Syndicate 2001 2003 Year of Accounts at 31 December 2005

Continuity in an
uncertain world

AMLIN

Contents

Directors and Administration

Managing agent
Amlin Underwriting Limited

Directors

A M Davies	Non-executive Chairman
S C W Beale, ACII	Underwriter: Marine Division
B D Carpenter	Underwriter: UK Commercial Division
R G Dampier, FCII	Underwriter: Aviation Division
D J Harris (appointed 14 March 2005)	Operations Director
M C Hewett	General Manager: Marine Division
R A Hextall	Finance Director
A W Holt, ACII	Underwriting Director
J le T Illingworth	Managing Director, Business Intelligence and Monitoring
I Macnabb	Underwriting Monitoring Director
R Mylvaganam	Non-executive Director
C E L Philipps	Chief Executive
I R C Shackell	Compliance Director
A P Springett	General Manager: Non-marine Division

Company Secretary
J M Clarke

Managing agent's registered office
St Helens
1 Undershaft
London EC3A 8ND

Managing agent's registered number
2323018

Report of the Directors of the Managing Agent

The managing agent presents its report for Syndicate 2001 at 31 December 2005 for the 2003 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw. It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 3219 of 2004, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations (the "Lloyd's Regulations").

Review of the 2003 closed year of account

2003 Pure Account Result

The 2003 pure year result is, as predicted in the Syndicate's report and accounts last year, exceptional. Pure year profit is £283.5 million after syndicate expenses and investment income but prior to personal expenses. Including the prior year release of £26.0 million and after deducting standard personal expenses the result is a profit of 25.35% of capacity. For non-aligned syndicate members, for whom profit commission was waived as part of the capacity buy out, the result is 29.1%.

Syndicate capacity for 2003 was £1 billion plus a further £50 million from quota share reinsurance. The ultimate income is £849 million, at Lloyd's premium income monitoring rates of exchange, net of the quota share cession and brokerage. The gross and net loss ratios are unprecedented in the history of the Syndicate: the year of account is closing with a gross ultimate loss ratio of 47.6% and a net ultimate loss ratio of 52.0%.

The aviation division had lower than expected income levels due to rate reductions on the airline portfolio (particularly due to the inclusion of the terrorism surcharge at a discount within the overall price) but there were few claims incidents in the year. The products and airport liability accounts continued to be re-priced and the latter looks to be very profitable. General aviation continued to make a good return and the space account was also profitable after strong action had been taken on pricing and in-orbit coverage.

The marine portfolio produced a profit in all areas with very low loss ratios for specie, war and energy. Hull, cargo, liability and yacht were also very good results and bloodstock returned a net profit. The latter was particularly gratifying as 2002 was the first year of our new service company, Amlin Plus Limited, and the Syndicate had to bear a £5.9 million gross loss from the death of the Australian horse Grand Lodge.

The UK commercial division has again performed extremely well, particularly the motor fleet account and the UK employers' and public liability accounts. The UK employers' and public liability accounts were expanded in response to increased demand and better pricing following the demise of Independent Insurance and are currently performing better than any prior year back to 1993. The professional indemnity account was also expanded for 2003 and is profitable. Following very difficult underwriting conditions from 1999 to 2002 the financial institutions portfolio was overhauled with a move away from US domicile professional indemnity and away from the major banks. This appears to have brought about a strong turn-around in performance for this account.

For the largest of our underwriting divisions, non-marine, 2003 was an extraordinarily profitable year. Gross premium increased by 20% over 2002 and every class is making a contribution. In the absence of any major catastrophe or risk losses the reinsurance account was particularly profitable. For example, the catastrophe account has a 14% ultimate gross loss ratio. The direct property and binder accounts also fared well in spite of the loss caused by Hurricane Isobel, the Californian bush fires and the 2004 hurricane losses. The FTC and accident and health accounts made material contributions and the US casualty portfolio has recovered dramatically from the dark days of the 1997 to 2001 underwriting years although this is still a very long-tailed account. The Amlin Credit Limited service company also made a valuable contribution.

2003 is the final year of non-aligned participation in the Syndicate and it is gratifying to reward the members with such an excellent result.

2002 and prior year release

The managing agency has consistently set reserves which we believe stand a better than even chance of providing a release and the 2002 and prior years have yielded a profit of £26.0 million in the year.

The release from reserves, as was the case in the previous year, emanated predominantly from the marine and UK commercial portfolio. There were small releases from the aviation and non-marine reserves overall, but US casualty reserves required some strengthening. The UK portfolio improvement came from the settlement of motor and liability claims within the case reserves established and would have been greater if it were not necessary to increase reserves for the financial institutions account. The marine division release was caused by an acceleration of reserve releases following a review of historical development patterns notably on the liability portfolio written in 2001 and 2002 and the war account written in 2002. There were also some beneficial releases in case reserves held for claims which settled during the year particularly on the 2001 war account.

Outwards reinsurance arrangements

The underwriting divisions purchased specific protection up to the Syndicate's line size and whole account umbrella protection was bought to protect against major catastrophe events.

Proportional treaties were also used to protect certain classes and to supplement line size. For the 2003 year of account a whole account quota share reinsurance treaty was in place which was qualifying for premium income capacity purposes. This arrangement was for premium capacity of a minimum of £50 million and a maximum of £100 million.

Syndicate 2001 has a number of long-term trading relationships with reinsurers. There are no reinsurance policies where contractual payback of incurred losses can be charged to a year of account that did not benefit from the recovery.

Approved by the Board of Directors on 9 March 2006

A M Davies   Chairman

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2004 require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December.

In preparing the syndicate underwriting year accounts, Amlin Underwriting Limited is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment that is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

Amlin Underwriting Limited is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the Lloyd's Regulations. It is also responsible for the system of internal control, for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Report of the independent auditors to the members of Syndicate 2001

We have audited the syndicate underwriting year accounts for the 2003 year of account of Syndicate 2001 for the three years ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of accounting policies and the related notes 1 to 17. These syndicate underwriting year accounts have been prepared under the accounting policies set out therein.

This report is made solely to the members of the syndicate for the 2003 year of account in accordance with regulation 4 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. Our audit work has been undertaken so that we might state to those members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than those members for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and auditors
The managing agent's responsibilities for preparing the annual report and the syndicate underwriting year accounts under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 and in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of managing agent's responsibilities.

Our responsibility is to audit the syndicate underwriting year accounts in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the syndicate underwriting year accounts give a true and fair view of the result of the closed year of account in accordance with United Kingdom Generally Accepted Accounting Practice and are properly prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 and in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). We also report to you if, in our opinion, the managing agent's report is not consistent with the syndicate underwriting year accounts, if the managing agent in respect of the syndicate has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the managing agent's report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the syndicate underwriting year accounts.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the syndicate underwriting year accounts. It also includes an assessment of the significant estimates and judgements made by the managing agent in the preparation of the syndicate underwriting year accounts, and of whether the accounting policies are appropriate to the syndicate's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion:

- the syndicate underwriting year accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the profit for the 2003 closed year of account; and
- the syndicate underwriting year accounts have been properly prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 and in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

London

9 March 2006

Profit and loss account
for the 36 months ended 31 December 2005

Technical account – general business

	Notes	£'000
Syndicate allocated capacity		**999,560**
Earned premiums net of reinsurance		
Gross premiums written	3	**1,048,127**
Outward reinsurance premiums		**(202,150)**
Net premiums		**845,977**
Reinsurance to close premium received net of reinsurance	4	**567,282**
Claims incurred net of reinsurance		
Claims paid		
Gross amount		**(412,571)**
Reinsurers' share		**99,844**
Net claims		**(312,727)**
Reinsurance to close premium payable net of reinsurance	5	**(570,068)**
Claims incurred, net of reinsurance		**(882,795)**
Net operating expenses	6	**(325,148)**
Balance on the technical account – general business		**205,316**

Non-technical account

Balance on the technical account – general business	**205,316**
Investment income	**61,298**
Realised losses on investments	**(5,620)**
Unrealised losses on investments	**(6,118)**
Investment expenses and charges	**(1,457)**
Profit for the 2003 year of account	**253,419**

Balance sheet
at 31 December 2005

	Notes	£'000
Assets		
Financial investments	9	**727,209**
Debtors	10	**62,364**
Reinsurance recoveries anticipated on gross reinsurance to close premium payable		**225,306**
Other assets:		
Cash at bank and in hand		**33,881**
Other assets	11	**30,863**
Prepayments and accrued income		**6,611**
Total assets		**1,086,234**
Liabilities		
Amounts due to members	12	**196,426**
Reinsurance to close premium payable – gross amount		**815,698**
Creditors arising out of direct insurance operations	13	**21,755**
Creditors arising out of reinsurance operations	13	**12,992**
Creditors	13	**39,342**
Accruals and deferred income		**21**
Total liabilities		**1,086,234**

The syndicate underwriting year account was approved by the Board of Amlin Underwriting Limited on 9 March 2006 and was signed on its behalf by.

R A Hextall Director

Cash flow statement
for the 36 months ended 31 December 2005

	Notes	£'000
Net cash inflow from operating activities	14	**853,629**
Transfers to members' personal reserves	12	**(56,044)**
Members' agents' fees paid on behalf of members	12	**(949)**
		796,636
Cash flows were invested as follows:		
Increase in cash holdings	15	**33,881**
Increase in overseas deposits	11	**30,863**
Net portfolio investment	15	**734,892**
Net investment of cash flows		**796,636**

Notes to the financial statements
for the 36 months ended 31 December 2005

1 Basis of preparation

These accounts have been prepared in accordance with the *Lloyd's Regulations* and in accordance with applicable accounting standards in the United Kingdom and comply with the Lloyd's Syndicate Accounting Byelaw.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2003 year of account which has been closed by reinsurance to close at 31 December 2005. Consequently the balance sheet represents the assets and liabilities of the 2003 year of account and the profit and loss account and cash flow statement reflect the transactions for that year of account during the 36 months period until closure.

2 Accounting policies

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

Premiums written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. This is a change to prior years but has no impact on profit. Estimates are made for pipeline premiums, representing amounts due but not yet notified to the syndicate year of account.

Written premium is earned according to the risk profile of the policy. All premium is earned within the 36 month period of each year of account.

Reinsurance premiums ceded

Reinsurance premiums paid to purchase policies which give excess of loss protection are generally charged to the year of account in which the protection commences. The only exception to this is for excess of loss policies purchased by the Aviation division, for which the premiums are charged, in proportion to risk exposure, to the years of account protected by the policies. Premiums for other reinsurances are charged to the same year of account as the risks being protected.

Claims paid and related recoveries

Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

Reinsurance to close premium payable

Each underwriting account is normally closed by reinsurance into the following open year of the syndicate, which takes over all existing and future liabilities of the closing account, and all previous accounts reinsured therein, in return for a premium which is approved by the managing agency. Reinsurance to close premium payable is shown gross on the balance sheet with reinsurance shown as a separate asset.

Calculation of the premium for the reinsurance to close is based on all existing and future estimated outstanding liabilities (including related claims settlement costs) and assets which include an estimate for claims incurred but not reported, net of estimated reinsurance recoveries, relating to the closing year of account, and all years of account previously reinsured into it. Outstanding claims are estimates of future claims payments in respect of reported claims based on the latest information available including advices from claims assessors and lawyers. Where the Syndicate leads business it has control over the agreement of claims and where it does not lead it relies on the lead underwriter to keep it informed of the latest developments. The incurred but not reported element is calculated initially by each of the Syndicate's divisions using statistical analysis of historical trends, balanced with interpretation of current underwriting trends and market and case loss information, in order to calculate the ultimate loss projection of the business on risk. Ultimate claims settlements net of reinsurance are estimated having regard to previous claims experience (including the use in certain cases of statistically based projections) and case by case review of notified losses.

These claims provisions are reviewed to ensure judgements made are reasonable and supportable. This review process includes comparison of technical claims provisions, on an underwriting year basis, with independent actuarial projections produced on a best estimate basis by our in-house actuarial team. This process is repeated each quarter with the actuarial assessment reviewed at the end of the financial year by an external, independent actuary.

In the calculation, or estimate, of reinsurance recoveries an assessment is made of the ability of reinsurers to meet their liabilities as they fall due and, where payment is doubtful, an appropriate provision is made.

Although the estimate of net outstanding liabilities is considered to be fair and reasonable, on the basis of the information available at the date of determining the reinsurances to close, the ultimate liabilities will vary as a result of subsequent information and events. Adjustments to the estimates of ultimate liabilities are reflected in underwriting accounts for the years which accept the reinsurances to close.

The reinsurance to close will normally be the same amount as the provision for future liabilities in the Lloyd's solvency return for the closing year. The latter is subject to independent actuarial review and must be at least equal to the independent actuaries' best estimate of the cost of settling the liabilities.

The reinsurance to close premium is accounted for at 31 December even though the actual agreement may not be concluded until after that date.

2 Accounting policies (continued)

Comparatives

Comparatives are not provided in these accounts as each syndicate year of account is a separate annual venture and there are therefore no comparatives.

Investments

Investments are stated at the current market value at the balance sheet date.

Overseas deposits

Overseas deposits are stated at the market value ruling at the balance sheet date.

Investment return

The gross investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Investment return arising in each calendar year is allocated to years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded those deposits.

Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date.

Insurance debtors and creditors

In the normal course of business, settlement is required to be made with Lloyd's Central Accounting, the market settlement bureaux, on the basis of the net balance due to or from insurance brokers in total rather than the amounts due to or from the individual parties which it represents.

The legal status of this practice of net settlement is uncertain and in the event of an insolvency it is generally abandoned. Accordingly insurance debtors and creditors, as presented, comprise respectively the totals of all the Syndicate's individual outstanding debit and credit transactions before any offset. The resultant totals give no indication of future cash flows.

Syndicate operating expenses

Costs incurred by the managing agent exclusively for the syndicate are charged to the Syndicate.

Expenses incurred jointly by the managing agent and the Syndicate were, for calendar years prior to 2005, apportioned between the managing agent and the Syndicate on a number of different bases depending on the expense type, to reflect the benefit obtained by each party. With effect from 2005 an annual management charge has been agreed between the managing agent and the Syndicate. The charge reflects the expected costs of services to be provided to the Syndicate and does not include any profit element.

Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

Taxation

No provision has been made in respect of UK income tax on trading income. It is the responsibility of members to settle their tax liabilities.

Overseas taxation comprises US Federal Income tax and Canadian Federal Income tax. The amounts charged to members are collected centrally through Lloyd's Members' Services Unit as part of the members' distribution process. The ultimate tax liability is the responsibility of each individual underwriting member.

Foreign currencies

Transactions other than the reinsurance to close, in US dollars, Canadian dollars and Euros are translated at the average rates of exchange for the period. Reinsurance to close premium receivable and payable, and underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities denominated in US dollars, Euros and Canadian dollars are translated into sterling at the rate of exchange at the balance sheet date. Non monetary assets denominated in those currencies are translated at the average rate prevailing in the period in which the asset or liability first arose. Exchange differences are included in operating expenses within the technical account.

Where Canadian dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where United States dollars relating to the profit or loss of a closed underwriting year are bought or sold by members on that year, any exchange profit or loss accrues to those members.

3 Segmental analysis

An analysis of the underwriting result before investment return is set out below:

	Gross premiums written £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	**Total £'000**
Direct insurance:					
Accident & Health	21,589	(31,006)	(9,458)	9,038	**(9,837)**
Motor (third party liability)	22,639	(15,169)	(5,226)	898	**3,142**
Motor (other classes)	119,047	(197,866)	(27,346)	8,772	**(97,443)**
Marine, aviation and transport	125,661	(97,717)	(45,302)	4,898	**(12,460)**
Fire and other property damage	167,457	(82,089)	(55,907)	(14,915)	**14,546**
Third party liability	231,317	(578,114)	(68,367)	165,817	**(249,347)**
Miscellaneous	54,108	(35,062)	(20,433)	(1,555)	**(2,942)**
	741,818	(1,037,023)	(232,039)	172,903	**(354,341)**
Reinsurance acceptances	873,591	(162,377)	(93,109)	(58,450)	**559,655**
	1,615,409	(1,199,400)	(325,148)	114,453	**205,314**

Gross claims incurred comprises gross claims paid and gross reinsurance to close premium payable. The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on reinsurance to close payable. All premiums are concluded in the UK.

Reinsurance acceptances include the reinsurance to close premium of £567,282,348 received from the 2002 year of account.

4 Reinsurance premium receivable to close the 2002 year of account

	£'000
Gross reinsurance to close premium receivable	**801,698**
Reinsurance recoveries anticipated	**(234, 416)**
Reinsurance to close premium receivable, net of reinsurance	**567,282**

5 Reinsurance premium payable to close the 2003 year of account

	£'000
Gross reinsurance to close premium payable	**(786,828)**
Reinsurance recoveries anticipated	**216,760**
Reinsurance to close premium payable, net of reinsurance	**(570,068)**

The reinsurance to close is effected to the 2004 year of account of Syndicate 2001.

6 Syndicate operating expenses

	£'000
Acquisition costs	**193,508**
Administrative expenses	**105,306**
Loss on exchange	**26,334**
	325,148

	£'000
Administrative expenses included:	
Auditors' remuneration	
Audit services	**235**
Other services	–
	235

7 Staff numbers and costs

All staff are employed by Amlin Corporate Services Limited, a wholly owned subsidiary of Amlin plc and the immediate parent company of the managing agency. The following amounts were recharged to the Syndicate in respect of salary costs:

	£'000
Wages and salaries	16,915
Social security costs	1,902
Other pension costs	9,142
	27,959

The average number of employees employed by Amlin Corporate Services Limited but working for the Syndicate during the 36 months was as follows:

	Number
Underwriting divisions	
Underwriting, claims and reinsurance	347
Administration and supports	123
Central functions	
Operations	64
Finance and administrations	56
Treasury and investments	4
Internal audit and compliance	9
	603

8 Balance on technical account before allocated investment return and net operating expenses

	£'000
Balance attributable to business allocated to the 2003 pure year of account	504,440
Balance attributable to business reinsured into the 2003 account	26,023
	530,463

9 Financial investments

	Market value £'000	Cost £'000
Debt securities and other fixed income securities	681,355	686,038
Participation in investment pools	42,741	42,741
Deposits with credit institutions	886	886
Letters of credit collateral	2,227	2,227
	727,209	731,892

10 Debtors

	£'000
Arising out of direct insurance operations	
– Intermediaries	22,986
Arising out of reinsurance operations	31,457
Other debtors	7,921
	62,364

11 Other assets – other

These comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries:

	£'000
Australian Joint Asset Trust Funds	365
Canadian Margin Fund	2,576
South African Trust Fund	2,285
Illinois Reserve	8,767
Joint Asset Trust Fund	7,719
Kentucky Trust Fund	5,023
Additional Securities Limited Loan	4,128
	30,863

12 Amounts due to members

	£'000
Profit for the 2003 closed year of account	253,419
Transfers to members' personal reserve funds in 2003, 2004 and 2005	(56,044)
Members' agents' fee advances	(949)
Amounts due to members	196,426

13 Creditors

	£'000
Arising out of direct insurance operations	21,755
Arising out of reinsurance operations	12,992
Profit commission payable by certain members of the 2003 year of account	37,624
Other creditors	1,718
	74,089

14 Reconciliation of profit for the year of account to net cash inflow from operating activities

	£'000
Profit for the year of account	253,419
Unrealised investment losses including foreign exchange	4,683
Increase in debtors	(62,364)
Increase in creditors	74,089
Net reinsurance to close payable	590,392
Increase in prepayable and accrued income	(6,611)
Increase in accruals and deferred income	21
Net cash inflow from operating activities	853,629

15 Movement in cash, portfolio investments and financing

	At 1 January 2003 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2005 £'000
Cash at bank and in hand	–	33,881	–	33,881
Debt securities and other fixed income securities	–	686,038	(4,683)	681,355
Participation in investment pools	–	42,741	–	42,741
Deposits with credit institutions	–	886	–	886
Letters of credit colleral	–	2,227	–	2,227
Overseas deposits	–	30,863	–	30,863
Total portfolio investments	–	796,636	(4,683)	791,953

16 Related parties

Amlin Underwriting Limited

Profit commission of £37,624,340 is payable by the Syndicate, on behalf of its members, to Amlin Underwriting Limited in respect of profits for the 2003 year of account. The profit commission will be paid in March 2006.

Managing agents fees of £5,997,476 were paid by the Syndicate to Amlin Underwriting Limited.

Amlin Corporate Services Limited

Expenses totalling £44,623,342 were charged to the year of account by Amlin Corporate Services Limited.

Service Companies

Amlin Underwriting Limited has received the necessary consents under paragraph 109 of the Underwriting Byelaw No. 2 of 2003.

The service companies and their relationship with the Syndicate together with the income received by the Syndicate are summarised below.

Service Company	Insurance class of business introduced	Gross premium £'000
Amlin Credit Limited	Trade credit insurance	9,083
Amlin Plus Limited	Equine insurance	7,272
Amlin Underwriting Services Limited	UK cargo, goods in transit, dinghy and yacht insurance	10,033
		26,388

Service Company	Service provided	Fees received £'000
Serviceline (UK) Limited	Motor and legal expenses	1,311
Amlin Insurance Services Limited	Claims adjusting and administration	2,717
Just Law Limited	Legal services	6,409
		10,437

The entire share capital of these companies, with the exception of Amlin Plus Limited, is held by Amlin plc and its subsidiaries. Amlin Plus Limited, which specialises in equine insurance, is owned 60% by Amlin Underwriting Limited for the benefit of the members of Syndicate 2001 and 40% by a third party, Hydra House Limited. A broker, Hamilton & Partners Limited, a wholly owned subsidiary of Hydra House Limited, places the majority of the business underwritten.

The results of all of the companies are included in that of the Syndicate. No fees are paid by these companies to any directors of Amlin Underwriting Limited.

17 Disclosure of interest

During 2002, Amlin plc, on behalf of Amlin Corporate Member Limited acquired the entire ongoing underwriting capacity of Syndicate 2001. Under the terms of the acquisition, external members received the right to participate in the 2003 year of account for 50% of their capacity, before taking account of any capacity pre-emption and profit commission was waived. For 2004 onwards the Syndicate is wholly supported by Amlin corporate members.

Messrs Carpenter, Davies and Macnabb, who were directors of the Company throughout the year, were involved as participants of Syndicate 2001 for the 2002 year of account and all accepted the capacity offer. Details of their participations in the 2003 year of account are provided below.

	£
B D Carpenter	181,875
A M Davies	82,161
A M Davies (connected party)	68,222
I Macnabb	177,567

Apart from the capacity offer, there have been no transactions entered into by the agency on behalf of the Syndicate in which it, or any of its executives, had a material interest.

Amlin Underwriting Limited
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