

Munichre General Services Limited

Directors' report and financial statements

For the year ended 31 December 2008  
Registered number 1373441

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## 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 2008.

### 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 including the provision of a claims handling, negotiation and settlement function to the branch and to Great Lakes Reinsurance (UK) plc, a fellow subsidiary.

MRGS continues to hold the leasehold interest in the third floor of Plantation Place, together with the fixed assets associated with the offices.

### Results and dividends

The profit for the year before taxation and dividends amounted to £746,932 (2007: £721,016)

### 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

	2008	2007
Costs in respect of administration services (£m)	16.0	16.9
Margin on administration services	3.8%	4.4%

### Principal risks and uncertainties

As the principal activities are the 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  
Manfred Aldag

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 11 to the financial statements.

### Political and charitable contributions

The company made no political donations during this or the previous year. There were no charitable donations during the year (2007: £850).

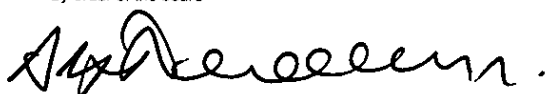
### Disclosure of information to auditors

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.

### Auditors

In accordance with Section 489 of the Companies Act 2006, 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

21 May 2009

**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 2008 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 UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on 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 2008 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

8 Salisbury Square  
London EC4Y 8BB

21 May 2009

**Profit and loss account**

for the year ended 31 December

	Note	2008 £	2007 £
Turnover		16,581,724	17,672,691
Operating expenses	6	(15,978,475)	(16,930,736)
Operating profit		<u>603,249</u>	<u>741,955</u>
Other interest receivable and similar income	7	133,683	-
Other income	8	10,000	10,000
Loss on disposal of fixed assets		-	(30,939)
Profit on ordinary activities before taxation		<u>746,932</u>	<u>721,016</u>
Tax on profit on ordinary activities	9	(379,965)	(627,823)
Profit for the financial year	17	<u><u>366,967</u></u>	<u><u>93,193</u></u>

There are no recognised gains or losses other than the profit for the period.


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	2008 £	2007 £
<b>Fixed assets</b>			
Tangible assets	11	9,903,964	13,305,944
<b>Current assets</b>			
Debtors			
- Amounts owed by group undertakings	12	251,737	10,521,670
- Other debtors, prepayments and accrued income		<u>1,507,235</u>	<u>1,475,961</u>
		1,758,972	11,997,631
Cash at bank and in hand		<u>276,179</u>	<u>199,583</u>
<b>Total current assets</b>		<u>2,035,151</u>	<u>12,197,214</u>
<b>Creditors: amounts falling due within one year</b>			
- Corporation tax payable		(193,793)	(550,937)
- Other creditors and accruals	13	<u>(2,336,283)</u>	<u>(4,071,105)</u>
		(2,530,076)	(4,622,042)
<b>Net current (liabilities)/assets</b>		(494,925)	7,575,172
<b>Total assets less current liabilities</b>		<u>9,409,039</u>	<u>20,881,116</u>
<b>Creditors: amounts falling due after one year</b>			
- Amounts owed to group undertakings	12	(4,167,665)	(16,504,977)
- Other creditors and accruals	13	(2,715,529)	(2,714,046)
- Deferred tax	10	<u>(603,225)</u>	<u>(416,617)</u>
		(7,486,419)	(19,635,640)
<b>Provision for dilapidation</b>	14	(775,442)	(465,265)
<b>Net assets</b>		<u>1,147,178</u>	<u>780,211</u>
<b>Capital and Reserves</b>			
Called up share capital	16	1,000	1,000
Profit and loss account	17	<u>1,146,178</u>	<u>779,211</u>
		1,147,178	780,211

The financial statements were approved by the board of directors on 21 May 2009 and were signed on its behalf by:



S Hueskes  
Director

21 May 2009

## Notes

(forming part of the financial statements)

### 1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting rules and on a going concern basis, notwithstanding the net current liabilities of £494,925 in the balance sheet which the directors believe to be appropriate for the following reasons:

- The directors have reviewed the budget and cash flow forecasts for the company for a period of not less than 12 months from the date of approving these financial statements and are confident that the company will have sufficient resources to meet its liabilities as they fall due.
- As part of this review the directors have taken into account the funding that has been made available to the company from the UK branch of its parent Munchener Rückversicherungs-Gesellschaft (Munich Re) since the year end and the intention to continue to make such funding available.

Accordingly, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

### 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. It also provides insurance claims services to Great Lakes Services Ltd.

#### 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)

3 Multi-employer Pension scheme

The company is a participant in the Munich Re UK Pension Scheme providing benefits based on final pensionable pay. Munichre 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 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 2008 were £1,493,039 (2007: £1,653,550), which included a single contribution of £1,025,000 paid in March 2008, as part of the company's commitment to meet the deficiency.

4 Staff

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

	2008	2007
Underwriting Services	30	29
Claims Services	27	22
Marketing Services	2	5
Administration Services	18	23
	<u>77</u>	<u>79</u>
	2008	2007
	£	£
Wages and salaries	5,290,777	6,034,786
Pension costs	1,730,723	1,990,441
Social security costs	561,432	560,101
	<u>7,582,932</u>	<u>8,585,328</u>

The staff costs include the following emoluments in respect of the directors of the company:

5 Remuneration of directors

	2008	2007
	£	£
Directors' emoluments	<u>300,203</u>	<u>316,533</u>

Directors' remuneration consists of the emoluments on behalf of one (2007 - one) director.

Notes (continued)

6 Operating expenses

Operating expenses include the following:

	2008 £	2007 £
Staff costs (Note 4)	7,582,932	8,585,328
Depreciation (Note 11)	1,550,865	726,483
Operating lease rentals		
- Land and buildings	<u>2,636,501</u>	<u>3,101,766</u>

Remuneration for audit services and for non audit services for Munich Re UK General Branch, are paid through Munich Re General Services Ltd and then recharged on to the branch.

	2008 £	2007 £
Auditors' remuneration		
- for the audit of these financial statements	12,765	15,000
Amounts received by the auditors in respect of Munich Re UK General Branch:		
- audit of financial statements	114,885	94,980
- services related to taxation	34,407	38,666
- all other services	<u>16,615</u>	<u>27,730</u>

7 Other interest receivable and similar income

	2008 £	2007 £
Interest on deposits with banks	<u>133,683</u>	<u>-</u>

8 Other Income

	2008 £	2007 £
Agency Fee	<u>10,000</u>	<u>10,000</u>

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

## 9 Taxation

### Analysis of tax charge

	2008 £	2007 £
Current tax		
- UK Corporation tax on profits of the period at 28.5% (2007: 30%)	305,631	141,504
- (Overprovision) in prior year	(112,274)	(162)
	<u>193,357</u>	<u>141,342</u>
Deferred tax debit/(credit) in profit and loss account		
- Effect of decreased tax rate on opening asset (note 10)	-	4,657
- Origination and reversal of timing differences (note 10)	186,608	481,824
	<u>379,965</u>	<u>627,823</u>
Tax on profit on ordinary activities		

### Reconciliation of the standard tax rate to the effective tax rate:

The current tax charge for the period is lower (2007: lower) than the standard rate of corporation tax in the UK 28.5% (2007 30%). The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	<u>746,932</u>	<u>721,016</u>
Corporation tax at 28.5% (2007 30.0%)	212,876	216,305
Expenses not deductible for tax purposes	121,161	375,483
Permanent Differences : Non-qualifying expenditure	-	77,391
Temporary Differences : Excess capital allowances over depreciation	(28,406)	(527,675)
Adjustment to prior year tax charge	(112,274)	(162)
Total current tax charge	<u>193,357</u>	<u>141,342</u>

## 10 Deferred tax liability

	2008 £	2007 £
At beginning of year	(416,617)	69,864
Deferred tax charge:		
- effect of decreased tax rate on opening asset (note 9)	-	(4,657)
- recognised in profit and loss account for the year (note 9)	(186,608)	(481,824)
At end of year	<u>(603,225)</u>	<u>(416,617)</u>

The elements of deferred tax are as follows:

All of the deferred tax liabilities are in respect of capital allowances	<u>(603,225)</u>	<u>(416,617)</u>
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## 11 Tangible fixed assets

	Fixtures fittings and equipment £	Total £
Cost		
At beginning of year	14,028,764	14,028,764
Additions	-	-
Disposals	(1,851,115)	(1,851,115)
At end of year	<u>12,177,649</u>	<u>12,177,649</u>
Depreciation		
At beginning of year	722,820	722,820
Charge for year	1,550,865	1,550,865
Disposals	-	-
At end of year	<u>2,273,685</u>	<u>2,273,685</u>
Net book value		
At 31 December 2007	<u>13,305,944</u>	<u>13,305,944</u>
At 31 December 2008	<u>9,903,964</u>	<u>9,903,964</u>

## 12 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.

	2008 £	2007 £
The balance due from group undertakings at 31 December		
- Due within one year	251,737	10,521,670
The balance due to group undertakings at 31 December		
- Due after one year	(4,167,665)	(16,504,977)

## 13 Other Creditors

	2008 £	2007 £
Sundry Creditors		
- Due within one year	(2,336,283)	(4,071,105)
- Due after one year	(2,715,529)	(3,179,311)
	(5,051,812)	(7,250,416)

## 14 Provision for dilapidation

	2008 £	2007 £
At beginning of year	(465,265)	(155,088)
Increase in accrual	(310,177)	(310,177)
At end of year	(775,442)	(465,265)

## 15 Operating lease commitments

At 31 December 2008, the company has the following annual commitments under operating leases:

	2008 £	2007 £
Land and buildings which expire : after 5 years:	(3,103,123)	(3,101,766)

## 16 Share Capital

	2008 £	2007 £
Allotted, called up and fully paid		
510 ordinary shares (2007: 510 'A' shares) of £1 each	510	510
490 ordinary shares (2007: 490 'B' shares) of £1 each	490	490
	1,000	1,000

## 17 Reconciliation of movement in shareholders' funds

	Share Capital £	Profit & Loss Account £	Total £
At 1 January 2008	1,000	779,211	780,211
Retained profit for the financial year	-	366,967	366,967
At 31 December 2008	1,000	1,146,178	1,147,178

## 18 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 12.

## 19 Capital commitments

There were no capital commitments as at 31 December 2008 (2007: nil)

## 20 Contingent liabilities

There were no contingent liabilities as at 31 December 2008 (2007: nil)