other Income | 6 | 10 000 | 10 000 |
| Loss on Disposal of Fixed Assets | | (30 939) | - |
| **Profit on ordinary activities before taxation** | | 721 016 | 598 210 |
| Tax on Profit on ordinary activities | 7 | (627 823) | (403 597) |
| **Retained profit for the financial year** | 12 | 93,193 | 194,613 |

The results for the year relate entirely to continuing activities
The notes on page 6-10 form part of these Financial Statements

## Balance sheet

at 31 December

| | Note | 2007 £ | 2006 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 8 | 13 305 944 | 1 404 163 |
| **Current assets** | | | |
| Debtors | | | |
| Amounts owed by group undertakings | 9 | 10 521 670 | 2 597 421 |
| - Sundry receivables | | 1 475 961 | 482 023 |
| Deferred tax | 7 | - | 69,864 |
| | | 11 997 631 | 3 149 308 |
| Cash at bank and in hand | | 199,583 | 1,541,328 |
| **Total current assets** | | 12,197,214 | 4,690,636 |
| **Creditors** amounts falling due within one year | | | |
| - Amounts owed to group undertakings | 9 | - | (35 016) |
| Corporation tax payable | | (550 937) | (709 554) |
| - Other creditors | 10 | (4,071,105) | (4,120,402) |
| | | (4,622,042) | (4,864,972) |
| **Net current assets** | | 7 575 172 | (174 336) |
| **Total assets less current liabilities** | | 20 881 116 | 1 229 827 |
| **Creditors** amounts falling due after one year | | | |
| Amounts owed to group undertakings | 9 | (16 504 977) | - |
| Other creditors | 10 | (3 179 311) | (542 809) |
| - Deferred tax | 7 | (416,617) | |
| **Net assets** | | 780,211 | 687,018 |
| **Capital and Reserves** | | | |
| Share capital authorised allotted called up and fully paid 510 ordinary shares (2006 510 A shares) of £1 each and 490 ordinary shares (2006 490 B' shares) of £1 each | 12 | 1 000 | 1 000 |
| **Profit and loss account** | 12 | 779,211 | 686,018 |
| | | 780,211 | 687,018 |

The financial statements were approved by the board of directors on 23 May 2008 and were signed on its behalf by

S Hueskes
Director

23 May 2008

**Notes**
(forming part of the financial statements)

**1 Basis of preparation**
The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

**2 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

**Dividends on shares presented within shareholders' funds**
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

**Turnover**
The company derives its income from agency agreements under which it provides services to the United Kingdom General Branch of Munich Reinsurance Company and other group companies

**Fixed Assets and Depreciation**
Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Fixtures fittings and Equipment - 4 years to 10 years [10% - 25% per annum]

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 profit 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 FRS19
Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS19

**Pensions**
The company is a participant in the Munich Re UK pension scheme providing benefits based on final pensionable pay and as permitted by FRS 17 Retirement Benefits the scheme has been accounted for in these financial statements as if it was a defined contribution 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 also operates a defined contribution pension scheme where the benefits are based on the value of the individual employees funds

**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

**Operating Lease**
Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

**Notes (continued)**

**2 Multi-employer Pension scheme**

The company is a participant in the Munich Re UK pension scheme providing benefits based on final pensionable pay Munich Re Life Services Ltd is the principal employer sponsoring this scheme and as a result, accounts for it as a defined benefit scheme Munichre General Services Ltd is a participating member and accounts for the scheme as if it was a defined contribution scheme as permitted by FRS 17 Retirement Benefits"

A full valuation of the defined benefit pension scheme was carried out at 31 December 2006 by the scheme actuary The major assumptions used by the actuary were

| | Funding % per annum | Solvency % per annum |
|---|---|---|
| Rate of interest | | |
| before retirement | 6 40% | 3 80% |
| after retirement | 4 80% | 3 80% |
| Rate of salary increases | 5 40% | n/a |
| Rate of earnings CAP | 3 40% | 3 40% |

This valuation showed that on the Funding Basis there was a funding deficiency of £14 153 000 The actuary recommended that Munichre General Services Ltd contribution rate should be set at 30 96% of Scheme Salaries to meet ongoing funding requirements In addition Munichre General Services Ltd would need to pay off part of the deficiency They committed to do this in three lump payments of £750 000 in December 2007 £1 025 000 on or before 31 March 2008 and £1 025 000 on or before 31 March 2009

Munichre General Services Ltd contributions for the year ended 31 December 2007 were £1 653 550 (2006 £1 229 852) which included a single contribution of £750 000 paid in December 2007 as part of the company's commitment to meet the deficiency

**3 Staff**

| | 2007 £ | 2006 £ |
|---|---|---|
| Wages and salaries | 6 034 786 | 4 980 935 |
| Pension costs | 1 990 441 | 1 229 852 |
| Social security costs | 560,101 | 456,083 |
| | 8,585,328 | 6,666,870 |

The average number of persons employed by the company are shown below

| | | |
|---|---|---|
| Underwriting Services | 29 | 25 |
| Claims Services | 22 | 19 |
| Marketing Services | 5 | 5 |
| Administration Services | 23 | 27 |
| | 79 | 76 |

**4 Remuneration of Director**

Directors remuneration consists of the emoluments on behalf of one (2006 one) director

| | 2007 £ | 2006 £ |
|---|---|---|
| Directors emoluments | 316 533 | 159 024 |
| Pension costs | | |
| | 316,533 | 159,024 |

**Notes (continued)**

**5 Operating expenses**
Operating expenses include the following

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Staff costs (Note 3) | 8 585 328 | 6 666 870 |
| Depreciation (Note 8) | 726 483 | 84 916 |
| Remuneration to the auditors of the company | | |
| - Audit fees in respect of statutory audit | 109 980 | 129 945 |
| - Other professional fees paid to auditors | 38 052 | 48 688 |
| Operating lease rentals | | |
| Land and buildings | 3 101 766 | 1 318 251 |

Of the above audit fees £94 980 is in respect of audit fees for Munich Re UK General Branch

**6 Other income**

Other income is derived from an agency agreement whereby the company acts as an appointed representative for Great Lakes Reinsurance (U K ) plc

**7 Taxation**

| **Analysis of tax charge** | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Current tax | | |
| - UK Corporation tax on profits of the period at 30% (2006 30%) | 141 504 | 408 053 |
| - (Overprovision) in prior year | (162) | |
| | 141 342 | 408 053 |
| Deferred tax debit/(credit) in profit and loss account | | |
| - Effect of decreased tax rate on opening asset (note 7A) | 4 657 | |
| Origination and reversal of timing differences (note 7A) | 481 824 | (4 456) |
| Tax on profit on ordinary activities | 627,823 | 403,597 |

**Reconciliation of the standard tax rate to the effective tax rate**

The current tax charge for the period is lower (2006 higher) than the standard rate of corporation tax in the UK 30% (2006 30%) The differences are explained below

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Profit on ordinary activities before tax | 721,016 | 598,210 |
| Corporation tax at 30% | 216 305 | 179 463 |
| Expenses not deductible for tax purposes | 375 483 | 243 239 |
| Permanent Difference Non-qualifying expenditure | 77 391 | |
| Temporary Differences Excess capital allowances over depreciation | (527 675) | (14 649) |
| Adjustment to prior year tax charge | (162) | - |
| Total current tax charge | 141 342 | 408 053 |

**7A Deferred tax liability**

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| At beginning of year | 69 864 | 65 408 |
| Deferred tax charge | | |
| effect of decreased tax rate on opening asset (note 7) | (4 657) | |
| recognised in profit and loss account for the year (note 7) | (481,824) | 4 456 |
| At end of year | (416 617) | 69,864 |

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| The elements of deferred tax are as follows | | |
| Difference between accumulated depreciation and capital allowances | (416,617) | 69,864 |
| | (416 617) | 69 864 |

**Notes (continued)**

**8 Tangible fixed assets**

| | Motor Cars | Fixtures fittings and equipment | Total |
|---|---|---|---|
| **Cost** | £ | £ | £ |
| At beginning of year | 28 281 | 2 734 025 | 2 762 306 |
| Additions | - | 12 659 203 | 12 659 203 |
| Disposals | (28,281) | (1,366,464) | (1 394,745) |
| At end of year | - | 14,026,764 | 14,026,764 |
| **Depreciation** | | | |
| At beginning of year | 28 281 | 1 329 862 | 1 358 143 |
| Charge for year | - | 726 483 | 726 483 |
| Disposals | (28,281) | (1,335,525) | (1,363,806) |
| At end of year | - | 720,820 | 720,820 |
| **Net book value** | | | |
| At 31December 2006 | - | 1 404 163 | 1 404 163 |
| At 31 December 2007 | - | 13 305 944 | 13 305 944 |

**9 Ultimate holding company and intercompany balances**

The company s parent company and ultimate holding company is Münchener Ruckversicherungs-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

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| The balance due from group undertakings at 31 December | | |
| Due within one year | 10,521,670 | 2,597,421 |
| The balance due to group undertakings at 31 December | | |
| - Due within one year | - | (35 016) |
| Due after one year | (16,504,977) | |
| | (16,504,977) | (35,016) |

**10 Other Creditors**

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Sundry Creditors | | |
| - Due within one year | (4 071 105) | (4 120 402) |
| - Due after one year | (3,179,311) | (542,809) |
| | (7,250,416) | (4,663,211) |

**11 Operating lease commitments**

At 31 December 2007 the company has the following annual commitments under operating leases

| | 2007 | 2006 |
|---|---|---|
| | £ | £ |
| Land and buildings which expire after 5 years | (3,101,766) | (1,318,251) |

**Notes (continued)**

**12 Reconciliation of movement in shareholders' funds**

| | Share Capital £ | Profit & Loss Account £ | Total £ |
|---|---|---|---|
| At 1 January 2007 | 1 000 | 686 018 | 687 018 |
| Retained profit for the financial year | - | 93,193 | 93,193 |
| At 31 December 2007 | 1,000 | 779 211 | 780,211 |

**13 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 9