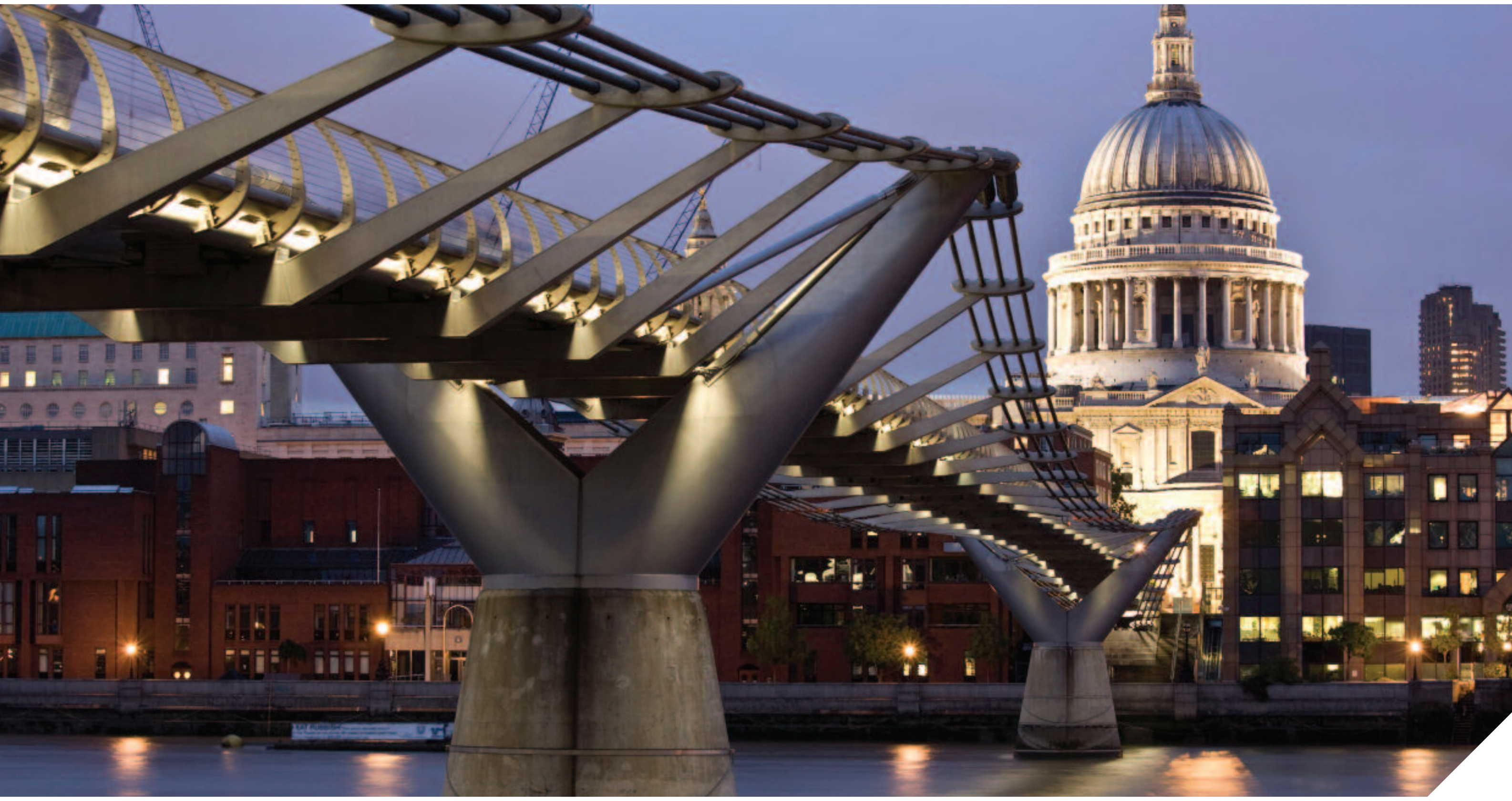

ANNUAL REPORT 2015

Great Lakes Reinsurance (UK) SE

Risk Solutions

Munich RE

CONTENTS

DIRECTORY

Directors

A. J. Medniuk* (Chairman)
A. Stegner (Chief Executive Officer, appointed 5 August 2015)
S. Pasternak (Chief Financial Officer)
C-U. Kroll+ (appointed 1 January 2016)
N. H. H. Smith*
T.J. Carroll*

* Independent Non-Executive Director
+ Non-Executive Director

Secretary

S. G. Pendlebury

Registered Office

Munich Re Group
Plantation Place
30 Fenchurch Street
London EC3M 3AJ

Telephone: +44 (0)20 3003 7000
Facsimile: +44 (0)20 3003 7010
Email: correspondence@greatlakes.co.uk

Auditors

KPMG LLP
15 Canada Square
London E14 5GL

Bankers

Barclays Bank PLC
The Bank of New York Mellon
HSBC Bank PLC
ANZ Banking Group Limited
Aargauische Kantonalbank
Zürcher Kantonalbank
CACEIS Bank Deutschland GmbH
RBC Investor & Treasury Services
Deutsche Bank AG
HypoVereinsbank

Registered Number

SE000083

STRATEGIC REPORT

Principal Activities and Business Review

The directors present their Strategic report for the year ended 31 December 2015.

Principal Activities

Great Lakes Reinsurance (UK) SE ("The Company") is authorised by the Prudential Regulation Authority (PRA) to transact all classes of non-life insurance (incl. health) and reinsurance in the United Kingdom and throughout the European Union via the Freedom of Services directive. The Company also conducts business via branches in Australia, New Zealand, Switzerland, Italy and Ireland and is authorised to write surplus lines business in the USA. The Company is registered in England under registration number SE000083.

The Company is a wholly owned subsidiary of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München ("Munich Re"), a limited liability company incorporated in Germany and is therefore part of the Munich Re Group. The Company acts as a specialist provider of insurance services for the group by using its licenses and relationship with other Group members to develop insurance solutions for their customers. Great Lakes is an integral part of Munich Re's "Primary Insurance out of Reinsurance" strategy (PIRI) and therefore core to the Group.

This is the first year that the Company has presented its results under FRS 102. The previous financial statements were presented under old UK GAAP for the year ended 31 December 2014. The impact of the transition is set out in note 26.

High Level Strategy

The Company's principal mission is to add value to the Munich Re Group by being a leading insurance solutions provider. To further support Group growth objectives, the Company has announced that it plans to re-locate its head office operations to Munich in the first quarter of 2017. Moving to Munich will enable Great Lakes to even better support business in identifying and realising PIRI opportunities and will facilitate joint business development ventures. It will consolidate the PIRI expertise as Great Lakes resources move closer to other business units in the Group. The Company will maintain a substantial presence in the London market via a strong branch operation. The operation and set-up of the international branches of Great Lakes will remain unchanged after the relocation. As a first step in this initiative, the Company changed its legal status on 28 July 2015 from a PLC and became a Societas Europaea (SE) by merging with Diana Vermögensverwaltungs AG, a former German registered company. All of the share capital of this company was purchased on 6 February 2015 from Munich Re for a cash consideration of €67,078.

The Company's strategy is formulated during the annual planning process when a business plan and strategic initiatives are developed and approved, and implementation is controlled and measured via regular monitoring through a Balanced Scorecard. The necessary oversight of challenge, review and approval is provided via quarterly meetings of the Board and its key committees. The strategy and resulting initiatives are communicated to staff and individual performance objectives are aligned with these. The Company is committed to empowering staff to make decisions in line with an appropriate level of authority.

During 2015, the Company has completed its preparations for the implementation of Solvency II on 1 January 2016. The Company has been in continual communication with the PRA on various Pillar 1 topics concerning the internal model of Great Lakes and the so-called IMAP or internal model approval process during the course of the year. As a change to the Munich Re Group internal model which was approved in 2015 by the colleges of supervisors, the Company handed in its final IMAP application documentation in March 2016. Pillar 2 activities have focused on preparing policy and other documentation and further embedding and formalizing the existing corporate governance and risk management practices to conform with Solvency II regulation. Key outputs of this have been the ORSA (Own Risk and Solvency Assessment) and the enhanced Internal Control System (ICS). The Company has successfully completed several test cycles for the preparation of reporting under Solvency II Pillar 3. As a result, the Company considers itself to be ready to provide full Solvency II reporting as of 1 January 2016.

Management and Employees

The Company has a management agreement with Munich Re UK Services Limited, a wholly owned subsidiary of Munich Re. Munich Re UK Services Limited employs all the Company's UK personnel providing full administration management services. Accordingly the Company has no employees of its own.

Risk Management

Risk management includes all the strategies, methods and processes to identify, analyse, assess, control and monitor the short and long term risks the Company faces or may face in the future. This is also referred to as the risk management system.

Implementing the Risk Management System

At the Company, risk management is implemented using the three lines of defence model. This structure forms the basis for the effective separation of duties between business segments that take risks and risk management functions that perform independent risk controls.

The business areas themselves act as the first line of defence. They are responsible for identifying, assessing and accepting risks within the defined risk appetite and risk tolerances. The independent risk management function provides the second line of defence, checking that the proposed business complies with our risk strategy (including risk appetite, risk-bearing capacity and risk criteria, such as limits and triggers, and the associated risk tolerances). The actuarial and compliance functions are also part of the second line of defence. The third line of defence is internal audit, which has the task of ensuring that the processes needed to guarantee effective control are in place. This procedure ensures that there is a clear separation of the business and risk management functions.

Implementing the Risk Management Function

Risk management is a key function at the Company. The Company's Chief Risk Officer (CRO) reports directly to the Chief Executive Officer, is a member of the Executive and Risk and Capital Committees and is a permanent guest member of the Audit and Investment Committees. At his discretion, the CRO has the mandate to escalate risk issues to the Risk and Capital Committee, the Company's Board, and ultimately to the Munich Re Group Integrated Risk Management function and Munich Re Group Chief Risk Officer.

Risk Strategy

The Company has developed a comprehensive risk strategy and risk appetite framework, the main objectives of which are to:

- Ensure continuing capabilities to meet policyholders' claims;
- Enable the Company to generate sustainable shareholder value; and
- Protect the reputation of the Company and, therefore, of the Munich Re Group.

Successful implementation of the risk strategy and risk appetite framework is a major contributor to the Company's overall success and therefore to the benefit and interests of employees. The risk strategy is owned by the Board, managed by the Risk Management Function, firmly embedded within the annual planning cycle through the ORSA and thereby aligned with the business strategy.

Development of the Risk Strategy, Appetites and Tolerances in the Planning Process

The risk strategy is determined by defining risk appetites and tolerances for a series of risk types which are grouped into risk criteria and which set limits to the business plans. A deviation from the risk appetite/risk tolerances can lead to a rejection of the business plan or a proposal to change the risk appetite/tolerance and therefore the risk strategy which would require Board approval.

In this way the risk strategy is interlinked with the business strategy and the planning process and allows the Board to take informed risk based decisions.

The Company's risk strategy encompasses, amongst others, the following significant risk types.

- Insurance risk
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Strategic risk
- Conduct risk

Each risk type has a defined risk appetite/tolerance with limits designed not to be breached, and triggers designed as early warning signals. These limits and triggers are known as Key Risk Indicators (KRIs) and are monitored on a regular basis.

Note 3 provides a more detailed description of the significant risks.

Risk Identification, Monitoring and Reporting

Risk identification is managed through a combination of the work and reporting performed by the Risk Management function, Risk Owners, the Risk and Capital Committee, the Audit Committee and Internal Audit. The risk identification process is used to identify risk at all levels of materiality.

Each quarter, prior to the scheduled meeting of the Risk and Capital Committee, the Risk Management function meets with each Risk Owner to review their risks, assess whether risk assessments are accurate, discuss key developments or concerns within the risk are in question and consider emerging risks.

The Risk Management function may also be sent information on an ad hoc basis outside of the standard reporting process. The information is reviewed by risk management and assessed for impact to the Company. Risk Management will generally meet with the business area from which the matter has arisen to more fully understand the issue at hand and discuss and advise as to the resolution of the matter. Where necessary measures will be allocated to the Risk Owner in order to mitigate the effects, as far as is reasonably practicable.

The Risk Owner has responsibility for monitoring their risks but is assisted and challenged by the Risk Management function. The ongoing and formal risk assessment process explained below ensures that the risk profile of the Company is monitored against the accepted risk appetite or risk tolerance levels.

The Risk Event Monitoring process is a reporting process used by the Risk Management function to record risk events (including fraud events), losses and control failures. Events which occur but result in no known loss to the Company are recorded as 'near misses'. Responsibility for the corrective action for issues or control weaknesses that arise are allocated to an employee in order to ensure that appropriate improvement plans are implemented to the Company's satisfaction. Following the identification of this there is an analysis of the controls in place to prevent the event from re-occurring. It is then possible to determine if the control environment is still fit for purpose, if additional controls need to be added, or existing controls need to be strengthened to prevent re-occurrence. A quarterly summary of all risk events is reported to the Risk and Capital Committee.

The Risk Management function produces a risk report each quarter. The report provides, for all risk categories, an updated view of the current risk position, including key events and quantitative changes, and compares the position with the Company's risk appetite. This report is provided to the Risk and Capital Committee and to the Board.

Environment

The Company does not have a major direct environmental impact as it is essentially service based and operates in a non-manufacturing industry. However, it is aware of its environmental responsibilities and actively strives to reduce its carbon footprint. The Company acts in line with the Environmental, Social and Governmental guidelines of the Munich Re Group.

Business Review and Key Performance Indicators (KPIs)

The Company uses two distinct models for accessing insurance business – delegated acceptances via agency agreements and individual acceptances of large single risks. Overall, gross written premium in 2015 was 7.2% lower than in 2014. Agency sourced business continues to provide the dominant share of the Company's gross written premium, at 79.6%. The agency book is constantly monitored through a suite of quarterly key risk indicators to ensure the quality of the underlying business is maintained by the underlying MGAs. The key focus remains on profitable underwriting and cycle management. The Company retains the business it underwrites through its Corporate Insurance Partner (CIP) division based in London as well as a proportion of the Australian and Swiss facilitated business. CIP offers a highly respected underwriting service to the world's 5,000 largest companies and leading players in their industries as well as their captives. Standard and bespoke solutions in the classes of Property, Engineering, Energy, and Casualty are developed through close cooperation with clients. Increased large loss activity on the Australian branch and CIP business during 2015 compared to the 2014 year resulted in higher gross loss and combined ratios. The increase in the investment return due to gains on disposals could only partly offset the loss on the retained CIP portfolio, resulting in an overall loss before tax of £12.8m for the year ended 31 December 2015.

KPIs	2015	2014	
Gross Written Premium £m	1,795.3	1,934.1	Gross premium written before outwards reinsurance
Gross Loss Ratio	65.9%	54.4%	Ratio of gross claims incurred to gross earned premiums
Gross Combined Ratio	95.8%	88.5%	Ratio of gross claims incurred, commissions and expenses to gross earned premium
Administrative Expense Ratio	1.9%	1.8%	Ratio of administrative expenses to gross earned premium
Profit (Loss) Before Tax £m	(12.8)	12.6	Operating profit from ordinary activities before tax
Shareholder's Funds £m	329.4	350.9	Excess of assets over liabilities supporting business model
Solvency Margin	184.4%	196.6%	Ratio of the adjusted capital to minimum capital requirements

Shareholder's funds as at 31 December 2015 total £329.4m (2014 £350.9m). The Company's solvency margin remains very strong. The Company continually monitors its solvency adequacy and maintains a very satisfactory margin to ensure compliance with regulatory requirements and promote efficient capital management. The Company is rated A+ Superior by A M Best and AA- Strong by Standard and Poor's.

By order of the Board

S. G. Pendlebury
Company Secretary,
31 March 2016

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2015.

Information disclosed within the Strategic Report

In accordance with s414C(11) of the Companies Act 2006, the Company has set out the following information within the Strategic Report (on pages 3 to 5), which would otherwise be contained in the Directors' Report:

- The Company's exposure to principal risks and uncertainties; and
- The Company's objectives for the future development of the Company.

Business Review

The results for the year are set out in the Statement of Profit or Loss in pages 9 to 11. A review of the Company's business activities and any likely future developments can be found in the Strategic report on pages 3 to 5.

Financial Instruments

The Company invests in financial instruments principally to provide cash flows for the payment of liabilities that arise from the insurance contracts it writes. This gives rise to various investment related risks, including market risk, credit risk, and liquidity risk, which are described in the Strategic Report. The financial risk management objectives and policies related to these risks are established in an investment mandate which sets out the goals for the performance of the investment portfolio while complying with defined risk limits. The investment mandate only allows investment in fixed income securities of investment grade and cash instruments, with limits on the total amount of corporate bonds as a percentage of the overall portfolio and also per issuer. Note 9 provides further information on the Company's investment portfolio.

Proposed Dividend

The Directors do not recommend the payment of a dividend (2014: £Nil).

Directors & Directors' Interests

The directors of the Company at the date of this report are set out in the Directory on page 2. Changes in directors during 2015 and up to the date of this report are as follows:

	Date of resignation	Date of appointment
R.H. Altenburger	31 May 2015	
A. Stegner		5 August 2015
G. Funke	31 December 2015	
C-U. Kroll		1 January 2016

None of the directors had a beneficial interest in the shares of the Company. Under the provisions of the Companies Disclosure of Directors' Interests (Exceptions) Regulations 2006, the directors of the Company are exempt from disclosing any interests in the shares of the ultimate holding company.

Political Contributions

The Company made no political donations or incurred any political expenditure during the year.

Major Shareholdings

The Company is a wholly owned subsidiary of Munich Re, a company incorporated in Germany. Copies of the Munich Re group accounts are available from Königinstrasse 107, 80802, Munich, Germany.

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 information of which the Company's auditors are unaware; and that each director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information, and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed reappointed and KPMG LLP will therefore continue in office.

Going Concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 3 to 6. Based on this, and having satisfied themselves on the financial security of the Company, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

By order of the Board

S. G. Pendlebury
Company Secretary,
31 March 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 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; 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 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 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREAT LAKES REINSURANCE (UK) SE

We have audited the financial statements of Great Lakes for the year ended 31 December 2015 set out on pages 9 to 44. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as required by Article 61 of the EU Council Regulation (2157/2011/EC) on the Statute for the European Company. 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 auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion 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 loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mark Taylor (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL

31 March 2016

STATEMENT OF PROFIT OR LOSS

Technical Account - General Business
for the year ended 31 December 2015

	Notes	2015 £'000	2014 (restated)* £'000
Gross premiums written	4	1,795,282	1,934,117
Outwards reinsurance premiums		1,683,504	1,812,640
Net premiums written		**111,778**	**121,477**
Change in the gross provision for unearned premiums	17	14,066	4,997
Change in the provision for unearned premiums - reinsurers' share	17	6,952	3,251
Change in the net provision for unearned premiums		7,114	1,746
Earned premiums, net of reinsurance		**118,892**	**123,223**
Investment return allocated from the non-technical account		10,621	8,569
Other technical income, net of reinsurance	7	27,335	26,858
TECHNICAL INCOME		**156,848**	**158,650**

The notes on pages 16 to 44 form part of these financial statements.
*See note 1.

STATEMENT OF PROFIT OR LOSS

Technical Account - General Business (continued)
for the year ended 31 December 2015

	Notes	2015 £'000	2014 (restated)* £'000
Gross claims paid		784,482	944,025
Reinsurers' share		719,227	883,916
Net paid claims		**65,255**	**60,109**
Change in the gross provision for claims	17	408,695	111,406
Reinsurers' share	17	369,165	111,915
Change in the net provision for claims		**39,530**	**(509)**
Claims incurred net of reinsurance		104,785	59,600
Net operating expenses	8	66,533	89,146
Change in unexpired risk provision	17	3,455	-
TECHNICAL EXPENSES		**174,773**	**148,746**
BALANCE ON THE TECHNICAL ACCOUNT - GENERAL BUSINESS		**(17,925)**	**9,904**

The notes on pages 16 to 44 form part of these financial statements.
*See note 1.

STATEMENT OF PROFIT OR LOSS

Non-Technical Account
for the year ended 31 December 2015

	Notes	2015 £'000	2014 (restated)* £'000
BALANCE ON THE TECHNICAL ACCOUNT - GENERAL BUSINESS		**(17,925)**	**9,904**
INVESTMENT RETURN			
Investment income	5	12,630	10,043
Investment expenses and charges	6	(2,009)	(1,474)
Total investment return		10,621	8,569
Investment return allocated to the technical account		(10,621)	(8,569)
		(17,925)	**9,904**
Exchange gains (losses)		5,112	2,736
PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	4, 9	**(12,813)**	**12,640**
Tax (charge) credit on ordinary activities	11	1,964	(3,668)
PROFIT (LOSS) ON ORDINARY ACTIVITIES AFTER TAX		**(10,849)**	**8,972**

The loss for the year and the profit for the prior year relate to continuing activities. The notes on pages 16 to 44 form part of these financial statements.

*See note 1.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Notes	2015 £'000	2014 (restated)* £'000
PROFIT (LOSS) FOR THE YEAR		**(10,849)**	**8,972**
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR			
Currency translation losses on foreign currency net investments		(3,444)	(928)
Unrealised gains and losses on the Fair Value of available for sale investments		(9,030)	6,467
Tax (charge) credit on unrealised gains and losses on the Fair Value of available for sale investments	11	1,829	(1,390)
OTHER COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR AFTER TAX		**(10,645)**	**4,149**
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR		**(21,494)**	**13,121**

The notes on pages 16 to 44 form part of these financial statements.
*See note 1.

BALANCE SHEET

Assets
as at 31 December 2015

	Notes	2015 £'000	2014 (restated)* £'000
INVESTMENTS			
Financial investments	12	526,840	562,456
		526,840	**562,456**
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Unearned premium	17	836,743	841,708
Claims outstanding	17	2,860,910	2,482,498
		3,697,653	**3,324,206**
DEBTORS			
Arising out of direct insurance operations	13	834,275	594,063
Deposit assets		41,577	74,812
Deferred tax	11	4	5
Taxation		7,910	2,623
Other debtors	14	47,540	52,817
		931,306	**724,320**
OTHER ASSETS			
Cash at bank	15	**133,927**	**66,902**
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest		4,231	5,250
Deferred acquisition costs	19	224,298	240,625
		228,529	**245,875**
TOTAL ASSETS		**5,518,255**	**4,923,759**

The notes on pages 16 to 44 form part of these financial statements.
*See note 1.

BALANCE SHEET

Liabilities
as at 31 December 2015

	Notes	2015 £'000	2014 (restated)* £'000
EQUITY			
Share capital	16	114,000	114,000
Foreign exchange translation reserve		(4,802)	(1,358)
Other reserves		1,102	8,303
Retained earnings		219,139	229,988
Total equity		**329,439**	**350,933**
TECHNICAL PROVISIONS			
Unearned premium	17	923,131	935,572
Claims outstanding	17	3,180,529	2,759,225
Unexpired risk reserve	17	3,455	-
		4,107,115	**3,694,797**
PROVISIONS FOR OTHER RISKS AND CHARGES	20	**1,200**	**1,080**
CREDITORS			
Arising out of direct insurance operations	21	760,505	485,135
Deposit liabilities		81,822	112,110
Taxation		165	-
Other creditors	22	26,979	49,669
		869,471	**646,914**
ACCRUALS AND DEFERRED INCOME			
Deferred reinsurance commissions	19	198,586	218,560
Deferred overrider commissions		12,444	11,475
		211,030	**230,035**
TOTAL LIABILITIES AND EQUITY		**5,518,255**	**4,923,759**

The notes on pages 16 to 44 form part of these financial statements.
*See note 1.

Approved by the board on 31 March 2016.

A. Stegner - Chief Executive Officer S. Pasternak - Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Share capital £'000	Foreign exchange translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2014 (as previously reported)	114,000	-	-	231,839	345,839
Effect of change in accounting policy (Note 1)	-	30	-	(8,970)	(8,940)
Effect of transition to FRS 102 and FRS 103 (Note 26)	-	(460)	3,226	(1,853)	913
Balance at 1 January 2014 (restated)	114,000	(430)	3,226	221,016	337,812
Profit or loss for the year (restated)	-	-	-	8,972	8,972
Other comprehensive income for the year	-	(928)	5,077	-	4,149
Balance at 31 December 2014 (restated)	**114,000**	**(1,358)**	**8,303**	**229,988**	**350,933**
Profit or loss for the year	-	-	-	(10,849)	(10,849)
Other comprehensive income for the year	-	(3,444)	(7,201)	-	(10,645)
Balance at 31 December 2015	**114,000**	**(4,802)**	**1,102**	**219,139**	**329,439**

NOTES TO THE ACCOUNTS

1. Basis of preparation of the Financial Statements

The financial statements of Great Lakes Reinsurance (UK) SE ("the Company") have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. In conjunction with FRS 102 the Company has applied IAS 39 Financial Instruments: Recognition and Measurement. As a result of FRS 102 the financial statements were also prepared in accordance with Financial Reporting Standard 103 applicable to entities in the UK and Republic of Ireland with general insurance business or long-term insurance business ("FRS 103") as issued in March 2014. The financial statements have been prepared under the historical cost accounting rules, except for financial assets held as available-for-sale which are measured at fair value. The financial statements are presented in Pound Sterling which is the Company's functional currency.

The Company's parent undertaking Munich Re includes the Company in its consolidated financial statements. The consolidated financial statements of Munich Re are prepared in accordance with International Financial Reporting Standards and are available to the public and can be obtained from the Company's registered office at the address provided in the report of the Directors on page 6. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and

As the consolidated financial statements of Munich Re include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The requirement of Section 33 Related Party Disclosures paragraph 33.7

An overview of the Company's key sources of business, key performance indicators and high level strategy are set out in the Directors Report. The Company has significant financial resources together with prudent investment policies, high quality of assets, robust underwriting procedures controls and mitigating processes including, but not limited to, reinsurance. Consequently, the directors believe that the Company is well placed to manage its business risks. The directors are confident that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Change in Accounting Policy

These are the first set of financial statements prepared by the Company in accordance with FRS 102. In its transition to FRS 102 from old UK GAAP, the Company has made measurement adjustments. An explanation of this impact on the financial position and performance are given in note 26.

In these financial statements the Company has changed its accounting policy in respect of overrider commission.

The change in accounting policy means that overrider commission will now be accounted for on an earned basis in line with ceded earned premiums and not on a cash basis as previously. The effect of this change is that deferred overrider commissions are now included and shown under, "liabilities" in the statement of financial position.

The impact of this change was a reduction in retained earnings and total equity at 1 January 2014 of £8,940k and an increase in technical income of £211k and an increase in total comprehensive income and equity of £140k for the year ended 31 December 2014.

The effect of the change in accounting policy is shown in the statement of changes in equity and by heading the primary statements and notes "restated" where figures have changed compared to previously reported.

2. Accounting Policies

The following accounting policies have been applied consistently within the accounts and from one financial year to another, in dealing with items which are considered material in relation to the financial statements.

Use of judgements and estimates in recognition and measurement

In preparing the financial statements, the Company has to use judgement in applying accounting policies and to make estimates and assumptions that affect the year-end items shown in the balance sheet and the statement for profit or loss.

Particularly in insurance and reinsurance, the use of estimates for measuring technical provisions is of substantial significance, given that measurement is invariably based on models and the development of future cash flows from insurance contracts cannot be conclusively predicted. But judgement and estimates play a significant role in the case of other items as well.

The Company's internal processes are geared to determining amounts as accurately as possible, taking into account all the relevant information. The basis for determining amounts is management's best knowledge regarding the items concerned at the reporting date.

Nevertheless, it is in the nature of these items that estimates may have to be adjusted in the course of time to take account of new knowledge. Discretionary judgement and estimates are of significance for the following items in particular:

- Fair values and impairments of financial instruments
- Deferred acquisition costs
- Technical provisions
- Deferred tax
- Contingent liabilities

Premiums

Written premiums comprise the amount receivable including an estimate of pipeline premiums during the financial year for the whole period the Company is on risk in respect of contracts of insurance entered into and incepting during that period, together with any further adjustments to premiums receivable for prior accounting periods that had not been fully recognised in previous financial statements. Pipeline premiums are those collected by intermediaries but not yet received, and are assessed based on estimates from underwriting or past experience. Premiums are stated before deduction of commissions but net of taxes and duties levied on premiums.

Premiums are earned over the term of the insurance policies to which they relate, in accordance with the risk coverage provided by the underlying insurance policies.

Outward reinsurance and retrocession premiums are accounted for in the same accounting period as the premiums for the underlying direct insurance or inwards reinsurance business.

Unearned premiums

Premiums that relate to the unexpired terms of insurance policies in force at the balance sheet date are deferred as unearned premiums. These unearned premiums are taken to the Profit and Loss account so that premiums are recognised over the period of risk coverage provided by the underlying insurance policies.

Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance and reinsurance contracts. The proportion of acquisition costs incurred in respect of unearned premiums is deferred at the balance sheet date and recognised in later periods when the related premium is earned.

Claims incurred

Claims incurred comprise claims and claim settlement expenses (both internal and external) paid in the year and the movement in the provision for outstanding claims and settlement expenses, including an allowance for the costs of claims incurred by the balance sheet date but not reported until after the year end.

Claims outstanding

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported ("IBNR") to the Company. The estimate of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries.

The Company takes all reasonable steps to ensure that it has all appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, the final outcome may be different from the original liability established.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. IBNR claims may often not emerge until many years after the underling event has happened. Classes of business where the IBNR proportion of the total reserve is high, such as liability business, will typically display greater variations between initial estimates and final outcomes because of the greater degree of uncertainty involved.

Classes of business where claims are typically reported relatively quickly after the claim event, such as property business, tend to display lower levels of reserve volatility. In calculating the estimated cost of unpaid claims, management uses a variety of estimation techniques, generally based upon statistical analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to vary when compared with the cost of previously settled claims. This includes:

- changes in processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business (including the effect of currency fluctuations);
- the impact of large losses; and
- movements in industry benchmarks.

Specific information on individual claims are also taken into account, based for example on reports of loss adjusters. Furthermore, large claims are generally assessed separately, being measured on a case by case basis or projected separately in order to prevent distortions of the general claims development pattern.

Actuarial techniques are used to estimate the required level of provisions. This generates a deeper understanding of the trends inherent in the data and also assists in providing a range of possible outcomes. The most appropriate estimation technique is selected, taking into account the characteristics of the class of business and the extent of the development of each underwriting year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the reinsurers' share of provisions for claims based on calculated amounts for outstanding claims and projections for IBNR, net of estimated uncollectible amounts. Again, a range of statistical techniques are used in making these estimates.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

Unexpired risk provisions

Provision is made for claims emanating from unexpired risks in respect of the contracts concluded before the end of the financial year which continue in force after that date and where claims are expected to exceed the unearned premiums under these policies. In calculating such a provision all business segments are considered individually and are stated after taking into account future investment income.

Other technical income

Other technical income comprises overriding commissions receivable and is reflected in the technical account on the same basis as the underlying business to which it relates.

Financial assets and liabilities

In applying FRS 102, the Company has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

The accounting classification of financial assets and liabilities determines the way in which they are measured. Fixed-interest securities are classified as available for sale.

All financial assets are initially recognised at fair value. Subsequent to initial recognition, available-for-sale financial debt securities are measured at fair value with unrealised gains and losses being recognised in other comprehensive income and accumulated in a separate equity reserve.

If an available-for-sale investment is sold or impaired, the cumulative gain or loss accumulated in the fair value reserve is reclassified to profit or loss.

Listed investments are stated at bid - value at the close of business on the balance sheet date or the last Stock Exchange dealing day before the balance sheet date.

Loans and receivables are financial assets with fixed or determinable payments and are not quoted on an active market. They are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

The carrying value of all financial assets is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Investment return

Investment income comprises interest, dividends, and realised and unrealised investment gains and losses.

Realised gains and losses represent the difference between net sales proceeds and purchase price or market value at the previous year end. Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their purchase price, adjusted for previously recognised unrealised gains and losses on investments disposed of in the accounting period.

All investment income and gains and losses, are initially accounted for in the non-technical account. An allocation is then made from the non-technical account to the general business technical account to reflect the return of those assets supporting underwriting activities.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax. or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Leases and hire purchase contracts

Payments made under operating leases are charged to the profit and loss account in the period in which they become payable.

Foreign currencies

Foreign currency transactions are translated at the rates of exchange ruling at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Non monetary assets and liabilities transacted in foreign currencies are translated into sterling using the rate of exchange ruling at the date of the transaction.

The results and balance sheets of overseas controlled entities ("branches") that have a functional currency different from sterling (the presentation currency) are translated into sterling (the presentation currency) as follows:

- assets and liabilities are translated into sterling at the rate ruling at the balance sheet date;
- income and expenses are translated at cumulative average rates of exchange; and
- all resulting exchange differences are recognised in the Other comprehensive income.

All other foreign exchange differences are taken to the non-technical account.

3. Risk Management

Significant risks

Our general definition of risk is possible future developments or events that could result in a deviation from the Company's prognoses or targets. According to our classification, significant risks are risks that could have a long-term adverse effect on the Company's assets, financial situation or profitability. There are significant risks in the following risk categories:

Insurance risk

Insurance risk is defined as the risk of insured losses being higher than our expectations. The following states significant components of the insurance risk.

- Reserve risk: The risk of significant economic loss as a result of inappropriate or inadequate reserving
- Premium risk: The risk of decreasing technical rates and implied increased likelihood of future underwriting losses
- Catastrophe risk: Potential loss or increased claims experienced as a result of a single catastrophe or series of catastrophes
- Claims management risk: The risk of potential loss as a result of actual claims payments differing from the expected amount of claims payments
- Underwriting risk: The risk of potential loss due to inadequate underwriting activity

For insurance risk, key components of our risk management framework are the monitoring of risk developments and the constant review of actuarial assumptions used for the calculation of technical provisions. Premiums and reserves are calculated on the basis of carefully selected assumptions.

As a first stage of risk assessment, pricing and underwriting guidelines are in place for each class of business or segment, which are aligned with the general guidelines applicable to all (re)insurance entities within Munich Re Group.

Moreover, the Company's Actuarial department in conjunction with the Munich Re Central Reserving department ensure that sufficient reserves are held to cover the liabilities incurred through regular monitoring of actual versus expected claims and the annual reserve review process. The full analysis and calculation of the reserves of the company is performed once a year during the year-end closing. The calculation of the reserves is performed with methods and models, which are generally accepted by actuarial science and especially follow Munich Re Group guidance. For local UK GAAP purposes, the booked provisions for the retained part of the business are set on a prudent best estimate level.

These measures and processes ensure that the business written by the Company is managed and reserved in a risk adequate manner. The appropriateness of the guidelines is checked continuously with independent control processes and amendments are made if necessary. Each key function holder (Audit, Compliance, Risk Management and Actuarial) is responsible for compliance with the guidance.

The business that the Company retains is protected by an effective Group-internal non-proportional reinsurance programme. A thorough analysis is undertaken on a yearly basis to optimise the structure of the reinsurance programme and secure a risk adequate retention level.

Note 4 sets out the concentration of insurance risk by contract type and gives a geographical split of premiums.

The table below demonstrates a 1% - change in the financial year loss ratio and the subsequent impact on total claims outstanding (gross and net:

	2015 £'000	2014 £'000
GROSS		
Claims outstanding year-end	3,180,529	2,759,225
1% - change in financial year loss ratio	18,093	19,391
NET		
Claims outstanding year-end	319,619	276,727
1% - change in financial year loss ratio	1,189	1,232

Market risk

Market risk refers to the risks arising from advers movements in the financial markets. These include potential losses in equity markets, changes in interest rates or credit spreads and adverse foreign exchange movements.

It is the Company's strategy to take on very limited Market Risk and this is reflected in the investment benchmark pursued. This strategy stems from a desire for optimising asset diversification rather than maximizing the investment income potential. Given the Company's low market risk appetite, the investment portfolio consists of fixed income and money market securities (government bonds, corporate bonds and cash) and is exposed mainly to foreign exchange and interest rate risk. This Market Risk is mitigated to the extent that the Company's liability cash flows can be estimated and matched by asset cash flows. The matching allows for liabilities to be met regardless of the state of market drivers such as interest or exchange rates, and therefore it is the mismatch in the characteristics of assets and liabilities that drives market risk. This concept underlies both the Company's asset-liability management (ALM) and Market Risk measurement and involves:

- the development of an economic Replicating Portfolio (RP) representing the characteristics of the best estimate liabilities in terms of currency, interest rate and inflation sensitivity.
- development of the Economic Neutral Position (ENP) which adds to the RP a preference for the risk structure of the surplus in terms of duration, currency, interest rate and inflation sensitivity, while also reflecting fungibility constraints.
- development of a Target Risk Return Profile (Benchmark Portfolio BMP) which takes into account the risk preference of the Board for strategic asset-liability mismatch risk (Market Risk relative to the ENP and Credit Risk) as well as statutory and other restrictions.

The table below shows the Company's sensitivity to changes in interest rate on investment assets:

Shift in yield (basis points) as at 31 December 2015

	AUD $ £'000	CAD $ £'000	CHF £'000	EUR € £'000	USD $ £'000	GBP £ £'000	Total £'000
50 basis point increase	299	203	666	1,105	1,400	2,858	6,531
50 basis point decrease	(306)	(206)	(683)	(1,148)	(1,459)	(2,919)	(6,721)

Shift in yield (basis points) as at 31 December 2014

	AUD $ £'000	CAD $ £'000	CHF £'000	EUR € £'000	USD $ £'000	GBP £ £'000	Total £'000
50 basis point increase	190	85	509	1,163	1,815	4,861	8,623
50 basis point decrease	(194)	(87)	(520)	(1,207)	(1,893)	(5,001)	(8,902)

The table below sets out the largest currency exposures of the Company:

Currency split as at 31 December 2015

	AUD $ £'000	CAD $ £'000	EUR € £'000	USD $ £'000	GBP £ £'000	Other £'000	Total £'000
Assets							
Investments	18,686	2,492	43,606	153,506	350,127	-	568,417
Reinsurer's share of technical provisions	251,624	41,798	322,815	823,516	2,235,351	22,549	3,697,653
Insurance and other receivables	77,037	(5,529)	28,053	198,109	577,725	14,334	889,729
Cash and cash equivalents	17,175	1,768	21,709	22,255	68,665	2,355	133,927
Prepayments and accrued income	46,611	340	17,970	43,486	116,274	3,848	228,528
Total Assets	**411,133**	**40,869**	**434,153**	**1,240,872**	**3,348,142**	**43,086**	**5,518,255**
Liabilities							
Technical Provisions	(304,240)	(41,798)	(393,315)	(987,700)	(2,355,688)	(24,374)	(4,107,115)
Provisions for other risks and changes	-	-	-	-	(1,200)	-	(1,200)
Reinsurance and other payables	(39,802)	(318)	(24,366)	(175,418)	(613,058)	(16,509)	(869,471)
Accruals and deferred income	(31,443)	(341)	(18,679)	(43,494)	(113,183)	(3,890)	(211,030)
Total Liabilities	**(375,485)**	**(42,457)**	**(436,360)**	**(1,206,612)**	**(3,083,129)**	**(44,773)**	**(5,188,816)**
Net Assets	**35,648**	**(1,588)**	**(2,207)**	**34,260**	**265,013**	**(1,687)**	**329,439**

Currency split as at 31 December 2014

	AUD $ £'000	CAD $ £'000	EUR € £'000	USD $ £'000	GBP £ £'000	Other £'000	Total £'000
Assets							
Investments	19,583	2,822	44,046	108,730	461,835	252	637,268
Reinsurer's share of technical provisions	214,468	53,271	306,486	705,181	2,025,066	19,734	3,324,206
Insurance and other receivables	37,713	(5,207)	23,234	96,469	482,650	14,649	649,508
Cash and cash equivalents	10,528	238	8,966	32,229	13,598	1,343	66,902
Prepayments and accrued income	50,566	397	14,340	31,853	143,978	4,741	245,875
Total Assets	**332,858**	**51,521**	**397,072**	**974,462**	**3,127,127**	**40,719**	**4,923,759**
Liabilities							
Technical Provisions	(260,813)	(53,271)	(368,937)	(838,828)	(2,151,784)	(21,164)	(3,694,797)
Provisions for other risks and changes	-	-	-	-	(1,080)	-	(1,080)
Reinsurance and other payables	(8,188)	668	(4,155)	(59,028)	(561,096)	(15,115)	(646,914)
Accruals and deferred income	(35,215)	(403)	(14,528)	(30,932)	(144,293)	(4,664)	(230,035)
Total Liabilities	**(304,216)**	**(53,006)**	**(387,620)**	**(928,788)**	**(2,858,253)**	**(40,943)**	**(4,572,826)**
Net Assets	**28,642**	**(1,485)**	**9,452**	**45,674**	**268,874**	**(224)**	**350,933**

The following table shows the currency sensitivity on the Company's net assets (before tax):

2015	AUD $ £'000	CAD $ £'000	EUR € £'000	USD $ £'000	GBP £ £'000	Other £'000	Total £'000
1% increase in original currency	356	(16)	(22)	343	-	(17)	644
5% increase in original currency	1,782	(79)	(110)	1,713	-	(84)	3,222
10% increase in original currency	3,565	(159)	(221)	3,426	-	(169)	6,442
1% decrease in original currency	(356)	16	22	(343)	-	17	(644)
5% decrease in original currency	(1,782)	79	110	(1,713)	-	84	(3,222)
10% decrease in original currency	(3,565)	159	221	(3,426)	-	169	(6,442)

2014	AUD $ £'000	CAD $ £'000	EUR € £'000	USD $ £'000	GBP £ £'000	Other £'000	Total £'000
1% increase in original currency	286	(15)	95	457	-	(2)	821
5% increase in original currency	1,432	(74)	473	2,284	-	(11)	4,104
10% increase in original currency	2,864	(149)	945	4,567	-	(22)	8,205
1% decrease in original currency	(286)	15	(95)	(457)	-	2	(821)
5% decrease in original currency	(1,432)	74	(473)	(2,284)	-	11	(4,104)
10% decrease in original currency	(2,864)	149	(945)	(4,567)	-	22	(8,205)

Credit risk

Reinsurance credit risk

The assumption of reinsurance credit risk, being the deterioration of a counterparty's credit worthiness, is an essential part of the Company's business model. The vast majority of reinsurance placed within the Munich Re Group and the recoveries are paid when due. There are no past due or impaired balances. For the resulting credit risk exposure, a maximum limit has been set and a risk mitigation scheme based on a system of triggers has been put in place.

The Company's remaining insurance receivables, emanating mainly from agency receivables, are mostly non-rated.

The following table provides information on the carrying value of receivables arising out of direct insurance business and its valuation adjustment.

RECEIVABLES ARISING OUT OF DIRECT INSURANCE BUSINESS	2015 £'000	2014 £'000
Unadjusted receivables arising out of direct insurance business	835,533	599,842
Valuation adjustment	(1,258)	(5,779)
TOTAL	**834,275**	**594,063**

The Company has allowed for a valuation adjustment on a bulk basis for the receivables due over 90 days. The Company believes for the remaining receivables due over 90 days an adjustment is not appropriate as the amounts due will be collected through normal credit procedures. Furthermore any shortfall on overdue and uncollected amounts is covered through the reinsurance contract for the facilitated book of business.

2015	Less than 90 days £'000	90 - 120 days £'000	120 - 180 days £'000	More than 180 days £'000	Total £'000
Receivables arising out of direct insurance business	824,664	10,869	-	-	835,533
Valuation adjustment	-	(1,258)	-	-	(1,258)
TOTAL	**824,664**	**9,611**	**-**	**-**	**834,275**

2014	Less than 90 days £'000	90 - 120 days £'000	120 - 180 days £'000	More than 180 days £'000	Total £'000
Receivables arising out of direct insurance business	592,039	7,803	-	-	599,842
Valuation adjustment	-	(5,779)	-	-	(5,779)
TOTAL	**592,039**	**2,024**	**-**	**-**	**594,063**

Financial asset credit risk

Credit risk can occur through the deterioration of the credit worthiness of a counterparty or financial instrument. For investment credit risk, counterparty limits have been defined and are being monitored on a regular basis and reported to the Risk and Capital Committee. Additionally, there is associated risk management activity through the liability-driven investment process.

The following table provides information on the credit risk exposure of the Company's financial assets:

Rating of financial assets as at 31 December 2015

	AAA £'000	AA £'000	A £'000	BBB £'000	non-rated £'000	Total £'000
Government fixed interest securities	189,470	224,470	3,100	20,233	-	437,273
Corporate bonds	-	10,667	33,285	28,288	-	72,240
Covered bonds	17,293	-	-	-	-	17,293
Other securities	-	-	-	-	34	34
Deposit assets	-	-	-	-	41,577	41,577
Debtors arising out of direct insurance operations	-	6,300	-	-	827,975	834,275
Other debtors	-	-	-	-	47,450	47,450
Cash at bank	90,706	29,596	13,307	318	-	133,927
Total	**297,469**	**271,033**	**49,692**	**48,839**	**917,036**	**1,584,069**

Rating of financial assets as at 31 December 2014

	AAA £'000	AA £'000	A £'000	BBB £'000	non-rated £'000	Total £'000
Government fixed interest securities	194,129	254,803	3,149	3,851	-	455,932
Corporate bonds	-	11,511	51,276	22,906	-	85,693
Covered bonds	14,410	6,388	-	-	-	20,798
Other securities	-	-	-	-	32	32
Deposit assets	-	-	-	-	74,812	74,812
Debtors arising out of direct insurance operations	-	6,669	-	-	587,394	594,063
Other debtors	-	-	-	-	52,817	52,817
Cash at bank	29,460	27,050	10,392	-	-	66,902
Total	**237,999**	**306,421**	**64,817**	**26,757**	**715,055**	**1,351,050**

Liquidity risk

Liquidity risk is the risk of potential loss as a result of insufficient liquidity to pay liabilities as they become due.

A substantial part of the Company's shareholders' funds is invested in highly liquid assets, which is available to cover temporary liquidity. Investments are arranged in such a way that they coincide with the expected pay-out pattern of the Company's liabilities. In the context of liquidity planning, the liquidity required is forecasted and monitored on a regular basis. A short-term safety margin is included in case actual cash flows deviate from planned cash flows. The Company can call on funds from the Munich Re Group cash pool on short notice should there be any unexpected cash requirements.

As at 31 December 2015 the average duration of our investments is approximately 2 years, the average duration of the Company's net technical reserves for the retained CIP business is approximately 3 years. The contractual period to maturity of the Company's financial investments is set out in note 12.

The table below states the expected payment pattern from the provisions for gross outstanding claims of £3,180,529 (2014: £2,759,225) and net outstanding claims of £319,619 (2014: £276,727).

	2015 Gross %	2015 Net %	2014 Gross %	2014 Net %
up to one year	44%	48%	40%	47%
over one and up to two years	21%	16%	16%	15%
over two and up to five years	25%	19%	34%	20%
over five years	10%	17%	10%	18%
Total	**100%**	**100%**	**100%**	**100%**

Operational risk
Operational risk is the risk of losses stemming from inadequate or failed internal processes, people and systems or from external events.

The Company manages operational risk through a specific Internal Control System (ICS). Using this approach, material risks and the related key controls across all processes are identified, analysed and assessed via the Risk and Control Assessment (RCA) process where improvements and control procedures are also defined. The ICS approach systematically links risks and processes to create a 'risk map' highlighting all relevant risk control points for the Company. This approach is standardised across the Munich Re Group and reported regularly to the Risk and Capital Committee.

Strategic risk
Strategic risk occurs through a negative impact to the Company, financial or otherwise, due to the inability to implement appropriate business plans and strategies, make decisions, allocate resources or adapt to changes in the business environment. The strategy of the Company is regularly monitored and reported to the senior management through the use of the Balanced Scorecard framework.

Capital Management
The overall aim of the Company's capital management is to optimise the capital usage of the Company. The Capital Management approach must be in line with the Company's overall steering philosophy, embracing economic steering concepts to the largest extent possible but being flexible enough to reflect other important constraints such as regulatory requirements etc. It must support the economic value creation for the Company and, at the same time, contribute to shape the risk profile in order to protect policyholders and the reputation of the Company. The 'hub approach' as described below will underpin capital and risk transfers, thus facilitating optimal capital efficiency.

The 'hub approach' is an essential element of the Group´s capital management that its subsidiaries benefit from the 'parental support' of the financial strength of the Munich Re parent company which can provide capital or capital relief at short notice. Parental support allows for lower capitalisation levels than might be required of an independent or stand-alone company which result in lower absolute cost of capital from a subsidiary's perspective.

Through active capital management, it is ensured that the Company's capitalisation is maintained at an appropriate level. The Company's available financial resources (Own Funds in Solvency II terminology) must always be sufficient to cover the capital requirements determined by the ruling requirements of supervisory authorities, rating agencies and the risk appetite and buffer set by the Company's Board. Moreover, the intention is to ensure that the Company´s financial strength is such that it enables us to take advantage of opportunities for profitable growth.

Capital Management focuses on the following financial criteria

I. Economic Solvency Ratio

II. Regulatory capital requirements (Solvency II Internal Model including any regulatory loadings)

III. Rating capital requirements

IV. Liquidity

Each category (economic solvency ratio, regulatory capital, rating capital and liquidity) is monitored closely within the key risk indicator system as defined in the 'Risk Limit and Trigger Manual (RLTM)' of the Company. The economic solvency ratio, regulatory capital and rating capital requirements form the financial strength criterion.

Conduct risk
Conduct risk is the risk of detriment caused to the Company, its policyholders clients or counterparties as a result of the inappropriate execution of the business activities.

The Audit Committee receives quarterly management information comprised of quantitative data received from the agents as well as internal qualitative assessments. In case of the overall assessment being negative, the Audit Committee will receive a follow up on the risk mitigation proposal by the Senior Insurance Manager. Furthermore, the Risk and Capital Committee receives a quarterly status update.

As the Conduct Risk Framework takes further shape within the Company, additional risk measures and monitoring processes will be developed over time.

4. Segmental Information

(a) Analysis of gross premiums, profit before tax and net assets

	Gross premiums written 2015 £'000	Profit (Loss) before tax 2015 £'000	Net assets 2015 £'000	Gross premiums written 2014 £'000	Profit (Loss) before tax 2014 (restated) £'000	Net assets 2014 (restated) £'000
BY GEOGRAPHICAL SEGMENT						
United Kingdom	1,434,481	(17,387)	282,003	1,551,724	9,313	315,713
Switzerland	4,292	551	5,091	6,852	1,481	4,462
Italy	18,926	300	461	17,633	88	58
Australia	245,356	2,835	38,917	268,097	715	29,075
New Zealand	17,534	(116)	464	19,689	90	552
Ireland	74,693	1,004	2,503	70,122	953	1,073
	1,795,282	**(12,813)**	**329,439**	**1,934,117**	**12,640**	**350,933**

The directors consider the Company to be involved in only one type of business, that is general insurance business.

(b) Analysis of gross written premiums

	2015 £'000	2014 £'000
Resulting from contracts concluded by the Company:		
In the EU member state of its head office	1,528,100	1,639,479
Outside EU member states	267,182	294,638
	1,795,282	**1,934,117**

(c) Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expense and the reinsurance balance

2015	Direct marine & aviation £'000	Direct property £'000	Direct general liability & other £'000	Direct motor £'000	Total direct £'000	Re-insurance accepted £'000	Total £'000
Gross premiums written	225,384	352,795	540,494	676,609	1,795,282	-	1,795,282
Gross premiums earned	212,320	350,212	575,835	670,981	1,809,348	-	1,809,348
Gross claims incurred	175,095	208,520	365,668	443,894	1,193,177	-	1,193,177
Unexpired Risk Reserve	-	-	3,455	-	3,455	-	3,455
Gross operating expenses	29,414	105,454	236,430	168,056	539,354	-	539,354
Gross technical result	7,811	36,238	(29,718)	59,031	73,362	-	73,362
Reinsurance balance	20,997	46,284	(26,908)	61,535	101,908	-	101,908
Net technical result	**(13,186)**	**(10,046)**	**(2,810)**	**(2,504)**	**(28,546)**	**-**	**(28,546)**
Net technical provisions	**16,818**	**109,671**	**282,970**	**-**	**409,459**	**3**	**409,462**

2014 (restated)	Direct marine & aviation £'000	Direct property £'000	Direct general liability & other £'000	Direct motor £'000	Total direct £'000	Re-insurance accepted £'000	Total £'000
Gross premiums written	222,828	353,520	696,372	661,434	1,934,154	(37)	1,934,117
Gross premiums earned	229,193	358,005	681,023	670,930	1,939,151	(37)	1,939,114
Gross claims incurred	121,967	201,873	297,502	434,089	1,055,431	-	1,055,431
Gross operating expenses	34,472	93,012	303,842	229,523	660,849	(13)	660,836
Gross technical result	72,754	63,120	79,679	7,318	222,871	(24)	222,847
Reinsurance balance	77,692	54,958	79,470	9,146	221,536	(24)	221,512
Net technical result	**(5,208)**	**8,162**	**209**	**(1,828)**	**1,335**	**-**	**1,335**
Net technical provisions	**16,421**	**89,397**	**264,774**	**(4)**	**370,588**	**3**	**370,591**

5. Investment Income

	2015 £'000	2014 £'000
Investment Income	7,289	7,698
Realised gains	5,341	2,345
	12,630	**10,043**

6. Investment Expenses and Charges

	2015 £'000	2014 £'000
Investment management expenses, including interest	764	904
Realised losses	1,245	570
	2,009	**1,474**

7. Other Technical Income

	2015 £'000	2014 £'000
Overrider commission (net of deferral)	27,313	26,857
Other income	22	1
	27,335	**26,858**

8. Net Operating Expenses

	2015 £'000	2014 (restated) £'000
Acquisition costs	490,733	649,202
Change in gross operating expense provision	120	(120)
Change in gross deferred acquisition costs (note 19)	14,359	(23,729)
	505,212	625,353
Administrative expenses	34,142	35,483
Gross operating expenses	539,354	660,836
Reinsurance commissions and profit participation	(453,840)	(590,295)
Change in ceded operating expense provision	(120)	120
Change in deferred reinsurance commission (note 19)	(18,861)	18,485
Net operating expenses	**66,533**	**89,146**

9. Profit (Loss) on Ordinary Activities before Tax

Profit (Loss) on ordinary activities before tax is stated after charging:

	2015 £'000	2014 £'000
AUDITORS' REMUNERATION		
Audit of these financial statements	264	260
Other services pursuant to legislation	23	31
Other assurance services	251	-
Other services relating to taxation	58	55
All other services	10	9

The Company has no employees and does not pay any remuneration other than fees to its directors. Any pension contributions to the multi-employer pension scheme are disclosed in the accounts of the service company, Munich Re UK Services Limited.

10. Remuneration of Directors

	2015 £'000	2014 £'000
Directors' emoluments	411	774
Pension contributions	11	11
	422	**785**

The directors' remuneration consists of the emoluments paid to the directors by the Company and Munich Re UK Services Limited. The emoluments of the highest paid director for the year were £207,995 (2014: £393,394) and pension contributions of £Nil (2014: £Nil). There was one director for whom retirement benefits are accruing in respect of qualifying services under a money purchase plan. For the purposes of this report all key management personnel consist of directors.

11. Taxation

	2015 £'000	2014 (restated) £'000
UK Corporation tax charge at 20.25% (2014: 21.50%)	4,239	(4,223)
Change in prior year current tax	(445)	(53)
Prior year current tax expense/(income) relating to changes in accounting policy	-	395
Total Current Tax Charge	**3,794**	**(3,881)**
Change in current year net deferred tax	(1)	(1,121)
Impact of change in UK Tax rate	-	(56)
Total Deferred Tax	**(1)**	**(1,177)**
Total Tax	**3,793**	**(5,058)**

	Current Tax 2015 £'000	Deferred Tax 2015 £'000	Total Tax 2015 £'000	Current Tax 2014 £'000	Deferred Tax 2014 £'000	Total Tax 2014 £'000
Recognised in Profit and loss account	1,965	(1)	1,964	(2,491)	(1,177)	(3,668)
Recognised in other comprehensive income	1,829	-	1,829	(1,390)	-	(1,390)
Recognised directly in equity	-	-	-	-	-	-
Total Tax	**3,794**	**(1)**	**3,793**	**(3,881)**	**(1,177)**	**(5,058)**

	2015 £'000	2014 (restated) £'000
Profit (Loss) before tax	**(12,813)**	**12,640**
UK Corporation tax (charge) credit at 20.25% (2014: 21.50%)	2,595	(2,718)
Excess capital allowances over depreciation	1	1
Utilisation of losses carried back to prior periods	-	(1,175)
Tax effect of franked investment income	-	-
Tax rate differential on foreign taxes paid	(159)	(131)
Timing differences on foreign taxes paid	-	-
Tax effect of other permanent differences	(28)	13
Under provision relating to prior periods	(445)	342
Total Tax expense included in profit or loss	**1,964**	**(3,668)**

11. Taxation (continued)

	2015 £'000	2014 £'000
Other comprehensive income (Loss) before tax	**(9,030)**	**6,467**
UK Corporation tax (charge) credit at 20.25% (2014: 21.50%)	1,829	(1,390)
Total Tax expense included in other comprehensive income	**1,829**	**(1,390)**

Deferred Tax Asset

Under FRS 19 deferred tax is provided in full on certain timing differences

	2015 £'000	2014 £'000
Balance at start of year	5	1,182
Change in deferred tax	(1)	(1,121)
Impact of change in UK Tax rate	-	(56)
	4	**5**

The Finance Act 2015, which provides for reduction in the UK Corporation tax rate down to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions to 19% and 18% will reduce the Company's future current tax charge and have been reflected in the calculation of the deferred tax balance at 31 December 2015.

The deferred tax asset at 31 December 2015 arises on differences between depreciation and capital allowances.

12. Finanical Investments

	Current Value		Cost Value	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Financial Investments				
Government fixed interest securities	437,273	455,933	434,718	446,119
Corporate bonds	72,240	85,693	71,976	83,749
Covered bonds	17,293	20,798	17,239	20,653
Deposits with credit institutions	34	32	34	32
	526,840	**562,456**	**523,967**	**550,553**

Government fixed interest securities included gilts, treasury notes and other government backed securities. The Company has fully funded a US$129.4m United States Trust Fund obligation; a US$52m Swiss tied assets obligation; US$34.5m and CAD$5.1m Canadian Trust Fund obligations. These comprise investments in government fixed interest securities.

Fair value hierarchy of financial investments

The fair value hierarchy provides for three levels and the allocation reflects which of the fair values derive from transactions in the market and where valuation is based on models because market transactions are lacking.

Level 1 - Valuation is based on unadjusted quoted prices in active markets for identical financial assets which the company can refer to at the balance sheet date. A market is deemed active if transactions take place with sufficient frequency and in sufficient quantity for price information to be available on an ongoing basis. Since a quoted price in an active market is the most reliable indicator of fair value, this should always be used if available.

Level 2 - Valued using models based on observable market data. For this, we use inputs directly or indirectly observable in the market, other than quoted prices. If the financial instrument concerned has a fixed contract period, the inputs used for valuation must be observable for the whole of this period. Moreover, we have allocated to this level such investments for which prices are provided by price quoters but for which there is no proof that these were based on actual market transactions.

Level 3 - We use valuation techniques not based on inputs observable in the market. This is only permissible insofar as no observable market data is available. The inputs used reflect company's assumptions regarding the factors which market players would consider in their pricing. We use the best available information for this, including internal company data.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial investments as at 31 December 2015	-	526,840	-	526,840

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial investments as at 31 December 2014	-	562,456	-	562,456

12. Finanical Investments (continued)

Exposure by country of financial investments

	2015 £'000	2014 £'000
United Kingdom	208,874	266,605
United States	136,207	109,056
Germany	30,636	55,434
Australia	18,686	19,583
Canada	25,923	8,996
Other	106,514	102,782
	526,840	**562,456**

Contractual period to maturity of financial investments

	2015 £'000	2014 £'000
up to one year	166,096	84,527
over one and up to five years	287,045	353,608
over five and up to ten years	68,471	102,829
over ten and up to twenty years	5,228	21,492
	526,840	**562,456**

13. Debtors arising out of direct insurance operations

	2015 £'000	2014 £'000
Amounts owed by intermediaries	827,975	587,394
Amounts owed by group companies	6,300	6,669
	834,275	**594,063**

14. Other Debtors

	2015 £'000	2014 £'000
Deposit recoverable from parent company	16,661	23,472
Salvage and subrogation recoverable	30,837	29,291
Other debtors	42	54
	47,540	**52,817**

15. Cash at Bank

The cash at bank balance of £133.9m (2014: £66.9m) includes accounts totalling £7.3m (2014: £6.4m) which have been set aside to secure letters of credit and guarantees issued in the normal course of business, and in respect of other statutory requirements. As such these balances are restricted from general use.

16. Share Capital

	2015 £'000	2014 £'000
Allotted, called up and fully paid		
11,400,000 (2014 - 11,400,000) Ordinary Shares of £10 each	114,000	114,000

17. Technical Provisions

	Provision for unearned premiums 2015 £'000	Claims outstanding 2015 £'000	Unexpired risk reserve 2015 £'000	Total 2015 £'000
GROSS AMOUNT				
At beginning of the year	935,572	2,759,225	-	3,694,797
Currency translation differences	1,625	12,609	-	14,234
Movement in the provision	(14,066)	408,695	3,455	398,084
At end of the year	**923,131**	**3,180,529**	**3,455**	**4,107,115**
REINSURANCE AMOUNT				
At beginning of the year	(841,708)	(2,482,498)	-	(3,324,206)
Currency translation differences	(1,987)	(9,247)	-	(11,234)
Movement in the provision	6,952	(369,165)	-	(362,213)
At end of the year	**(836,743)**	**(2,860,910)**	**-**	**(3,697,653)**
NET TECHNICAL PROVISIONS				
At beginning of the year	**93,864**	**276,727**	**-**	**370,591**
At end of the year	**86,388**	**319,619**	**3,455**	**409,462**

17. Technical Provisions (continued)

	Provision for unearned premiums 2014 £'000	Claims outstanding 2014 £'000	Unexpired risk reserve 2014 £'000	Total 2014 £'000
GROSS AMOUNT				
At beginning of the year	937,127	2,631,322	-	3,568,449
Currency translation differences	3,442	16,497	-	19,939
Movement in the provision	(4,997)	111,406	-	106,409
At end of the year	**935,572**	**2,759,225**	**-**	**3,694,797**
REINSURANCE AMOUNT				
At beginning of the year	(841,660)	(2,355,494)	-	(3,197,154)
Currency translation differences	(3,299)	(15,089)	-	(18,388)
Movement in the provision	3,251	(111,915)	-	(108,664)
At end of the year	**(841,708)**	**(2,482,498)**	**-**	**(3,324,206)**
NET TECHNICAL PROVISIONS				
At beginning of the year	**95,467**	**275,828**	**-**	**371,295**
At end of the year	**93,864**	**276,727**	**-**	**370,591**

The analysis of technical provisions for net claims at the beginning of the year compared to payments and provisions at the end of the year in respect of prior underwriting years' liabilities stated a negative run-off result in respect of direct general liability of £15.7m (2014: positive run-off of £12.3m) and direct property and other of £3.0m (2014: positive run-off of £4.0m), which the Company added to its technical provisions in 2015.

The Company has evaluated the need to establish equalisation provisions in accordance with the Accounting Policy set out on page 18 and concluded that no equalisation provision was required for the 2015 and 2014 years.

18. Claims Development Tables

Claims payments for the individual underwriting years (per financial year, gross)

Underwriting Year	≤ 2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
2015	11,648	76,399	170,757	375,397	150,281	784,482
2014	217,060	192,361	388,213	146,391		
2013	416,452	416,260	164,012			
2012	768,365	132,523				
2011	978,385					

Claims reserves for the individual underwriting years (per financial year, gross)

Underwriting Year	≤ 2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
2015	1,113,427	392,621	482,430	698,224	495,027	3,181,729
2014	1,139,024	485,287	665,525	470,469		
2013	1,465,683	672,758	494,080			
2012	1,938,183	530,515				
2011	2,352,087					

Ultimate loss for the individual underwriting years (per financial year, gross)

Underwriting Year	≤ 2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
2015	3,505,337	1,210,164	1,205,412	1,220,012	645,308	7,786,233
2014	3,519,286	1,226,431	1,217,750	616,860		
2013	3,628,885	1,221,541	658,092			
2012	3,684,933	663,038				
2011	3,330,471					

18. Claims Development Tables (continued)

Claims payments for the individual underwriting years (per financial year, net)

Underwriting Year	≤ 2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
2015	18,558	7,009	12,165	15,646	11,877	65,255
2014	22,207	6,750	23,872	7,280		
2013	32,716	16,807	7,142			
2012	32,678	6,642				
2011	32,372					

Claims reserves for the individual underwriting years (per financial year, net)

Underwriting Year	≤ 2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
2015	123,484	50,901	40,382	64,049	42,003	320,819
2014	126,441	54,508	60,174	36,684		
2013	166,020	65,078	45,930			
2012	225,459	48,561				
2011	260,020					

Ultimate loss for the individual underwriting years (per financial year, net)

Underwriting Year	≤ 2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
2015	261,913	88,109	83,564	86,975	53,880	574,441
2014	246,315	84,707	91,188	43,964		
2013	263,687	88,527	53,072			
2012	290,410	55,203				
2011	292,293					

19. Deferred Acquisition Costs

	2015 £'000	2014 £'000
GROSS AMOUNT		
At beginning of the year	240,625	218,212
Currency translation differences	(1,968)	(1,316)
Movement in the provision	(14,359)	23,729
At end of the year	**224,298**	**240,625**
REINSURANCE AMOUNT		
At beginning of the year	(218,560)	(200,741)
Currency translation differences	1,113	666
Movement in the provision	18,861	(18,485)
At end of the year	**(198,586)**	**(218,560)**
NET DEFERRED ACQUISITION COSTS		
At beginning of the year	**22,065**	**17,471**
At end of the year	**25,712**	**22,065**

20. Provisions for other risks and charges

	Expense provision 2015 £'000	Expense provision 2014 £'000
At beginning of the year	1,080	1,200
Movement in the year	120	(120)
At end of the year	**1,200**	**1,080**

The provision for risks and other charges is for an expense provision in relation to the assumption of liabilities under a Part VII transfer that took place in 2008.

21. Creditors arising out of Direct Insurance Operations

	2015 £'000	2014 £'000
Amounts owed to intermediaries	95,830	67,658
Amounts owed to group companies	664,675	417,477
	760,505	**485,135**

Amounts due to intermediaries and group companies are payable within one year.

22. Other Creditors

	2015 £'000	2014 £'000
Insurance premium tax liability	10,087	13,905
Deposit payable to third party	16,661	23,472
Other payables	231	12,292
	26,979	**49,669**

23. Leases

	Land and Buildings	
	2015 £'000	2014 £'000
Annual commitments under non-cancellable operating leases are as follows:		
- Within one year	170	170
Operating lease payments made during the financial year	170	170

24. Contingent Liabilities and Guarantees

In 2009 the Company agreed to guarantee payments made by Great Lakes Services Limited into a pension scheme of which certain employees are members. Payments of £368,500 are to be made annually up to the end of 2016. As of 31 December 2011 the assets, liabilities and obligations of Great Lakes Services Limited were transferred to Munich Re UK Services Limited. Consequently, from 31 December 2011 the Company's guarantee is for the payments of Munich Re UK Services Limited instead of Great Lakes Services Limited.

25. Group Companies

Parent Company
The Company is a wholly owned subsidiary of Munich Re which is the immediate and ultimate parent company, incorporated in Germany. The largest group in which the results of the Company are consolidated is that headed by Munich Re and no other group financial statements include the results of the Company.

26. Transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 2 on page 17 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.
In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting, UK GAAP. An explanation of how the transition from old UK GAAP to FRS 102 has affected the Company's financial position and financial performance is shown below.

Under old UK GAAP all gains and losses on available-for-sale financial assets were included the Statement of profit or loss. Following the transition to FRS 102 unrealised gains and losses on available-for-sale assets are now recognised initially in other comprehensive income until the asset is realised, at which time they are recognised in the statement of profit or loss. Current tax is provided on the unrealised gains and losses in the Statement of other comprehensive income. The net cumulative unrealised gains and losses are presented within other reserves on the Balance sheet.

26. Transition to FRS 102 from old UK GAAP (continued)

The Company is required to translate foreign currency transactions and balances into its functional currency. Under FRS 103 all transactions and balances arising from insurance contracts denominated in foreign currencies shall be treated as monetary items and translated to the functional currency using period end foreign exchange rates. Previously foreign currency monetary items were translated using the closing balance sheet rates and non-monetary items using the exchange rate at the date of the original transaction. Deferred acquisition costs and unearned premium reserves were classified as non-monetary items under old UK GAAP.

The effect of the transition to FRS 102 is shown in the reconciliation below.

	Profit for the year ended 31 December 2014 £'000	Other comprehensive income for the year ended 31 December 2014 £'000	Equity as at 31 December 2014 £'000	Equity as at 1 January 2014 £'000
Amount under old UK GAAP	15,490	(902)	360,427	345,839
Reclassification on unrealised gains and losss on investments to other comprehensive income	(5,077)	5,077	-	-
Provision for unearned premiums retranslated at the closing rates	(2,334)	-	(1,001)	1,333
Deferred acquisition costs retranslated at the closing rates	287	-	144	(143)
Impact on current tax	440	-	163	(277)
Impact of transition to FRS 102	(6,684)	5,077	(694)	913
Amount under FRS 102	8,806	4,175	359,733	346,752
Effect of change in accounting policy on 1 January 2014 (note 1)	-	-	(8,940)	(8,940)
Effect of change in accounting policy on year ended 31 December 2014	211	(26)	185	-
Impact on current tax on year ended 31 December 2014	(45)	-	(45)	-
Balance as per restated accounts	8,972	4,149	350,933	337,812

In addition to the transition adjustments identified above which effect profit for the year, other comprehensive income for the year and equity, the following adjustment has arisen which had no effect on equity, profit or loss and other comprehensive income but which has affected the presentation of items on the balance sheet. Deposit assets with a value of £74,812k at the transition date of 1 January 2015 has been reclassified from Investments to Debtors.

Risk Solutions

Great Lakes Reinsurance (UK) SE
Plantation Place
30 Fenchurch Street
London EC3M 3AJ
United Kingdom