

Delian Lambda Limited

Annual Report & Financial Statements

31 December 1999

Registered Number: 2852888

Registered Office:

St. Helen's
1 Undershaft
London
EC3A 8ND



Contents

Directors and officers	2
Directors' report	3
Statement of directors' responsibilities	5
Report of the auditors to the members of Delian Lambda Limited	6
Profit and loss account	7
Balance sheet	9
Notes to the accounts	11

Directors and officers

Directors

J leT Illingworth
CEL Philipps
NL Crawford Smith
JL Stace

Secretary

CCT Pender

Registered office

St. Helen's
1 Undershaft
London
EC3A 8ND

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Directors' report for the year ended 31 December 1999

The directors present their annual report and the audited financial statements, together with the auditors' report for the year ended 31 December 1999.

Principal activities

The principal object of the Company is to act as a Corporate Member of Lloyd's, underwriting insurance business for its own account. The Company has not underwritten since the 1996 year of account.

The Company is a wholly owned subsidiary of Delian Underwriting Limited, itself a wholly owned subsidiary of Angerstein Underwriting Holdings Limited, itself a wholly owned subsidiary of Amlin plc.

Results and dividends

The profit before tax of the Company for the year ended 31 December 1999 amounted to £534,236 (7 months ended 31 December 1998: £1,075,829) full details of which are set out in the profit and loss account on pages 7 to 8 and the related notes.

The directors have declared no dividend.

Directors and officers

The current directors of the Company are shown on page 2.

The following director was appointed during the year:

NL Crawford Smith 19 July 1999

The following director resigned during the year:

DIJ Herbert 19 July 1999

Directors' interests

The undernoted directors, and their related parties, held the following shares and share options in Amlin plc:

	Amlin Shares		Amlin Warrants 1.1.99 & 31.12.99	Amlin Options		Sharesave Options	
	1.1.99*	31.12.99		1.1.99*	31.12.99	1.1.99*	31.12.99
NL Crawford Smith	-	-	-	18,931	18,931	-	9,011
J Illingworth	34,198	34,198	16,839	269,414	404,414	-	11,264

* or date of appointment, if later.

The other directors who held shares and share options in Amlin plc and who were directors of Amlin plc as at 31 December 1999, are disclosed in the consolidated financial statements of Amlin plc.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Directors' report (*continued*)

Year 2000

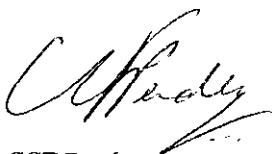
A group wide programme to assess and mitigate Year 2000 related problems was commissioned during 1998. The programme had an agreed budget. The group variance against budget for this accounting period has not been material and the Company's share of the total group cost is not significant.

Given the complex nature of the issue it is not possible for any organisation to guarantee that Year 2000 problems do not remain. However, based on experience to date, the directors have no reason to believe that material business disruption from systems failure will occur.

Auditors

Pursuant to section 386 of the Companies Act 1985, an elective resolution has been passed dispensing with the requirement to appoint auditors annually. KPMG Audit Plc, therefore, continues in office until the Company or the auditors otherwise determine.

By order of the board



CCT Pender
Secretary
St. Helen's
1 Undershaft
London
EC3A 8ND
28 June 2000

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each accounting period which give a true and fair view of the state of affairs of the Company as at the end of the accounting period and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Report of the auditors to the members of Delian Lambda Limited

We have audited the financial statements on pages 7 to 18.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
28 June 2000

Profit and loss account: technical account – general business

For the year ended 31 December 1999

	Notes	Year ended 31 December 1999 £000	7 months to 31 December 1998 £000
Earned premiums, net of reinsurance			
Gross premiums written	3	-	(164)
Outward reinsurance premiums	3	-	71
Net premiums written		-	(93)
Investment return from underwriting	4	9	427
		<u>9</u>	<u>334</u>
Claims incurred, net of reinsurance			
Gross claims paid	3	-	(3,608)
Reinsurers' share	3	-	921
Net claims paid		-	(2,687)
Change in the gross provision for claims	3	114	6,368
Reinsurers' share	3	-	(2,516)
Change in the net provision for claims		<u>114</u>	<u>3,852</u>
Claims incurred, net of reinsurance		114	1,165
Net operating expenses	3,5	173	(413)
Investment expenses and charges	4	-	(7)
		<u>173</u>	<u>(420)</u>
Balance on the technical account - general business		<u>296</u>	<u>1,079</u>

The notes on pages 11 to 18 form an integral part of these accounts.

Profit and loss account: non-technical account

For the year ended 31 December 1999

		Year ended 31 December 1999 £000	7 months to 31 December 1998 £000
	Notes		
Balance on the technical account - general business		296	1,079
Other income		-	(4)
Other charges		238	-
Profit on ordinary activities before taxation	6	534	1,075
Taxation on profit on ordinary activities	7	(16)	182
Retained profit for the financial year transferred to reserves		518	1,257

All activities were continuing throughout both the current year and the previous period.

There are no recognised gains or losses in either the current year or previous period other than those included in the profit and loss account and therefore no statement of total recognised gains and losses is presented.

The notes on pages 11 to 18 form an integral part of these accounts.

Balance sheet

As at 31 December 1999

	Notes	1999 £000	1998 £000
Assets			
Investments:			
Financial investments	8	-	4,722
Debtors:			
Debtors arising out of direct insurance operations	9	-	192
Debtors arising out of reinsurance operations	10	-	768
Deferred taxation	16	-	190
Other debtors	11	999	1,121
		<u>999</u>	<u>2,271</u>
Other assets:			
Cash at bank		-	205
Overseas deposits		-	43
		<u>-</u>	<u>248</u>
Total assets		<u><u>999</u></u>	<u><u>7,241</u></u>

The notes on pages 11 to 18 form an integral part of these accounts.

Balance sheet (continued)**As at 31 December 1999**

	Notes	1999 £000	1998 £000
Liabilities			
Capital and reserves:			
Called up share capital	12	400	400
Profit and loss account	13	(518)	(1,037)
Equity shareholders' funds	14	<u>(118)</u>	<u>(637)</u>
Technical provisions:			
Claims outstanding	15	-	6,266
Provisions for other risks and charges	16	89	-
Creditors:			
Creditors arising out of direct insurance operations	17	-	1,101
Creditors arising out of reinsurance operations	18	-	81
Other creditors including tax and social security	19	<u>855</u>	<u>126</u>
		855	1,308
Accruals and deferred income		173	304
Total liabilities		<u>999</u>	<u>7,241</u>

Approved by the board of directors and signed on its behalf by:


CEL Philipps
28 June 2000

The notes on pages 11 to 18 form an integral part of these accounts.

Notes to the accounts

1 Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with Section 255 of, and Schedule 9A to, the Companies Act 1985. The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that Amlin plc, a parent undertaking, includes the Company in its own published consolidated financial statements.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

2(a) *Underwriting activities*

The results of the Company's underwriting activities are included in the technical account, which has been prepared based upon the Company's share of transactions of Lloyd's syndicates on which the Company participates.

Substantially all items in the technical account result from transactions in the premium trust funds. Additionally, substantially all assets and liabilities in the balance sheet are held in the premium trust funds.

A significant amount of the information in the technical account and balance sheet is based upon accounting information, in respect of the Company's Lloyd's participation's, which have been provided by the managing agent.

2(b) *Premiums*

Gross premiums written represent premiums on business incepting during the syndicates' relevant years of account together with adjustments to premiums written in previous accounting periods and estimates for "pipeline" premiums. Gross written premiums are stated before deduction of commissions but net of taxes, duties levied on premiums and other deductions.

Outward reinsurance premiums are accounted for in the same accounting period as the related direct insurance or inwards reinsurance business except in relation to excess of loss contracts, where the initial premium is charged when paid.

2(c) *Claims incurred*

Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial year and the movement in the provisions for outstanding claims and settlement expenses, including claims incurred but not reported, net of salvage and subrogation recoveries.

Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured.

2(d) *Investment income, expenses and charges*

Syndicate investments and cash are held on a pooled basis, the return from which is allocated to underwriting years of account proportionately to the funds contributed by the year of account. Investment income and all investment gains and losses on syndicate investments are dealt with through the technical account.

Investment income comprises interest and dividends. Interest receivable is accounted for on an accruals basis and dividends are included on an ex-dividend basis, grossed up where appropriate by the imputed tax credit.

Realised gains or losses represent the difference between the net sales proceeds and purchase price or, if they have been previously valued, their valuation at the last balance sheet date and are recognised in the non-technical account.

Interest payable and expenses incurred in the management of investments are accounted for on an accruals basis.

Notes to the accounts (*continued*)

Accounting policies (*continued*)

2(e) *Technical provisions*

The underwriting accounts for all classes of business are prepared on a three-year basis. In accordance with Lloyd's normal practice, the excess of premiums written and syndicate investment income over the claims and syndicate expenses paid in respect of business incepting in an underwriting year is carried forward for two years in a fund and no profit is recognised until the end of the third year following the start of each underwriting year. The fund is included as part of outstanding claims. At the end of the third year and thereafter, provision is made for the estimated cost of claims notified but not settled at the balance sheet date together with the estimated costs of claims incurred but not reported at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims.

Where appropriate, a provision for losses is made in respect of the open underwriting years of each syndicate. While the directors make every effort to ensure that adequate provision is made for losses on open years of account, their view of the ultimate loss may vary in later periods as a result of subsequent information and events. This in turn may require adjustment of the original provisions. Such adjustments are disclosed in the financial statements for the year in which the related adjustments are made.

2(f) *Exchange rates*

Syndicate assets, liabilities, income and expenditure expressed in US dollars and Canadian dollars are translated at rates of exchange ruling at the balance sheet date. Underwriting transactions in other foreign currencies are included in the financial statements at historical rates. All differences on the translation of foreign currency amounts in the syndicates are dealt with in the technical account; other differences are dealt with in the non-technical account.

2(g) *Investments*

Listed investments, being those traded on a recognised stock exchange, are stated at mid-market value on the balance sheet date, or on the last stock exchange trading day before the balance sheet date. Unlisted investments are valued by the directors on a prudent basis having regard to their likely realisable value.

2(h) *Deferred tax*

Deferred tax is provided for on timing differences between the accounting and tax treatment of certain items of revenue and expense to the extent that it is probable that a liability will arise or that an asset will be realised in the foreseeable future.

2(i) *Taxation*

The charge for taxation is based on the profit for the year and takes into account the effect of timing differences between the accounting and tax treatment of certain items of revenue and expense to the extent that it is probable that a liability will arise or that an asset will be realised in the foreseeable future.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

2(j) *Refund of Special Contribution*

Refunds of the special contributions made towards the 1996 Lloyd's market settlement are being repaid, subject to the approval of the Council of Lloyd's, broadly in instalments equal to the Company's contributions to the Central Fund commencing with the 1997 year of account. Refunds of the special contributions are treated as deferred income and have been recognised in the year ended 31 December 1999, to the extent that they represent the results of the 1997 Lloyd's year of account.

Notes to the Accounts (*continued*)

3 Segmental information

The following business has all been underwritten in the United Kingdom in the Lloyd's insurance market, which has been treated as one geographical segment for the purposes of Statement of Standard Accounting Practice No. 25: Segmental Reporting. Segmental information in the format required by the Companies Act 1985, so far as it is available is as follows:

Year ended 31 December 1999	Gross premiums written £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000
Other net income	-	114	173	-
Total	<u>-</u>	<u>114</u>	<u>173</u>	<u>-</u>
7 months to 31 December 1998				
Direct business:				
Accident and health	4	(39)	-	17
Motor - third party liability	151	(141)	4	63
Motor - other classes	(143)	(880)	(2)	157
Marine, aviation and transport	(31)	64	(1)	31
Fire and other damage to property	(44)	47	(3)	41
Third party liability	16	(11)	2	(734)
Credit and suretyship	(11)	(2)	-	9
Other	(1)	31	-	9
Total direct	<u>(59)</u>	<u>(931)</u>	<u>-</u>	<u>(407)</u>
Reinsurance:				
Reinsurance acceptances	(105)	447	(3)	(38)
Reinsurance to close	-	1,532	-	(1,079)
Total reinsurance	<u>(105)</u>	<u>1,979</u>	<u>(3)</u>	<u>(1,117)</u>
Provision for future syndicate losses	-	1,712	-	-
Other expenses	-	-	(410)	-
Total	<u>(164)</u>	<u>2,760</u>	<u>(413)</u>	<u>(1,524)</u>

Notes to the Accounts (*continued*)

4 Investment income

	Year ended 31 December 1999 £000	7 months to 31 December 1998 £000
Technical account		
Investment income	9	394
Realised gains on investments	-	33
Investment return from underwriting	9	427
Investment management expenses	-	(7)
	<u>9</u>	<u>420</u>

5 Net operating expenses

	Year ended 31 December 1999 £000	7 months to 31 December 1998 £000
Acquisition costs	-	(29)
Corporate member expenses in respect of the closed year	(12)	395
Administrative expenses	-	58
Lloyd's advisors' fees and commissions	-	4
Syndicate exchange differences	-	(15)
Refund of member's special contribution	(161)	-
	<u>(173)</u>	<u>413</u>

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 31 December 1999 £000	7 months to 31 December 1998 £000
Auditors' remuneration for:		
Audit fees	<u>2</u>	<u>2</u>

Notes to the Accounts (*continued*)

7 Taxation

	Year ended 31 December 1999 £000	7 Months to 31 December 1998 £000
The tax charge is based on the profit for the period and comprises:		
UK corporation tax at 30.25% (31 December 1998: 31%)	(266)	(83)
Prior year overprovision	(2)	-
Irrecoverable overseas tax	5	12
Deferred taxation	279	(111)
	<u>16</u>	<u>(182)</u>

8 Financial investments

	31 December 1999 £000	31 December 1998 £000
Debt securities and other fixed income securities	-	4,675
Participation in investment pools	-	-
Early releases from premium trust fund	-	6
Loans guaranteed by mortgage	-	-
Deposits with credit institutions	-	28
Other	-	13
	<u>-</u>	<u>4,722</u>

9 Debtors arising out of direct insurance operations

	31 December 1999 £000	31 December 1998 £000
Amounts owed by intermediaries	<u>-</u>	<u>192</u>

10 Debtors arising out of reinsurance operations

	31 December 1999 £000	31 December 1998 £000
Amounts owed by intermediaries	<u>-</u>	<u>768</u>

Notes to the Accounts (*continued*)

11 Other debtors

	31 December 1999 £000	31 December 1998 £000
Amounts falling due within one year:		
Amounts owed by parent and group undertakings	324	708
Other debtors	-	413
Corporation tax recoverable	675	-
	<u>999</u>	<u>1,121</u>

12 Called up share capital

	1999		1998	
	Authorised £000	Called up, allotted and fully paid £000	Authorised £000	Called up, allotted and fully paid £000
Fully paid ordinary shares at £1 each	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>

13 Profit and loss account

Movements during the year/period were:

	31 December 1999 £000	31 December 1998 £000
At beginning of year/period	(1,037)	(2,294)
Retained profit for the year/period	519	1,257
At end of year/period	<u>(518)</u>	<u>(1,037)</u>

14 Reconciliation of movements in shareholders' funds

	31 December 1999 £000	31 December 1998 £000
Profit for the year/period	519	1,257
Dividend	-	-
Opening shareholders' funds	(637)	(1,894)
Closing shareholders' funds	<u>(118)</u>	<u>(637)</u>

Notes to the Accounts (*continued*)

15 Technical provisions

Movements during the year were:

	Gross provisions for outstanding claims £000	Reinsurers' share of outstanding claims £000	Net claims outstanding £000
At 1 January 1999	6,266	-	6,266
Movement during the year	(6,266)	-	(6,266)
At 31 December 1999	-	-	-

16 Provisions for liabilities and charges

	Taxation including deferred taxation £000	Total £000
At 1 January 1999	(190)	(190)
Utilised during the year	279	279
At 31 December 1999	89	89

17 Creditors arising out of direct insurance operations

	31 December 1999 £000	31 December 1998 £000
Amounts owed to intermediaries	-	1,101

18 Creditors arising out of reinsurance operations

	31 December 1999 £000	31 December 1998 £000
Amounts owed to intermediaries	-	81

Notes to the Accounts (*continued*)

19 Other creditors including taxation and social security

	31 December 1999 £000	31 December 1998 £000
Amounts falling due within one year:		
Amounts owed to parent and group undertakings	855	-
Other creditors	-	126
Proposed dividends	-	-
	<u>855</u>	<u>126</u>

20 Related party transactions

As a wholly owned subsidiary of Amlin plc, the Company has taken advantage of the exemption in the Financial Reporting Standard 8 not to disclose details of transactions with companies which form part of the Amlin Group, other than those outlined in this note.

JL Stace, SBA Underwriting Limited (a company in which both the Amlin Group and JL Stace have interests) and other corporate member subsidiaries of the Amlin Group may have supported syndicates which are or have been supported by the Company. Additionally, those syndicates that have also been supported by JL Stace, SBA Underwriting Limited and/or other corporate member subsidiaries of the Amlin Group may enter into or may have entered into reinsurance arrangements with syndicates supported by the Company.

The Amlin Group's Lloyd's managing agencies, Amlin Underwriting Limited and Angerstein Underwriting Limited, manage or have managed syndicates 902, 1141 and 2001. The Company may from time to time participate on these syndicates and, if it does so, it will pay fees and profit commissions to the relevant managing agency.

21 Contingencies and guarantees

- a) A fellow Amlin group subsidiary had previously entered into deeds of covenant in respect of all of the group's corporate member subsidiaries to meet each such subsidiary's obligation to Lloyd's. The guarantee given by such fellow subsidiary in favour of the Company under these deeds of covenant (subject to limited exceptions) has now been discharged (1998: £6,250,000).
- b) The discounting dispute with the Inland Revenue with regards to the manner in which reinsurance to close premiums are calculated for the purposes of arriving at syndicate taxable profits has been settled in Lloyd's favour. Due to the nature of the taxation of Lloyd's underwriting, it is not yet possible to agree final figures for the 1994, 1995 and 1996 account tax computations. No provision has been made for any final adjustments.

22 Parent Company

The Company's immediate parent company is Delian Underwriting Limited which is incorporated in the United Kingdom and registered in England and Wales. The ultimate parent company is Amlin plc, a company incorporated in the United Kingdom and registered in England and Wales, which is the largest group in which the results of the Company are consolidated. The consolidated accounts of this company are available to the public and may be obtained from Amlin plc, St Helen's, 1 Undershaft, London EC3A 8ND.