



Continuity in an  
uncertain world



**AMLIN**



**INTERIM REPORT 2005**

# OUR COMPANY

## AMLIN IS THE LARGEST INDEPENDENT INSURER OPERATING IN THE LLOYD'S MARKET

We specialise in providing insurance cover to commercial enterprises addressing many of their risk management needs. We also provide reinsurance protection to other insurance companies around the world. We have one of the most diverse portfolios of risk in the Lloyd's market and employ specialist underwriters with expertise in over 30 different business classes.

**Our insurance operations are organised into four divisions:**

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**AVIATION**

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**MARINE**

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**NON-MARINE**

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**UK COMMERCIAL**

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We continually seek to find means of improving our offering to clients and are at the forefront of significant change in the London market which has this as one of its aims.

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## HIGHLIGHTS

# Amlin delivers another strong result

### Excellent results

Pre-tax profit up **56%** to £134.1 million

Record Syndicate 2001 combined ratio at **69%**

Earnings per share up **60%** to 24.5p

Six month return on equity of **21.2%**

### Dividend payout increased substantially

Interim dividend up **33%** to 4.0p per share

### Outlook strong

Net unearned premium reserve of £653 million

Renewal rates in first half better than expected

Continuing strong platform for good returns on equity

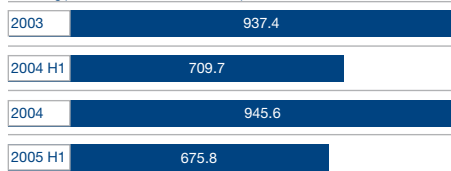
	<b>Six months 2005 £m</b>	Six months 2004 £m	12 months 2004 £m
<b>Financial highlights</b>			
Gross premiums written <sup>1</sup>	<b>675.8</b>	709.7	945.6
Net premiums written <sup>1</sup>	<b>556.5</b>	570.4	790.2
Earned premiums <sup>1</sup>	<b>395.5</b>	345.6	722.4
Profit before tax	<b>134.1</b>	86.0	128.9
<b>Per share amounts</b>			
Operating profit	<b>33.3p</b>	21.9p	30.8p
Earnings	<b>24.5p</b>	15.3p	23.4p
Net assets	<b>137.1p</b>	112.3p	117.6p
Net tangible assets	<b>120.6p</b>	95.2p	100.7p
<b>Syndicate 2001 operating ratios</b>			
Claims ratio	<b>44%</b>	42%	50%
Expense ratio	<b>25%</b>	30%	32%
Combined ratio	<b>69%</b>	72%	82%

<sup>1</sup> excluding premiums associated with the reinsurance to close of our increased share of capacity

## KEY INDICATORS

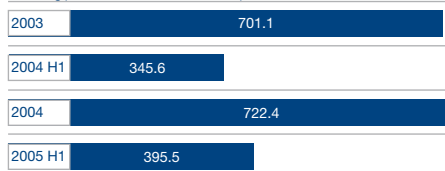
### GROSS PREMIUMS WRITTEN (£m)

Excluding premium revenue from the receipt of reinsurance to close

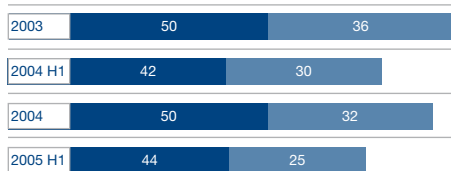


### NET EARNED PREMIUM (£m)

Excluding premium revenue from the receipt of reinsurance to close

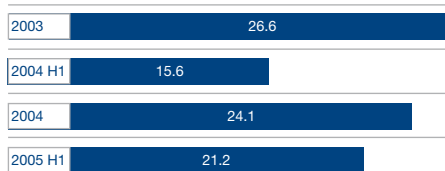


### COMBINED RATIO (%)

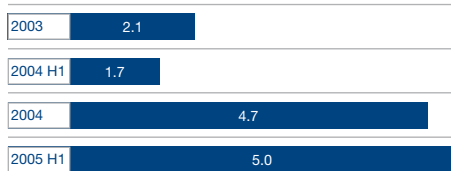


Claims Expenses

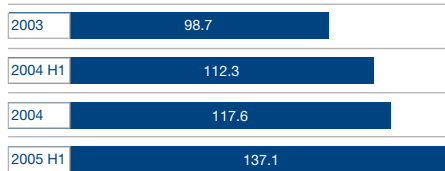
### RETURN ON EQUITY (%)



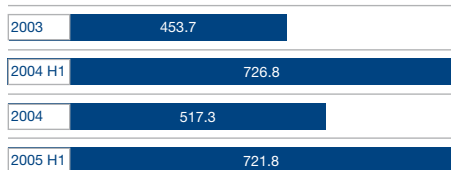
### DIVIDEND PER SHARE (pence)



### NET ASSETS PER SHARE (pence)

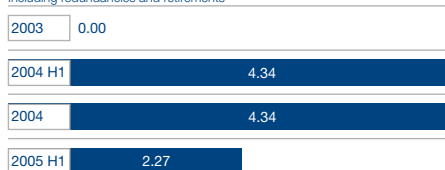


### UNEARNED PREMIUM RESERVE (£m)



### SENIOR UNDERWRITER TURNOVER (%)

Including redundancies and retirements



## INTERIM RESULTS STATEMENT

This has been an exceptionally profitable first half for Amlin. Whilst our risk exposure is heavily weighted towards the second half of the year, as so clearly demonstrated by Hurricane Katrina, this provides a strong base from which we expect to achieve another good full year return.

Even though we anticipate that rating conditions will continue to soften generally, we expect that the trading environment will be satisfactory in 2006. Amlin's very strong performance over the last few years leaves us well placed both to develop the Group strategically and to return capital to shareholders. We intend to initiate a share buy back programme and, subject to there being no unexpected developments, to buy back up to £25 million worth of shares. We will review the potential to return further capital taking account of the final out turn for 2005 and our strategic needs, and with a view to reinforcing our potential to continue to deliver superior returns on equity.

Our financial results for the first half of the year, which we are reporting under International Financial Reporting Standards for the first time, are ahead of our expectations with a six month return on equity of 21.2%, our highest six month return to date.

The Group's interim profit before tax increased by 56% to £134.1 million (H1 2004: £86.0 million) with both underwriting and investments making very good contributions. Underwriting contributed £116.6 million (H1 2004: £84.4 million), a 38% increase over the same period last year and more than in the whole of 2004. This resulted from a 14% increase in net earned premiums, low levels of claims in the period and further releases from our technical reserves of £30.0 million. With our investment portfolios delivering better returns across all asset classes the contribution from investments was 185% higher at £41.3 million (H1 2004: £14.5 million).

Earnings per share increased by 60% to 24.5 pence (H1 2004: 15.3 pence).

### Dividend

In our 2004 Annual Report, we explained that the Board intended to distribute dividends for 2005 equivalent to at least the higher of 8.0 pence per share (adjusted for inflation) and 30% of earnings.

The Board has declared an interim dividend of 4.0 pence per share (H1 2004: 3.0 pence per share). This will be paid on 7 October 2005 to shareholders on the register at the close of business on 23 September 2005. Given the strong financial position of the Company and our desire to return capital to shareholders, we have decided not to offer a scrip dividend alternative.

### Trading conditions and written premium

Trading conditions in the year to date have been better than our original expectations with rates holding up well in most classes and rate increases being achieved in those areas affected by major losses in 2004, such as Florida windstorm and Gulf of Mexico energy risks.

Renewal rate reductions across the business, weighted by premium income, were a modest 4% in the first half with as much as 83% of 2004 first half business being retained. This follows an average renewal rate reduction from the peaks achieved in 2003 of only 4% in 2004, so we continue to trade in an environment where good margins are possible. Our rating indices (Table 1) illustrate the renewal rate change by major class.

## INTERIM RESULTS STATEMENT

**Table 1: Rating indices for major classes**

Class	2000	2001	2002	2003	2004	2005
Airline hull and liabilities	100	242	232	194	175	<b>136</b>
Marine hull	100	115	148	170	183	<b>183</b>
Employers' liability	100	115	144	158	155	<b>150</b>
Energy	100	140	172	189	165	<b>173</b>
UK professional indemnity	100	110	149	178	180	<b>162</b>
US property insurance	100	125	171	163	143	<b>123</b>
Non US catastrophe reinsurance	100	120	157	162	146	<b>131</b>
US catastrophe reinsurance	100	115	146	150	143	<b>146</b>
US casualty	100	125	170	211	230	<b>241</b>
War	100	250	288	244	220	<b>198</b>
UK fleet motor	100	121	136	142	139	<b>133</b>
Risk XL	100	122	190	192	171	<b>139</b>

During 2005 to date rating levels on US property catastrophe reinsurance business, which represents approximately 9% of our total portfolio, have been maintained on average at last year's levels. This reflects good market discipline following the hurricane losses of 2004 and increased demand for reinsurance, caused in part by changes to industry catastrophe models. Rate increases on the marine energy risks concentrated in the Gulf of Mexico, together with increased construction activity by oil producers, has helped us to achieve stable energy renewal rates after taking account of weaker pricing for non-Gulf exposures. Major loss events to date, including a Canadian oil platform loss, and severe damage to a major oil platform in the Indian Ocean, in which Amlin has little involvement, added to the upward pressure on rating trends in energy insurance.

The marine account, excluding the energy account, was stable in most classes apart from the war account where rates fell on average by 6%. However, for war and other marine classes conditions were either in line with our planning assumptions or better.

Overall the aviation account also achieved stable rates in the period to 30 June 2005. Renewal activity was centred on the general aviation, airport liability, product liability and space accounts where rating was in line with our planning assumptions. Positive rate movements in these classes offset reductions in the airline account in the first six months of the year.

Major classes where rates came under pressure included the property insurance, property reinsurance and international catastrophe reinsurance accounts which had average renewal rate reductions of 7%, 14% and 10% respectively. The property insurance account was better than expected although the reinsurance accounts yielded bigger reductions than anticipated.

Given this rating backdrop our £675.8 million (H1 2004: £709.7 million) of gross written premiums (excluding premiums associated with the reinsurance to close of our increased share of capacity) in the first six months was only 5% less than in the same period last year.

Net written premiums in the first half (excluding premiums associated with the reinsurance to close of our increased share of capacity) of £556.5 million (H1 2004: £570.4 million) was only 2.4% lower, mainly reflecting lower reinsurance premiums associated with our 2005 reinsurance programme placement.

**Underwriting performance**

Our increased underwriting contribution of £116.6 million (H1 2004: £84.4 million) resulted from a combined ratio which was three points better than in the same period in 2004, at 69%, on net earned premium (excluding premiums associated with the reinsurance to close of our increased share of capacity) which was up 14% at £395.5 million (H1 2004: £345.6 million).

Gross earned premium (excluding premiums associated with the reinsurance to close of our increased share of capacity) increased by £33.9 million, or 8%, as a result of Amlin's increased ownership of Syndicate 2001 from 86% in 2003 to 100% in 2004, more than offsetting Syndicate 2001's lower gross premiums written in 2005 relative to 2004 and 2004 compared to 2003. The greater increase in net premiums earned was due mainly to reduction in cost of the 2005 reinsurance programme and the cessation for 2004 of a whole account quota share reinsurance contract to which £50 million of premium was ceded in 2003.

The claims environment for the first six months was benign. The largest natural catastrophe

impacting the Group was European Windstorm Erwin in January, with an estimated net cost to Amlin of £10.5 million. The trend of our incurred loss ratios for prior accident years has continued to be better than previously expected, resulting in reserve releases from prior periods of £30 million (H1 2004: £31 million). The result was a claims ratio of 44%, two points worse than in the same period in 2004, which with an expense ratio 5% better than the first half of 2004 at 25%, resulted in a combined ratio of 69% (H1 2004: 72%).

The following divisional commentary and Table 2 relate to Syndicate 2001 assuming a constant 100% ownership over the periods from which premiums have been earned.

**Non-marine**

Our non-marine combined ratio at 62% (H1 2004: 63%) is another excellent result.

Net earned premium was modestly up by 4.6% compared to the same period in 2004 reflecting the peak trading years of 2003 and 2004 and the reductions in reinsurance premium noted above.

The non-marine division's business carries much of the Group's natural catastrophe exposure and therefore the results benefited from the benign environment for natural catastrophes. Whilst modest adverse movements in the Group's net claims from last year's hurricane and typhoon events cost the Syndicate some £10 million, overall reserve releases for the division amounted to

**Table 2: Divisional combined ratios**

	UK				Total
	Non-marine	Marine commercial	Aviation		
Net premiums earned	£209.3m	£72.3m	£87.3m	£30.8m	£399.7m
Claims ratio	37%	41%	58%	55%	44%
Expense ratio	25%	27%	21%	25%	25%
<b>Combined ratio H1 2005</b>	<b>62%</b>	<b>68%</b>	<b>79%</b>	<b>80%</b>	<b>69%</b>
Combined ratio H1 2004	63%	95%	74%	75%	72%

## INTERIM RESULTS STATEMENT

£13.9 million, equivalent to a 7% reduction in the claims ratio. This compares to a £24 million reserve release in 2004, equivalent to a 12% reduction to the 2004 claims ratio.

### Marine

The marine division's combined ratio improved materially to 68% from 95% at the same stage in 2004.

The improvement resulted from a combination of a modest increase in net earned premiums, a lower level of large losses experienced than in the first half of 2004, and significantly larger reserve releases of £9.1 million. The latter represents 13% of the combined ratio, and compares to reserve additions in the first half of 2004 of £0.5 million.

### Aviation

The aviation division produced a combined ratio of 80% compared to 75% for the first half of 2004. Net earned premiums were at a similar level to the first six months of 2004, and the claims ratio was again good at 55% (H1 2004: 46%) with no major airline losses during the first half of the year. However, a higher level of small hull losses on the general aviation account was a factor behind the small increase in the claims ratio for the period. Reserve releases amounted to £2.0 million (H1 2004: £2.7 million).

### UK commercial

The UK commercial division's performance has again been excellent with a combined ratio of 79% compared to 74% for the first half of last year. While net earned premium increased by some 10%, the claims ratio increased 7 points to 58% reflecting claims inflation estimated at 3%, the modest reduction in rates in 2004 and reserve releases of £9.8 million, lower than in the first half of 2004 (H1 2004: £14.9 million). The reserve releases reflect claims continuing to settle within case reserves on the motor account and the liability accounts developing well within expectations.

### Investment return

Investments contributed £41.3 million to the half year result (H1 2004: £14.5 million).

This 185% increase in contribution reflects improved performance across all asset classes and the substantial growth in the overall cash and investment base from £1.1 billion at 31 December 2003 to £1.6 billion at 30 June 2005. An analysis of the returns achieved by major asset class is shown in Table 3.

Sterling cash returns, at 2.4% for the first half, were attractive relative to bonds through much of the period and high levels of cash have been maintained. For the corporate portfolios cash has

**Table 3: Half year 2005 investment mix and returns**

	Syndicate <sup>1</sup> £m	Corporate £m	Total £m	Total %	Investment return %
Equities	–	89.0	89.0	5	10.3
Debt securities	762.5	–	762.5	46	2.4
Cash and cash equivalents <sup>2</sup>	439.9	379.1	819.0	49	2.4
<b>Total</b>	<b>1,202.4</b>	<b>468.1</b>	<b>1,670.5</b>	<b>100</b>	

<sup>1</sup> Syndicate investments relates to 100% Syndicate 2001 data

<sup>2</sup> Cash and cash equivalents include short dated debt instruments

also acted as a counterbalance to the risk from our increased weighting towards equities.

Sterling bonds returned 3.4% (H1 2004: 1.4%) for the period. Sterling bond yields started from good levels, but fell during the period as the market started to factor in possible interest rate changes. The overall return benefited from tactical bond divestment and reinvestment that proved to be well timed.

US dollar bonds have again underperformed sterling with a half year return of 1.2% (H1 2004: 0.1%) reflecting continued interest rate increases in the US. To combat this we have actively converted US dollar profits into sterling, reducing our exchange risk and benefiting from improved yields on sterling cash and bonds.

Our global equity portfolio produced a good 10.3% (H1 2004: 4.5%) return reflecting strong equity market performance generally combined with further outperformance from our managers.

Steadily rising bond yields in the US have made the US bond market more attractive in terms of future expected returns, with three year bonds now yielding around 4%. Whilst in the short term we are at risk of negative surprises, the higher yield provides more assurance of an acceptable annualised return.

Economic growth remains stronger than we had anticipated last year, although our concerns that this will slow down in the future remain and we are therefore not fully invested against our benchmark for equities.

### **International Financial Reporting Standards (IFRS)**

These interim accounts reflect the first set of results produced under IFRS. The impact of the changes on opening net assets at 1 January 2004 was a modest reduction of £2.8 million. Full details

of the adjustments, including UK GAAP to IFRS reconciliations of the Group balance sheets at 1 January and 31 December 2004 and the income statement for the year ended 31 December 2004 have been provided in a separate press release which is available on our website, [www.amlin.com](http://www.amlin.com). Note 16 to these financial statements includes UK GAAP to IFRS reconciliations of the balance sheet at 30 June 2004 and the income statement for the six months to 30 June 2004. All figures presented in these financial statements, including performance measures, have been restated to reflect these accounting changes.

The most material aspect of the accounting changes introduced through adoption of IFRS in this six month period is the treatment of foreign exchange translation for non monetary balance sheet items. Principally this affects unearned premium reserves, deferred reinsurance expenditure and deferred acquisition costs. These balances are carried on the balance sheet at the historic rate at which the transactions arose, unlike other balances which are translated at the closing rate of exchange. In the following period, as these balances are recognised in the income statement, they are accounted for at the historic rate again rather than the average rate for the period. This introduces new, and potentially significant, volatility into the income statement. This is particularly the case at this interim stage because the unearned premium and related balances have been higher at this stage than at the end of 2004. Compared to the previous accounting treatment, the impact on the Group's income statement for the six months to 30 June 2005 was to increase profit by £22.2 million (H1 2004: £11.3 million).

### **Cash flow and capital management**

The Lloyd's settlement system has delayed the release of cash profits into free funds until this year. However we have now released £109 million of profits from Lloyd's trust funds, and based on our current syndicate forecasts and Lloyd's new capital

## INTERIM RESULTS STATEMENT

regime, we would expect to release over £200 million in 2006.

Additionally, the introduction of the FSA's Individual Capital Assessment (ICA) regime has contributed to a reduction in our risk based capital ratio, as provisionally advised by Lloyd's, to 41.5% for 2006 from the 45.5% that it would have been under Lloyd's previous risk based capital regime.

The consequences of the various changes to Lloyd's capital regime are that Amlin will reduce its solvency capital by approximately £60 million this year.

Our net gearing is now nil.

To provide greater longer term stability and to enhance our ability to actively manage the balance sheet for shareholder returns, we have continued to restructure our debt financing. In March 2005 a further \$50 million long term subordinated bond was issued, bringing to \$100 million our long term subordinated debt. We have now repaid the £30 million short term loan facility which was drawn at the end of 2004 and we are renegotiating our letter of credit facilities so that they will reduce shortly from £130 million to £100 million. Letter of credit financing has continued to be employed in the short term to provide greater strategic flexibility, although we envisage their continued use until only 2007 based on plans for our existing business and with our new longer term debt.

We have assessed our ongoing capital needs, looking at both our strategic aims and our future growth plans into the next cycle and concluded that, with the above finance in place, we are in a sufficiently strong position to initiate a share buyback programme and, subject to there being no unexpected developments, to buy back up to £25 million worth of shares. With the strong anticipated free cash flow referred to above, we will continue to assess the potential to return

further capital to shareholders taking account of the levels of profitability and our strategic needs.

### Strategy and operations

Solid progress has been made in two areas which are crucial to our strategy of building a reputation for the quality of our service to clients: policy issuance and claims capability. In each we have revisited our plans, established clear goals and started to implement operational change. Our ability to broaden the use, through development with our technology partner, of the workflow tools we have already introduced to allow faster turnaround at key stages of the underwriting process is proving very helpful and we are well advanced with plans to connect electronically with a number of insurance brokers to permit quicker and more reliable flows of data to assist with both policy issuance and claims.

In 2003 we indicated our long term strategic goal to have a non-Lloyd's platform to complement our Lloyd's business. With high levels of free cash flow becoming available we expect in 2006 to have sufficient resources to start a credible platform. Therefore, over the next year we intend to explore this actively.

### Outlook 2005

Our outlook for the full year is good, even with a provisional net loss estimate of \$110 million from Hurricane Katrina and the risk of major loss events being greater in the second half owing to the windstorm season.

Net unearned premium at 30 June 2005 of £653 million (H1 2004: £648 million) is marginally higher than at the same stage last year and was written at rates which were only modestly lower than in the previous year.

We have released £30 million of reserves in the first half of the year whilst maintaining our reserving

policy – these reserves are set above an actuarial best estimate and therefore, if we experience normal claims development, our future results will benefit from that strength.

The current rating environment remains satisfactory. We have written 80% of our 2005 plan by the end of August 2005 with premium rating at levels better than we expected. Also, as indicated above, we believe that investment returns should be reasonable in the second half.

The industry has already witnessed a number of larger claims events since 30 June, most notably Hurricane Katrina. Other major loss events have included four airline losses, the ONGC oil platform in the Indian Ocean valued at some \$400 million, Hurricane Dennis and the Mumbai floods. Other than Hurricane Katrina, we either have no or a limited exposure to these events.

Our provisional loss assessment of \$110 million from Hurricane Katrina is still at an early stage especially given the extensive flood damage in and around New Orleans which makes the assessment of loss much more complex than for previous windstorms. Whilst we still have much of the windstorm season ahead of us, this compares with our total net hurricane and typhoon losses included in our 2004 results of approximately \$130 million.

Amlin's profile of gross written premiums over the last three years, which peaked in 2004 at £945.6 million, suggests that 2005 is likely to be the peak year for underwriting profit from our existing businesses in the current insurance pricing cycle. The ultimate outturn for the year will, however, be influenced by the extent of any further major loss events.

### **2006 and beyond**

Amlin is well placed to continue to deliver a good return on equity in 2006. Continued favourable trading conditions in 2005 to date,

with discipline being more evident than in previous cyclical downturns, is encouraging for the 2006 underwriting year. We expect rates to continue to soften generally but consider a steep decline to be unlikely. Moreover, the extent of industry loss arising from Hurricane Katrina is likely to help sustain or even improve pricing, particularly for large property and reinsurance risks in areas exposed to windstorm. However, as balance sheets in the industry are repaired with profits from the last few underwriting years accumulating and as the risk of prior year reserving deficiencies recedes, the temptation among industry participants to compete for new business will grow and, along with it, the need for high levels of discipline. At Lloyd's it is encouraging to see that some of our largest peers have announced material cuts in capacity and we expect that the Franchise Performance Directorate will ensure that professionalism in the market continues to improve.

While we had been expecting to reduce our exposures and premium in 2006, in line with our strategy of adjusting our business plans according to the competitive state of insurance markets and with our focus on gross underwriting profitability, we may well not now do so. As we own 100% of our capacity, we have greater flexibility in being able to adjust our Lloyd's capacity and we aim to review the effects on the industry of Hurricane Katrina and any other hurricane activity before firming up our intentions.

The significant growth of our investment portfolios and our cautious approach to reserving should provide some counterbalance to lower underwriting profits from future underwriting years, until the state of the market is such that we seek to actively grow Syndicate 2001 again.

With a highly experienced team who excel in these market conditions we are confident that Amlin will continue to produce good returns on capital relative to the industry.

**CONSOLIDATED INCOME STATEMENT****For the six months ended 30 June 2005**

	Notes	Six months 2005 £m	Six months 2004 £m	12 months 2004 £m
Gross premiums earned	1	<b>471.2</b>	437.3	883.7
Insurance premium revenue from the receipt of reinsurance to close (RITC)		<b>78.6</b>	15.3	15.3
Reinsurance premiums		<b>(75.7)</b>	(91.7)	(161.3)
<b>Net earned premiums</b>		<b>474.1</b>	360.9	737.7
Insurance claims and loss adjustment expenses		<b>(231.0)</b>	(209.6)	(542.2)
Insurance claims and loss adjustment expenses relating to the receipt of reinsurance to close (RITC)		<b>(78.6)</b>	(15.3)	(15.3)
Insurance claims and loss adjustment expenses recovered from reinsurers		<b>54.5</b>	58.7	163.0
		<b>(255.1)</b>	(166.2)	(394.5)
Expenses for the acquisition of insurance contracts		<b>(83.6)</b>	(74.1)	(161.7)
Other underwriting expenses		<b>(18.8)</b>	(36.2)	(74.9)
		<b>(357.5)</b>	(276.5)	(631.1)
<b>Profit attributable to underwriting</b>	1	<b>116.6</b>	84.4	106.6
Investment return	3	<b>41.3</b>	14.5	52.1
Fee income – insurance contracts		–	0.6	3.7
Other operating income		<b>1.1</b>	1.3	3.7
Expenses for marketing and administration		<b>(1.3)</b>	(0.1)	(0.4)
Expenses for asset management services rendered		<b>(1.0)</b>	(0.8)	(1.3)
Other operating expenses		<b>(19.1)</b>	(11.6)	(30.7)
		<b>21.0</b>	3.9	27.1
<b>Results of operating activities</b>		<b>137.6</b>	88.3	133.7
Finance costs		<b>(3.5)</b>	(2.3)	(4.8)
<b>Profit before tax</b>		<b>134.1</b>	86.0	128.9
Tax	4	<b>(37.2)</b>	(26.9)	(37.9)
<b>Profit for the period attributable to equity holders of the Company</b>		<b>96.9</b>	59.1	91.0
EPS Basic	6	<b>24.5p</b>	15.3p	23.4p
EPS Diluted	6	<b>24.1p</b>	15.0p	23.1p

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the six months ended 30 June 2005**

	Notes	Six months 2005 £m	Six months 2004 £m	12 months 2004 £m
<b>At 1 January</b>		<b>459.8</b>	380.5	380.5
Gains on revaluation of investments recognised directly in equity		<b>1.2</b>	0.5	0.8
Profit for the period		<b>96.9</b>	59.1	91.0
Total recognised income for the period		<b>98.1</b>	59.6	91.8
Employee share option scheme:				
– value of employee services		<b>0.3</b>	0.2	0.4
– proceeds from shares issued		<b>7.4</b>	1.9	5.1
Dividends paid	5	<b>(19.7)</b>	(6.4)	(18.0)
		<b>(12.0)</b>	(4.3)	(12.5)
<b>At 30 June and 31 December</b>		<b>545.9</b>	435.8	459.8

**CONSOLIDATED BALANCE SHEET****At 30 June 2005**

	Notes	30 June 2005 £m	30 June 2004 £m	31 Dec 2004 £m
<b>ASSETS</b>				
Property, plant and equipment		5.5	6.0	6.2
Intangible assets	7	66.0	66.3	66.0
Financial investments	8	1,526.7	1,167.3	1,302.5
Loans and receivables, including insurance receivables		387.1	428.8	287.1
Deferred tax assets	9	17.7	23.0	22.0
Reinsurance assets	10	696.1	666.9	604.8
Cash and cash equivalents		35.7	28.4	47.6
<b>Total assets</b>		<b>2,734.8</b>	2,386.7	2,336.2
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity shareholders</b>				
Share capital	13	100.2	98.1	98.8
Share premium account		160.2	151.6	154.2
Other reserves		46.3	44.9	45.1
Treasury shares		(1.3)	(1.8)	(1.6)
Retained earnings		240.5	143.0	163.3
<b>Total shareholders' equity</b>		<b>545.9</b>	435.8	459.8
<b>LIABILITIES</b>				
Insurance contracts	10	1,948.3	1,804.8	1,662.0
Financial liabilities:				
Borrowings	11	67.6	3.4	58.7
Provisions for other liabilities and charges	12	4.2	2.4	4.6
Trade and other payables		55.4	64.1	71.6
Deferred tax liabilities	9	98.3	62.6	72.5
Retirement benefit obligations		1.5	1.2	1.5
Current tax liabilities		13.6	12.4	5.5
<b>Total liabilities</b>		<b>2,188.9</b>	1,950.9	1,876.4
<b>Total liabilities and shareholders' equity</b>		<b>2,734.8</b>	2,386.7	2,336.2

**CONSOLIDATED CASH FLOW STATEMENT**

**For the six months ended 30 June 2005**

	Notes	Six months 2005 £m	Six months 2004 £m	12 months 2004 £m
<b>Cash generated from operations</b>	14	<b>(5.7)</b>	12.4	(14.4)
<b>Cash flows from investing activities</b>				
Acquisition of subsidiary, net of cash acquired		-	(2.5)	(2.5)
Purchase of property, plant and equipment		<b>(0.5)</b>	(1.0)	(2.4)
Net cash used in investing activities		<b>(0.5)</b>	(3.5)	(4.9)
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary shares		<b>2.3</b>	1.5	3.2
Proceeds from borrowings		-	-	30.0
Proceeds from issue of debt		<b>26.2</b>	-	25.6
Repayment of borrowings		<b>(20.8)</b>	(7.1)	(7.3)
Dividends paid to shareholders	5	<b>(14.6)</b>	(5.5)	(15.3)
Net cash from financing activities		<b>(6.9)</b>	(11.1)	36.2
Net (decrease) increase in cash and cash equivalents		<b>(13.1)</b>	(2.2)	16.9
Cash and cash equivalents at beginning of period		<b>47.6</b>	30.7	30.7
Effects of exchange rate changes		<b>1.2</b>	(0.1)	-
<b>Cash and cash equivalents at end of period</b>		<b>35.7</b>	28.4	47.6

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2005

### Basis of preparation of interim financial statements

#### Accounting policies

The interim financial report, as required by the Listing Rules of the United Kingdom's Financial Services Authority (FSA), has been prepared on the basis of International Financial Reporting Standards (IFRS) recognition and measurement principles which are expected to be applicable at year end 2005 but as permitted under IFRS and by the Committee of European Securities Regulators (CESR), IAS 34 'Interim Financial Reporting' has not been applied early and, consequently, the full requirements of that standard have not been applied.

These interim consolidated financial statements have been prepared in accordance with the accounting policies that are anticipated to be used in preparation of the annual financial statements for the year ending 31 December 2005. These accounting policies were published on the Company's website ([www.amlin.com](http://www.amlin.com)) on 10 August 2005. A summary of the key differences between IFRS and UK GAAP is presented in note 16. There is a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with the accounting standards applicable at 31 December 2005. The IFRS standards and International Reporting Interpretations Committee (IFRIC) interpretations that will be applicable and adopted for use at 31 December 2005 are not known with certainty at the time of preparing this interim financial information.

#### Status of interim financial statements

The statements for the two interim periods are unaudited but have been reviewed by the Company's auditors, Deloitte & Touche LLP, and their report for the six months ended 30 June 2005 is included with this report. The interim financial statements do not constitute statutory accounts as defined in section 240 of the Companies Act 1985 (the Act).

The results for the year ended 31 December 2004 do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. These results have been restated for the adoption by the Group of IFRS and as such differ from the results reported in the Group's previously published statutory accounts. Those accounts received an unqualified audit opinion and did not contain a statement under section 237(2) or (3) of the Act and have been filed with the Registrar of Companies.

### 1 Segmental reporting

Amlin plc is organised on a divisional basis with each division underwriting sub-classes falling under four main classes of business: aviation, marine, non-marine and UK commercial motor and retail business.

	Aviation £m	Non-marine £m	Marine £m	UK commercial £m	Other technical £m	Total £m
<b>Six months 2005</b>						
Gross premiums written	42.4	413.4	120.7	98.4	0.9	<b>675.8</b>
Gross premiums earned	44.1	259.6	76.7	89.9	0.9	<b>471.2</b>
Insurance claims and loss adjusting expenses	(19.8)	(121.5)	(34.1)	(55.7)	0.1	<b>(231.0)</b>
Reinsurance balance	(8.4)	(10.8)	(2.3)	0.6	(0.3)	<b>(21.2)</b>
Underwriting expenses	(7.6)	(55.2)	(20.8)	(17.9)	(0.9)	<b>(102.4)</b>
<b>Profit attributable to underwriting</b>	<b>8.3</b>	<b>72.1</b>	<b>19.5</b>	<b>16.9</b>	<b>(0.2)</b>	<b>116.6</b>

	Aviation £m	Non-marine £m	Marine £m	UK commercial £m	Other technical £m	Total £m
Six months 2004						
Gross premiums written	42.5	427.0	134.8	106.4	(1.0)	709.7
Gross premiums earned	44.0	238.2	70.8	85.3	(1.0)	437.3
Insurance claims and loss adjusting expenses	(17.7)	(86.1)	(43.8)	(67.6)	5.6	(209.6)
Reinsurance balance	(10.1)	(30.0)	(1.5)	15.5	(6.9)	(33.0)
Underwriting expenses	(9.9)	(57.9)	(22.2)	(17.4)	(2.9)	(110.3)
<b>Profit attributable to underwriting</b>	<b>6.3</b>	<b>64.2</b>	<b>3.3</b>	<b>15.8</b>	<b>(5.2)</b>	<b>84.4</b>

	Aviation £m	Non-marine £m	Marine £m	UK commercial £m	Other technical £m	Total £m
12 months 2004						
Gross premiums written	90.8	525.0	160.2	170.6	(1.0)	945.6
Gross premium earned	88.0	489.9	147.8	159.0	(1.0)	883.7
Insurance claims and loss adjusting expenses	(48.0)	(302.7)	(79.0)	(117.0)	4.5	(542.2)
Reinsurance balance	(9.5)	7.8	(4.7)	15.0	(6.9)	1.7
Underwriting expenses	(21.8)	(127.6)	(48.5)	(36.0)	(2.7)	(236.6)
<b>Profit attributable to underwriting</b>	<b>8.7</b>	<b>67.4</b>	<b>15.6</b>	<b>21.0</b>	<b>(6.1)</b>	<b>106.6</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2005

### 2 Changes in prior period claims reserves

Material over provisions for claims at the beginning of the year as compared with net payments and provisions at the end of the period in respect of prior periods' claims are as follows:

	<b>Six months 2005 £m</b>	Six months 2004 £m	12 months 2004 £m
Movement in reserves	<b>30.0</b>	31.0	49.7

### 3 Investment return

	<b>Six months 2005 £m</b>	Six months 2004 £m	12 months 2004 £m
Investment income			
– dividend income	<b>1.5</b>	0.7	1.1
– interest income	<b>23.7</b>	19.6	42.2
Cash and cash equivalents interest income	<b>7.3</b>	3.3	9.2
	<b>32.5</b>	23.6	52.5
Net realised gains (losses) on financial assets			
– equity securities	<b>6.0</b>	2.9	4.2
– debt securities	<b>(1.3)</b>	(2.0)	(4.5)
	<b>4.7</b>	0.9	(0.3)
Net fair value gains (losses) on assets at fair value through income statement			
– equity securities	<b>1.6</b>	(1.3)	3.8
– debt securities	<b>2.5</b>	(8.7)	(3.9)
	<b>4.1</b>	(10.0)	(0.1)
<b>Total</b>	<b>41.3</b>	14.5	52.1

**4 Tax**

	<b>Six months 2005 £m</b>	Six months 2004 £m	12 months 2004 £m
Current tax			
– UK corporation tax	<b>6.8</b>	–	(0.3)
– Foreign tax	<b>0.2</b>	–	0.4
	<b>7.0</b>	–	0.1
Deferred tax – current year			
– movement in assets	<b>4.4</b>	2.1	3.1
– movement in liabilities	<b>25.8</b>	24.8	34.7
	<b>30.2</b>	26.9	37.8
	<b>37.2</b>	26.9	37.9

**5 Dividends**

The amounts recognised as distributions to equity holders are as follows:

	<b>Six months 2005 £m</b>	Six months 2004 £m	12 months 2004 £m
Final dividend for the year ended:			
– 31 December 2004 of 5.0 pence per ordinary share	<b>19.7</b>	–	–
– 31 December 2003 of 1.65 pence per ordinary share	–	6.4	6.4
Interim dividend for the year ended:			
– 31 December 2004 of 3.0 pence per ordinary share	–	–	11.6
	<b>19.7</b>	6.4	18.0

The dividends for 2003 and 2004 were paid in a combination of cash and scrip dividend shares. The amounts paid in cash and scrip dividend shares are as follows:

	<b>£m</b>	£m	£m
Cash	<b>14.6</b>	5.5	15.3
Scrip dividend	<b>5.1</b>	0.9	2.7
	<b>19.7</b>	6.4	18.0

The interim dividend of 4.0 pence per ordinary share for 2005, amounting to £15.9 million, was approved by the Board on 2 September 2005 and has not been included as a liability as at 30 June 2005.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2005

### 6 Earnings and net assets per ordinary share

Earnings per share is based on the profit attributable to shareholders 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:

	<b>Six months 2005</b>	Six months 2004	12 months 2004
Profit for the period	<b>£96.9m</b>	£59.1m	£91.0m
Weighted average number of shares in issue	<b>396.3m</b>	387.2m	388.4m
Dilutive shares	<b>6.0m</b>	6.3m	6.0m
Adjusted average number of shares in issue	<b>402.3m</b>	393.5m	394.4m
Basic earnings per share	<b>24.5p</b>	15.3p	23.4p
Diluted earnings per share	<b>24.1p</b>	15.0p	23.1p

Basic and tangible net assets per share are as follows:

	<b>30 June 2005</b>	30 June 2004	31 Dec 2004
Net assets	<b>£545.9m</b>	£435.8m	£459.8m
Adjustments for intangible assets	<b>£(66.0m)</b>	£(66.3m)	£(66.0m)
Tangible net assets	<b>£479.9m</b>	£369.5m	£393.8m
Number of shares in issue at end of period	<b>400.6m</b>	392.5m	395.1m
Adjustment for ESOT shares	<b>(2.5m)</b>	(4.5m)	(4.2m)
Basic number of shares after ESOT adjustment	<b>398.1m</b>	388.0m	390.9m
Net assets per share	<b>137.1p</b>	112.3p	117.6p
Tangible net assets per share	<b>120.6p</b>	95.2p	100.7p

**7 Intangible assets**

	Purchased syndicate participations £m	Goodwill £m	Total £m
Net book value			
<b>At 30 June 2005 and 31 December 2004</b>	<b>63.2</b>	<b>2.8</b>	<b>66.0</b>
At 30 June 2004	63.2	3.1	66.3

**8 Financial investments**

	30 June 2005 £m	At valuation 30 June 2004 £m	31 Dec 2004 £m
Shares and other variable yield securities	<b>89.0</b>	52.5	90.1
Debt securities and other fixed income securities	<b>799.4</b>	761.7	718.6
Participation in investment pools	<b>429.5</b>	181.5	307.5
Deposits with credit institutions	<b>157.2</b>	125.2	140.9
Overseas deposits	<b>48.3</b>	41.0	42.5
Other	<b>3.3</b>	5.4	2.9
	<b>1,526.7</b>	1,167.3	1,302.5
In Group owned companies	<b>453.8</b>	268.6	310.9
In aligned syndicates	<b>1,066.7</b>	886.8	979.7
In non-aligned syndicates	<b>6.2</b>	11.9	11.9
	<b>1,526.7</b>	1,167.3	1,302.5
Listed investments included in Group owned total are as follows:			
Shares and other variable yield securities	<b>89.0</b>	52.5	90.1
Debt securities and other fixed income securities	<b>109.8</b>	86.3	83.5
	<b>198.8</b>	138.8	173.6

All financial investments are classified as fair value through income. Within this category fixed maturity and equity securities are classified as trading assets as the Group buys with the intention to resell. All other securities are classified as other than trading assets within the fair value through income category.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2005

### 8 Financial investments (continued)

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the Group's share of the debt and other fixed income securities is set out below:

	30 June 2005 £m	30 June 2004 £m	31 Dec 2004 £m
Government/Government Agency	429.0	457.1	363.5
AAA/Aaa	70.7	89.1	91.3
AA/Aa	129.2	76.6	90.6
A	142.7	121.7	137.3
BBB/Baa	22.4	6.5	25.2
	<b>794.0</b>	751.0	707.9
In non-aligned syndicates	5.4	10.7	10.7
	<b>799.4</b>	761.7	718.6

### 9 Deferred tax

The deferred tax asset is attributable to timing differences arising on the following:

	Provisions for losses £m	Other provisions £m	Unrelieved trading losses carried forward £m	Capital losses £m	Other timing differences £m	Total £m
At 1 January 2005	1.3	6.2	8.8	1.9	3.8	22.0
Movements in the period	–	0.8	(8.8)	3.7	(0.1)	(4.4)
Movement through equity in the period	–	–	–	–	0.1	0.1
<b>At 30 June 2005</b>	<b>1.3</b>	<b>7.0</b>	<b>–</b>	<b>5.6</b>	<b>3.8</b>	<b>17.7</b>
At 30 June 2004	0.6	5.9	10.7	0.4	5.4	23.0

The deferred tax liability is attributable to timing differences arising on the following:

	Underwriting results £m	Unrealised capital gains £m	Syndicate capacity £m	Total £m
At 1 January 2005	68.2	1.9	2.4	72.5
Movements in the period	21.9	3.7	0.2	25.8
<b>At 30 June 2005</b>	<b>90.1</b>	<b>5.6</b>	<b>2.6</b>	<b>98.3</b>
At 30 June 2004	60.5	0.4	1.7	62.6

**10 Insurance contracts and reinsurance assets**

	Claims reserves £m	Unearned premium reserves £m	Other insurance assets and liabilities £m	Total £m
<b>Insurance liabilities</b>				
At 1 January 2004	985.1	453.7	55.4	1,494.2
Movement in period	57.6	273.1	(11.1)	319.6
Exchange adjustments	(8.4)	–	(0.6)	(9.0)
<b>At 30 June 2004</b>	<b>1,034.3</b>	<b>726.8</b>	<b>43.7</b>	<b>1,804.8</b>
Movement in period	93.2	(209.5)	3.3	(113.0)
Exchange adjustments	(28.8)	–	(1.0)	(29.8)
<b>At 31 December 2004</b>	<b>1,098.7</b>	<b>517.3</b>	<b>46.0</b>	<b>1,662.0</b>
Movement in period	50.4	204.5	(15.3)	239.6
Exchange adjustments	44.9	–	1.8	46.7
<b>At 30 June 2005</b>	<b>1,194.0</b>	<b>721.8</b>	<b>32.5</b>	<b>1,948.3</b>
<b>Reinsurance assets</b>				
At 1 January 2004	265.4	30.9	223.8	520.1
Movement in period	14.0	47.6	89.4	151.0
Exchange adjustments	(2.2)	–	(2.0)	(4.2)
<b>At 30 June 2004</b>	<b>277.2</b>	<b>78.5</b>	<b>311.2</b>	<b>666.9</b>
Movement in period	50.0	(53.6)	(41.5)	(45.1)
Exchange adjustments	(8.6)	–	(8.4)	(17.0)
<b>At 31 December 2004</b>	<b>318.6</b>	<b>24.9</b>	<b>261.3</b>	<b>604.8</b>
Movement in period	(35.4)	43.6	56.8	65.0
Exchange adjustment	14.7	–	11.6	26.3
<b>At 30 June 2005</b>	<b>297.9</b>	<b>68.5</b>	<b>329.7</b>	<b>696.1</b>

The claims reserves are further analysed between notified outstanding claims and incurred but not reported claims below:

	<b>30 June 2005</b> £m	30 June 2004 £m	31 Dec 2004 £m
Notified outstanding claims	<b>709.9</b>	585.2	715.3
Claims incurred but not reported	<b>484.1</b>	449.1	383.4
Insurance contracts claims reserve	<b>1,194.0</b>	1,034.3	1,098.7

**NOTES TO THE INTERIM FINANCIAL STATEMENTS****For the six months ended 30 June 2005****11 Borrowings**

	<b>30 June 2005</b>	30 June 2004	31 Dec 2004
	<b>£m</b>	£m	£m
Bank loans falling due in less than one year	<b>10.3</b>	0.3	30.4
Bank loans falling due after more than one year	<b>2.0</b>	3.1	2.7
Subordinated bonds	<b>55.3</b>	–	25.6
	<b>67.6</b>	3.4	58.7

Two US\$50 million subordinated bonds have been issued by the Company. The first bond was issued on 23 November 2004 and bears an interest rate of 7.11% from the issue date to reset date of 23 November 2014. The second bond was issued on 15 March 2005 and bears an interest rate of 7.28% from the issue date to the reset date of 15 March 2015. Both bonds have a maturity date on the fifteenth anniversary of their issue. Interest between the reset dates and the maturity dates is paid quarterly at the rate of the three month US dollar LIBOR plus 3.48% for the first bond and 3.32% for the second.

The bonds will be redeemed on the maturity dates at the principal amounts, together with accrued interest. The Company has the option to redeem the bonds in whole, subject to certain requirements, on the reset dates or any interest payment date thereafter at the principal amount plus accrued interest.

**12 Provisions for other liabilities and charges**

	Provisions for spread underwriting losses £m
At 1 January 2005	4.6
Utilised during the period	(0.4)
<b>At 30 June 2005</b>	<b>4.2</b>
At 30 June 2004	2.4

**13 Ordinary share capital**

	Number	£m
Authorised ordinary shares of 25p each		
<b>At 1 January and 30 June 2005</b>	<b>562,000,000</b>	<b>140.5</b>
Allotted, called up and fully paid:		
At 1 January 2005	395,089,608	98.8
Scrip dividend shares issued	3,070,054	0.8
Shares issued on exercise of options	2,456,022	0.6
<b>At 30 June 2005</b>	<b>400,615,684</b>	<b>100.2</b>

The scrip dividend shares were issued at a reference share price of 165.92 pence per share for the 2004 final dividend. The shares issued on exercise of options were issued for a total consideration of £2,278,697 equivalent to an average of 92.78 pence per share.

**14 Cash generated from operations**

	Six months 2005 £m	Six months 2004 £m	12 months 2004 £m
Profit before tax	<b>134.1</b>	86.0	128.9
Net movement on Premium Trust Funds for non-aligned participations	<b>(2.9)</b>	(3.0)	(3.0)
Depreciation charge	<b>1.2</b>	1.4	2.6
Interest paid	<b>2.7</b>	2.5	5.1
Unrealised losses (gains) on investments	<b>4.1</b>	9.7	(0.2)
Net purchases of financial investments	<b>(199.5)</b>	(126.4)	(251.7)
Increase in loans and receivables	<b>(77.5)</b>	(147.2)	(12.3)
Increase in reinsurance contract assets	<b>(63.5)</b>	(146.7)	(84.7)
Increase in insurance contract liabilities	<b>215.2</b>	313.7	170.9
(Decrease) increase in provisions for other liabilities and charges	<b>(0.4)</b>	(0.6)	1.6
(Decrease) increase in trade and other payables	<b>(13.8)</b>	26.3	33.7
Increase in retirement benefits	<b>-</b>	-	0.3
	<b>(0.3)</b>	15.7	(8.8)
Taxes paid	<b>(2.7)</b>	(0.8)	(0.5)
Interest paid	<b>(2.7)</b>	(2.5)	(5.1)
Cash generated from operations	<b>(5.7)</b>	12.4	(14.4)

The Group classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts or the capital required to support underwriting, net of the cash flows for payments of insurance claims. Therefore cash generated from operations is net of £199.5m being cash generated in the period that has been used to purchase financial investments.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2005

### 15 Principal exchange rates

The principal exchange rates used in translating foreign currency assets, liabilities, income and expenditure in the production of these financial statements were:

	H1 2005 Average rate	At 30 June 2005	H1 2004 Average rate	At 30 June 2004	2004 Average rate	At 31 Dec 2004
US dollar	<b>1.87</b>	<b>1.79</b>	1.82	1.81	1.83	1.92
Can dollar	<b>2.31</b>	<b>2.20</b>	2.44	2.43	2.38	2.30
Euro	<b>1.46</b>	<b>1.40</b>	1.49	1.49	1.47	1.41

The table below sets out the Group's share of the Syndicate assets and liabilities by currency:

	Assets £m	Liabilities £m	Net 30 June 2005 £m	Net 30 June 2004 £m	Net 31 Dec 2004 £m
US dollar	<b>1,109.1</b>	<b>1,084.8</b>	<b>24.3</b>	62.9	9.5
Can dollar	<b>54.7</b>	<b>45.0</b>	<b>9.7</b>	1.5	10.7
Euro	<b>105.5</b>	<b>97.8</b>	<b>7.7</b>	9.1	8.7
	<b>1,269.3</b>	<b>1,227.6</b>	<b>41.7</b>	73.5	28.9

## 16 Explanation of transition to IFRS

The reconciliation between the Group's consolidated UK GAAP and IFRS balance sheets as at 1 January 2004 (date of transition to IFRS) and at 31 December 2004 (date of last GAAP financial statements) and the reconciliation of profit for 2004, as required by IFRS1, together with the Group's current significant accounting policies, were published on the Company's website ([www.amlin.com](http://www.amlin.com)) on 10 August 2005, together with a full explanation of the differences between UK GAAP and IFRS that affect Amlin plc.

A summary of the key differences is as follows:

### Foreign exchange accounting for non-monetary assets and liabilities

IAS 21, *The effects of changes in foreign exchange rates*, requires foreign currency denominated non-monetary assets, liabilities and transactions (i.e. those without a corresponding cash flow, being principally the unearned premium reserve, the reinsurers' share of the unearned premium reserve and deferred acquisition costs) to be converted to the functional currency using the exchange rate prevailing at the date of the original transaction (or an average rate for the period of the transaction) even when accounted for in subsequent periods.

Prior to the adoption of IFRS the Group converted non-monetary assets and liabilities at the rate of exchange at the balance sheet date at which they were reported, regardless of the period in which the asset or liability first arose. Furthermore, any movement in a non-monetary asset or liability that was recognised through the profit and loss account was converted using the average exchange rate for the period in which it was recognised in the profit and loss account.

### Dividend accrual

Under UK GAAP the Group accrued for the final dividend in the period in which the profits to which it related were recognised. Under IAS 10, *Events after the balance sheet date*, a dividend is only recognised in the period in which it is declared and becomes a present obligation of the Group.

### Syndicate capacity

Under UK GAAP, syndicate capacity purchased by the Group was capitalised at cost in the balance sheet and amortised over its useful economic life, which the directors considered to be 20 years.

Under IFRS syndicate capacity is classified as an indefinite life intangible asset. As such it is recognised at cost and is not amortised but is subject to an annual impairment review.

### Defined benefit pension schemes

The Group has one pension scheme which is accounted for as a defined benefit pension scheme. The scheme is relatively small and is closed to new members. Under IFRS the projected net liabilities of this scheme are recorded on the balance sheet. This was not a requirement of UK GAAP.

The balance sheet reconciliation as at 30 June 2004 and the reconciliation of profit for the six months ended 30 June 2004 have been included below to enable a comparison of the 2005 interim figures with the corresponding period of the previous financial year.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS****For the six months ended 30 June 2005****16 Explanation of transition to IFRS (continued)****Detailed Reconciliation of the Consolidated Balance Sheet as at 30 June 2004 from UK GAAP to IFRS**

	UK GAAP £m	Consolidation of service companies (IAS18) £m	Re-class between cash and investments (IAS7) £m	Employee benefits (IAS19) £m
Property, plant and equipment	6.0	-	-	-
Intangible assets	58.5	-	-	-
Financial investments – equities	53.0	-	-	-
Financial investments – debt securities	1,106.4	-	8.5	-
Loans and receivables, including insurance receivables	432.6	(5.5)	-	(0.2)
Deferred tax assets	-	-	-	-
Reinsurance contracts	666.2	0.1	-	-
Cash and cash equivalents	24.0	12.9	(8.5)	-
<b>Total assets</b>	<b>2,346.7</b>	<b>7.5</b>	<b>-</b>	<b>(0.2)</b>
Share capital	98.1	-	-	-
Treasury shares	(1.8)	-	-	-
Other reserves	196.2	-	-	-
Retained earnings	132.7	(2.2)	-	(1.3)
<b>Total shareholders' equity</b>	<b>425.2</b>	<b>(2.2)</b>	<b>-</b>	<b>(1.3)</b>
Insurance contracts	1,795.2	0.7	-	-
Borrowings	3.4	-	-	-
Provisions for other liabilities and charges	2.4	-	-	-
Trade and other payables	68.2	8.9	-	(0.1)
Deferred tax liabilities	40.0	-	-	-
Retirement benefit obligations	-	-	-	1.2
Current tax liabilities	12.3	0.1	-	-
<b>Total liabilities</b>	<b>1,921.5</b>	<b>9.7</b>	<b>-</b>	<b>1.1</b>
<b>Total equity and liabilities</b>	<b>2,346.7</b>	<b>7.5</b>	<b>-</b>	<b>(0.2)</b>

Investment valuation (IAS39) £m	Dividend accrual (IAS10) £m	Share based payments (IFRS2) £m	Discounting (IAS19) £m	Syndicate capacity (IAS38) £m	Foreign exchange on non-monetary assets (IAS21) £m	Deferred tax (IAS12) £m	<b>IFRS £m</b>
-	-	-	-	-	-	-	<b>6.0</b>
-	-	-	-	7.8	-	-	<b>66.3</b>
(0.4)	-	-	-	-	-	-	<b>52.6</b>
(0.2)	-	-	-	-	-	-	<b>1,114.7</b>
-	-	-	(0.3)	-	2.2	-	<b>428.8</b>
-	-	-	-	-	-	23.0	<b>23.0</b>
-	-	-	-	-	0.6	-	<b>666.9</b>
-	-	-	-	-	-	-	<b>28.4</b>
(0.6)	-	-	(0.3)	7.8	2.8	23.0	<b>2,386.7</b>
-	-	-	-	-	-	-	<b>98.1</b>
-	-	-	-	-	-	-	<b>(1.8)</b>
-	-	0.3	-	-	-	-	<b>196.5</b>
(0.6)	11.6	(0.3)	1.0	7.8	(0.9)	(4.8)	<b>143.0</b>
(0.6)	11.6	-	1.0	7.8	(0.9)	(4.8)	<b>435.8</b>
-	-	-	-	-	8.9	-	<b>1,804.8</b>
-	-	-	-	-	-	-	<b>3.4</b>
-	-	-	-	-	-	-	<b>2.4</b>
-	(11.6)	-	(1.3)	-	-	-	<b>64.1</b>
-	-	-	-	-	(5.2)	27.8	<b>62.6</b>
-	-	-	-	-	-	-	<b>1.2</b>
-	-	-	-	-	-	-	<b>12.4</b>
-	(11.6)	-	(1.3)	-	3.7	27.8	<b>1,950.9</b>
(0.6)	-	-	(0.3)	7.8	2.8	23.0	<b>2,386.7</b>

**NOTES TO THE INTERIM FINANCIAL STATEMENTS****For the six months ended 30 June 2005****16 Explanation of transition to IFRS (continued)****Detailed Reconciliation of the Consolidated Income Statement for the six months ended 30 June 2004**

	UK GAAP £m	Consolidation of service companies (IAS18) £m
Gross earned premiums	418.7	–
Insurance premium revenue from the receipt of RITC	–	–
Reinsurance premiums	(90.8)	–
<b>Net earned premiums</b>	<b>327.9</b>	<b>–</b>
Insurance claims and loss adjustment expenses	(209.6)	–
Insurance claims and loss adjustment expenses relating to the receipt of RITC	–	–
Insurance claims and loss adjustment expenses recovered from reinsurers	58.7	–
	(150.9)	–
Expenses for the acquisition of insurance and investment contracts	(74.1)	–
Other underwriting expenses	(28.6)	(1.2)
	(253.6)	(1.2)
<b>Profit attributable to underwriting</b>	<b>74.3</b>	<b>(1.2)</b>
Investment return	14.5	0.2
Fee income – insurance contracts	–	0.6
Other operating income	1.8	(0.5)
Expenses for marketing and administration	(0.1)	–
Expenses for asset management services rendered	(0.8)	–
Other operating expenses	(13.2)	–
	2.2	0.3
<b>Results of operating activities</b>	<b>76.5</b>	<b>(0.9)</b>
Finance costs	(2.3)	–
<b>Profit before tax</b>	<b>74.2</b>	<b>(0.9)</b>
Tax	(23.1)	(0.1)
<b>Profit for the period</b>	<b>51.1</b>	<b>(1.0)</b>

from UK GAAP to IFRS

Employee benefits (IAS19) £m	Investment valuation (IAS39) £m	Share based payments (IFRS2) £m	RITC adjustment (IFRS4) £m	Foreign exchange on non-monetary assets (IAS21) £m	Syndicate capacity (IAS38) £m	IFRS £m
-	-	-	-	18.6	-	<b>437.3</b>
-	-	-	15.3	-	-	<b>15.3</b>
-	-	-	-	(0.9)	-	<b>(91.7)</b>
-	-	-	15.3	17.7	-	<b>360.9</b>
-	-	-	-	-	-	<b>(209.6)</b>
-	-	-	(15.3)	-	-	<b>(15.3)</b>
-	-	-	-	-	-	<b>58.7</b>
-	-	-	(15.3)	-	-	<b>(166.2)</b>
-	-	-	-	-	-	<b>(74.1)</b>
-	-	-	-	(6.4)	-	<b>(36.2)</b>
-	-	-	(15.3)	(6.4)	-	<b>(276.5)</b>
-	-	-	-	11.3	-	<b>84.4</b>
-	(0.2)	-	-	-	-	<b>14.5</b>
-	-	-	-	-	-	<b>0.6</b>
-	-	-	-	-	-	<b>1.3</b>
-	-	-	-	-	-	<b>(0.1)</b>
-	-	-	-	-	-	<b>(0.8)</b>
(0.2)	-	0.2	-	-	1.6	<b>(11.6)</b>
(0.2)	(0.2)	0.2	-	-	1.6	<b>3.9</b>
(0.2)	(0.2)	0.2	-	11.3	1.6	<b>88.3</b>
-	-	-	-	-	-	<b>(2.3)</b>
(0.2)	(0.2)	0.2	-	11.3	1.6	<b>86.0</b>
0.1	-	-	-	(3.3)	(0.5)	<b>(26.9)</b>
(0.1)	(0.2)	0.2	-	8.0	1.1	<b>59.1</b>

## **INDEPENDENT REVIEW REPORT TO AMLIN PLC**

**For the six months ended 30 June 2005**

### **Introduction**

We have been instructed by the company to review the financial information for the six months ended 30 June 2005 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, the statement of accounting policies and related notes 1 to 16. 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.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

### **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 are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### **International Financial Reporting Standards**

As disclosed in the basis of preparation of interim financial statements note on page 14, the next annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

### **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 International Standards on Auditing (UK and Ireland) 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 2005.

### **Deloitte & Touche LLP**

Chartered Accountants  
London  
2 September 2005

## SHAREHOLDER INFORMATION

The additional information consisting of the shareholder information and directors and advisers has been prepared from the records of the Company. Whilst it does not form part of the interim statement, it should be read in conjunction with it and with the responsibilities section of the independent review report thereon.

### Financial Calendar

#### 2005

7 October                      Payment of 2005 interim dividend

#### 2006

March                          Announcement of results for the year ending 31 December 2005

May/June                      Payment of 2005 final dividend, subject to shareholder approval

### Shareholders' dealings

The Company's stockbroker, Hoare Govett Limited, offers a low cost postal dealing service, which enables UK resident 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 £12. 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 1006) or direct from Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA (Tel. 020 7678 8300). This service is not available to non-UK residents who may, however, contact Hoare Govett Limited for details of other services that may be available. Hoare Govett Limited and Pershing Securities Limited are each authorised and regulated by the Financial Services Authority.

### Shareholder enquiries, register 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.

Amlin's website is at [www.amlin.com](http://www.amlin.com)

**NOTES**

## DIRECTORS AND ADVISERS

### Directors

Roger Taylor (Chairman)\*  
Nigel Buchanan\*  
Brian Carpenter  
Richard Hextall (Finance Director)  
Tony Holt  
Roger Joslin\*  
Thomas Kemp\*  
Ramanam Mylvaganam\*  
Charles Philipps (Chief Executive)  
Lord Stewartby\* (Deputy Chairman)

\*Non-Executive

### Audit Committee

Nigel Buchanan (Chairman from 1 September 2005)  
Lord Stewartby (Chairman to 31 August 2005)  
Roger Joslin  
Ramanam Mylvaganam

### Remuneration Committee

Ramanam Mylvaganam (Chairman)  
Nigel Buchanan  
Lord Stewartby

### Nomination Committee

Roger Taylor (Chairman)  
Roger Joslin  
Ramanam Mylvaganam  
Charles Philipps  
Lord Stewartby

### Secretary

Charles Pender FCIS FSI

### Registered Office

St Helen's  
1 Undershaft  
London  
EC3A 8ND

### Auditors

Deloitte & Touche LLP  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

### Investment Bankers

Lexicon Partners Limited  
No. 1 Paternoster Square  
London EC4M 7XD

### Stockbrokers

Hoare Govett Limited  
250 Bishopsgate  
London EC2M 4AA

### Corporate Lawyers

Linklaters  
One Silk Street  
London EC2Y 7HQ

### Principal Bankers

Lloyds TSB Bank PLC  
25 Gresham Street  
London EC2V 7MN

### Registrar

Computershare Investor Services PLC  
PO Box 82  
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