



GREAT LAKES REINSURANCE (UK) PLC

C O N T E N T S

31 DECEMBER 2004

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GREAT LAKES REINSURANCE (UK) PLC

DIRECTORY

31 DECEMBER 2004

DIRECTORS

M.C.F. Hannan (*Chairman*)
N. J. Parr (*Chief Executive Officer*)
R.A.S. Harris FCA (*Chief Financial Officer*)
W.J. Branum
C. Schurig
N.H.H. Smith
J.J. Ludbrook

SECRETARY

T.D. Anderson

REGISTERED OFFICE

Upper Ground Floor
1 Minster Court
Mincing Lane
London EC3R 7YH
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E-mail: correspondence@greatlakes.co.uk

AUDITORS

KPMG Audit Plc
8 Salisbury Square, London. EC4Y 8BB

BANKERS

Barclays Bank PLC
The Bank of New York

REGISTERED NUMBER

2189462



GREAT LAKES REINSURANCE (UK) PLC

REPORT OF THE DIRECTORS

31 DECEMBER 2004

PRINCIPAL ACTIVITY

The principal activity of the Company is the transaction of insurance and reinsurance business. Following a strategic review of the Company's business it was decided to cease the underwriting of reinsurance business with effect from 31 December 2004. The company has been awarded the following Group Ratings

A+ Superior (A M Best)
A+ Strong (Standard & Poors)

In respect of the reinsurance account, the Company is committed to an orderly run-off.

DIRECTORS & SECRETARY

Director	Appointed	Resigned
N. J. Parr	30 March 2004	
M. C. F. Hannan	1 October 2004	
R. A. S. Harris	1 October 2004	
N. H. H. Smith	1 October 2004	
J. J. Ludbrook	1 October 2004	
P. J. Ruperti		29 March 2004
Dr. T. Jeworrek		1 October 2004

In addition Dr C. Schurig and W. J. Branum were Directors throughout the year.

Secretary	Appointed	Resigned
R. A. S. Harris		1 October 2004
T. D. Anderson	1 October 2004	

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2004 are set out in the profit and loss account on pages 6 and 7. The Directors propose that no dividend be paid for the year (2003 - nil).

DEVELOPMENT OF THE COMPANY

During the year 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.

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 year. 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

T.D. Anderson
Company Secretary
30 March 2005



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 member 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 member 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 2004 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
30 March 2005



GREAT LAKES REINSURANCE (UK) PLC

PROFIT AND LOSS ACCOUNT

TECHNICAL ACCOUNT - GENERAL BUSINESS

31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000 (restated)
EARNED PREMIUMS, NET OF REINSURANCE			
Gross premiums written			
Continuing activities		980,542	940,773
Discontinued activities		27,227	31,140
		<u>1,007,769</u>	<u>971,913</u>
Outward reinsurance premiums		(964,871)	(936,452)
Net premiums written		42,898	35,461
(Increase in the gross provision for unearned premiums		(27,854)	(113,923)
Increase in the provision for unearned premiums - reinsurers' share		(27,441)	(113,326)
Increase in the net provision for unearned premiums		<u>(413)</u>	<u>(597)</u>
Earned premiums, net of reinsurance	2	42,485	34,864
Investment income		2,391	2,283
Other technical income		16,814	17,574
TOTAL TECHNICAL INCOME		<u>61,690</u>	<u>54,721</u>
CLAIMS INCURRED, NET OF REINSURANCE			
Claims paid			
- gross amount		327,821	351,925
- reinsurers' share		(303,706)	(335,293)
- net of reinsurance		<u>24,115</u>	<u>16,632</u>
Change in the provision for claims			
- gross amount		370,460	95,056
- reinsurers' share		(362,187)	(90,311)
- net of reinsurance		<u>8,273</u>	<u>4,745</u>
Claims incurred net of reinsurance	3	32,388	21,377
NET OPERATING EXPENSES	4	14,400	13,704
TOTAL CHARGES		<u>46,788</u>	<u>35,081</u>
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS			
Continuing activities		13,873	15,823
Discontinued activities		1,029	3,817
		<u>14,902</u>	<u>19,640</u>



GREAT LAKES REINSURANCE (UK) PLC

PROFIT AND LOSS ACCOUNT

NON-TECHNICAL ACCOUNT

31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
BALANCE ON THE GENERAL BUSINESS TECHNICAL ACCOUNT		14,902	19,640
Investment income	8	15,698	8,100
		<u>30,600</u>	<u>27,740</u>
Investment expenses and charges			
- investment management expenses		(840)	(716)
Investment income allocated to the technical account		(2,391)	(2,283)
		<u>(3,231)</u>	<u>(2,999)</u>
Exchange losses		(928)	(296)
		<u></u>	<u></u>
OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		26,441	24,445
Tax on profit on ordinary activities	9	(2,347)	(3,925)
		<u></u>	<u></u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX, RETAINED FOR THE FINANCIAL YEAR		24,094	20,520

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 2004

	Notes	2004 £'000	2003 £'000
INVESTMENTS			
Financial investments	10	225,122	173,868
Deposits with ceding undertakings		838	-
		<hr/>	<hr/>
		225,960	173,868
		<hr/>	<hr/>
Investment in Subsidiary		50	50
		<hr/>	<hr/>
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Unearned premium provision	2	441,459	414,018
Claims outstanding	3	956,313	594,126
		<hr/>	<hr/>
		1,397,772	1,008,144
		<hr/>	<hr/>
DEBTORS			
Debtors arising out of direct insurance operations	20	361,681	237,232
Debtors arising out of reinsurance operations		15,994	12,179
Corporation tax recoverable		525	-
Deferred tax	9	1,300	-
Other debtors		3,652	2,903
		<hr/>	<hr/>
		383,152	252,314
		<hr/>	<hr/>
OTHER ASSETS			
Tangible assets	11	176	197
Cash at bank and in hand		30	30
		<hr/>	<hr/>
		206	227
		<hr/>	<hr/>
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest and rent		1,694	1,798
Deferred acquisition costs	4	69,439	75,547
Other prepayments and accrued income		650	650
		<hr/>	<hr/>
		71,783	77,995
		<hr/>	<hr/>
TOTAL ASSETS		<u>2,078,923</u>	<u>1,512,598</u>



GREAT LAKES REINSURANCE (UK) PLC

BALANCE SHEET

LIABILITIES

31 DECEMBER 2004

	Notes	2004 £'000	2003 £'000
CAPITAL AND RESERVES			
Called up share capital	12	114,000	114,000
Profit and loss account	14	72,640	48,546
		<hr/>	<hr/>
Shareholder's funds attributable to equity interests		186,640	162,546
		<hr/>	<hr/>
TECHNICAL PROVISIONS - GROSS			
Unearned premium provision	2	449,946	422,092
Claims outstanding	3	1,002,359	631,899
		<hr/>	<hr/>
		1,452,305	1,053,991
		<hr/>	<hr/>
PROVISIONS FOR OTHER RISKS AND CHARGES			
Taxation		-	5,093
		<hr/>	<hr/>
CREDITORS			
Arising out of direct insurance operations	20	361,934	211,333
Arising out of reinsurance operations		127	839
Other creditors including taxation and social security	13	8,636	4,317
		<hr/>	<hr/>
		370,697	216,489
		<hr/>	<hr/>
ACCRUALS AND DEFERRED INCOME			
Accruals		1,682	523
Deferred reinsurance Commissions		67,599	73,956
		<hr/>	<hr/>
		69,281	74,479
		<hr/>	<hr/>
		2,078,923	1,512,598
		<hr/> <hr/>	<hr/> <hr/>

Approved by the board on 30 March 2005.

NJ Parr - Chief Executive Officer

RAS Harris - Chief Financial Officer



GREAT LAKES REINSURANCE (UK) PLC

NOTES TO THE ACCOUNTS

31 DECEMBER 2004

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.

Basis of preparation

The financial statements have been prepared in accordance with the provision of section 255, and Schedule 9A of The Companies Act 1985.

The financial statements have also been prepared in accordance with the applicable accounting standards and under the historical cost accounting rules and comply with the Statement of Recommended Practice issued by the Association of British Insurers dated November 2003.

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. Copies of the consolidated financial statements of the holding company can be obtained from Great Lakes Reinsurance (UK) plc, 1 Minster Court, Mincing Lane, London. EC3R 7YH.

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 or otherwise 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 2004

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. Investments in subsidiaries are held at current value, which the Directors consider is represented by net asset value.

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 fixed interest securities.



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.

Foreign currencies

Assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the end of the year. United States dollar, Canadian dollar, Euro and AUD revenue 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, both funded non-contributory and contributory defined benefits schemes. These schemes were closed to new members on 31 December 2000, at which point new employees joining the Company became members of a non-contributory defined contribution scheme. The assets of the schemes are held separately from those of the company, being invested with the investment subsidiary of Standard Life Assurance Company. Contributions to the schemes 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.

Other Technical Income

Overriding commission receivable is reflected within the profit and loss account on the same basis as the underlying business to which it relates.

2. EARNED PREMIUMS, NET OF REINSURANCE

	Gross £'000	2004 Reinsurance £'000	Net £'000	Gross £'000	2003 Reinsurance £'000	Net £'000
Premiums receivable	1,007,769	964,871	42,898	971,913	936,452	35,461
Unearned premiums - 1 January	422,092	414,018	8,074	308,169	300,692	7,477
Unearned premiums - 31 December	449,946	441,459	8,487	422,092	414,018	8,074
Increase	(27,854)	(27,441)	(413)	(113,923)	(113,326)	(597)
Premiums earned	979,915	937,430	42,485	857,990	823,126	34,864



GREAT LAKES REINSURANCE (UK) PLC

3. CLAIMS INCURRED, NET OF REINSURANCE

	Gross £'000	2004 Reinsurance £'000	Net £'000	Gross £'000	2003 Reinsurance £'000	Net £'000
Claims paid	327,821	303,706	24,115	351,925	335,293	16,632
Outstanding Claims - 1 January	631,899	594,126	37,773	536,843	503,815	33,028
Outstanding claims - 31 December	1,002,359	956,313	46,046	631,899	594,126	37,773
Increase	<u>370,460</u>	<u>362,187</u>	<u>8,273</u>	<u>95,056</u>	<u>90,311</u>	<u>4,745</u>
Claims incurred	<u>698,281</u>	<u>665,893</u>	<u>32,388</u>	<u>446,981</u>	<u>425,604</u>	<u>21,377</u>

4. OPERATING EXPENSES

	2004 £'000	2003 £'000 (restated)
Acquisition costs		
- gross amount	158,516	177,349
- reinsurers' share	149,200	167,872
- net of reinsurance	<u>9,316</u>	<u>9,477</u>
Net deferred acquisition costs - 1 January	1,591	1,564
Net deferred acquisition costs - 31 December	1,840	1,591
Increase	<u>249</u>	<u>27</u>
Acquisition costs	9,067	9,450
Administration expenses	5,333	4,255
	<u>14,400</u>	<u>13,704</u>
Direct insurance acquisition costs amounted to	<u>151,798</u>	<u>169,785</u>



GREAT LAKES REINSURANCE (UK) PLC

5. ADMINISTRATIVE EXPENSES

	2004 £'000	2003 £'000
Depreciation	183	157
Auditors' remuneration, including expenses	144	122
Fees for non-audit services	69	23

6. STAFF COSTS

	2004 £'000	2003 £'000
Wages and salaries	1,879	1,525
Bonuses and other Employee benefits	254	160
Social security costs	231	149
Other pension costs	1,205	594

During the year an additional contribution of £800,000 was made to the defined benefits pension schemes.

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

	2004	2003
Management	6	4
Underwriting	6	8
Administration	24	16

7. REMUNERATION OF DIRECTORS

	2004 £'000	2003 £'000
Directors' emoluments	201	193
Pension contributions	30	29
	<u>231</u>	<u>222</u>

Directors' remuneration consist of the emoluments and Company pension contributions (to a defined benefit pension scheme) on behalf of four (2003 - one) Directors.

In respect of the highest paid Director:

	2004 £'000	2003 £'000
Directors' emoluments	103	193
Pension contributions	19	29
	<u>122</u>	<u>222</u>



GREAT LAKES REINSURANCE (UK) PLC

8. INVESTMENT INCOME

	2004 £'000	2003 £'000
Investment income	9,150	6,966
Realised gains	1,650	1,968
Unrealised gains/(losses)	4,898	(834)
	15,698	8,100

9. TAXATION

	2004 £'000	2003 £'000
UK Corporation tax at 30% (2003: 30%)	-	5,500
Deferred Tax - Origination and reversal of timing differences	(1,300)	-
Underprovision/(Overprovision) in prior year	3,647	(1,575)
	2,347	3,925

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

Profit before tax	26,441	24,445
Corporation tax at 30%	7,932	7,333
Expenses not deductible for tax purposes	-	279
Loss relief utilised	(9,232)	-
Underprovision/(Overprovision) in prior year	3,647	(1,575)
Losses surrendered for nil consideration	-	(2,112)
	2,347	3,925

Deferred Taxation

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

	2004 £'000	2003 £'000
Provision at start of the year	-	-
Deferred tax credit in Profit and Loss Account - loss relief not utilised	1,300	-
	1,300	-



GREAT LAKES REINSURANCE (UK) PLC

10. INVESTMENTS

	Current value		Historical value	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Financial investments:				
Equities - Listed	35,908	33,307	34,423	33,807
Government fixed interest	85,405	98,296	88,221	100,176
Other listed fixed interest securities	37,995	15,217	35,096	15,550
Deposits with credit institutions	65,768	27,000	65,768	27,000
Staff mortgages	46	48	46	48
	<u>225,122</u>	<u>173,868</u>	<u>223,554</u>	<u>176,581</u>
Deposits with ceding undertakings	838	-	838	-
Total investments	<u>225,960</u>	<u>173,868</u>	<u>224,392</u>	<u>176,581</u>

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

The investment in subsidiary represents a 100% shareholding in MARP London Ltd, (subsequently renamed Great Lakes Services Ltd) a company incorporated in England and Wales.

11. TANGIBLE ASSETS

	Computer equipment £'000	Furniture & equipment £'000	Total £'000
Cost:			
At 1 January 2004	399	165	564
Purchase in the year 2004	105	57	162
Disposals in the year	(91)	(26)	(117)
At 31 December 2004	<u>413</u>	<u>196</u>	<u>609</u>
Depreciation:			
At 1 January 2004	268	99	367
Charge for the year	131	52	183
Disposals	(91)	(26)	(117)
At 31 December 2004	<u>308</u>	<u>125</u>	<u>433</u>
Net Book Value:			
At 31 December 2004	<u>105</u>	<u>71</u>	<u>176</u>
At 31 December 2003	<u>131</u>	<u>66</u>	<u>197</u>

Computer equipment contains both hardware and software.



GREAT LAKES REINSURANCE (UK) PLC

12. SHARE CAPITAL

	2004 £'000	2003 £'000
Authorised 11,400,000 (2003 - 11,400,000) Ordinary Shares of £10 each	<u>114,000</u>	<u>114,000</u>
Allotted, called up and fully paid 11,400,000 (2003 - 11,400,000) Ordinary Shares of £10 each	<u>114,000</u>	<u>114,000</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 2004	114,000	48,546	162,546
Profit for year	-	24,094	24,094
	<u>114,000</u>	<u>72,640</u>	<u>186,640</u>
At 31 December 2004	114,000	72,640	186,640

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
2004							
Gross premiums written	304,172	279,063	57,624	339,683	980,542	27,227	1,007,769
Gross premiums earned	295,659	271,255	56,011	330,176	953,101	26,814	979,915
Gross claims incurred	182,298	202,362	80,328	213,077	678,065	20,216	698,281
Gross operating expenses	34,438	51,844	6,956	59,153	152,391	11,209	163,600
Gross technical result	78,923	17,049	(31,273)	57,946	122,645	(4,611)	118,034
Reinsurance balance	(78,923)	(17,409)	31,273	(57,946)	(122,645)	308	(122,337)
Net technical result	-	-	-	-	-	(4,303)	(4,303)
Net technical provisions	-	-	-	-	-	54,533	54,533
2003 (Re stated)							
Gross premiums written	208,344	266,966	108,537	356,926	940,773	31,140	971,913
Gross premiums earned	183,342	234,670	95,354	314,081	827,447	30,543	857,990
Gross claims incurred	70,291	175,142	(35,149)	219,950	430,234	16,747	446,981
Gross operating expenses	25,686	52,221	16,829	75,049	169,785	11,792	181,577
Gross technical result	87,365	7,307	113,674	19,082	227,428	2,004	229,432
Reinsurance balance	(87,365)	(7,307)	(113,674)	(19,082)	(227,428)	962	(226,466)
Net technical result	-	-	-	-	-	2,966	2,966
Net technical provisions	-	-	-	-	-	45,847	45,847

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

Overprovisions for net 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 £1.0million (2003 - £4.2 million overprovision).

The column headed "Reinsurance Accepted" represents discontinued activities, all other activities are continuing.



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16. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2004 other than those arising in the normal course of the Company's underwriting business (2003 - Nil).

17. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2004 (2003 - Nil).

18. LEASES

Annual commitments under non cancellable operating lease are as follows:

	Land and Buildings	
	2004 £'000	2003 £'000
Operating leases which expire		
• Within one year	-	-
• Between two and five years	-	-
• Over five years	345	345
Operating lease payments made during the financial year	345	345

19. PENSION ARRANGEMENTS

A full valuation of the defined benefits pension schemes was carried out at 31 March, 2004 by the scheme actuary. The major assumptions used by the actuary were:

	Funding % per annum	MFR % per annum	Solvency % per annum
Rate of Interest			
- before retirement	6,25	9,00	4,23
- after retirement	6,25	8,00	4,23
Rate of Salary Increases	5,00	6,00	NA
Rate of Earnings CAP	2,50	4,00	3,00

The full valuation at 31 March, 2004 showed a deficit in funding of £7,992,000. The actuary recommends that contributions in 2004 should be increased from 21.1% to 21.3% to decrease the deficit following the impact of poor investment markets and improving mortality trends.

The full implementation of FRS 17 'Retirement benefits' has been deferred to 2005 by the ASB. The company is unable to identify its share of the scheme assets and liabilities in accordance with FRS 17 on a consistent and reasonable basis. When the accounting standard is fully adopted the scheme will be accounted for as a defined contribution scheme, as permitted by FRS 17.



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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:

	2004 £'000	2003 £'000
Amounts due to holding company	236,919	167,161
Amounts due to fellow subsidiaries	19,359	8,244
Amounts due to other companies	105,657	35,928
	<u>361,934</u>	<u>211,333</u>

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

	2004 £'000	2003 £'000
Amounts due from subsidiary company	87,047	52,223
Amounts due from fellow subsidiaries	14,945	8,878
Amounts due from other companies	259,689	176,131
	<u>361,681</u>	<u>237,232</u>

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

	2004 £'000	2003 £'000
Debtors	18	4
Creditors	-	75
	<u> </u>	<u> </u>