



Analyst presentation – Transition to IFRS

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Richard Hextall – Finance Director

Disclaimer



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Financial impact



	UK GAAP	IFRS Adj.	IFRS
<u>Year ended 31 December 2004</u>			
Profit before tax (£m)	121.6	7.3	128.9
Profit after tax (£m)	86.0	5.0	91.0
Earnings per share	22.1p	1.3p	23.4p
Return on equity	22.3%	1.6%	23.9%
<u>As at 31 December 2004</u>			
Net assets (£m)	443.9	15.9	459.8
Net assets per share	113.6p	4.0p	117.6p
Net tangible assets per share	99.1p	1.7p	100.8p

Major changes of IFRS



IAS 21 - The effects of changes in foreign exchange rates

- Sterling adopted as the functional currency for the Group
- Monetary assets & liabilities converted at closing exchange rate. Movements reported in the Income Statement
- Non-monetary items translated at exchange rate on the date of transaction (or an average rate for the period of the transaction). No subsequent retranslation

IAS 38 – Intangible assets

- Syndicate capacity classified as indefinite life intangible asset
- Amortisation replaced by annual impairment test
- Syndicate capacity amortised prior to 1 January 2004 reinstated

IAS 10 – Events after the balance sheet dates

- Dividends recognised when declared
- Reinsurance to Close no longer accrued at 31 December. Presentational impact only.

Other Impact of IFRS



IAS 19 – Employee benefits

- Multi employer scheme treatment for main scheme
- Pension deficits recognised as a liability on the balance sheet
- Costs of long term compensated absences recognised

IAS 39 – Financial Investments: recognition and measurement

- Investments are categorised as ‘Fair Value Through Income Statement’
- Fair valued at ‘bid’ price rather than ‘mid’ price
- Longer term rate of return no longer used

IFRS 2 – Share based payments

- Costs of all share based payments charged to the Income Statement over their respective vesting periods

IFRS 27 – Consolidated and separate financial statements

- Service companies controlled by the Group are now consolidated

Disclosures

- Significant additional disclosure requirements e.g. detailed segmental reporting and loss development tables

Income statement reconciliation



	31 December 2004 £m
Net profit before taxation – UK GAAP	121.6
IAS 21 – Foreign exchange	6.4
IAS 38 – Reverse UK GAAP syndicate capacity amortisation charge	3.1
IAS 39 – Investments valuation (mid to bid)	(0.7)
IFRS 2 – Share options	(0.4)
IAS 19 – Employee benefits	(0.2)
IAS 18 – Consolidation of service companies	(0.9)
IFRS adjustments	7.3
Net profit before taxation – IFRS	128.9
Tax – UK GAAP	(35.6)
Tax – IFRS adjustment	(2.3)
Net profit after taxation – IFRS	91.0

Balance sheet reconciliation



	31 December 2004 £m
Total shareholders' funds – UK GAAP	443.9
IAS 10 – Reverse UK GAAP provisions for dividends	19.6
IAS 38 – Reverse UK GAAP syndicate capacity amortisation charge	9.3
IAS 21 – Foreign exchange application	(7.5)
IAS 18 – Consolidation of service companies	(2.2)
IAS 39 – Investments valuation (mid to bid)	(1.0)
IAS 19 – Employee benefits	(0.6)
IAS 12 – Tax impact of IFRS adjustments	(1.7)
IFRS adjustments	15.9
Total shareholders' funds – IFRS	459.8

Multi-employer defined benefit pension scheme



- No impact on transition to IFRS
- Accounted for as defined contribution scheme, in accordance with IAS 19
- Deficit recorded off-balance sheet, disclosed in notes to full-year accounts
- FRS 17 valuation at 31 December 2004 £13.7m
- Current funding position is as follows:

	Amlin Section *	Orphan Section *	Total
	£m	£m	£m
Deficit as per last valuation (March 2004)	6.2	12.8	19.0
Funding to date	2.4	7.0	9.4
Remaining scheduled payments:			
2006	1.2	3.5	4.7
2007	1.2	3.5	4.7
2008	1.2		1.2
2009	1.2		1.2
	4.8	7.0	11.8

* Represents the total deficit attributable to the Group and Syndicate 2001. Part of this will be allocated to third party names.

- Asset mix has been changed to reduce investment risk

Summary



The principal adjustments arising from the transition to IFRS relate to

- Foreign exchange accounting of non-monetary assets
- Accounting for dividends
- Accounting for syndicate capacity
- Accounting for defined benefit pension schemes
- Overall there is modest improvement on financial results at 31 December 2004**

The transition to IFRS will not

- Change the accounting for insurance and reinsurance contracts
- Change actual cash flows
- Change the previously stated dividend policy

Adoption & reporting timetable



1 January 2004	Transition to IFRS
1 January 2005	IFRS adoption date
30 June 2005	2005 interim period close
10 August 2005	Market announcement of impact of transition to IFRS
5 September 2005	Announcement of 2005 Interim results under IFRS
31 December 2005	2005 Year end close
March 2006	Announcement of 2005 full year results under IFRS



QUESTIONS