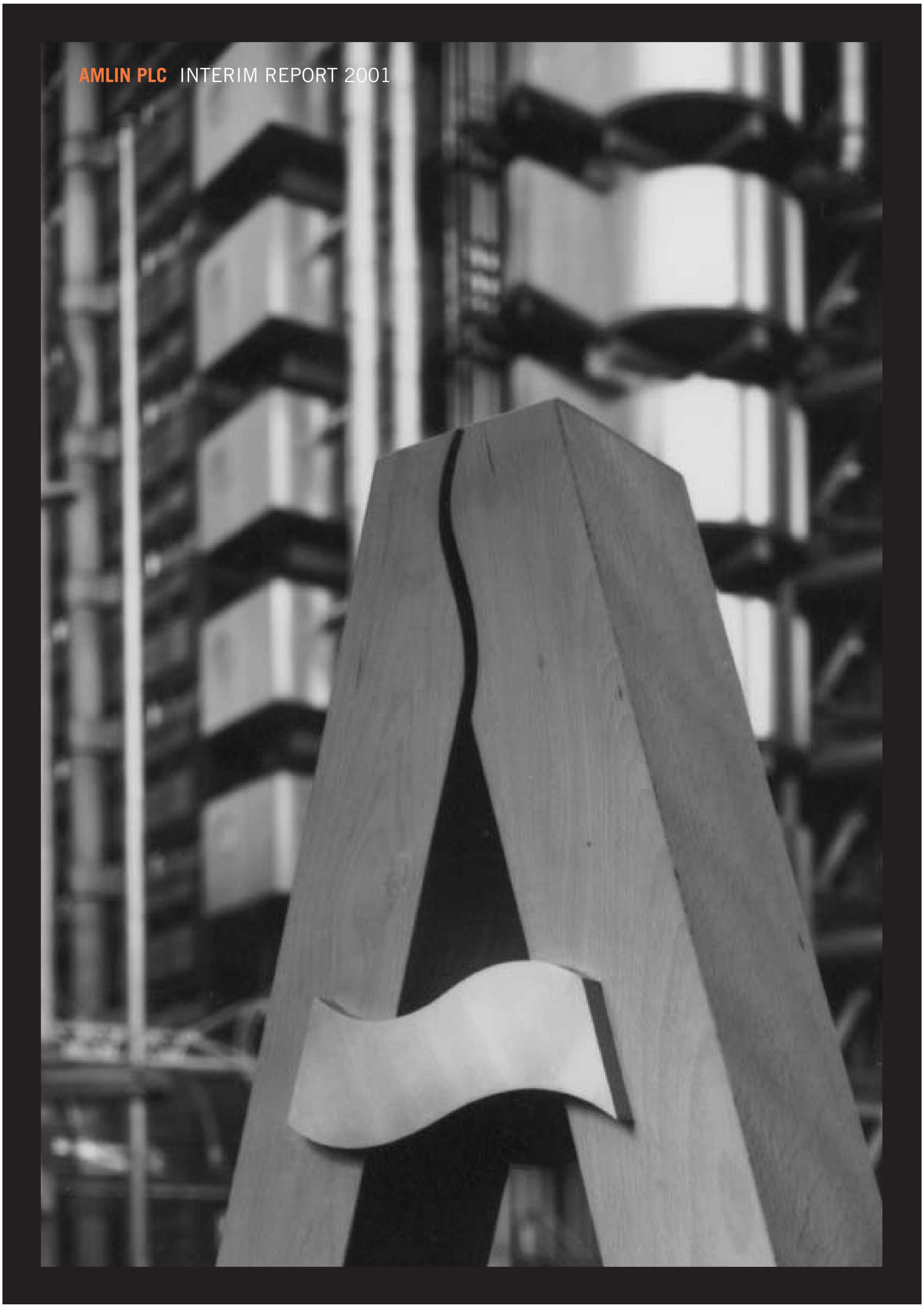
AMLIN PLC INTERIM REPORT 2001

## FINANCIAL HIGHLIGHTS

| | **Six months 2001 £m** | Six months 2000 £m | Twelve months 2000 £m |
|---|---|---|---|
| Gross premium written | **355.8** | 187.4 | 340.7 |
| Net premium written | **287.9** | 131.4 | 268.0 |
| Earned premium | **165.6** | 97.2 | 215.0 |
| Continuing technical profit/(loss) | **5.0** | 1.5 | (0.2) |
| Discontinued technical loss | – | (1.3) | (2.5) |
| Operating profit/(loss) based on longer term investment return | **1.3** | (7.2) | (5.9) |

| | **Six months 2001** | Six months 2000 | Twelve months 2000 |
|---|---|---|---|
| Earnings per share – basic | **(7.9)p** | (8.4)p | (9.6)p |
| Dividends per share | – | 1.4p | 4.0p |
| Net assets | **£188.4m** | £209.5m | £202.1m |
| Net assets per share – basic | **94.0p** | 106.6p | 102.0p |

**OUR VISION IS THAT AMLIN WILL BECOME ONE OF THE LEADING INSURANCE BUSINESSES IN THE LONDON MARKET. IN OUR CHOSEN FIELDS OF EXPERTISE WE WILL BE RECOGNISED AS THE MOST ASTUTE LEADER OF RISKS. WE WILL BE "THE PLACE TO GO" AS A FIRST CHOICE FOR LEADING RISKS.**

# ON BEHALF OF OUR SHAREHOLDERS, WE REMAIN FOCUSSED ON BUILDING AMLIN AS A STRONG SPECIALIST INSURER

Last Tuesday the world witnessed ruthless and inhumane atrocities being committed in both the cities of New York and Washington DC. As a leading insurance organisation operating in the Lloyd's market, with strong historic links to the USA, we send our deepest sympathy to all the families and friends of those affected.

Amlin's business includes the insurance of property and transport, and our underwriting skills have been developed so that we can offer our customers protection against the risk of catastrophe. These terrorist attacks represent a major loss by any historic measure but one which I believe will yet again demonstrate that the insurance industry has the ability to stand firm in support of its customers when they need us most of all.

Our ability to cope with our customers' catastrophic losses depends on the continuous successful management of our affairs in a cyclical business where the pattern of losses can be erratic.

In the six months ended 30 June 2001 we have seen the benefit of firm actions by our management over the past two years, with improvement in our operating ratios in accordance with our plan and maintenance of robust technical reserves. Moreover, underwriting conditions continued to improve.

We have made a preliminary assessment of our involvement in the US losses on 11 September and estimate that our net exposure is around £45 million before tax. This is equivalent to approximately 16p per share after tax.

- Improvement in combined ratio to 105% from 110%;
- Technical profit increased from £1.5 million to £5.0 million;
- Operating profit, based on a longer term investment return, of £1.3 million, improved from a loss of £7.2 million;
- Loss before tax of £12.6 million largely attributable to equity investment losses;
- Net losses to the Group from terrorist attacks in the United States estimated, on a preliminary basis, at 16p per share after tax.

In dealing with losses of this magnitude we shall be relying on the size of our technical funds, strong reinsurance and the improved trading conditions.

The challenge and opportunity now facing the insurance industry is to determine insurance programmes that not only accurately define the modern day risk but also rate them realistically. In this way adequate capacity will be available to cover our many and diverse customers' risks.

Undoubtedly the improvement in underwriting conditions is going to accelerate and we are determined that we should position ourselves to be well placed to participate. We have already switched our equity portfolio into bonds and other short-term investments, and believe it would be wise to consider our dividend for the year 2001 in totality when the full year figures are available rather than paying an interim at this stage.

On behalf of our shareholders, we remain focussed on building Amlin as a strong specialist insurer.

**Roger Taylor** Chairman
17 September 2001

# THE US TERRORIST LOSSES WILL RESULT IN OUR TRADING RATIOS DETERIORATING IN THE SHORT TERM

The reported results show an improved operating performance offset by negative investment returns. Operating profit based on long term investment returns improved to £1.3 million compared with a loss of £7.2 million in the first six months of 2000. However, due to the poor performance of the UK equity market reflected in our equity investment return, we recorded a pre-tax loss of £12.6 million (£18.2 million loss in six months ended 30 June 2000).

The performance of each of our underwriting divisions improved. This resulted in a lower overall combined ratio, of 105%, compared with 110% in the first six months of 2000.

Gross premium income written during the first six months was £355.8 million (2000: £187.4 million) reflecting improving rates, organic growth in business written and increased ownership of Syndicate 2001. Amlin's share of managed syndicates has grown from 57.8% in 2000 to 69.6% in 2001. Earned premium has increased to £165.6 million from £97.3 million in 2000.

As can be seen from the table opposite, the incurred claims ratios of the Syndicate have shown improvement over the past three years as a consequence of rate increases and lower loss incidence.

Before taking into account the impact of last week's US losses the improvement in incurred loss ratios would have led to an improving underlying combined ratio as the more recently written premium becomes earned. However, our exposure to the US losses will result in our trading ratios deteriorating in the short term.

## DIVISIONAL REVIEW

Operationally we are organised into four client focussed divisions as illustrated overleaf. These divisions have performed as follows:

## HARVEY BOWRING

The upward movement in terms which commenced in 2000 has continued in 2001, particularly in direct US property where rate rises have exceeded initial expectations, averaging approximately 30% in the second quarter.

## GROSS INCURRED CLAIMS RATIOS FOR SYNDICATE 2001

| Underwriting Year | Quarter 2 | Quarter 6 | Quarter 10 |
|---|---|---|---|
| 1999 | 26% | 68% | 90% |
| 2000 | 16% | 49% | – |
| 2001 | 13% | – | – |

The integration of the former Coles excess of loss account into Harvey Bowring has been achieved successfully with an overall increase in business being written. Following action taken last year to turn around the loss making US casualty account, exposure in this area has been reduced with the ongoing business being underwritten on more attractive terms. This year US casualty is expected to represent only around 6% of Syndicate 2001's gross premium. Our syndicates' exposure to directors' and officers' insurance, a class which has caused significant market losses, is limited, with the highest aggregate premium over the past three years being £2.5 million in 1999.

Tropical storm Allison, which caused major damage in six American States in June, and a higher than normal frequency of large property losses have dampened the improvement in performance. In addition the costs of the new umbrella reinsurance programme covering catastrophic losses across the whole syndicate is charged in this area. Even with these effects the Division's combined ratio was 113% compared with 117% for the first half of 2000.

It is important to note that Harvey Bowring's results for this period reflect trading conditions in 1999 and 2000. They do not reflect the benefits of the Group's business reorganisation at the end of 2000 or the bulk of the gross premium written in the current year.

### AMLIN INSURANCE SERVICES

With anticipated premium income of £107 million for 2001, the fleet motor account continues to form a substantial element of this division and is witnessing its third successive year of improved renewal rates of in excess of 20%. The much smaller and scaled back private car account has experienced average renewal rate increases of 15% in the first half and the UK professional indemnity account has recorded renewal rate increases of approximately 8%.

# OUR BUSINESS HAS BEEN STRUCTURED TO WITHSTAND A MAJOR CATASTROPHIC EVENT

Claims development has been better than expected reflecting the conservative approach that has been taken to the well reported changes in legislation affecting UK injury awards. The recent demise of Independent Insurance has opened an opportunity for the Division cautiously to grow its UK liability and combined package accounts into a better competitive environment.

The combined ratio in the period has improved to 98% compared with 102% in the corresponding period.

### AMLIN AVIATION

Airline renewals are geared to the fourth quarter but those renewals underwritten to date have seen an average 30% rate increase and current indications are that the final quarter renewals will now be very significant.

The improvement in Amlin Aviation's combined ratio to 102% (30 June 2000: 243%) for the first half results from the satisfactory development to date of prior year business and reflects its forecasts at 30 June 2001, for the 1999 and 2000 years of account, which are for better results than any other Lloyd's aviation syndicate.

The first half combined ratio for this division is typically high relative to the year as a whole. This is because of a bias towards premium being written in the second half of the year, whereas no such bias exists in the recognition of expenses. This was particularly true for the first half of 2000. However the disaster of last week will result in a higher than normal claims ratio in the second half of this year.

### COLES

Our marine division is experiencing an improvement in terms at last, particularly in energy where the market has suffered some significant losses in 2001, most notably the Petrobras oil rig loss with an insured value of $500 million. While our energy results have been poor, especially in Syndicate 902, a relatively low profile in energy over the past five years has meant that we have avoided the majority of these losses.

There has been a significant re-rating of energy risks with material rate rises becoming common, policy deductibles increasing significantly and tighter wordings being introduced. Accordingly we have increased the capacity allocated to this sector and written more premium.

## DIVISIONAL OPERATING STRUCTURE



| Division | Principal classes of business | Proportion of 2001 year of account underwriting |
|---|---|---|
| Harvey Bowring | International Reinsurance, Property and Casualty | 54% |
| Amlin Insurance Services | UK Motor, Property and Casualty | 23% |
| Amlin Aviation | Airlines, Airports and Space | 13% |
| Coles | Marine | 10% |

The war class is experiencing a strong re-rating also, following the terrorist attacks at Colombo airport in Sri Lanka and now in the United States. Other marine classes have improved but at slower rates to date.

The Division's performance benefited from the satisfactory development of the excess of loss account written in this division until the end of 2000 when it was transferred to the Harvey Bowring division. Its combined ratio improved from 98% to 82%.

## TERRORIST ATTACKS IN UNITED STATES

At this stage it is very difficult to assess with any certainty the likely level of claims that will materialise but our view is that these events taken together will be the largest insurance loss on record. Our principal gross exposures relate to our aviation, property insurance/reinsurance and personal accident accounts. In evaluating likely losses we have taken a cautious approach where we have identified exposures.

Our business has been structured to withstand major catastrophic events and we estimate that the overall net cost, after reinsurance, to our syndicates will be manageable and within our expectations for a major event.

Our reinsurance programmes are placed, for the most part, with high quality security, with 98% of estimated reinsurance recoveries from these events being rated A or better by Standard & Poors. We have included a provision for reinsurance bad debt where we consider we are at potential risk from reinsurance failure. The impact will be spread across the 2000 and 2001 years of account, with the aviation losses weighted towards the 2000 year. In addition the underlying improvement in our trading environment and the expected underlying profitable performance of Syndicate 2001 for the 2000 and 2001 years of account will help to mitigate the losses from the terrorist attacks.

# AMLIN IS IN A STRONG POSITION TO BENEFIT FROM THE SIGNIFICANTLY IMPROVED TRADING CONDITIONS

Amlin plc has a 55.74% share of the 2000 year of account of Syndicate 2001 and this increased to 69.57% in 2001. Our provisional estimate is that the net cost to Amlin of claims arising from the US events could be £45m, equivalent to 16p per share after tax.

## INVESTMENTS

As noted in our 2000 Annual Report, the first half proved to be a difficult one for our FTSE 350 equity investment portfolio which yielded a loss of 7.4% for the period to June 2001. Following the US disaster last week, we have disposed of our equity holdings. This decision was taken in order to reduce our investment risk from fluctuations in equity markets at a time when liquidity will be a key need for insurance entities.

The performance of our bond portfolio has been mixed. The investments held in our Syndicate trust funds returned close to 3% for the half year, despite a disappointing second quarter return. Whilst our own bond portfolio, which is a longer portfolio, contributed a loss. This was caused by the markets factoring in rate increases owing to inflation concerns caused by interest rate cuts. Since 30 June these concerns have unwound and performance in the two months to 31 August has been excellent.

Recently we appointed Aegon Asset Management to manage our Group bond portfolio which amounted to £87m at 30 June 2001. This is a switch from passive management for these funds which we believe will improve our investment performance.

### BEING A FIRST CHOICE FOR LEADING RISKS

Consistent with our strategy of becoming "the place to go" as a first choice for leading risks we have continued to develop on a number of fronts. The launch of the Amlin Academy, in early 2001, is aimed at maintaining and extending our technical leadership skills and broadening the skill sets of our employees. We are adopting the CLASS claims process and we have continued to introduce new means of assisting brokers in the placement of business through the development of Marinsure, our latest e-commerce project aimed at sourcing marine hull business.

### DIVIDEND

As a consequence of the US losses we have reviewed our interim dividend. Given the proximity of the loss to our announcement date, we consider that it is wise at this stage to defer consideration of dividends in respect of 2001 until the final results for the year are determined. If appropriate, our intention would be to pay the full dividend for our 2001 financial year as our final dividend. This will allow us maximum flexibility in the short term in capital planning for next year.

### OUTLOOK

The insurance industry is in the process of analysing and digesting the claims it will face from what is likely to become the largest ever insured loss. While this will impact our short term profitability, as explained above, Amlin is in a strong position to benefit from the significantly improved trading conditions which are likely to be sustained for some time.

**Charles Philipps** Chief Executive
**Richard Hextall** Finance Director
17 September 2001

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 JUNE 2001

| | Notes | **Six months 2001 (unaudited) £m** | Six months 2000 (unaudited) £m | Twelve months 2000 (audited) £m |
|---|---|---|---|---|
| ***Gross premium written*** | | | | |
| Continuing operations | 1 | **355.8** | 187.4 | 340.7 |
| Discontinued operations | 1 | **–** | – | 22.6 |
| | | **355.8** | 187.4 | 363.3 |
| ***Balance on the technical account*** | | | | |
| Continuing operations | 1 | **5.0** | 1.5 | (0.2) |
| Discontinued operations | 1 | **–** | (1.3) | (2.5) |
| | | **5.0** | 0.2 | (2.7) |
| Investment return | 4 | **(0.7)** | 2.8 | 21.1 |
| Allocated investment return included within the technical account | 4 | **(14.8)** | (10.8) | (29.5) |
| | | **(10.5)** | (7.8) | (11.1) |
| Other income | | **0.4** | 1.3 | 2.1 |
| Other charges | | **(2.5)** | (4.9) | (10.5) |
| ***Operating loss*** | | | | |
| Continuing operations | | **(12.6)** | (10.3) | (17.1) |
| Discontinued operations | | **–** | (1.1) | (2.4) |
| | | **(12.6)** | (11.4) | (19.5) |
| Comprising: | | | | |
| Operating profit/(loss) based upon longer term investment return | | **1.3** | (7.2) | (5.9) |
| Short term fluctuations in investment return | | **(13.9)** | (4.2) | (13.6) |
| Profit/(loss) on sale of subsidiary undertakings | 2 | **–** | 2.6 | 2.5 |
| Less: goodwill written off | 2 | **–** | (9.4) | (9.4) |
| | | **–** | (6.8) | (6.9) |
| ***Loss on ordinary activities before taxation*** | | **(12.6)** | (18.2) | (26.4) |
| Taxation on profit on ordinary activities | 7 | **(3.3)** | 1.3 | 7.3 |
| ***Loss on ordinary activities after taxation*** | | **(15.9)** | (16.9) | (19.1) |
| Equity dividends | 8 | **–** | (2.5) | (7.8) |
| ***Retained loss for the period*** | | **(15.9)** | (19.4) | (26.9) |
| Earnings per ordinary share | 6 | | | |
| – basic | | **(7.9p)** | (8.4p) | (9.6p) |
| – diluted | | **(7.9p)** | (8.2p) | (9.7p) |

## AMLIN PLC CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE SIX MONTHS ENDED 30 JUNE 2001

| | **Six months 2001 (unaudited) £m** | Six months 2000 (unaudited) £m | Twelve months 2000 (audited) £m |
|---|---|---|---|
| ***Loss for the period*** | **(15.9)** | (16.9) | (19.1) |
| Lapse of warrants | **–** | – | 2.8 |
| Total recognised losses for the period | **(15.9)** | (16.9) | (16.3) |
| ***Total losses recognised*** | **(15.9)** | (16.9) | (16.3) |

## AMLIN PLC RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

FOR THE SIX MONTHS ENDED 30 JUNE 2001

| | Notes | **Six months 2001 (unaudited) £m** | Six months 2000 (unaudited) £m | Twelve months 2000 (audited) £m |
|---|---|---|---|---|
| ***Loss attributable to shareholders*** | | **(15.9)** | (16.9) | (19.1) |
| Less: dividends | | **–** | (2.5) | (7.8) |
| Retained loss for the period | | **(15.9)** | (19.4) | (26.9) |
| Issue of capital | | **1.1** | – | 0.5 |
| *Share repurchase* | | **–** | *(7.4)* | *(7.4)* |
| Shares to be issued | | **1.1** | – | (0.4) |
| Goodwill written back on disposals | 2 | **–** | 9.4 | 9.4 |
| ***Net reduction to shareholders' funds*** | | **(13.7)** | (17.4) | (24.8) |
| Shareholders' funds at 1 January | | **202.1** | 226.9 | 226.9 |
| ***Shareholders' funds at 30 June/31 December*** | | **188.4** | 209.5 | 202.1 |

# CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2001

| ASSETS | Notes | **Six months 2001 (unaudited) £m** | Six months 2000 (unaudited) £m | Twelve months 2000 (audited) £m |
|---|---|---|---|---|
| ***Intangible assets*** | 10 | **15.5** | 12.1 | 15.8 |
| ***Investments*** | 9 | **413.4** | 348.7 | 387.1 |
| ***Reinsurers' share of technical provisions*** | | | | |
| Provision for unearned premiums | | **45.6** | 31.1 | 10.2 |
| Claims outstanding | | **159.7** | 99.8 | 149.6 |
| ***Debtors*** | | **233.1** | 131.5 | 197.2 |
| ***Other assets*** | | | | |
| Cash at bank and in hand | | **46.8** | 25.6 | 14.0 |
| Tangible assets | | **10.1** | 2.7 | 9.5 |
| Own shares | | **2.9** | 4.2 | 3.5 |
| ***Prepayments and accrued income*** | | **66.0** | 26.2 | 32.0 |
| ***Total assets*** | | **993.1** | 681.9 | 818.9 |

| LIABILITIES | Notes | **30 June 2001 (unaudited) £m** | 30 June 2000 (unaudited) £m | 31 Dec 2000 (audited) £m |
|---|---|---|---|---|
| ***Equity shareholders' funds*** | | **188.4** | 209.5 | 202.1 |
| ***Technical provisions*** | | | | |
| Provision for unearned premiums | | **280.9** | 122.9 | 120.8 |
| Claims outstanding | | **466.7** | 274.5 | 418.0 |
| ***Provisions for other risks and charges*** | | **8.5** | 7.6 | 9.1 |
| ***Creditors*** | | **38.3** | 57.2 | 53.5 |
| ***Creditors: amounts falling due after more than one year*** | | **6.1** | 5.3 | 7.4 |
| ***Accruals and deferred income*** | | **4.2** | 4.9 | 8.0 |
| ***Total liabilities*** | | **993.1** | 681.9 | 818.9 |
| ***Net assets per ordinary share*** | 6 | | | |
| – basic | | **94.0p** | 106.6p | 102.0p |

FOR THE SIX MONTHS ENDED 30 JUNE 2001

| | **Six months 2001 (unaudited) £m** | Six months 2000 (unaudited) £m | Twelve months 2000 (audited) £m |
|---|---|---|---|
| ***Net cash inflow from operating activities*** | **71.8** | 46.5 | 105.7 |
| Net cash outflow from servicing of finance | **(0.4)** | (0.2) | (2.0) |
| Corporation tax received/(paid) | **0.6** | (0.5) | (7.8) |
| Net purchases of tangible and intangible assets | **(2.2)** | (1.7) | (13.6) |
| Net disposals of subsidiary undertakings | **–** | 1.2 | 1.2 |
| Equity dividends paid | **–** | – | (7.7) |
| Net cash inflow/(outflow) from financing activities | **0.8** | (8.4) | (9.0) |
| ***Net cash flows*** | **70.6** | 36.9 | 66.8 |
| ***Cash flows were invested as follows:*** | | | |
| Increase/(decrease) in cash holdings | **27.1** | 18.0 | (0.2) |
| Increase/(decrease) in deposits | **5.9** | (3.3) | 10.9 |
| | **33.0** | 14.7 | 10.7 |
| Net purchases of investments | **37.6** | 22.2 | 56.1 |
| ***Net investment of cash flows*** | **70.6** | 36.9 | 66.8 |

Cash flows relating to non-aligned participations are included only to the extent that cash is transferred between the Premium Trust Funds and the Group.

## 1 BASIS OF PREPARATION OF INTERIM ACCOUNTS

***a) accounting policies***

The unaudited interim financial statements have been prepared in accordance with the accounting policies set out in the consolidated financial statements for the year to 31 December 2000, except as set out below:

- underwriting results for participations on syndicates that are not managed by Amlin ('non-aligned' participations) are provided by the managing agents of those syndicates through an information exchange facility operated by Lloyd's. At 30 June, comprehensive underwriting information is not available from within the Lloyd's market. Therefore, the balance on the technical account for non-aligned participations (reported as discontinued operations) at 30 June 2001 and 30 June 2000 reflects only changes to open years' loss provisions, the allocation of investment return and for 2000, a credit in respect of the refund from Lloyd's of members' special contributions.
- the assets and liabilities in respect of non-aligned participations are excluded from the balance sheets at June 2001 and June 2000 and the audited balance sheet at 31 December 2000 has been restated onto the same basis.

***b) Status of the interim statement***

The statements for the two interim periods are unaudited but have been reviewed by the auditors, Deloitte & Touche and their report for the six months to 30 June 2001 is on page 21. The interim accounts do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The results for the year ended 31 December 2000 are based on the statutory Group accounts. The auditors have reported on those accounts; their report was unqualified and did not contain a statement under S237(2) or (3) of the Companies Act 1985.

## 2 SEGMENTAL INFORMATION

The results and attributable net assets of the Group's principal business segments are as follows:

| | **Six months 2001 (unaudited) £m** | Six months 2000 (unaudited) £m | Twelve months 2000 (audited) £m |
|---|---|---|---|
| ***Loss before taxation*** | | | |
| Underwriting and investment | **(12.2)** | (11.3) | (18.9) |
| Managing agencies | **(0.4)** | (0.1) | (0.7) |
| Members' agencies | – | (6.8) | (6.8) |
| ***Total*** | **(12.6)** | (18.2) | (26.4) |
| ***Net assets*** | | | |
| Underwriting and investment | **185.4** | 207.1 | 201.3 |
| Managing agencies | **3.0** | 2.4 | 0.8 |
| ***Total*** | **188.4** | 209.5 | 202.1 |

In the profit and loss account, the income and costs of the managing agencies and members' agencies are reported separately within 'other income' and 'other charges'.

The Group's members' agency business, Amlin Private Capital, was sold in March 2000. The sale proceeds of £6.2 million represent a premium to net assets of £2.5 million. Goodwill of £9.4 million relating to the members' agency had been previously written off against reserves and accounting standards require that this amount be charged through the period's profit and loss account. The reported loss on sale was therefore £6.9 million in the period ended 30 June 2000. This goodwill adjustment had no effect on the Group's net assets.

### 3 MANAGED SYNDICATES' RESULTS

The table below summarises the performance of the Group's managed syndicates 902, 1141 and 2001, on an annual accounting basis, together with key ratios and the syndicate investment return on a smoothed basis. The Group has increased its participation on the syndicates during the period and comparisons of the Group's share of the results is distorted by the change in participation by year of account. Therefore, to make meaningful comparisons, the figures represent the results of the syndicates in total rather than Amlin's share of the results.

***Managed syndicates' results at 100% level***

| | **Six months 2001 (unaudited) £m** | Six months 2000 (unaudited) £m | Twelve months 2000 (audited) £m |
|---|---|---|---|
| Gross premium written | **539.1** | 348.0 | 637.5 |
| Net premium written | **436.8** | 237.9 | 497.9 |
| Earned premium, net of reinsurance | **288.1** | 212.6 | 452.6 |
| Claims incurred, net of reinsurance | **(210.5)** | (172.5) | (378.6) |
| Claims ratio (%) | **73%** | 81% | 84% |
| Brokerage | **(113.6)** | (46.3) | (100.2) |
| Syndicate expenses | **(18.7)** | (19.1) | (39.8) |
| Lloyd's charges | **(5.7)** | (3.4) | (9.5) |
| Increase in deferred acquisition costs | **47.9** | 12.4 | 11.3 |
| Net operating expenses | **(90.1)** | (56.4) | (138.2) |
| Expense ratio (%) | **32%** | 29% | 27% |
| Combined ratio (%) | **105%** | 110% | 111% |
| Syndicate investment return on a longer term basis[1] | **16.5** | 17.9 | 32.9 |
| | **4.0** | 1.6 | (31.3) |

1 Excludes allocation of corporate investment return.

## 4 INVESTMENT RETURN

***a) Investment return reported in the profit and loss account is as follows:***

| | **Six months 2001 (unaudited) £m** | Six months 2000 (unaudited) £m | Twelve months 2000 (audited) £m |
|---|---|---|---|
| Income from investments | **12.2** | 11.0 | 30.3 |
| Losses on realisation of investments | **(0.4)** | (0.7) | – |
| Unrealised losses on investments | **(11.5)** | (6.8) | (7.0) |
| Investment expenses and charges | **(1.0)** | (0.7) | (2.2) |
| | **(0.7)** | 2.8 | 21.1 |

***b) Allocation of investment return to the technical account***

The Group's underwriting result for managed business within the balance on the technical account includes an allocation of longer term investment returns on UK equities and bonds. The longer term rates of return applied during 2000 and 2001 are 8% for UK equities and 6% for fixed interest securities.

The rates of return are applied to the average, over the period, of the investments attributable to the shareholders and insurance technical provisions of the managed syndicates. The attributable shareholders' funds are based on the Funds at Lloyd's which represent the estimated risk based capital supporting the insurance business. In the profit and loss account, the longer term return is included within the technical account.

The actual return on investments since 1 June 1996, compared with the aggregate longer term return over the same period, is set out below. All figures are gross of expenses.

| | **1 June 1996 to 30 June 2001 (unaudited) £m** | 1 June 1995 to 30 June 2000 (unaudited) £m |
|---|---|---|
| Actual return attributable to the technical account | **74.2** | 81.4 |
| Longer term return attributable to the technical account | **96.9** | 84.8 |
| Effect of short term fluctuations over the period | **(22.7)** | (3.4) |

## 5 PRINCIPAL EXCHANGE RATES

The principal exchange rates used in the financial statements are:

| | **Six months 2001** | | Six months 2000 | | Twelve months 2000 | |
|---|---|---|---|---|---|---|
| | **Period average rate** | **Period end rate** | Period average rate | Period end rate | Period average rate | Period end rate |
| US Dollar | **1.44** | **1.42** | 1.59 | 1.50 | 1.51 | 1.49 |

## 6 EARNINGS AND NET ASSETS PER ORDINARY SHARE

a) Earnings per share is based on the loss attributable to shareholders for the six months ended 30 June 2001 of £15.9 million (six months ended 30 June 2000: loss £16.9 million; twelve months ended 31 December 2000: loss £19.1 million) and the weighted average number of shares in issue during the period. Shares held by the Employee Share Ownership Trust ('ESOT') are excluded from the weighted average number of shares.

Basic and diluted earnings per share are as follows:

| | **Six months 2001 (unaudited)** | Six months 2000 (unaudited) | Twelve months 2000 (audited) |
|---|---|---|---|
| Loss for the period | **(£15.9m)** | (£16.9m) | (£19.1m) |
| Weighted average number of shares in issue | **200.2m** | 201.0m | 200.0m |
| Dilutive shares to be issued | **(0.1m)** | 6.1m | (5.5m) |
| Adjusted average number of shares in issue | **200.1m** | 207.1m | 194.5m |
| Basic earnings per share | **(7.9p)** | (8.4p) | (9.6p) |
| Diluted earnings per share | **(7.9p)** | (8.2p) | (9.7p) |

b) Basic net assets per share are as follows:

| | **30 June 2001 (unaudited)** | 30 June 2000 (unaudited) | 31 Dec 2000 (audited) |
|---|---|---|---|
| Net assets | **£188.4m** | £209.5m | £202.1m |
| Number of shares in issue at end of period | **207.2m** | 205.6m | 206.1m |
| Adjustment for ESOT shares | **(6.3m)** | (9.0m) | (7.7m) |
| Basic number of shares after ESOT adjustment | **200.9m** | 196.9m | 198.4m |
| Basic net assets per share | **94.0p** | 106.6p | 102.0p |

## 7 TAXATION ON LOSS ON ORDINARY ACTIVITIES

| | **Six months 2001 (unaudited) £m** | Six months 2000 (unaudited) £m | Twelve months 2000 (audited) £m |
|---|---|---|---|
| UK corporation tax | **0.2** | 1.1 | 2.1 |
| Overseas taxation | **–** | – | 0.7 |
| Deferred taxation | **3.1** | (2.4) | (10.1) |
| | **3.3** | (1.3) | (7.3) |

## 8 EQUITY DIVIDENDS

No interim dividend has been declared in respect of the six months to 30 June 2001. (30 June 2000 interim: 1.4p per share; 31 December 2000 final: 2.6p).

## 9 INVESTMENTS

| | At valuation | | |
|---|---|---|---|
| | **30 June 2001 (unaudited) £m** | 30 June 2000 (unaudited) £m | 31 Dec 2000 (audited) £m |
| Shares and other variable yield securities | **87.6** | 106.3 | 105.7 |
| Debt securities and other fixed income securities | **305.8** | 216.2 | 245.9 |
| Participation in investment pools | **17.5** | 1.0 | 22.5 |
| Loans secured by mortgages | **–** | 4.4 | – |
| Deposits with credit institutions | **–** | 18.8 | 11.1 |
| Other | **2.5** | 2.0 | 1.9 |
| | **413.4** | 348.7 | 387.1 |
| In Group owned companies | **181.8** | 230.5 | 221.8 |
| In managed syndicates | **231.6** | 118.2 | 165.3 |
| | **413.4** | 348.7 | 387.1 |

As explained in note 11, some of the Group investments are charged to Lloyd's to support the Group's underwriting activities.

## 10 INTANGIBLE ASSETS

At 30 June 2001, intangible assets of £15.5 million comprised the cost of purchasing syndicate capacity, £17.2 million, less the amortisation of capacity over its estimated useful life of 20 years, £1.7 million.

## 11 CONTINGENCIES AND GUARANTEES

The Group has entered into various deeds of covenant in respect of certain corporate member subsidiaries to meet their obligations to Lloyd's. The total guarantee given by the Group (subject to limited exceptions) amounts to £201.3 million and the obligations under these covenants are secured by a fixed charge of the same amount over investments and a floating charge over investments and other assets of the Group in favour of Lloyd's.

The Group has also entered into Lloyd's deposit trust deeds for Funds at Lloyd's by which letters of credit ('LOC') for a total of £33.6 million have been deposited. These LOC comprise one of £5 million secured by a reinsurance contract and, in the event of this being drawn down by Lloyd's to meet the Group's obligations, the reinsurers would have recourse to the future profits of the Group. The balance of the LOC of £28.6 million was deposited at Lloyd's for the first time in late 2000 to support underwriting for the 2001 year of account.

## 12 POST BALANCE SHEET EVENTS

The Group is expected to incur material claims from the US terrorist events of 11 September 2001. These will be accounted for in the period to 31 December 2001. Further details are provided in the accompanying operational and financial review.

## INTRODUCTION

We have been instructed by the company to review the financial information for the six months ended 30 June 2001 which comprises the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in equity shareholders' funds and related notes 1 to 12. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

## DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## REVIEW WORK PERFORMED

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2001.

**Deloitte & Touche**
Chartered Accountants
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR
17 September 2001

## FINANCIAL CALENDAR

The Company's forthcoming financial calendar is expected to be as follows:

| | | |
|---|---|---|
| ***2002*** | April | Announcement of results for the year ending 31 December |
| | May | Publication of 2001 Annual Report |
| | June | Annual General Meeting |
| | July | Payment of 2001 final dividend |

## SHAREHOLDERS' DEALINGS

The Company's stockbroker, Hoare Govett Limited, offers a low-cost postal dealing service, which enables investors to buy or sell certificated holdings of the Company's shares in what may be a convenient manner. Basic commission is 1% of the transaction value, with a minimum charge of £10. Transactions are executed and settled by Pershing Securities Limited. Forms may be obtained from the Company Secretarial Department, Amlin plc, St Helen's, 1 Undershaft, London EC3A 8ND (Tel 020 7746 1005) or direct from Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA (Tel 020 7678 8300).

## SHAREHOLDER ENQUIRIES, REGISTRAR AND WEBSITE

Please call our Investor Relations Unit on 020 7746 1111 or, for enquiries concerning share registration, call our Registrar, Computershare Investor Services PLC, on 0870 702 0000. The Registrar's address is PO Box 82, The Pavilions, Bridgewater Road, Bristol BS99 7NH and it also maintains a website at www.computershare.com.

Amlin's own corporate website is at **www.amlin.com**.

## DIRECTORS
Roger Taylor* (Chairman)
Brian Carpenter
Richard Hextall (Finance Director)
Tony Holt
Roger Joslin* – appointed 1 September 2001
Thomas Kemp*
John Kennedy*
Ramanam Mylvaganam*
Charles Philipps (Chief Executive)
John Sanders*
John Stace (Executive Vice Chairman)
Lord Stewartby* (Deputy Chairman)

*Non-executive

## AUDIT COMMITTEE
Lord Stewartby (Chairman)
John Kennedy
Ramanam Mylvaganam
John Sanders

## REMUNERATION COMMITTEE
John Kennedy (Chairman)
Thomas Kemp
John Sanders
Roger Taylor

## NOMINATION COMMITTEE
Roger Taylor (Chairman)
Roger Joslin
Charles Philipps
John Stace
Lord Stewartby

## SECRETARY
Charles Pender

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