

# Amlin Investments Limited

## Annual Report & Financial Statements

*31 December 2007*

Registered Number 3562457

Registered Office  
St Helen's  
1 Undershaft  
London  
EC3A 8ND



## Contents

### Page

Directors, officers and advisors	2
Directors' report	3
Statement of directors' responsibilities	6
Independent auditors' report	7
Profit and loss account	9
Statement of total recognised gains and losses	9
Balance sheet	10
Notes to the accounts	11

## **Directors, officers and advisors**

### **Directors**

R J Taylor (Chairman)

R A Hextall

J le T Illingworth

C E L Philipps

### **Secretary**

J M Clarke

### **Registered office**

St Helen's

1 Undershaft

London

EC3A 8ND

### **Auditors**

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

## Directors' report for the year ended 31 December 2007

The directors present their annual report and the audited financial statements for the year ended 31 December 2007.

### Business review and principal activities

The Company is a wholly owned subsidiary of Amlin plc

The principal activity of the Company has been to invest a portfolio of assets which support the underwriting activities of other subsidiaries of Amlin plc. Significant amounts of the Company's assets have been, therefore, charged in favour of the Corporation of Lloyd's (Lloyd's) in order to secure each such subsidiary's obligations to Lloyd's. In October 2007 the Company sold £397.5 million of its assets to Amlin Corporate Member Limited, a fellow subsidiary of Amlin plc. Amlin Corporate Member Limited, in its capacity as the corporate member of Syndicate 2001, transferred the assets to Syndicate 2001 Premium Trust Fund which enabled the charges in favour of Lloyd's over the assets to be released. The Company's remaining assets are invested in liquid money market funds.

### Principal risks and uncertainties

The principal risk to the Company is that of financial investment risk. The assets of the Company are invested in liquid money market funds. The Company's earnings on these assets are directly affected by interest rate movements. The Company is not exposed to foreign exchange risk as all assets are held in sterling.

Credit risk is the risk that the Company becomes exposed to loss if a counterparty fails to perform its contractual obligations, including failure to perform them in a timely manner and could therefore have an impact upon the Company's ability to meet its liabilities as they fall due. The Company is exposed to credit risk as all of its assets are invested with Barclays Global Investors. The risk is considered to be limited as the assets are held in liquid money market funds which can be recalled within 24 hours.

### Results and dividends

The profit before tax of the Company for the year ended 31 December 2007 amounted to £27.3 million (2006: £27.2 million), full details of which are set out in the profit and loss account on page 8 and the related notes.

This reflects a good investment performance for the 9 months to 1 October 2007, at which point the majority of the Company's assets were sold. The investment return by asset class for this period was as follows:

	9 months Sept 2007	2006
	%	%
Global equities	9.6	15.1
Bonds	3.5	2.5
Liquid funds	4.2	4.2
Total	6.5	9.6

**Directors' report for the year ended 31 December 2007 (continued)**

The breakdown of the investment portfolio at year end is shown below:

	2007 £m	2007 %	2006 £m	2006 %
Global equities	-	-	209.3	53.6
Bonds	-	-	180.8	46.4
Cash and cash equivalents	17.8	100.0	-	-
<b>Total</b>	<b>17.8</b>	<b>100.0</b>	<b>390.1</b>	<b>100.0</b>

The balance sheet on page 9 of the financial statements shows that the net assets of the Company at 31 December 2007 were £203.8 million (2006: £196.2 million)

A dividend of £25.0 million was paid during the year (2006: £20.0 million). The directors propose a dividend of £54.538 million to be paid in 2008.

**Directors**

The current directors of the Company, who served throughout the year ended 31 December 2007, are shown on page 2.

**Directors' indemnity**

The ultimate parent company (Amlin plc) has made third party indemnity provisions for the benefit of the directors of the Company. These were made in 2006 and remain in force at the date of this report.

**Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

An elective resolution has been passed dispensing with the requirement to appoint auditors annually. Deloitte & Touche LLP therefore continue in office until the Company or the auditors determine otherwise.

By Order of the Board



J M Clarke  
Secretary

28 March 2008

## Statement of directors' responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with the applicable law and regulations

The directors have chosen to prepare the accounts for the Company in accordance with United Kingdom Generally Accepted Accounting Practice. United Kingdom company law requires the directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company 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 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 are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

## **Independent auditors' report to the member of Amlin Investments Limited**

We have audited the financial statements of Amlin Investments Limited for the year ended 31 December 2007, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's member, 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 the company and the Company's member, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements 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 financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report whether, in our opinion, the information given in the directors' report is consistent with the financial statements. In addition we report to you if in our opinion, 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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## **Independent auditors' report to the member of Amlin Investments Limited (*continued*)**

### **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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors Report is consistent with the financial statements

*Deloitte & Touche LLP*

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

28 March 2008



# **Profit and loss account for the year ended 31 December 2007**

	Notes	2007 £'000	2006 £'000
Net gain on the disposal of fixed asset investments		15,853	13,972
Income from fixed asset investments		11,662	12,490
Interest receivable and similar income		979	2,230
Other expenses		<u>(1,223)</u>	<u>(1,455)</u>
<b>Profit on ordinary activities before taxation</b>	3	<b>27,271</b>	<b>27,237</b>
Tax on profit on ordinary activities	5	<u>(1,267)</u>	<u>(2,127)</u>
<b>Profit on ordinary activities after taxation</b>		<b><u>26,004</u></b>	<b><u>25,110</u></b>

All activities were continuing throughout both the current and preceding year

# **Statement of total recognised gains and losses for the year ended 31 December 2007**

	£'000	£'000
<b>Result for the financial year</b>	<b>26,004</b>	<b>25,110</b>
Unrealised gain movement on the fixed asset investments	-	6,217
Tax on net unrealised gain on the fixed asset investments	-	(324)
Deferred tax credit on realisation of fixed asset investment gains of previous years	<u>6,514</u>	<u>-</u>
<b>Total recognised gains for the financial year</b>	<b><u>32,518</u></b>	<b><u>31,003</u></b>

**Balance sheet  
at 31 December 2007**

	Notes	£'000	£'000
<b>Fixed assets</b>			
Investments	7	17,788	390,104
<b>Current assets</b>			
Debtors	8	188,092	2,676
Cash at bank and in hand		-	5,735
		<u>188,092</u>	<u>8,411</u>
Creditors amounts falling due within one year	9	<u>(2,113)</u>	<u>(195,752)</u>
<b>Net current liabilities</b>		<u>185,979</u>	<u>(187,341)</u>
Provision for other liabilities and charges	10	-	(6,514)
<b>Total assets less current liabilities</b>		<u><u>203,767</u></u>	<u><u>196,249</u></u>
<b>Capital and reserves</b>			
Called up share capital	11	149,029	149,029
Revaluation reserve	12	-	19,943
Profit and loss account	13	<u>54,738</u>	<u>27,277</u>
<b>Equity shareholders' funds</b>		<u><u>203,767</u></u>	<u><u>196,249</u></u>

Approved by the Board of Directors and signed on its behalf by



R A Hextall  
Director  
28 March 2008

## Notes to the accounts for the year ended 31 December 2007

### 1 Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards and under the historical cost accounting convention as modified to include the revaluation of investments.

Under Financial Reporting Standard No 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated cash flow statement

As the Company is a wholly owned subsidiary within the group headed by Amlin plc, the Company has taken advantage of the exemption contained in Financial Reporting Standard No 8. It has therefore not disclosed transactions or balances with entities, which form part of the Group (or investees of the Group qualifying as related parties)

### 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.

#### *Investments*

Listed investments are stated at market value at close of business on the balance sheet date. Unlisted investments are valued by the Directors on a prudent basis with regard to their likely realisable value

All dividends and any related tax credits are recognised as income on the date the related listed investments are marked ex-dividend. Other investment income, interest receivable, expenses and interest payable are recognised in the profit and loss account on an accruals basis.

Realised gains or losses are calculated as the difference between the net sales proceeds and their purchase price in the financial year or their valuation at the commencement of the year and are taken to the profit and loss account

Unrealised gains and losses are calculated as the difference between the valuation of investments at the balance sheet date and their purchase price in the financial period or valuation at the commencement of the period and are taken to the Revaluation reserve net of any related tax.

## Notes to the accounts for the year ended 31 December 2007

### 2 Accounting policies (*continued*)

#### ***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.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### ***Exchange rate***

Income and expenditure in US dollars is translated at the average rate of exchange for the period. Other assets, liabilities, income and expenditure expressed in foreign currencies have been translated at the rates of exchange at the balance sheet date. Differences arising on translation of foreign currency amounts on such items are included in other expenses.

#### ***Dividends***

Dividends payable are recognised in the period in which they are declared and become a present obligation of the Company.

### 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2007 £'000	2006 £'000
Audit fees	<u>6</u>	<u>6</u>

### 4 Directors' emoluments and employee information

In both the current and preceding year the Company had no employees. Directors' emoluments are paid by another group company.

# Notes to the accounts for the year ended 31 December 2007

## 5 Tax on profit on ordinary activities

### (a) Analysis of the tax charge in the year

	2007 £'000	2006 £'000
<b>Current tax</b>		
UK corporation tax on profits for the year	1,108	1,445
Adjustment in respect of prior periods	159	(38)
Double taxation relief	(404)	(402)
Overseas tax suffered	404	402
Total current tax (note 5(b))	<u>1,267</u>	<u>1,407</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	736
Adjustment in respect of prior periods	-	(16)
Total deferred tax (note 10)	<u>-</u>	<u>720</u>
<b>Tax on profit on ordinary activities</b>	<u><u>1,267</u></u>	<u><u>2,127</u></u>

### (b) Factors affecting tax charge for the year

The tax assessed for the year varies from the standard rate of corporation tax in the UK  
The differences are explained below

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation	<u>27,271</u>	<u>27,237</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	8,181	8,171
<b>Effects of:</b>		
Group relief	(3,595)	(3,421)
Other permanent differences	(3,478)	(2,569)
Utilisation of brought forward capital losses	-	(736)
Double taxation relief	(404)	(402)
Overseas tax suffered	404	402
Adjustment in respect of prior periods	159	(38)
<b>Total current tax charge for the year (see note 5(a))</b>	<u><u>1,267</u></u>	<u><u>1,407</u></u>

## Notes to the accounts for the year ended 31 December 2007

### 5 Tax on profit on ordinary activities (*continued*)

#### (c) Factors that affect tax charge

In October 2007 the Company sold the majority of its fixed asset investments to Amlin Corporate Member Limited and Amlin plc at mid market price. Under UK tax rules, no capital gain or loss was generated in the Company on this disposal because the Company, Amlin Corporate Member Limited and Amlin plc are all members of a capital gains tax group.

Adjustments have been made in the calculations of the corporation tax provision for the current accounting period to reflect arms-length prices for transactions between the Company and related companies in the Amlin Group

### 6 Dividends

The amounts recognised as distributions to equity shareholders are as follows

	2007 £'000	2006 £'000
Final dividend for year ended 31 December 2006 of 16 77 pence (2005. 13 42 pence) per ordinary share	<u>25,000</u>	<u>20,000</u>

A 2007 final dividend of 37 0 pence per ordinary share, amounting to £54 538 million is proposed.

### 7 Investments

	2007 £'000	2006 £'000
At 1 January	390,104	281,527
Purchases	443,856	473,818
Sales	(832,025)	(385,405)
Net realised gains on disposals	15,853	13,972
Net unrealised investment gains	-	6,192
At 31 December 2007	<u>17,788</u>	<u>390,104</u>
Market value of listed investments		
Debt securities and equities at 1 January	<u>390,104</u>	<u>228,941</u>
Debt securities and equities at 31 December	<u>-</u>	<u>390,104</u>
Cost of listed investments	<u>-</u>	<u>364,135</u>

**Notes to the accounts for the year ended 31 December 2007****8 Debtors**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due from parent	<b>188,092</b>	-
Prepayments and accrued income	-	2,676
	<b><u>188,092</u></b>	<b><u>2,676</u></b>

**9 Creditors**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Amounts owed to subsidiary	<b>1,409</b>	192,761
UK corporation tax	<b>704</b>	625
Other creditors	-	2,366
	<b><u>2,113</u></b>	<b><u>195,752</u></b>

**10 Provisions for other liabilities and charges**

Provision for other liabilities and charges is comprised exclusively of deferred tax liabilities. The Company's deferred tax position can be summarised as follows:

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Tax provision on unrealised equity gains	-	<b>6,514</b>
Deferred tax provision at 31 December	-	<b><u>6,514</u></b>
At 1 January 2007	<b>6,514</b>	
Deferred tax charge in statement of total recognised gains and losses for the period (note 12)	<b><u>(6,514)</u></b>	
Net deferred tax provision at 31 December 2007	<b><u>-</u></b>	

## Notes to the accounts for the year ended 31 December 2007

### 11 Called up share capital

	2007 Number of shares	£'000	2006 Number of shares	£'000
Authorised ordinary shares of £1 each	<u>250,000,000</u>	<u>250,000</u>	<u>250,000,000</u>	<u>250,000</u>
Called up, allotted and fully paid ordinary shares of £1 each	<u>149,029,054</u>	<u>149,029</u>	<u>149,029,054</u>	<u>149,029</u>

### 12 Reconciliation of movements in equity shareholders' funds

	Share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2007	149,029	19,943	27,277	196,249
Retained profit for the financial year	-	-	26,004	26,004
Realisation of prior period fixed asset investment valuation gains	-	(26,048)	26,048	0
Corporation tax on prior period fixed asset investment valuation gains	-	(409)	409	0
Deferred tax on prior period fixed asset investment valuation gains	-	6,514	-	6,514
Final dividend paid for year ended 31 December 2006	-	-	(25,000)	(25,000)
At 31 December 2006	<u>149,029</u>	<u>-</u>	<u>54,738</u>	<u>203,767</u>

### 13 Profit and loss account

	2007 £'000	2006 £'000
At 1 January	27,277	22,167
Retained profit for the financial year	26,004	25,110
Unrealised investment gain movement	26,048	-
Tax on net unrealised investment gains	409	-
Final dividend paid for year ended 31 December 2005	-	(20,000)
Final dividend paid for year ended 31 December 2006	(25,000)	-
At 31 December	<u>54,738</u>	<u>27,277</u>



## Notes to the accounts for the year ended 31 December 2007

### 14 Guarantees and contingencies

The Company has entered into deeds of covenant in respect of each of the Amlin Group's active Lloyd's corporate member subsidiaries, and in respect of one run-off corporate member, to meet such corporate members' obligations to Lloyd's. The total guarantee given in favour of Lloyd's of London by the Company under these deeds of covenant at 31 December 2007 amounts to approximately £16.7 million (2006 £382 million). The obligations under the deeds of covenant are secured by a fixed and floating charge over the investments and other assets of the Company in favour of Lloyd's. Lloyd's has the right to retain the income on the charged investments, although it is not expected to exercise this right unless it considers there to be a risk that one or more of the covenants might need to be called and, if called, might not be honoured in full.

As liability under each deed of covenant is limited to a fixed monetary amount, the enforcement by Lloyd's of any deed of covenant in the event of a default by a corporate member, where the total value of investments has fallen below the total of all amounts covenanted may result in the appropriation of a share of the Company's assets that is greater than the proportion which that corporate member's overall premium limit bears to the total overall premium limit of the Amlin group's Lloyd's underwriting.

The Company has also guaranteed the liabilities of Amlin plc and other Amlin group companies over a debt facility dated 13 November 2006, which consists of £200 million multi-currency revolving credit facility available in the form of cash advances or letters of credit. This facility is currently not utilised.

### 15 Parent Company

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