

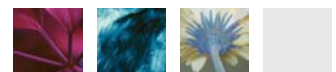




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DIRECTORY

31 DECEMBER 2005

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

M.A. Odell

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
8 Salisbury Square, London, EC4Y 8BB

BANKERS

Barclays Bank PLC
The Bank of New York (Europe) Ltd

REGISTERED NUMBER

2189462





REPORT OF THE DIRECTORS

31 DECEMBER 2005

PRINCIPAL ACTIVITY

The principal activity of the Company is the transaction of insurance business. The Company has been awarded the following Group Ratings

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

DIRECTORS & SECRETARY

The Directors of the Company are as stated on page 1; there have been no changes to the Board during the year.

Secretary	Appointed	Resigned
T.D.Anderson	-	30 June 2005
M.A. Odell	1 July 2005	-

N. J. Parr holds one Ordinary Share of £10 (2004 - 1) as trustee. None of the directors had a beneficial interest in the shares of the Company. Under the provisions of the Companies (Disclosures of Directors' Interests) (Exceptions) Regulations 1985, the directors of the company are exempt from disclosing any interests in the shares of the ultimate holding company.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on pages 6 and 7. A dividend of £20m (2005 - nil) was declared in January 2006 which will be paid during the year.

DEVELOPMENT OF THE COMPANY

During the year the Company has continued to underwrite insurance business, and has maintained a prudent approach to the spread of risk both by class of business and by location. With effect from 1 January 2005 the Company has retained substantially all business written by its MARP London division, all of which was previously reinsured.

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; and
- pay all suppliers on a weekly basis

All suppliers are now paid via the Company's service company subsidiary, Great Lakes Services Limited; application of the above policy by that company has led to an average creditors payment period of 2½ days.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the





DIRECTORS' RESPONSIBILITIES (cont.)

directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

MAJOR SHAREHOLDINGS

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

CORPORATE GOVERNANCE

The Company is committed to business integrity, high ethical values and professionalism in all of its activities. As an essential part of this commitment, the Board supports high standards in Corporate Governance.

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

M.A. Odell
Company Secretary
31 March 2006





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

We have audited the financial statements ("financial statements") of Great Lakes Reinsurance (UK) PLC for the year ended 31st December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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

As described in the Statement of Directors' Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

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

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

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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
31 March 2006



PROFIT AND LOSS ACCOUNT

TECHNICAL ACCOUNT - GENERAL BUSINESS

31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
EARNED PREMIUMS, NET OF REINSURANCE			
Gross premiums written			
Continuing activities		1,063,647	980,542
Discontinued activities		(5,809)	27,227
		<u>1,057,838</u>	<u>1,007,769</u>
Outward reinsurance premiums		878,606	964,871
Net premiums written		<u>179,232</u>	<u>42,898</u>
Increase in the gross provision for unearned premiums		(16,802)	(27,854)
Decrease/(Increase) in the provision for unearned premiums - reinsurers' share		21,189	(27,441)
Increase in the net provision for unearned premiums		<u>(37,991)</u>	<u>(413)</u>
Earned premiums, net of reinsurance	3	141,241	42,485
Investment income		7,639	2,391
Other technical income		13,997	16,814
TOTAL TECHNICAL INCOME		<u>162,877</u>	<u>61,690</u>
CLAIMS INCURRED, NET OF REINSURANCE			
Claims paid			
- gross amount		458,857	327,821
- reinsurers' share		440,375	303,706
- net of reinsurance		<u>18,482</u>	<u>24,115</u>
Change in the provision for claims			
- gross amount		458,044	370,460
- reinsurers' share		365,808	362,187
- net of reinsurance		<u>92,236</u>	<u>8,273</u>
Claims incurred net of reinsurance	4	110,718	32,388
Net operating expenses	5	15,913	14,400
TOTAL CHARGES		<u>126,631</u>	<u>46,788</u>
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS			
Continuing activities		33,246	13,873
Discontinued Activities		3,000	1,029
		<u>36,246</u>	<u>14,902</u>





PROFIT AND LOSS ACCOUNT

NON-TECHNICAL ACCOUNT

31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
BALANCE ON THE GENERAL BUSINESS TECHNICAL ACCOUNT		36,246	14,902
Investment income	8	17,569	15,698
		<u>53,815</u>	<u>30,600</u>
Investment expenses and charges			
- investment management expenses		(1,318)	(840)
Investment income allocated to the technical account		(7,639)	(2,391)
		<u>(8,957)</u>	<u>(3,231)</u>
OTHER CHARGES			
Foreign Exchange losses		(185)	(928)
		<u></u>	<u></u>
OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		44,673	26,441
Tax on profit on ordinary activities	9	14,701	2,347
		<u></u>	<u></u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		29,972	24,094
		<u></u>	<u></u>

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





BALANCE SHEET

ASSETS

31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
INVESTMENTS			
Financial investments	10	317,380	225,122
Deposits with ceding undertakings		272	838
		<hr/>	<hr/>
		317,652	225,960
		<hr/>	<hr/>
Investment in Subsidiary		50	50
		<hr/>	<hr/>
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Unearned premium provision	3	420,270	441,459
Claims outstanding	4	1,322,121	956,313
		<hr/>	<hr/>
		1,742,391	1,397,772
		<hr/>	<hr/>
DEBTORS			
Debtors arising out of direct insurance operations	19	333,743	361,681
Debtors arising out of reinsurance operations		1,314	15,994
Corporation tax recoverable		-	525
Deferred Tax	9	-	1,300
Other debtors		934	3,652
		<hr/>	<hr/>
		335,991	383,152
		<hr/>	<hr/>
OTHER ASSETS			
Tangible assets	11	-	176
Cash at bank and in hand		30	30
		<hr/>	<hr/>
		30	206
		<hr/>	<hr/>
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest and rent		3,089	1,694
Deferred acquisition costs	5	66,432	69,439
Other prepayments and accrued income		-	650
		<hr/>	<hr/>
		69,521	71,783
		<hr/>	<hr/>
TOTAL ASSETS		<u>2,465,635</u>	<u>2,078,923</u>





BALANCE SHEET

LIABILITIES

31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
CAPITAL AND RESERVES			
Called up share capital	12	114,000	114,000
Profit and loss account	14	102,612	72,640
		<hr/>	<hr/>
Shareholders' funds attributable to equity interests		216,612	186,640
		<hr/>	<hr/>
TECHNICAL PROVISIONS - GROSS			
Unearned premium provision	3	466,748	449,946
Claims outstanding	4	1,460,403	1,002,359
		<hr/>	<hr/>
		1,927,151	1,452,305
		<hr/>	<hr/>
PROVISIONS FOR OTHER RISKS AND CHARGES			
Taxation		13,401	-
		<hr/>	<hr/>
CREDITORS			
Arising out of direct insurance operations	19	195,165	361,934
Arising out of reinsurance operations		689	127
Other creditors including taxation and social security	13	47,037	8,636
Intercompany balances		545	-
		<hr/>	<hr/>
		243,436	370,697
		<hr/>	<hr/>
ACCRUALS AND DEFERRED INCOME			
Accruals		-	1,682
Deferred reinsurance commissions		65,035	67,599
		<hr/>	<hr/>
		2,465,635	2,078,923
		<hr/> <hr/>	<hr/> <hr/>

Approved by the board on 30 March 2006

N. J. Parr - Chief Executive Officer

R. A. S. Harris - Chief Financial Officer





NOTES TO THE ACCOUNTS

31 DECEMBER 2005

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the provisions of section 255 of, and Schedule 9A to, the Companies Act 1985. The financial statements comply with applicable accounting standards and comply with the revised Statement of Recommended Practice issued by the Association of British Insurers in December 2005, and have been prepared under the historical cost accounting rules, modified to include the revaluation of investments.

The following new financial reporting standards have been adopted for the first time in these financial statements:

FRS 21 – ‘Events after the balance sheet date’

FRS 25 – ‘Financial instruments: disclosure and presentation’

FRS 28 – ‘Corresponding amounts’.

The main feature of FRS 21 ‘Events after the balance sheet date’ affecting the Company is that dividends declared after the balance sheet date in respect of the previous reporting period are no longer considered to be adjusting events. Accordingly, the interim dividend that the Company proposed in January 2006 will be dealt with in the 2006 financial statements. The presentation aspects of FRS 25, ‘Financial instruments: disclosure and presentation’ and FRS 28 ‘Corresponding amounts’ have had no material effect on these financial statements.

As the company is a wholly owned subsidiary of Münchener Ruckversicherungs Gesellschaft AG (‘Munich Re’) the company has taken advantage of the exemption contained in FRS 8 and not disclosed transactions with entities which form part of the Munich Re group. The consolidated financial statements of Munich Re, within which the Company is included, can be obtained from the Company’s registered office. As the company is a wholly owned subsidiary undertaking the company is exempted from producing consolidated financial statements and so these financial statements present information for the Company as an individual undertaking. Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company is included in the consolidated financial statements of Munich Re.

2. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with material items in the company’s financial statements

Basis of accounting

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

Premiums

- Written premiums comprise the amount receivable including an estimate of pipeline premiums during the financial year for the whole period for which 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
- Reinsurance premiums payable are recognised in the same period as the written premiums for the original risks and are accounted on the same basis
- Premiums exclude any associated insurance premium taxes and are shown before deduction of amounts payable to intermediaries





- An adjustment is made to both premiums receivable and reinsurance premiums payable to reflect the time during which the Company is on risk in respect of the underlying cover. Depending on the profile of the underlying business, this calculation is made using an approach no less accurate than the 24ths basis

Claims

- Claims paid include both claims and associated claims settlement expenses paid during the year
- The provision for outstanding claims comprise provisions for the estimated costs of settling all claims incurred up to but not paid at the balance sheet date, whether reported or not, together with related internal and external claims handling expenses. Where applicable, prudent estimates are made of expected reinsurance recoveries and salvage and subrogation recoveries, which are shown separately in the balance sheet as assets.
- In estimating the amount to carry forward for IBNR, the Company adopts a statistical approach to quantifying the amount. In particular the Company estimates, based on past experience for each class of business, the expected development of claims over time in order to determine the likely ultimate claims to be experienced. In addition, the Company makes allowance for differences between years in respect of the type of business written, as well as the underlying terms and conditions of that business. Inherent in these approaches is the assumption that the past is a reasonable predictor of the likely level of claims development and that the models used for current business are appropriate.
- In estimating the IBNR for both large claims and catastrophes, the Company considers the likely exposure arising from the individual loss or, in the case of catastrophes, the underlying event
- Although the provision for IBNR is fairly stated based on information available and assumptions extant at the balance sheet date, it is inevitable that the ultimate liability will vary as a result of subsequent information and events (including legal decisions) which may result in significant adjustments to the amounts provided; these adjustments will be reflected in future sets of financial statements.

Unexpired risks

- Provision is made for unexpired risks where the claims and administrative expenses likely to arise after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums provision in respect of such policies after deduction of any acquisition costs deferred. The provision for unexpired risks is calculated after taking into account relevant investment income. Surpluses and deficits are aggregated where classes of business are managed together.

Acquisition costs

- Acquisition costs comprise the expenses, both direct and indirect, of acquiring policies written during the financial year.
- Costs which vary with and are primarily related to the acquisition of business (including both new and renewal business) are deferred to the extent that they are attributable to premiums unearned at the balance sheet date

Other technical income

- Overriding commission receivable is reflected in the technical account on the same basis as the underlying business to which it relates





Investments and investment income

- Quoted investments are stated at current value (which is represented by the bid value) at the balance sheet date.
- The Directors believe that the net asset value of the subsidiary company is an appropriate indication of its current value
- Investment income comprises interest and dividends receivable, together with both realised and unrealised investment gains. Realised gains are calculated as the difference between net sales proceeds and original cost or, if previously revalued, the valuation at the balance sheet date
- Investment income on the assets supporting technical provisions, consisting of fixed interest investments, is allocated to the technical account on the average value of those provisions held during the year

Deferred taxation

- Deferred taxation is recognised, without discounting, in respect of all timing differences between the accounting and tax value which have arisen at the balance sheet date, except as otherwise required by FRS 19

Foreign currencies

- Assets and liabilities denominated in currencies other than sterling are translated to sterling at the rate of exchange ruling at the balance sheet date
- Revenue transactions in other currencies are converted to sterling at the rate ruling at the time of the transaction

Operating leases

- Rental costs relating to operating leases are included within management expenses over the term of lease on a straight line basis





3. EARNED PREMIUMS, NET OF REINSURANCE

	Gross £'000	2005 Reinsurance £'000	Net £'000	Gross £'000	2004 Reinsurance £'000	Net £'000
Premiums receivable	1,057,838	878,606	179,232	1,007,769	964,871	42,898
Unearned premiums - 1 January	449,946	441,459	8,487	422,092	414,018	8,074
Unearned premiums - 31 December	466,748	420,270	46,478	449,946	441,459	8,487
Decrease/(Increase)	(16,802)	21,189	(37,991)	(27,854)	(27,441)	(413)
Premiums earned	1,041,036	899,795	141,241	979,915	937,430	42,485

4. CLAIMS INCURRED, NET OF REINSURANCE

	Gross £'000	2005 Reinsurance £'000	Net £'000	Gross £'000	2004 Reinsurance £'000	Net £'000
Claims paid	458,857	440,375	18,482	327,821	303,706	24,115
Outstanding Claims - 1 January	1,002,359	956,313	46,046	631,899	594,126	37,773
Outstanding claims - 31 December	1,460,403	1,322,121	138,282	1,002,359	956,313	46,046
Increase	458,044	365,808	92,236	370,460	362,187	8,273
Claims incurred	916,901	806,183	110,718	698,281	665,893	32,388

5. OPERATING EXPENSES

	2005 £'000	2004 £'000
Acquisition costs		
- gross amount	147,826	158,516
- reinsurers' share	141,771	149,200
- net of reinsurance	6,055	9,316
Net deferred acquisition costs - 1 January	1,840	1,591
Net deferred acquisition costs - 31 December	1,397	1,840
Decrease/(Increase)	443	(249)
Acquisition costs	6,498	9,067
Administration expenses	9,415	5,333
	15,913	14,400
Direct insurance commissions amounted to	142,078	151,798





6. ADMINISTRATIVE EXPENSES

All administration expenses, including auditors' remuneration amounting to £148,000 (2004 - £144,000) for audit services and £130,000 (2004 - £69,000) for non audit services, are paid by the Company's wholly owned subsidiary, Great Lakes Services Limited. These expenses are recharged to Great Lakes Reinsurance (UK) PLC, with disclosures being made in the accounts of the service company.

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.

7. REMUNERATION OF DIRECTORS

	2005 £'000	2004 £'000
Directors' emoluments	446	201
Pension contributions	55	30
	<hr/>	<hr/>
	501	231
	<hr/>	<hr/>

Directors' remuneration consists of the emoluments on behalf of four (2004 - four) Directors.

In respect of the highest paid Director:

	2005 £'000	2004 £'000
Directors' emoluments	192	103
Pension contributions	31	19
	<hr/>	<hr/>
	223	122
	<hr/>	<hr/>

8. INVESTMENT INCOME

	2005 £'000	2004 £'000
Investment income	16,325	9,150
Realised gains	148	1,650
Unrealised gains	1,096	4,898
	<hr/>	<hr/>
Total	17,569	15,698
	<hr/>	<hr/>





9. TAXATION

	2005 £'000	2004 £'000
UK Corporation tax at 30% (2004: 30%)	13,401	-
Deferred Tax	1,300	(1,300)
Underprovision in prior year	-	3,647
	<hr/> 14,701 <hr/>	<hr/> 2,347 <hr/>

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

Profit before tax	44,673	26,441
Corporation tax at 30%	13,401	7,932
Loss relief utilised	-	(9,232)
Unutilised loss relief in previous year now recognised and utilised	1,300	-
Underprovision in prior year	-	3,647
	<hr/> 14,701 <hr/>	<hr/> 2,347 <hr/>

Deferred Tax Asset

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

	2005 £'000	2004 £'000
Balance at start of the year	1,300	-
Deferred tax charge in Profit and Loss Account	(1,300)	1,300
	<hr/> -	<hr/> 1,300 <hr/>





10. INVESTMENTS

	Current value		Historical value	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Financial investments:				
Equities - Listed	11,327	35,908	10,299	34,423
Government fixed interest	168,566	85,405	168,989	88,221
Other listed fixed interest securities	68,322	37,995	66,241	35,096
Deposits with credit institutions	69,121	65,768	69,121	65,768
Staff mortgages	44	46	44	46
	<u>317,380</u>	<u>225,122</u>	<u>314,694</u>	<u>223,554</u>
Deposits with ceding undertakings	272	838	272	838
Total investments	<u>317,652</u>	<u>225,960</u>	<u>314,966</u>	<u>224,392</u>
Investment in subsidiary	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>

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

The investment in subsidiary represents 100% shareholding in Great Lakes Services Limited, a company incorporated in England and Wales.

11. TANGIBLE ASSETS

	Computer equipment £'000	Furniture & equipment £'000	Total £'000
Cost:			
At 1 January 2005	413	196	609
Transfer to Service Company	(413)	(196)	(609)
At 31 December 2005	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation:			
At 1 January 2005	308	125	433
Transfer to Service Company	(308)	(125)	(433)
At 31 December 2005	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value:			
At 31 December 2005	-	-	-
At 31 December 2004	<u>105</u>	<u>71</u>	<u>176</u>

Computer equipment contains both hardware and software.





12. SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised 11,400,000 (2004 - 11,400,000) Ordinary Shares of £10 each	114,000	114,000
Allotted, called up and fully paid 11,400,000 (2004 - 11,400,000) Ordinary Shares of £10 each	114,000	114,000

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 2005	114,000	72,640	186,640
Profit for year	-	29,972	29,972
At 31 December 2005	114,000	102,612	216,612

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.





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
2005							
Gross premiums written	230,151	232,842	255,331	345,323	1,063,647	(5,809)	1,057,838
Gross premiums earned	224,679	227,306	249,260	337,113	1,038,358	2,678	1,041,036
Gross claims incurred	119,927	297,224	231,982	270,693	919,826	(2,925)	916,901
Gross operating expenses	24,119	39,395	13,404	76,277	153,195	4,489	157,684
Gross technical result	80,633	(109,313)	3,874	(9,857)	(34,663)	1,114	(33,549)
Reinsurance balance	(80,633)	115,750	3,185	9,857	48,159	-	48,159
Net technical result	-	6,437	7,059	-	13,496	1,114	14,610
Net technical provisions	-	34,237	116,513	-	150,750	34,010	184,760
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

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 £3 million (2004 - £1 million overprovision).

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





16. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2005 other than those arising in the normal course of the Company's underwriting business (2004 - Nil).

17. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2005 (2004 - Nil).

18. LEASES

Annual commitments under a non cancellable operating lease are as follows:

	Land and Buildings	
	2005 £'000	2004 £'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. GROUP COMPANIES

a) The Company is a wholly owned subsidiary of Münchener Rückversicherungs Gesellschaft (the immediate and ultimate holding company), 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:

	2005 £'000	2004 £'000
Amounts due to holding company	167,524	236,919
Amounts due to fellow subsidiaries	10,961	19,359
Amounts due to other companies	16,680	105,657
	<u>195,165</u>	<u>361,934</u>

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

	2005 £'000	2004 £'000
Amounts due from holding company	146,973	-
Amounts due from subsidiary company	-	87,047
Amounts due from fellow subsidiaries	13,515	14,945
Amounts due from other companies	173,255	259,689
	<u>333,743</u>	<u>361,681</u>

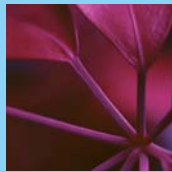
d) Included in debtors arising out of reinsurance operations are the following amounts due to or from fellow subsidiary companies:

	2005 £'000	2004 £'000
Debtors	<u>-</u>	<u>18</u>

e) Included in other debtors and creditors are the following:

	2005 £'000	2004 £'000
Other debtors		
Amounts due from holding company	<u>607</u>	<u>-</u>
Other creditors		
Amounts due to subsidiary company	<u>113</u>	<u>5,776</u>





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