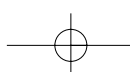
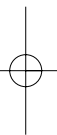
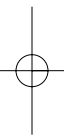


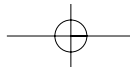
GREAT LAKES REINSURANCE (UK) PLC

CONTENTS

31 DECEMBER 2002

2	Directory
3	Report of the Directors
5	Report of the Auditors
6	Profit and loss account
8	Balance sheet
10	Notes to the accounts





GREAT LAKES REINSURANCE (UK) PLC

DIRECTORY

31 DECEMBER 2002

DIRECTORS

C.Booth (*Chairman*)
P.J. Ruperti (*Managing Director*)
C. von. Bechtolsheim
C. Schurig
W.J. Branum (Appointed 10 January 2003)

SECRETARY

R.A.S. Harris FCA

MANAGEMENT

P.J. Ruperti (*General Manager*)
R.A.S. Harris FCA (*Manager, Accounts & Finance*)
R.A. Katzaros (*Manager, Reinsurance*)
J.T. Phillips (*Manager, Insurance*)

REGISTERED OFFICE

Upper Ground Floor
1 Minster Court
Mincing Lane
London EC3R 7YH
Telephone: 020-7929 2893
Facsimile: 020-7623 5220
E-mail: correspondence@greatlakes.co.uk

AUDITORS

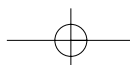
KPMG Audit Plc

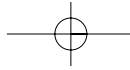
BANKERS

Barclays Bank PLC

REGISTERED NUMBER

2189462





GREAT LAKES REINSURANCE (UK) PLC

REPORT OF THE DIRECTORS

31 DECEMBER 2002

PRINCIPAL ACTIVITY

The principal activity of the Company is the transaction of reinsurance business. In addition the Company also provides an insurance facility for members of the Munich Re group and, accordingly, has been awarded the following Group Ratings

A++ Superior (A M Best)
AA- (Standard & Poors)

DIRECTORS

The Directors of the Company during the year ended 31 December 2002 and at the date of this report were as stated on page 2. Mr W.J. Branum was appointed on 10 January 2003. In accordance with the Articles of Association, Mr Branum will resign at the forthcoming Annual General Meeting and will offer himself for re-election by the Shareholders.

Mr P J Ruperti held one Ordinary Share as nominee throughout the year.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2002 are set out in the profit and loss account on pages 6 and 7. The Company proposes that no dividend be paid for the year (2001 - nil).

DEVELOPMENT OF THE COMPANY

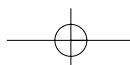
The Company has continued to underwrite insurance and reinsurance business and has maintained a prudent approach to the spread of risk both by class of business and by location. The Directors are pleased to report that this approach has resulted in profitable growth of the Company's portfolio of business over the long term. On 20 December 2002, the Company increased its Share Capital by £16m in order to strengthen its capital base.

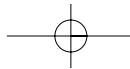
CREDITORS PAYMENT POLICY

In respect of all its suppliers, it is the Company's policy to:

- Settle the terms of payment with those suppliers when agreeing the terms of each transaction
- Ensure that those suppliers are made aware of the terms of payment
- Abide by the terms of payment
- Pay all suppliers on a weekly basis

The Company's average creditor payment period, calculated by reference to the above policy was 2 1/2 days.





GREAT LAKES REINSURANCE (UK) PLC

DIRECTORS' RESPONSIBILITIES

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

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

MAJOR SHAREHOLDINGS

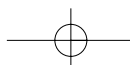
The Company is a wholly owned subsidiary of Münchener Rückversicherungs-Gesellschaft, a Company incorporated in Germany.

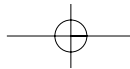
AUDITORS

KPMG Audit Plc have expressed their willingness to continue in office as auditors and, in accordance with section 384 of the Companies Act 1985, a resolution proposing their reappointment will be submitted at the annual general meeting.

By order of the Board

R.A.S. Harris
Company Secretary
27 March 2003





GREAT LAKES REINSURANCE (UK) PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GREAT LAKES REINSURANCE (UK) PLC

We have audited the financial statements on pages 6 to 20.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF AUDIT OPINION

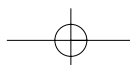
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements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

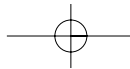
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
27 March 2003





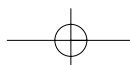
GREAT LAKES REINSURANCE (UK) PLC

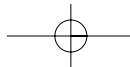
PROFIT AND LOSS ACCOUNT

TECHNICAL ACCOUNT - GENERAL BUSINESS

31 DECEMBER 2002

	Notes	2002 £'000	2001 £'000
EARNED PREMIUMS, NET OF REINSURANCE			
Gross premiums written		692,555	300,537
Outward reinsurance premiums		659,442	278,721
		<hr/>	<hr/>
Net premiums written		33,113	21,816
(Increase)/decrease in the gross provision for unearned premiums		(147,422)	(90,048)
(Increase)/decrease in the provision for unearned premiums - reinsurers' share		(146,358)	(90,145)
		<hr/>	<hr/>
(Increase)/decrease in the net provision for unearned premiums		(1,064)	97
		<hr/>	<hr/>
Earned premiums, net of reinsurance	2	32,049	21,913
Investment income	8	1,849	1,736
Other technical income, net of reinsurance		8,822	2,100
		<hr/>	<hr/>
TOTAL TECHNICAL INCOME		42,720	25,749
		<hr/>	<hr/>
CLAIMS INCURRED, NET OF REINSURANCE			
Claims paid			
- gross amount		229,847	133,958
- reinsurers' share		205,345	119,407
		<hr/>	<hr/>
- net of reinsurance		24,502	14,551
		<hr/>	<hr/>
Change in the provision for claims			
- gross amount		156,535	189,490
- reinsurers' share		155,798	182,826
		<hr/>	<hr/>
- net of reinsurance		737	6,664
		<hr/>	<hr/>
Claims incurred net of reinsurance	3	25,239	21,215
Net operating expenses	4	2,775	2,567
		<hr/>	<hr/>
TOTAL CHARGES		28,014	23,782
		<hr/>	<hr/>
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		14,706	1,967
		<hr/>	<hr/>





GREAT LAKES REINSURANCE (UK) PLC

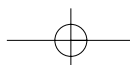
PROFIT AND LOSS ACCOUNT

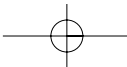
NON-TECHNICAL ACCOUNT

31 DECEMBER 2002

	Notes	2002 £'000	2001 £'000
BALANCE ON THE GENERAL BUSINESS TECHNICAL ACCOUNT		14,706	1,967
Investment income	8	2,470	2,994
		<u>17,176</u>	<u>4,961</u>
Investment expenses and charges			
- investment management expenses		703	402
Investment income allocated to the technical account		1,849	1,736
		<u>2,552</u>	<u>2,138</u>
Realised exchange (losses)/gains		<u>(1,557)</u>	<u>(407)</u>
 OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		 13,067	 2,416
Tax on profit on ordinary activities	9	4,261	293
PROFIT ON ORDINARY ACTIVITIES AFTER TAX, RETAINED FOR THE FINANCIAL YEAR		<u>8,806</u>	<u>2,123</u>

There were no other recognised gains or losses other than the profit for the year. All gains and losses relate to continuing activities.





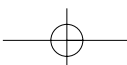
GREAT LAKES REINSURANCE (UK) PLC

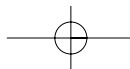
BALANCE SHEET

ASSETS

31 DECEMBER 2002

	Notes	2002 £'000	2001 £'000
INVESTMENTS			
Financial investments	10	138,391	121,593
Deposits with ceding undertakings		1,378	1,293
		<u>139,769</u>	<u>122,886</u>
Investment in Subsidiary		<u>50</u>	<u>-</u>
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Unearned premium provision		300,692	154,334
Claims outstanding		503,815	348,017
		<u>804,507</u>	<u>502,351</u>
DEBTORS			
Debtors arising out of direct insurance operations		101,124	32,076
Debtors arising out of reinsurance operations		12,038	15,523
Other debtors		1,963	218
		<u>115,125</u>	<u>47,817</u>
OTHER ASSETS			
Tangible assets	11	270	130
Cash at bank and in hand		30	30
		<u>300</u>	<u>160</u>
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest and rent		949	657
Deferred acquisition costs		1,564	1,300
Other prepayments and accrued income		550	600
		<u>3,063</u>	<u>2,557</u>
TOTAL ASSETS		<u><u>1,062,814</u></u>	<u><u>675,771</u></u>





GREAT LAKES REINSURANCE (UK) PLC

BALANCE SHEET

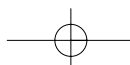
LIABILITIES

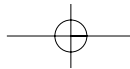
31 DECEMBER 2002

	Notes	2002 £'000	2001 £'000
CAPITAL AND RESERVES			
Called up share capital	12	71,000	55,000
Profit and loss account		28,026	19,220
		<u> </u>	<u> </u>
Shareholders' funds attributable to equity interests		99,026	74,220
		<u> </u>	<u> </u>
TECHNICAL PROVISIONS - GROSS			
Unearned premium provision		308,169	160,747
Claims outstanding		536,843	380,308
		<u> </u>	<u> </u>
		845,012	541,055
		<u> </u>	<u> </u>
PROVISIONS FOR OTHER RISKS AND CHARGES			
Taxation		2,894	1,452
		<u> </u>	<u> </u>
CREDITORS			
Arising out of direct insurance operations	13	110,852	58,118
Arising out of reinsurance operations		804	287
Other creditors including taxation and social security		3,950	355
		<u> </u>	<u> </u>
		115,606	58,760
		<u> </u>	<u> </u>
ACCRUALS AND DEFERRED INCOME			
		276	284
		<u> </u>	<u> </u>
		1,062,814	675,771
		<u> </u>	<u> </u>

Approved by the board on 27 March 2003.

PJ Ruperti - Managing Director





GREAT LAKES REINSURANCE (UK) PLC

NOTES TO THE ACCOUNTS

31 DECEMBER 2002

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below. The company has adopted FRS 19 'Deferred tax' for the first time in these financial statements. The company has followed the transitional arrangements of FRS 17 'Retired benefits' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards.

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

In accordance with FRS 8, Related Party Disclosures, the Company has not disclosed related party transactions with group companies, on the basis that the Company is a subsidiary undertaking with 100% voting rights controlled within a group which produces publicly available consolidated financial statements in which the Company is included.

In accordance with section 228 of the Companies Act 1985, the Company has not prepared consolidated accounts on the basis that the Company is a subsidiary undertaking of Münchener Rückversicherungs-Gesellschaft, which produces publicly available consolidated financial statements in which the Company and its subsidiaries and associates are included.

Basis of accounting

The annual basis of accounting has been applied to all classes of business.

Premiums

Written premiums comprise the total premiums receivable for the whole period of cover provided by contracts incepting during the financial year, together with adjustments arising in the financial year to such premiums receivable in respect of business written in previous financial years.

Unearned premiums are calculated on the 24ths basis having regard to the profile of the underlying risk.

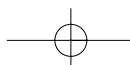
All premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax.

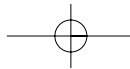
Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business being reinsured.

Claims and technical provisions

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

Full provision is made on an individual case basis for the estimated cost of claims notified but not settled by the balance sheet date after taking into account handling costs, anticipated inflation and settlement trends.





GREAT LAKES REINSURANCE (UK) PLC

NOTES TO THE ACCOUNTS

31 DECEMBER 2002

1. ACCOUNTING POLICIES (Continued)

The provision for claims comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by the company. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced. For more recent underwriting, the company makes allowance for variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, the company uses a loss ratio method which uses estimates based on assessments of underwriting conditions. Accordingly the two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The loss ratio method uses the ultimate loss ratio (ULR) to estimate the ultimate cost of claims for each class of business. The IBNR provision is then calculated as the ultimate projected cost of claims less claims notified to date. The method is sensitive to the loss ratios selected for the particular classes of business which are based on historical experience (which is not necessarily indicative of future experience) having regard to variations in the business accepted and the underlying terms and conditions. The method also does not anticipate increases in the cost of liability claims as a result of legal decisions. Large claims are estimated using an exposure based approach to estimate the ultimate liability.

The directors consider that the provisions for gross claims and related insurance 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. The methods used, and the estimates made are reviewed regularly.

Deferred acquisition costs

Commission and management costs which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

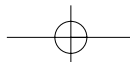
Investments

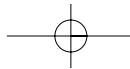
All investments are stated at current value in the balance sheet, which represents mid-market value on the balance sheet date.

Investment income

Investment income comprises interest receivable and dividends received, together with both realised and unrealised investment gains. Realised gains are calculated as the difference between net sales proceeds and cost or, if previously revalued, the valuation as at the last balance sheet date.

Investment income is included in the non-technical account. Investment income on the investment assets supporting general business technical provisions is allocated to the technical account on the basis of average technical provisions held during the year. The investment assets supporting technical provisions consist of deposits with credit instructions.





GREAT LAKES REINSURANCE (UK) PLC

1. ACCOUNTING POLICIES (Continued)

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset over its expected useful life as follows:

Computer equipment	33 $\frac{1}{3}$ %
Furniture and other equipment	25% to 33 $\frac{1}{3}$ %

Deferred taxation

Deferred taxation 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 FRS 19. Provision is made for recovery of anticipated tax where timing differences will reverse in the foreseeable future. There is no effect on the current or prior year results.

Foreign currencies

Assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the end of the year. Revenue transactions of United States dollar, Canadian dollar and Euro transactions in the London market accounts are translated to sterling at rates of exchange ruling at the end of the year and other revenue transactions at the appropriate rates prevailing during the year.

Pensions

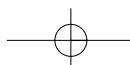
The company operates, in conjunction with associated group companies, a funded non-contributory defined benefits scheme. The scheme closed to new members on 31 December 2000. The assets of the scheme are held separately from those of the company, being invested with the investment subsidiary of Standard Life Assurance Company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

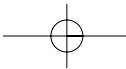
Operating Leases

The rental costs relating to operating leases are charged to the profit and loss account over the term of the lease on a straight line basis.

2. EARNED PREMIUMS, NET OF REINSURANCE

	Gross £'000	2002 Reinsurance £'000	Net £'000	Gross £'000	2001 Reinsurance £'000	Net £'000
Premiums receivable	692,555	659,442	33,113	300,537	278,721	21,816
Unearned premiums - 1 January	160,747	154,334	6,413	70,699	64,189	6,510
Unearned premiums - 31 December	308,169	300,692	7,477	160,747	154,334	6,413
(Increase)/decrease	(147,422)	(146,358)	(1,064)	(90,048)	(90,145)	97
Premiums earned	545,133	513,084	32,049	210,489	188,576	21,913





GREAT LAKES REINSURANCE (UK) PLC

3. CLAIMS INCURRED, NET OF REINSURANCE

	Gross £'000	2002 Reinsurance £'000	Net £'000	Gross £'000	2001 Reinsurance £'000	Net £'000
Claims paid	229,847	205,345	24,502	133,958	119,407	14,551
Outstanding Claims - 1 January	380,308	348,017	32,291	190,818	165,191	25,627
Outstanding claims - 31 December	536,843	503,815	33,028	380,308	348,017	32,291
Increase	156,535	155,798	737	189,490	182,826	6,664
Claims incurred	386,382	361,143	25,239	323,448	302,233	21,215

Losses in connection with the World Trade Center terrorist attacks are now estimated at £155m (2001 - £176 m). The majority of the losses incurred are included in claims outstanding, whereby case estimates have been determined for all notified losses on the basis of information provided by cedants, together with estimates of maximum probable loss, where no notifications have yet been received.

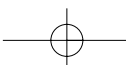
There is uncertainty in relation to the final quantum of these claims which may have a considerable impact on the ultimate gross liability which will be incurred by the company. However, reinsurance with the company's AA- rated parent, Münchener Rückversicherungs-Gesellschaft (and other group companies) substantially reduces (to £3.4m) the company's exposure net of reinsurance.

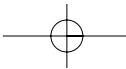
As regards exposure to property losses the key assumptions adopted by the company include:

- the assumption that WTC building losses arise from a single event;
- as stated above, case estimates are based on maximum probable loss;
- terrorism exclusions, where they exist, are applicable;
- no government compensation is receivable and so no adjustment to the insured loss arises as a result; and
- no subrogation rights have been assumed in respect of third party recoveries.

Claims arising under personal accident policies have been estimated based on policy limits. The company has no known exposure arising under aviation or marine policies.

There has been no significant movement in notifications between the balance sheet date and the signing of the accounts.





GREAT LAKES REINSURANCE (UK) PLC

4. NET OPERATING EXPENSES

	2002 £'000	2001 £'000
Acquisition costs		
- gross amount	119,200	46,487
- reinsurers' share	116,761	44,860
	<hr/>	<hr/>
- net of reinsurance	2,439	1,627
Deferred acquisition costs - 1 January	1,300	1,410
Deferred acquisition costs - 31 December	1,564	1,300
	<hr/>	<hr/>
Increase/(Decrease)	264	(110)
	<hr/>	<hr/>
Acquisition costs incurred	2,175	1,737
Administration expenses	600	830
	<hr/>	<hr/>
	2,775	2,567
	<hr/>	<hr/>
Direct insurance acquisition costs amounted to	114,828	45,779

The above figures include overriding commission earned of £5.7 million (2001 - £3.8 million) which has been allocated between acquisition costs incurred and administration expenses.

5. ADMINISTRATIVE EXPENSES

	2002 £'000	2001 £'000
Depreciation	190	83
Auditors' remuneration, including expenses	61	53
Fees for non-audit services	37	16

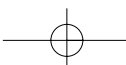
6. STAFF COSTS

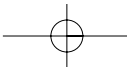
	2002 £'000	2001 £'000
Wages and salaries	1,252	925
Social security costs	129	114
Other pension costs	203	198

During 2000 benefits under the pension scheme were enhanced. The cost of this, together with a one off payment to make the scheme fully funded, amounted to £600,000, which sum is being amortised over 12 years at an annual cost of £50,000.

The average weekly number of employees, including executive directors, during the year was comprised as follows:

	2002	2001
Management	4	4
Underwriting	5	3
Administration	16	14





GREAT LAKES REINSURANCE (UK) PLC

7. REMUNERATION OF DIRECTORS

	2002 £'000	2001 £'000
Directors' emoluments	183	147
Pension contributions	21	17
	<u>204</u>	<u>164</u>

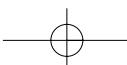
Directors emoluments consist of the remuneration and company pension contributions (to a defined benefit pension scheme) on behalf of one director (2001 - one).

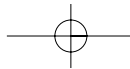
8. INVESTMENT INCOME

	2002 £'000	2001 £'000
Investment income	5,571	5,128
Realised gains	2,860	731
Unrealised (losses)	(5,961)	(2,865)
Total	<u>2,470</u>	<u>2,994</u>

9. TAXATION

	2002 £'000	2001 £'000
UK Corporation tax at 30% (2001: 30%)	4,920	1,452
Deferred Tax	(659)	(1,148)
(Overprovision) in prior year	-	(11)
	<u>4,261</u>	<u>293</u>
Analysis of tax charge for the period		
Current Tax - UK Corporation tax on profits of the period	4,920	1,441
Deferred Tax - Origination and reversal of timing differences	(659)	(1,148)
	<u>4,261</u>	<u>293</u>
Reconciliation of the standard tax rate to the effective tax rate:		
Profit before tax	<u>13,067</u>	<u>2,416</u>
Corporation tax at 30%	3,920	725
Expenses not deductible for tax purposes	100	23
Taxable gain on equity taxed on a realisation basis	300	-
Loss on equities taxed on a realisation basis recognised since 31 December 2001 (31 December 2000)	600	704
	<u>4,920</u>	<u>1,452</u>





GREAT LAKES REINSURANCE (UK) PLC

TAXATION (Continued)

Deferred Taxation

FRS 19 has been implemented during the year. Under FRS 19, deferred tax is provided for in full on certain timing differences.

	2002 £'000	2001 £'000
Unrealised gains on equities and provision for deferred tax	-	659
Provision at start of the period	659	1,807
Deferred tax credit in Profit and Loss Account	(659)	(1,148)
Provision at end of period	-	659

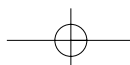
10. INVESTMENTS

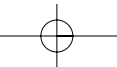
	Current value		Historical value	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Financial investments:				
Equities - Listed	26,652	-	29,131	-
Equities - Unlisted	-	712	-	712
Authorised unit trusts	-	17,919	-	14,269
Government fixed interest	84,901	58,900	84,450	58,580
Other listed fixed interest securities	8,458	6,208	8,331	6,118
Deposits with credit institutions	18,258	37,671	18,258	37,671
Staff mortgages	122	183	122	183
	<u>138,391</u>	<u>121,593</u>	<u>140,292</u>	<u>117,533</u>
Deposits with ceding undertakings	1,378	1,293	1,378	1,293
Total investments	<u>139,769</u>	<u>122,886</u>	<u>141,670</u>	<u>118,826</u>

All listed equities and fixed interest securities are quoted on the London Stock Exchange.

The unlisted equity investment represented a 19% holding in an unquoted company. The investment was repaid at par during the year.

The investment in subsidiary represents a 100% shareholding in MARP London Ltd, a company incorporated in England.





GREAT LAKES REINSURANCE (UK) PLC

11. TANGIBLE ASSETS

	Computer equipment £'000	Furniture & equipment £'000	Total £'000
Cost:			
At 1 January 2002	229	162	391
Purchases in the year	265	65	330
Disposals in the year	-	-	-
At 31 December 2002	<u>494</u>	<u>227</u>	<u>721</u>
Depreciation:			
At 1 January 2002	141	120	261
Charge for the year	180	10	190
Disposals	-	-	-
At 31 December 2002	<u>321</u>	<u>130</u>	<u>451</u>
Net Book Value:			
At 31 December 2002	<u>173</u>	<u>97</u>	<u>270</u>
At 31 December 2001	<u>88</u>	<u>42</u>	<u>130</u>

Computer equipment contains both hardware and software.

12. SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised		
7,100,000 (2001 - 6,200,000) Ordinary Shares of £10 each	<u>71,000</u>	<u>62,000</u>
Allotted, called up and fully paid		
7,100,000 (2001 - 5,500,000) Ordinary Shares of £10 each	<u>71,000</u>	<u>55,000</u>

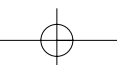
13. CREDITORS

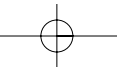
All creditors are payable within a period of one year.

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Ordinary Share Capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2002	55,000	19,220	74,220
Increase in share capital	16,000	-	16,000
Profit for year	-	8,806	8,806
At 31 December 2002	<u>71,000</u>	<u>28,026</u>	<u>99,026</u>

In accordance with the amendment to FRS3 published in June 1999 no note of historical cost profits has been prepared as the company's only material gains and losses on assets relate to the holding and disposal of investments.





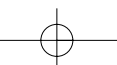
GREAT LAKES REINSURANCE (UK) PLC

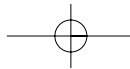
15. SEGMENTAL INFORMATION

	Direct marine & aviation £'000	Direct property £'000	Direct general liability £'000	Direct motor £'000	Total direct £'000	Re- insurance accepted £'000	Total £'000
2002							
Gross premiums written	106,890	238,413	48,160	273,352	666,815	25,740	692,555
Gross premiums earned	83,374	185,962	37,655	213,466	520,457	24,676	545,133
Gross claims incurred	82,215	89,764	27,340	167,131	366,450	19,932	386,382
Gross operating expenses	7,299	39,738	9,344	60,193	116,574	2,962	119,536
Gross technical result	(6,140)	56,460	971	(13,858)	37,433	1,782	39,215
Reinsurance balance	6,140	(56,460)	(971)	13,858	(37,433)	(1,008)	38,441
Net technical result	-	-	-	-	-	774	774
Net technical provisions	-	19	-	-	19	40,486	40,505
2001							
Gross premiums written	52,242	89,630	11,889	124,538	278,299	22,238	300,537
Gross premiums earned	52,760	89,630	10,153	35,611	188,154	22,335	210,489
Gross claims incurred	101,386	102,172	32,086	62,710	298,354	25,094	323,448
Gross operating expenses	4,918	17,688	3,452	22,929	48,987	3,840	52,827
Gross technical result	(53,544)	(30,230)	(25,385)	(50,028)	(159,187)	(6,599)	(165,786)
Reinsurance balance	53,544	30,230	25,385	50,028	159,187	6,830	166,017
Net technical result	-	-	-	-	-	231	231
Net technical provisions	-	1,786	125	-	1,911	36,793	38,704

All premiums resulted from contracts of insurance or reinsurance concluded in the United Kingdom.

Overprovisions for claims at the beginning of the year compared to payments and provisions at the end of the year in respect of prior years' claims amounted to £1.4 million (2001 - £0.9 million underprovision).





GREAT LAKES REINSURANCE (UK) PLC

16. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2002 other than those arising in the normal course of the Company's underwriting business (2001 - Nil).

17. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2002 (2001 - Nil).

18. LEASES

Annual commitments under non cancellable operating lease are as follows:

	Land and Buildings	
	2002 £'000	2001 £'000
Operating leases which expire		
• Within one year	-	-
• Between two and five years	-	-
• Over five years	345	254
Operating lease payments made during the financial year	345	254

19. PENSION ARRANGEMENTS

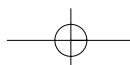
A full valuation of the defined benefit pension scheme was carried out at 1 January 1999 and updated to 1 January 2001 by a qualified independent actuary. The major assumptions used by the actuary were:

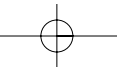
	At January 1, 2001
Rate of increase in salaries	5.0% pa
Rate of increase in pensions in payment	2.5% pa
Discount rate	6.0% pa
Inflation assumption	2.5% pa

The full valuation at 1 January 1999 showed a deficit in funding of £4,700,000 which was updated to a deficit of £900,000 at 1 January 2001. The actuary recommends that contributions in 2002 should remain unchanged from that paid in 2001 and the contribution schedule approved by the Trustees remains unchanged.

At 1 January 2001:

- The scheme actuary calculated the deficiency to be £2,509,000 of which the Company's share was £250,000. This transfer is being written off over the estimated average working lives' of employees, 12 years starting from 1 January 2000.





GREAT LAKES REINSURANCE (UK) PLC

- The companies made a transfer to fund the actuary's estimate of liability for the enhanced benefits. This transfer of £4,418,000, was made in 2001, is amortised over 12 years from 1 January 2000, of which the Company's share was £350,000.

The company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits'. The scheme will be accounted for by the Company when the accounting standard is fully adopted by the Company as if the scheme was a defined contribution scheme.

20. GROUP COMPANIES

- a) The Company is a wholly owned subsidiary of Münchener Rückversicherungs Gesellschaft, a company incorporated in Germany that issues publicly available consolidated accounts and, accordingly, the company is exempt from the disclosure requirements of FRS 8.

- b) Included in creditors arising out of direct insurance operations are the following:

	2002 £'000	2001 £'000
Amounts due to holding company	86,344	55,988
Amounts due to fellow subsidiaries	553	770
Amounts due to other companies	23,955	1,360
	<u>110,852</u>	<u>58,118</u>

- c) Included in debtors arising out of direct insurance operations are the following:

	2002 £'000	2001 £'000
Amounts due from subsidiary company	21,453	-
Amounts due from fellow subsidiaries	361	-
Amounts due from other companies	79,310	32,076
	<u>101,124</u>	<u>32,076</u>

- d) Included in debtors and creditors arising out of reinsurance operations are the following amounts due to or from fellow subsidiary companies:

	2002 £'000	2001 £'000
Debtors	586	-
Creditors	-	-
	<u>586</u>	<u>-</u>

