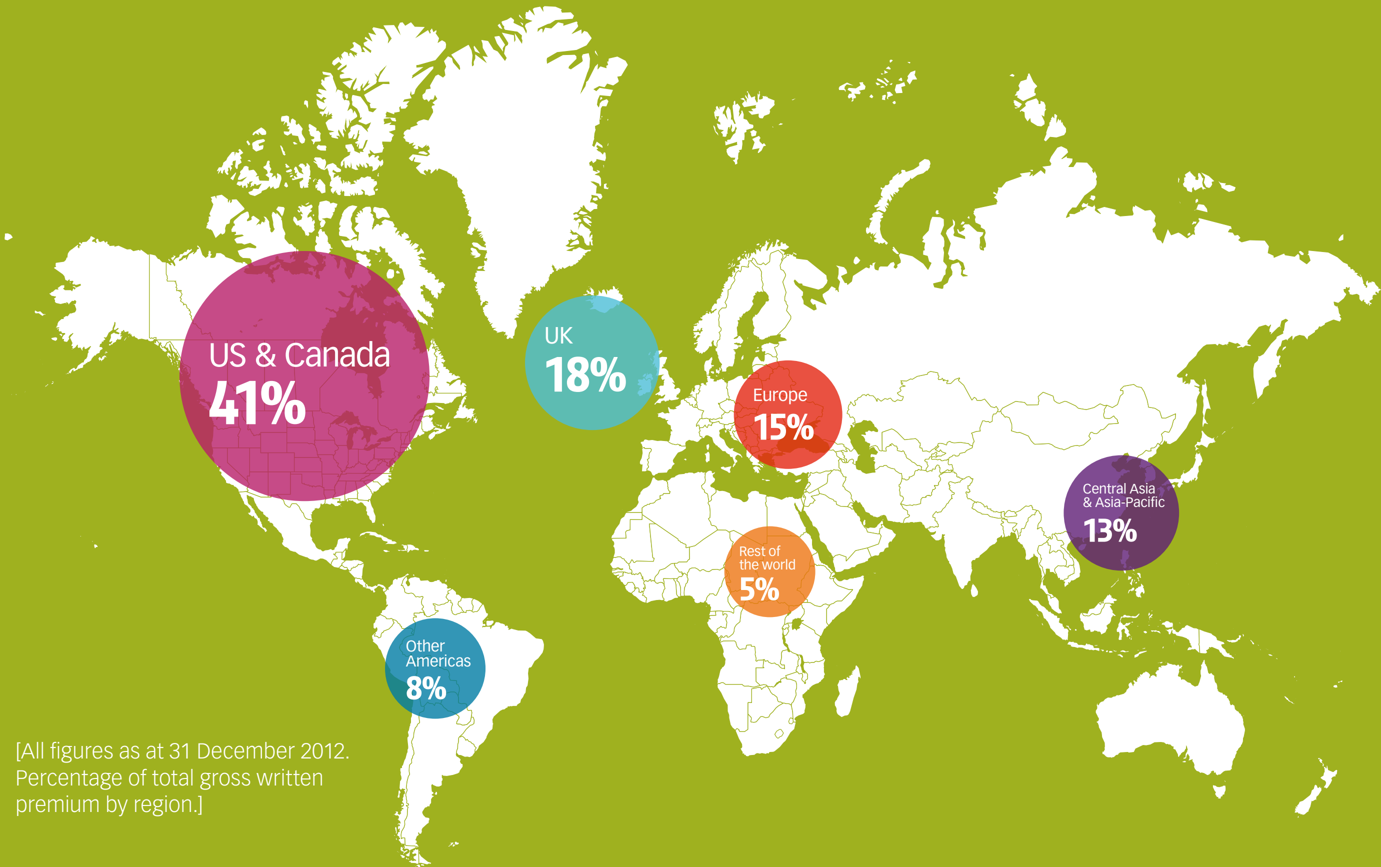
LLOYD'S

LLOYD'S INTERIM REPORT

SIX MONTHS ENDED 30 JUNE 2013

LLOYD'S ACCEPTS BUSINESS FROM OVER 200 COUNTRIES AND TERRITORIES WORLDWIDE

Our licenses in over 75 jurisdictions, supported by a network of local offices, ensure access to insurance markets large and small.



[All figures as at 31 December 2012. Percentage of total gross written premium by region.]

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CHAIRMAN'S STATEMENT

In the first half of 2013, Lloyd's posted a profit of £1.38 billion, with a combined ratio of 86.9% and an annualised return on capital of 14%. This is a good result for the Lloyd's market. However, as always, the timing of catastrophe claims tend to be weighted to the second half and this, combined with the volatility of our business, means that we cannot predict how the full year end result may turn out.

Apart from the lack of major natural catastrophe claims in the first half, the most notable feature of these results is the fall in investment income returns from 1.2% to 0.5% for the first six months of the year. This is not unique to Lloyd's. All large investors – including major insurers – have found it hard to secure meaningful returns in the continuing low interest rate environment. Yields at longer maturities have begun to rise in anticipation of tighter monetary policy, but short-term interest rates are likely to remain very low in the near term. Consequently, it is still too soon to look for any significant improvement in investment returns.

There are some encouraging signs of a slow economic improvement in the UK and the US. However, conditions remain challenging in parts of the European Union and the growth rates in emerging growth countries have reduced over the last year. So for Lloyd's, the economic landscape in which we are operating is mixed.

Looking ahead, there are two other factors which are likely to affect our performance. The first is that we should expect investment income to remain subdued. The second is the volume of capital, particularly from outside the industry, which is seeking to gain exposure to the insurance sector. This is putting greater downward pressure on premium rates.

In the longer term, however, harnessing the increased availability of capital to the long-term growth expected in specialist general insurance – caused by the growth in emerging countries which currently have low insurance penetration levels and the changing nature of business risks – will be important for the Lloyd's market. This subject is attracting considerable debate within the industry and the Corporation is focusing carefully on these issues for the Lloyd's market.

In this current environment of low investment returns and increased downward pressure on premium rates, it remains essential that our market continues to focus on underwriting profitability and thus performance management remains our top priority.

However, disciplined underwriting can co-exist with growth, and I hope to see Lloyd's syndicates continuing to exploit the re-emergence of the Asian and Latin American economies, as part of our Vision 2025. Careful selection of new risks in new territories and the development of new products will be central to the market's continuing success in the longer term. The execution of this Vision will be an important task looking ahead.

In July our Chief Executive, Richard Ward, announced that he will be leaving the Corporation of Lloyd's at the end of this year. Richard has been Lloyd's longest-serving CEO and he has received many well deserved tributes praising how he has steered Lloyd's through the financial crisis and some of the worst years ever, in terms of natural catastrophes. I know that the Council, Franchise Board and the entire Corporation will join me in wishing Richard well for the future.

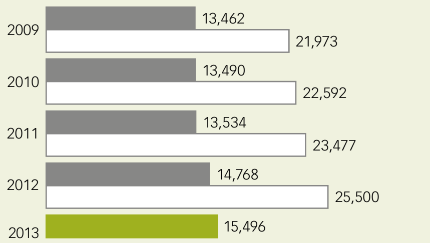
JOHN NELSON
Chairman
25 September 2013

2013 AT A GLANCE

Financial highlights

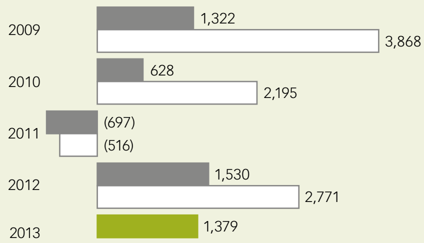
- Lloyd's reported a profit before tax of £1,379m (June 2012: £1,530m) and a combined ratio of 86.9% (June 2012: 88.7%)
- Capital, reserves and subordinated loan notes stand at £20,873m (June 2012: £20,055m)
- Lloyd's financial strength ratings were reaffirmed by A.M. Best as 'A' (Excellent), Fitch Ratings as 'A+' (Strong) and our Standard & Poor's rating remains at 'A+' (Strong)

Gross written premium
£m



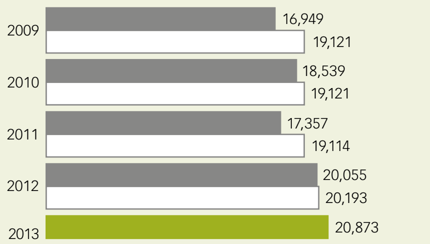
£15,496m (June 2012: £14,768m)

Result before tax
£m



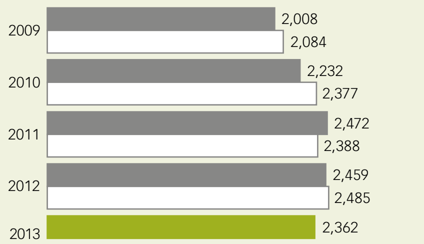
£1,379m (June 2012: £1,530m)

Capital, reserves and subordinated debt and securities
£m



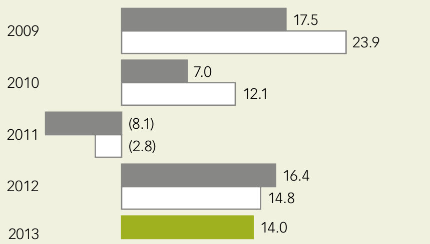
£20,873m (June 2012: £20,055m)

Central assets
£m



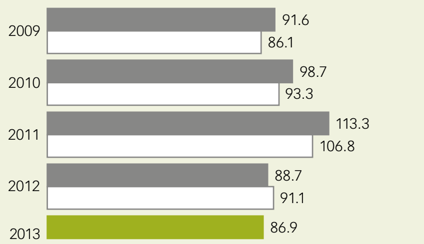
£2,362m (June 2012: £2,459m)

Return on capital (annualised)
%



14.0% (June 2012: 16.4%)

Combined ratio
%



86.9% (June 2012: 88.7%)

Half year
Full year
Current half year

CHIEF EXECUTIVE'S STATEMENT

The Lloyd's market made a solid profit of £1,379m in the first six months of 2013. This period, however, was characterised by an absence of any major catastrophes and we remain midway through an Atlantic windstorm season, which traditionally is the most costly part of the Lloyd's market's calendar.

During the first half of 2013, the Corporation has been concentrating on pursuing its strategic objectives, in particular Vision 2025 – our aim to remain as the world's leading insurance market in 2025.

In terms of international market development, we have made good progress towards obtaining an onshore licence in Turkey, one of the fastest growing economies in the world; and we have made the decision to open a Beijing branch office to pursue further Chinese opportunities in the reinsurance markets. In February, we hosted meetings with the Lloyd's market and the broker community to set out the Corporation's intention to support the market's growth aspirations in both its international development and oversight functions. These meetings revealed a wide consensus for the principles of Vision 2025.

Another important part of Vision 2025 is the market modernisation programme and we have made good progress on the Central Services Refresh Programme, which aims to leverage the need to replace ageing systems by improving central services and making it easier to transact business in the Lloyd's market. In the first six months of 2013 we have developed proposals for new and enhanced services, in very close co-operation with the market, which has been validating the emerging plans.

Market oversight has remained our top priority, given the continuing low interest rate environment, which continues to drive excess capital into the market and depress premium rates. In the first half of this year we undertook a review of the syndicate business planning and capital setting processes, which resulted in the establishment of the Capital and Planning Group, which brings together these activities in a single group. There has also been significant progress in terms of deliver the Claims Transformation Programme – which, to date, has resulted in claims transactions being handled more than 50% faster than before the programme.

Lloyd's remains in robust financial health and the strength of central assets enabled the Society to repurchase some £180m of our subordinated debt in May 2013. This will bring financial benefit from reduced interest payments in future years without any significant impact on the excellent security we offer. Indeed, in aggregate, total net resources of the Society and its members increased further to £20,873m.

Whilst the implementation date for Solvency II remains as yet uncertain, within the Lloyd's market we have continued the transition to business as usual, having largely completed our preparations in 2012 – a position which we believe puts us ahead of the wider industry. The regulatory environment continues to be challenging for the industry with many different regulatory and supervisory initiatives being discussed at global, regional and domestic levels. The Corporation remains highly engaged in these debates to ensure the interests of the Lloyd's market are protected.

Finally, I announced earlier this Summer that I would be leaving Lloyd's at the end of 2013. Lloyd's is a special place, and I am very proud indeed of having been Lloyd's longest-serving CEO.

Over nearly eight years I have seen the market and its members overcome the problems of the eighties and the nineties; recover their reputation and have the confidence to grow again, secure that they are a world leader in specialist insurance. Their diligence in establishing principles of underwriting discipline has been recognised by many, in particular the ratings agencies – and, unlike many of our competitors, the ratings given to Lloyd's have moved upwards throughout the financial crisis, and are now at their highest levels ever.

It has been a privilege for me to see how the market has stayed consistent to the principles of prudent, sustainable underwriting in the years of its greatest profits (2006, 2007 and 2009) and also its greatest claims (2011).

I owe a great many thanks to a large number of people in the market, but especially to the Corporation of Lloyd's. I am greatly indebted to them for their help and support and above all, for their loyalty to Lloyd's. I wish them, and the market, all the best for the future.

RICHARD WARD
Chief Executive
25 September 2013

MARKET COMMENTARY

The pre-tax profit for the first six months of 2013 is £1,379m (June 2012: £1,530m).

Lloyd's is a dynamic market, writing specialist property and casualty insurance and reinsurance business in over 200 countries and territories worldwide. The pre-tax profit for the first six months of 2013 is £1,379m (June 2012: £1,530m). While the underwriting result for the first half of 2013 shows an improvement on 2012, the overall result was affected by the very low level of investment return achieved during this time.

UNDERWRITING REVIEW

Gross written premiums for the six months to June 2013 were £15,496m (June 2012: £14,768m). This is an increase of 4.9%, though adjusting for exchange rate movements, the increase is 3.3% in underlying currency (June 2013: £1:US$1.54, June 2012: £1:US$1.58). Overall risk adjusted rate change was plus 1%, mainly driven by rate increases on property direct and facultative reinsurance business with the balance of the increase due to modest growth.

The Lloyd's market recorded an accident year combined ratio for the six months to June 2013 of 95.0% (June 2012: 96.0%). A prior year reserve release of 8.1% (June 2012: 7.3%) reduced this to an overall combined ratio of 86.9% (June 2012: 88.7%).

The first half of the year saw catastrophes affecting the insurance industry that included severe flooding in Australia, central Europe and Canada, and the category five tornado in Moore, Oklahoma. These events are, however, unlikely to have a significant impact on the Lloyd's market and the combined ratio for the first half of 2013 reflects the low level of major claims to Lloyd's.

Large single risk losses included the Intelsat satellite launch failure, Rio Tinto's collapsed mine in Kennecott, Utah and an explosion at a refinery in La Plata, Argentina. These events have not changed market conditions which remain challenging though with profit opportunities.

Marine results on prior years have been impacted by a substantial increase in the estimated Costa Concordia loss due to an escalation in the cost of removing the wreck. For all other classes, claims development has been better than expected continuing the recent record of material surpluses on prior year reserves.

Following favourable results in 2012, pressure on the property treaty reinsurance market has intensified. In particular, the Florida property catastrophe renewals in June experienced larger than expected rate reductions, though this is from a well priced book that has seen little hurricane activity since 2005.

While the casualty sector in aggregate appears to be developing satisfactorily, the rating environment remains soft and there is still the potential for further losses arising from the global economic crisis. In the UK motor insurance industry conditions in the more specialist areas of Lloyd's business are more stable than elsewhere. While the raft of new legal reforms introduced this year should reduce claims costs in the motor market, Periodic Payment Orders (PPOs) and claims fraud remain key issues.

The Lloyd's market has benefitted from a lower level of major claim activity; however, the outlook is for a weakening rating environment as competitive pressures remain. The new broker distribution initiatives, increasing capital market convergence and the arrival of a high profile new entrant in the US Excess and Surplus lines market may make material premium growth at Lloyd's more challenging.

INVESTMENT REVIEW

The disposition of investments at Lloyd's is conservative, predominantly in cash and fixed interest investments of high credit quality with little exposure to equities and other volatile asset classes. The return for the six months to June 2013 was £247m or 0.5% (June 2012: £619m, 1.2%). This modest return reflects the impact of the recent rise in yields on Lloyd's significant fixed interest exposures.

Investments fall into three areas: insurance premiums invested by the syndicates, members' capital (or funds at Lloyd's) and Lloyd's central assets (principally the Central Fund, which holds the mutual assets which underpin the operation of the market). Investment responsibility for these belongs to managing agents, members and the Society respectively. Investment dispositions vary significantly across these areas; the slightly greater proportion of funds at Lloyd's held in equities compared to syndicate assets, though still only 10%, produced the higher aggregate return in the period.

The first part of 2013 saw further signs of strengthening economic growth in some parts of the world. As a consequence, the Federal Reserve in the US has indicated that it may begin to 'wind down' current quantitative easing measures before the end of the year. This prospect has caused concerns in global financial markets as it could lead to a reduction in general demand for assets. This led to falls in the value of most asset classes during the second quarter. Longer maturity fixed interest investments were particularly impacted, many recording negative returns for the first half of 2013 as yields rose significantly.

Rising yields, from recent low levels, have been predicted for some time and this process now appears to have begun. The future rate of these increases will drive investment returns. Short-term interest rates are expected to remain very low for some time and this will slow yield increases, as well as generating steeper yield curves. The short duration of Lloyd's assets will continue to provide protection against significant losses and together with claims liabilities having an average longer duration, the aggregate economic impact may be beneficial for longer-term returns on capital.

THE MARKET'S FINANCIAL RESULTS

STATEMENT OF COUNCIL'S RESPONSIBILITIES AND LLOYD'S INTERIM REPORT

STATEMENT OF COUNCIL'S RESPONSIBILITIES

The interim pro forma financial statements (PFFS) are prepared so that the financial results of Lloyd's and its members taken together, and their net assets, can be compared with those of general insurance companies.

The Council of Lloyd's is responsible for the preparation and approval of the PFFS.

CHANGE OF AUDITORS

During 2013, the Society competitively tendered the external audit service contract. As a result of the tender, PricewaterhouseCoopers LLP has been selected as the Society's auditors. Ernst & Young LLP have resigned their position as auditors and PricewaterhouseCoopers LLP were appointed by the Council commencing with the 2013 Interim Report.

INTERIM PRO FORMA FINANCIAL STATEMENTS (PFFS)

The Lloyd's Interim Report presents the financial results of the Society of Lloyd's and its members. Lloyd's is not an insurance company. It is a Society of members, both corporate and individual, which underwrite insurance in syndicates. These syndicates can comprise one single corporate member or any number of corporate and individual members, underwriting severally for their own account. In view of Lloyd's unique structure, the Interim Report includes two sets of financial statements.

The PFFS include the interim results of the syndicates as reported in the syndicate interim returns, members' funds at Lloyd's (FAL) and the Society of Lloyd's group interim financial statements (as below).

The syndicate interim returns provide the results for all syndicates which transacted business during the six months to 30 June 2013 and include the syndicate level assets, which represent the first link in Lloyd's Chain of Security.

The capital provided by members is mainly held centrally as members' funds at Lloyd's (FAL), not at syndicate level, and is not, therefore, reported in the syndicate interim returns. FAL represent the second link in the Chain of Security. The non-technical account of the PFFS includes a notional return on FAL.

The Society of Lloyd's group interim financial statements report the central resources of the Society, which form the third link in Lloyd's Chain of Security.

The profit and loss account in the PFFS aggregates the syndicate results, the notional investment return on members' capital and the results of the Society. The balance sheet in the PFFS aggregates the assets held at syndicate level, members' assets held as FAL, and the central resources of the Society. Overall, the PFFS aggregate the results and resources of the Society and its members and reflect all the links in the Lloyd's Chain of Security. The PFFS may, therefore, be used as a reasonable presentation of the pre-tax results and state of affairs of the Lloyd's market on a basis that is broadly comparable with general insurance companies.

SOCIETY OF LLOYD'S GROUP INTERIM FINANCIAL STATEMENTS

The group interim financial statements of the Society of Lloyd's (the 'Society') comprise the group interim financial statements of the Society of Lloyd's and all its subsidiary undertakings, the Lloyd's Central Fund and the Society's interest in associates.

PRO FORMA PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2013

	Six months ended 30 June 2013		Six months ended 30 June 2012		Full year 2012	
	£m	£m	£m	£m	£m	£m
Technical account						
Gross written premiums						
– Continuing operations		**15,494**		14,755		25,489
– Discontinued operations		**2**		13		11
		15,496		14,768		25,500
Outward reinsurance premiums		**(4,389)**		(4,302)		(6,065)
Premiums written, net of reinsurance		**11,107**		10,466		19,435
Change in the gross provision for unearned premiums	**(3,198)**		(3,228)		(994)	
Change in the provision for unearned premiums, reinsurers' share	**1,683**		1,664		244	
		(1,515)		(1,564)		(750)
Earned premiums, net of reinsurance		**9,592**		8,902		18,685
Allocated investment return transferred from the non-technical account		**59**		448		902
		9,651		9,350		19,587
Claims paid						
Gross amount	**6,536**		6,622		13,398	
Reinsurers' share	**(1,448)**		(1,435)		(2,940)	
		5,088		5,187		10,458
Change in provision for claims						
Gross amount	**(538)**		(672)		151	
Reinsurers' share	**303**		69		(511)	
		(235)		(603)		(360)
Claims incurred, net of reinsurance		**4,853**		4,584		10,098
Acquisition costs	**3,235**		3,011		5,346	
Change in deferred acquisition costs	**(603)**		(529)		(209)	
Administrative expenses	**904**		797		1,706	
(Profit)/loss on exchange	**(58)**		35		83	
Net operating expenses		**3,478**		3,314		6,926
Balance on the technical account for general business		**1,320**		1,452		2,563
Attributable to:						
– Continuing operations		**1,314**		1,443		2,549
– Discontinued operations		**6**		9		14
Total		**1,320**		1,452		2,563
Non-technical account						
Balance on the technical account for general business		**1,320**		1,452		2,563
Investment return on syndicate assets	**72**		487		997	
Notional investment return on funds at Lloyd's	**157**		81		199	
Investment return on Society assets	**18**		51		115	
	247		619		1,311	
Allocated investment return transferred to the technical account	**59**		(448)		(902)	
		188		171		409
Other income		**27**		27		61
Other expenses		**(156)**		(120)		(262)
Profit/(loss) on ordinary activities before tax		**1,379**		1,530		2,771
Statement of total recognised gains and losses						
Result for the financial period		**1,379**		1,530		2,771
Other recognised gains and losses		**37**		(4)		(52)
Total recognised gains and losses		**1,416**		1,526		2,719

PRO FORMA BALANCE SHEET

As at 30 June 2013

	Note	30 June 2013 £m	30 June 2013 £m	30 June 2012 £m	30 June 2012 £m	31 December 2012 £m	31 December 2012 £m
Financial investments							
Shares and other variable yield securities		**5,057**		4,006		4,123	
Debt securities and other fixed income securities		**29,311**		29,003		30,469	
Participation in investment pools		**1,747**		1,543		1,731	
Loans and deposits with credit institutions		**6,044**		6,449		5,516	
Other investments		**75**		28		36	
Total investments			**42,234**		41,029		41,875
Deposits with ceding undertakings			**7**		9		6
Reinsurers' share of technical provisions							
Provision for unearned premiums		**3,516**		3,224		1,759	
Claims outstanding		**10,756**		10,376		10,680	
			14,272		13,600		12,439
Debtors							
Debtors arising out of direct insurance operations		**6,966**		6,199		5,526	
Debtors arising out of reinsurance operations		**5,712**		5,546		4,187	
Other debtors		**1,065**		1,032		1,193	
			13,743		12,777		10,906
Other assets							
Tangible assets		**45**		45		48	
Cash at bank and in hand	9	**10,459**		10,224		9,892	
Other		**27**		5		50	
			10,531		10,274		9,990
Prepayments and accrued income							
Accrued interest and rent		**52**		55		78	
Deferred acquisition costs		**3,307**		3,007		2,640	
Other prepayments and accrued income		**322**		291		157	
			3,681		3,353		2,875
Total assets			**84,468**		81,042		78,091
Capital and reserves							
Members' funds at Lloyd's		**16,081**		16,160		15,660	
Members' balances		**2,430**		1,436		2,048	
Members' assets (held severally)		**18,511**		17,596		17,708	
Central reserves (mutual assets)		**1,637**		1,567		1,592	
			20,148		19,163		19,300
Subordinated debt			**335**		502		503
Subordinated perpetual capital securities			**390**		390		390
Capital, reserves and subordinated debt and securities			**20,873**		20,055		20,193
Technical provisions							
Provision for unearned premiums		**14,894**		13,767		11,314	
Claims outstanding		**41,124**		40,194		40,203	
			56,018		53,961		51,517
Deposits received from reinsurers			**64**		75		65
Creditors							
Creditors arising out of direct insurance operations		**687**		939		519	
Creditors arising out of reinsurance operations		**4,882**		4,229		3,714	
Other creditors including taxation		**1,527**		1,411		1,732	
			7,096		6,579		5,965
Accruals and deferred income			**417**		372		351
Total liabilities			**84,468**		81,042		78,091

PRO FORMA CASH FLOW STATEMENT

For the six months ended 30 June 2013

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m	Full year 2012 £m
Pro forma result for the period/year before tax	**1,379**	1,530	2,771
Depreciation	**3**	3	7
Realised and unrealised (gains)/losses and foreign exchange	**(1,033)**	415	921
Net sale/(purchase) of investments	**814**	12	(1,395)
Notional return on funds at Lloyd's	**(157)**	(81)	(199)
Increase/(decrease) in technical provisions	**2,660**	605	(654)
(Increase) in debtors	**(3,633)**	(3,213)	(957)
Increase in creditors	**1,220**	1,605	692
Cash generated from operations	**1,253**	876	1,186
Tax paid	**(20)**	(7)	(24)
Net cash from operating activities	**1,233**	869	1,162
Cash flow from financing activities			
Net profits paid to members	**(959)**	(1,966)	(1,903)
Net movement in funds at Lloyd's	**418**	989	536
Capital transferred into syndicate premium trust funds	**111**	319	117
Purchase of debt securities	**(195)**	–	–
Interest paid	**(41)**	(33)	(66)
Net increase/(decrease) in cash holdings	**567**	178	(154)
Cash holdings at beginning of period	**9,892**	10,046	10,046
Cash holdings at 30 June/31 December	**10,459**	10,224	9,892

NOTES TO THE INTERIM PRO FORMA FINANCIAL STATEMENTS

As at 30 June 2013

1. INTRODUCTION

Lloyd's is not an insurance company. It is a Society of members which underwrite insurance (each for their own account) as members of syndicates. The interim pro forma financial statements (PFFS) are prepared so that the financial results of Lloyd's and its members taken together, and their net assets, can be compared with those of general insurance companies.

2. BASIS OF PREPARATION

General

The PFFS include the aggregate results as reported separately by all syndicates in returns to Lloyd's, members' funds at Lloyd's (FAL) and the financial statements of the Society of Lloyd's on pages 14 to 33. The syndicate returns include the syndicate level assets, which represent the first link in the Chain of Security.

The syndicate returns have not been audited but have been subject to review by the syndicate auditors. In their reports on the syndicate returns, syndicate auditors are required to state whether they are aware of any material modifications that should be made to the financial information as presented in those returns.

The capital provided by members is generally held centrally as FAL and represents the second link in the Chain of Security. The non-technical account of the PFFS includes a notional investment return on FAL.

The Society of Lloyd's group interim financial statements report the central resources of the Society, which form the third link in Lloyd's Chain of Security.

The profit and loss account in the PFFS aggregates the syndicate interim underwriting results, the notional investment return on members' capital and the results of the Society of Lloyd's. The balance sheet in the PFFS aggregates the assets held at syndicate level, members' assets held as FAL and the central resources of the Society. Overall, therefore, the PFFS aggregate the results and resources of the Society and its members and reflect all the links in Lloyd's Chain of Security. The PFFS may, therefore, be used as a reasonable presentation of the results and state of affairs of the Lloyd's market on a basis that is broadly comparable with general insurance companies.

Taxation

The PFFS report the market's result before tax. Members are directly responsible for tax payable on their syndicate results and investment income on FAL. For consistency the results of the Society are also included pre-tax in the profit and loss account. The balance sheet includes the tax provisions in the Society group interim financial statements.

Funds at Lloyd's

FAL comprise the capital provided by members to support their underwriting, and are the equivalent of capital shown in insurance companies' accounts. The valuation of FAL has been included in the pro forma balance sheet.

FAL are available to meet cash calls made on the member in respect of a syndicate. The assets in FAL must be readily realisable, may include letters of credit and bank and other guarantees, and must be at least equivalent to the aggregate of the member's economic capital assessment (ECA) requirement and certain liabilities in respect of its underwriting business. Each member's ECA to support its underwriting at Lloyd's is determined using Lloyd's Individual Capital Assessment (ICA) capital setting methodology.

A notional investment return on FAL has been calculated, which is the equivalent of insurance companies generating investment return on the capital that they hold to support their underwriting. Where Lloyd's is the investment manager for FAL, the actual return achieved has been included. For other assets the notional investment return, net of management fees, is calculated on the average value of FAL during the period, based on indices yields on each type of asset held. The typical investment return on bank deposits has been applied to FAL provided as letters of credit or bank guarantees. The actual return achieved on FAL investments will differ from the notional return due to individual stocks held, daily cash flows and transactional charges.

Society of Lloyd's group interim financial statements

The PFFS include the results and assets reported in the group interim financial statements of the Society of Lloyd's, comprising the financial statements of the Society of Lloyd's and all its subsidiary undertakings, the Lloyd's Central Fund and the Society's interest in associates.

Transactions between syndicates and the Society

Transactions between the syndicates and the Society which have been reported in the syndicate returns and the Society of Lloyd's group interim financial statements have been eliminated (note 8):

- Central Fund contributions, members' subscriptions and other market charges levied by the Society are reported as net operating expenses in the syndicate returns and as income in the Society group interim financial statements.
- Central Fund claims and provisions to discharge the liability of members where they have unpaid cash calls and do not have the resources to meet those calls are reported as a profit and loss charge and balance sheet liability in the Society group interim financial statements. The Central Fund's other income includes recoveries from insolvent members. The syndicate returns include those members' results and balances.
- Loans funding statutory overseas deposits are reported as assets within the syndicate returns and as liabilities in the Society group interim financial statements.

The subordinated debt and securities

In accordance with the terms of the subordinated debt and securities, the capital raised is available for payment to policyholders in advance of repayment to the note holders and is included in the 'capital, reserves and subordinated debt and securities' in the pro forma balance sheet.

3. ACCOUNTING POLICIES NOTES

A. Syndicate returns

The syndicate level information within the PFFS has been prepared in accordance with UK GAAP. These accounting policies are consistent with those adopted for the PFFS in the 2012 Annual Report. These policies, as regards underwriting transactions, are consistent with the recommendations of the Statements of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers, modified to reflect the unique structure of Lloyd's.

B. Funds at Lloyd's

Funds at Lloyd's are valued in accordance with their market value at the period end, and using period end exchange rates. Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at their bid price market value, and deposits with credit institutions and overseas deposits are stated at cost.

Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Members that only participate in one syndicate may hold the capital supporting their underwriting in their syndicate's premium trust fund. Where a member takes advantage of this facility, the capital held in the premium trust fund is reported within members' balances and the investment return retained within the non-technical account. These policies are consistent with those adopted in the 2012 Annual Report.

C. Society of Lloyd's
The accounting policies adopted in the Society of Lloyd's financial statements are in accordance with International Financial Reporting Standards (IFRS) and are consistent with those adopted in the 2012 Annual Report, except for the adoption of the amendments to IAS 19R 'Employee Benefits'. The adoption of the amendments to IAS 19R has resulted in a restatement of the Society's comparative figures in 2012. The restatement is not considered material at the market level and, therefore, the comparative figures within the interim PFFS have not been restated. There are no material adjustments required to the Society information to present it on a basis consistent with the syndicate results in the PFFS.

4. VARIABILITY
Movements in reserves are based upon best estimates as at 30 June 2013 taking into account all available information as at the balance sheet date. These estimates are subject to variability until the date at which the underlying claims are settled. Such changes in best estimates are reflected in the technical account of the period in which they occur.

5. DISCONTINUED OPERATIONS
Continuing/discontinued operations represent the analysis reported in the syndicate returns between business that they are continuing to underwrite and business that they have ceased to underwrite. It is quite possible, however, that business discontinued by one syndicate continues to be written at Lloyd's by one or more other syndicates. Where business has been reported as discontinued in 2013, the results for that business have also been reported as discontinued in the 2012 comparative figures.

6. MEMBERS' FUNDS AT LLOYD'S
The valuation of members' FAL in the balance sheet totals £16,081m (June 2012: £16,160m, December 2012: £15,660m). The notional investment return on FAL included in the non-technical profit and loss account totals £157m (June 2012: £81m, December 2012: £199m).

7. SOCIETY OF LLOYD'S
The results of the group interim financial statements of the Society included in the profit and loss account are a net profit of £157m (June 2012: £148m, December 2012: £279m) in the technical account and a net loss of £111m (June 2012: £42m, December 2012: £86m) in the non-technical account.

NOTES TO THE INTERIM PRO FORMA FINANCIAL STATEMENTS CONTINUED

8. AGGREGATION OF RESULTS AND NET ASSETS

A reconciliation between the results, statement of total recognised gains and losses and net assets reported in the syndicate returns, members' funds at Lloyd's and the Society financial statements is set out below:

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m	Full year 2012 £m
Result per syndicate returns	**1,176**	1,343	2,379
Result of the Society	**39**	77	119
Central Fund claims and provisions charged in Society financial statements	**28**	26	26
Central Fund recoveries from insolvent members	**–**	–	–
Taxation charge in Society financial statements	**11**	24	35
Notional investment return on members' funds at Lloyd's	**157**	81	199
Society PYA for IAS 19R (see note below)	**–**	3	4
Society income not accrued in syndicate returns	**(32)**	(24)	9
Result on ordinary activities pre-tax	**1,379**	1,530	2,771

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m	Full year 2012 £m
Result for the period	**1,379**	1,530	2,771
Other recognised gains and losses per syndicate returns	**31**	(1)	(32)
Society PYA for IAS 19R (see note below)	**–**	(3)	(4)
Other recognised gains and losses per Society financial statements	**6**	–	(16)
Total recognised gains and losses	**1,416**	1,526	2,719

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m	Full year 2012 £m
Net assets per syndicate returns	**2,426**	1,462	2,056
'Equity' of the Society	**1,637**	1,567	1,592
Central Fund claims and provisions in Society group financial statements	**27**	31	14
Members' funds at Lloyd's	**16,081**	16,160	15,660
Unpaid cash calls and undistributed profits reanalysed to members' balances	**17**	(17)	(14)
Society income receivable not accrued in syndicate annual accounts	**(40)**	(40)	(8)
Capital and reserves per PFFS	**20,148**	19,163	19,300

Transactions between syndicates and the Society which have been reported within both the syndicate returns and the Society group interim financial statements have been eliminated in the PFFS as set out in note 2.

For 2013 the Society has adopted the amendments to International Accounting Standard 19R 'Employee Benefits'. This has required the Society to restate its 2012 income statement by £3m for the six months to 30 June 2012 and by £4m for the full 2012 year (£6m movement in operating expenses less £2m tax adjustment). The figures are considered immaterial and so the interim PFFS have not been restated. The impact of the prior year adjustment is reflected in the reconciliations above and more details can be found on page 23 of this Interim Report.

9. CASH AT BANK AND IN HAND

Cash at bank and in hand includes letters of credit and bank guarantees held in trust within members' funds at Lloyd's to meet policyholder claims as required totalling £8,327m (June 2012: £8,209m, December 2012: £7,900m).

INDEPENDENT LIMITED ASSURANCE REPORT OF PRICEWATERHOUSECOOPERS LLP TO THE COUNCIL OF LLOYD'S ON THE PREPARATION OF THE 2013 LLOYD'S INTERIM PRO FORMA FINANCIAL STATEMENTS

INTRODUCTION

We have reviewed the preparation of the Lloyd's interim pro forma financial statements for the six months ended 30 June 2013, which comprise the pro forma profit and loss account, the pro forma statement of total recognised gains and losses, the pro forma balance sheet and the pro forma cash flow statement and the related notes 1 to 9 which have been prepared on the basis set out in note 2.

This report is made solely to the Council of Lloyd's in accordance with our engagement letter dated 12 September 2013 (the instructions). Our review has been undertaken so that we might state to the Council those matters which we are required to state in this report in accordance with the instructions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL OF LLOYD'S[1,2] AND PRICEWATERHOUSECOOPERS LLP

The Council of Lloyd's is responsible for the preparation and approval of the interim pro forma financial statements in accordance with the basis of preparation set out in note 2. The purpose of the interim pro forma financial statements is to allow the financial results of Lloyd's and its members and their net assets taken together to be compared with the interim financial reports of general insurance companies.

Our responsibility is to undertake procedures to express a conclusion on whether the Council of Lloyd's has not prepared the interim pro forma financial statements, in all material respects, in accordance with the basis of preparation set out in note 2.

SCOPE OF REVIEW

The interim pro forma financial statements have been compiled in part from an aggregation of financial information extracted from the profit and loss accounts, balance sheets, cash flow statements and related notes included in syndicates' Quarterly Monitoring Return A – Quarter 2 2013 (the interim return), prepared by the managing agent of each syndicate, which has been submitted to the Council of Lloyd's and on which the auditors of each syndicate have given a limited assurance conclusion, in accordance with International Standard on Review Engagements, ISRE 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. Our work did not involve assessing the quality of those reviews nor performing any audit or review procedures over the financial information of the syndicates.

Our review, which has been carried out in accordance with International Standard on Assurance Engagements, ISAE 3000, 'Assurance Engagements other than audits or reviews of Historical Financial Information', consisted principally of making enquiries to obtain an understanding of how the Council of Lloyd's has compiled the interim pro forma financial statements from the syndicate interim returns and the Society of Lloyd's condensed interim financial statements, how the Funds at Lloyd's have been valued, and the nature of adjustments made to this information in the preparation of the interim pro forma financial statements, in order to assess whether any material modifications are required to the interim pro forma financial statements in order to prepare them in accordance with the basis of preparation set out in note 2. The engagement also involves evaluating the overall presentation of the interim pro forma financial statements.

Our work was designed to provide limited assurance upon the preparation of the interim pro forma financial statements and therefore the extent of our evidence gathering procedures are less than would be performed for an engagement to give reasonable assurance upon the preparation of the interim pro forma financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Council of Lloyd's has not prepared the interim pro forma financial statements for the six months ended 30 June 2013, in all material respects, in accordance with the basis of preparation set out in note 2.

PRICEWATERHOUSECOOPERS LLP
London
25 September 2013

1 The maintenance and integrity of the Lloyd's website is the responsibility of the Council of Lloyd's; the work carried out by PricewaterhouseCoopers LLP does not involve consideration of these matters and, accordingly, PricewaterhouseCoopers LLP accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

SOCIETY REPORT

SOCIETY OF LLOYD'S GROUP INTERIM FINANCIAL STATEMENTS

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SOCIETY OF LLOYD'S GROUP INTERIM REVIEW

FINANCIAL REVIEW

Operating surplus

The Society of Lloyd's achieved an operating surplus for the period of £86m (June 2012: £72m). The operating surplus by business segment is set out below:

	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Six months ended 30 June 2013 £m	Restated Six months ended 30 June 2012 £m
Total income	**109**	**105**	**214**	197
Central Fund claims and provisions	**–**	**(28)**	**(28)**	(26)
Other group operating expenses	**(98)**	**(2)**	**(100)**	(99)
Operating surplus	**11**	**75**	**86**	72

Corporation of Lloyd's

Total income for the Corporation of Lloyd's increased to £109m (June 2012: £102m). Subscription income increased in line with the level of written premium; the rate itself remained unchanged at 0.5%. Charges in other income streams charges were also maintained flat for a further year, with the aggregate increase compared to the prior period driven by an increase in user pays charges, where costs incurred on behalf of specific managing agents are recharged directly to the individual agent, and increased rental income on additional box capacity. The performance and risk management charge was again waived for 2013.

Other group operating expenses increased to £98m (June 2012: £95m) in line with the budget for the year. During 2013 the Corporation incurred additional costs in respect of services provided to specific managing agents which are recharged on a user pays basis. Excluding these items other group operating expenses increased by 2% reflecting the investment in strategic initiatives, partially mitigated by further cost reductions across other areas.

Lloyd's Central Fund

Total income for the Central Fund increased to £105m (June 2012: £95m). Contribution income increased in line with the level of written premium, while the Central Fund contributions rate remained unchanged for 2013. The Central Fund also benefitted from an increase in legacy debt recoveries.

Central Fund claims and provisions is a net charge for the period of £28m (June 2012: £26m). Undertakings to meet the liabilities of insolvent members to policyholders are approved, on an annual basis, at the discretion of the Council and are normally based on anticipated cash flow requirements of insolvent members in the following 12 months. During the period, payments made in respect of insolvent corporate members were £15m (June 2012: £3m). Other group operating expenses decreased to £2m (June 2012: £4m), driven by foreign exchange gains in 2013 compared to the loss experienced in 2012 and a decrease in legal and professional fees.

SOCIETY OF LLOYD'S GROUP INTERIM REVIEW CONTINUED

INVESTMENT PERFORMANCE

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m
Finance costs	**(30)**	(31)
Finance income	**18**	51
Realised/unrealised exchange (loss)/gain on borrowings	**(11)**	7
	(23)	27
Deficit on subordinated debt repurchase	**(15)**	–
	(38)	27

The Society's investments returned £18m, or 0.6% during the period (June 2012: £51m, 2.0%). Most of the Society's investments are held within the Central Fund. Of these assets, the majority are invested in fixed interest securities of high credit quality. During this period, growing concerns that monetary stimulus in the US would begin to reduce led to weakness in most asset classes, including a significant rise in bond yields, generating capital losses on such investments. As a result, overall investment returns were low. The disposition of the Society's financial investments is set out in note 7 on pages 29 to 31.

Finance costs of £30m during the period (June 2012: £31m) predominately relate to interest on the subordinated notes and subordinated capital securities. Unrealised exchange losses on borrowings reflect the impact of foreign exchange movements on the Society's outstanding debt securities. These foreign exchange exposures are offset by equivalent currency exposures within the Society's investment assets.

Adjusting for interest costs and foreign exchange movements results in a net investment loss during the period of £23m (June 2012: gain of £27m).

During the six months ended 30 June 2013, the Society of Lloyd's repurchased a total principal amount of £180m of its 2004 subordinated notes at a cost of £195m. The Society additionally paid accrued interest on the purchased securities. The repurchase generated a capital loss of £15m, although interest savings over the remaining life of these securities will mean that the repurchase is of financial benefit to the Society.

Results summary
Overall, the surplus after tax for the six months to June was £39m (June 2012: a surplus of £77m). The net assets of the Society of Lloyd's (the 'Society') increased by £45m in the six months to June 2013 to £1,637m.

COUNCIL OF LLOYD'S STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties, and the way in which they are managed, are set out on page 23 of the Society of Lloyd's 2012 Annual Report under the heading 'Risk Management' within the strategic overview. The principal risks and uncertainties were: the insurance cycle; unstable economic and financial climate; significant regulatory change across multiple jurisdictions; and catastrophe exposure.

As part of the ongoing risk and control process, the Council considers that due to the increased use of broker facilities and the influx of non-traditional capital market products into the industry, there is potential future risk to the flow of business into Lloyd's. A range of actions are underway to investigate and mitigate this risk, co-ordinated by the Risk Committee and with significant input from the Franchise Board. The Council also considers that due to the current economic and regulatory climate, there is a heightened risk to Lloyd's brand and reputation. A range of specific reputational risks have been identified and remain under a close watching brief. Current controls are effective; however, additional work is in place in some areas, for example conduct risks associated with retail business. The remaining principal risks and uncertainties have not changed materially since the date of the 2012 Annual Report.

COUNCIL OF LLOYD'S STATEMENT OF RESPONSIBILITIES

We confirm that to the best of our knowledge:

- The condensed set of financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the EU.
- The Chairman and Chief Executive's statements and the Society of Lloyd's group interim review (constituting the interim management report) include a fair review of the important events that have occurred during the first six months of the financial year and their impact on the financial statements.
- The statement of principal risks and uncertainties is a fair review of the principal risks and uncertainties for the remaining six months of the financial year.
- The financial statements include a fair review of the related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Society during that period, as well as any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

On behalf of the Council of Lloyd's:

John Nelson Chairman	**Richard Ward** Chief Executive Officer

25 September 2013

GROUP INCOME STATEMENT

For the six months ended 30 June 2013

	Note	**Six months ended 30 June 2013 £000**	Restated Six months ended 30 June 2012 £000	Restated Full year 2012 (audited) £000
Operating income		**108,188**	101,440	212,666
Central Fund contributions	3(I)	**104,220**	94,969	104,959
General insurance net premium income		**3**	22	4
Other group income		**1,153**	417	2,395
Total income		**213,564**	196,848	320,024
Central Fund claims and provisions incurred	3(II)	**(28,231)**	(26,497)	(26,447)
Gross insurance claims incurred		**(4,331)**	(6,996)	(11,695)
Insurance claims recoverable from reinsurers		**4,331**	6,986	11,801
Other group operating expenses		**(99,301)**	(98,682)	(205,676)
Operating surplus		**86,032**	71,659	88,007
Finance costs				
– Deficit on subordinated debt repurchase	4(I)	**(15,162)**	–	–
– Other	4(I)	**(30,236)**	(31,008)	(62,198)
Finance income	4(II)	**18,110**	51,099	114,855
Realised/unrealised exchange (loss)/gains on borrowings		**(11,484)**	6,604	6,107
Share of profits of associates		**2,972**	2,463	5,945
Surplus before tax		**50,232**	100,817	152,716
Tax charge	5	**(11,563)**	(23,476)	(34,169)
Surplus for the period/year		**38,669**	77,341	118,547

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Note	Six months ended 30 June 2013 £000	Restated Six months ended 30 June 2012 £000	Restated Full year 2012 (audited) £000
Surplus for the period/year		**38,669**	77,341	118,547
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement gain/(loss) on pension asset/liabilities				
– UK	6	**7,764**	2,951	(16,416)
– Overseas		**–**	–	(422)
– Associates		**84**	(636)	168
Tax (charge)/credit relating to items that will not be reclassified	5	**(1,806)**	(2,377)	317
Items that may be reclassified subsequently to profit or loss				
Unrealised gain on revaluation of Lloyd's collection		**–**	–	488
Tax charge relating to items that may be reclassified	5	**–**	–	(128)
Net other comprehensive income/(deficit) for the period/year		**6,042**	(62)	(15,993)
Total comprehensive income for the period/year		**44,711**	77,279	102,554

GROUP STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	30 June 2013 £000	30 June 2012 £000	31 December 2012 (audited) £000
Assets				
Intangible assets		**108**	430	266
Lloyd's collection		**12,507**	12,019	12,507
Plant and equipment		**32,651**	33,270	35,147
Deferred tax asset		**6,496**	2,676	6,692
Investment in associates		**3,818**	3,576	6,422
Insurance contract assets		**33,798**	31,113	25,720
Pension asset	6	**–**	9	–
Loans recoverable		**44,108**	44,384	45,138
Financial investments	7	**2,880,718**	2,720,774	2,842,055
Inventories		**235**	187	236
Trade and other receivables due within one year		**96,128**	75,008	77,476
Prepayments and accrued income		**29,953**	26,152	31,323
Forward currency contracts		**22,923**	33,103	59,586
Cash and cash equivalents		**163,324**	305,598	187,074
Total assets		**3,326,767**	3,288,299	3,329,642
Equity and liabilities				
Equity				
Accumulated reserve		**1,624,517**	1,555,019	1,579,806
Revaluation reserve		**12,507**	12,019	12,507
Total equity		**1,637,024**	1,567,038	1,592,313
Liabilities				
Subordinated notes and perpetual subordinated capital securities	8	**725,360**	892,322	893,328
Insurance contract liabilities		**34,476**	32,122	26,436
Pension liabilities	6	**39,627**	23,724	45,075
Provisions		**42,343**	43,742	27,343
Loans funding statutory insurance deposits		**557,658**	431,630	501,846
Trade and other payables		**163,250**	159,984	159,654
Accruals and deferred income		**93,721**	96,443	38,148
Tax payable		**9,396**	22,112	16,574
Forward currency contracts		**23,912**	19,182	28,925
Total liabilities		**1,689,743**	1,721,261	1,737,329
Total equity and liabilities		**3,326,767**	3,288,299	3,329,642

Approved and authorised for issue by the Council of Lloyd's on 25 September 2013 and signed on their behalf by:

JOHN NELSON
Chairman

RICHARD WARD
Chief Executive Officer

GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Accumulated reserve £000	Revaluation reserve £000	Total equity £000
At 1 January 2012	1,477,740	12,019	1,489,759
Total comprehensive income for the period	77,279	–	77,279
At 30 June 2012	1,555,019	12,019	1,567,038
Total comprehensive income for the period	24,787	488	25,275
At 31 December 2012	1,579,806	12,507	1,592,313
Total comprehensive income for the period	**44,711**	**–**	**44,711**
At 30 June 2013	**1,624,517**	**12,507**	**1,637,024**

GROUP STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June 2013 £000	Restated Six months ended 30 June 2012 £000	Restated Full year 2012 (audited) £000
Surplus before tax	**50,232**	100,817	152,716
Finance cost – deficit on subordinated debt repurchase	**15,162**	–	–
Net finance cost/(income)	**12,126**	(20,091)	(52,657)
Unrealised exchange loss/(gains) on borrowings	**11,484**	(6,604)	(6,107)
Share of profits of associates	**(2,972)**	(2,463)	(5,945)
Operating surplus	**86,032**	71,659	88,007
Central Fund claims and provisions incurred	**28,231**	26,497	26,447
Operating surplus before Central Fund claims and provisions	**114,263**	98,156	114,454
Adjustments for:			
Depreciation of plant and equipment	**3,348**	2,571	5,535
Amortisation of intangible assets	**262**	170	415
Impairment losses	**–**	–	312
(Profit)/loss on sale and revaluation of fixed assets	**(578)**	113	511
Foreign exchange (gains)/losses on operating activities	**(371)**	711	918
Operating surplus before working capital changes and claims paid	**116,924**	101,721	122,145
Changes in pension obligations	**2,316**	1,659	3,230
Decrease in receivables	**9,440**	54,529	28,852
Decrease/(increase) in inventories	**1**	11	(38)
Increase/(decrease) in payables	**66,068**	(31,417)	(52,517)
Increase/(decrease) in provisions other than for Central Fund claims	**1,896**	(171)	567
Cash generated from operations before claims paid	**196,645**	126,332	102,239
Claims paid in respect of corporate/insolvent members	**(15,127)**	(3,044)	(20,131)
Cash generated from operations	**181,518**	123,288	82,108
Tax paid	**(20,331)**	(6,954)	(24,425)
Net cash generated from operating activities	**161,187**	116,334	57,683
Cash flows from investing activities			
Purchase of plant, equipment and intangible assets	**(377)**	(4,542)	(10,173)
Proceeds from the sale of plant, equipment and intangible assets	**–**	17	17
Purchase of financial investments	**(1,437,583)**	(1,019,342)	(2,191,524)
Receipts from the sale of financial investments	**1,532,089**	963,906	2,015,903
(Increase)/decrease in short term deposits	**(74,772)**	9,063	20,994
Reclassifications to cash and cash equivalents	**–**	15,437	–
(Loss)/gain on investments including unrealised movements of forward currency contracts	**(22,976)**	18,707	8,161
Dividends received from associates	**5,640**	3,639	4,870
Interest received	**32,801**	30,191	57,712
Dividends received	**2,324**	1,873	3,533
Realised loss on settlement of forward currency contracts	**(27,024)**	(8,670)	(1,351)
Net cash generated from/(used in) investing activities	**10,122**	10,279	(91,858)
Cash flows from financing activities			
Repurchase of subordinated notes	**(195,124)**	–	–
Interest paid on subordinated notes	**(35,381)**	(29,090)	(61,117)
Other interest paid	**(5,581)**	(4,027)	(4,514)
Increase in borrowings for statutory insurance deposits	**40,656**	85,531	160,516
Net cash (used in)/generated from financing activities	**(195,430)**	52,414	94,885
Net (decrease)/increase in cash and cash equivalents	**(24,121)**	179,027	60,710
Effect of exchange rates on cash and cash equivalents	**371**	(711)	(918)
Cash and cash equivalents at 1 January	**187,074**	127,282	127,282
Cash and cash equivalents at 30 June/31 December	**163,324**	305,598	187,074

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS

As at 30 June 2013

1. THE GROUP INTERIM FINANCIAL STATEMENTS

The group interim financial statements of the Society were approved by the Council of Lloyd's on 25 September 2013. The group interim financial statements comprise the consolidation of the Society of Lloyd's and all its subsidiary undertakings, the Lloyd's Central Fund, and the group's interest in associates as at each statement of financial position date. The group interim financial statements for the six months ended 30 June 2013 and 30 June 2012 are unaudited. The independent review report to the Society of Lloyd's, for the six months ended 30 June 2013, is set out on page 35.

The auditors gave an unqualified report on the financial statements for the year ended 31 December 2012 prepared under IFRS as adopted by the EU. Their report was included in the Annual Report 2012 which was published on 27 March 2013 and is available on www.lloyds.com. Copies may also be obtained from the Secretary to the Council.

2. PRINCIPAL ACCOUNTING POLICIES AND CONFORMITY WITH IAS 34 'INTERIM FINANCIAL REPORTING'

The accounting policies, except for the adoption of the amendments to the International Accounting Standards (IAS) that became effective as of 1 January 2013 as stated below, are consistent with those adopted for the Society of Lloyd's Annual Report 2012, which was approved on 26 March 2013.

These group interim financial statements have been prepared on the going concern basis and in conformity with IAS 34 'Interim Financial Reporting' (as adopted by the EU) which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

(a) The Society adopted the amendments to IAS 1 'Presentation of Financial Statements' which requires the grouping of items presented in other comprehensive income according to whether they will subsequently be reclassified to profit or loss. The impact of the adoption of IAS 1 results in a revised presentation of the statement of comprehensive income on the group interim financial statements.

(b) The Society adopted the amendments to IAS 19R 'Employee Benefits'. The revised standard has been applied retrospectively in accordance with the transitional provision of the standard. The key impact of the revised standard on the group interim financial statements of the Society is the replacement of the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate at the beginning of the year. There is no change to the method to determine the discount rate.

This resulted in a decrease in surplus before tax of £6m for the year ended 31 December 2012 and £3m for the six months ended 30 June 2012 with a corresponding increase in Other Comprehensive Income as the discount rate applied to assets is lower than the previously applied expected return on assets.

(c) The Society adopted the amendments to International Financial Reporting Standards (IFRS) 13 'Fair Value Measurements' which establishes a single standard for all fair value measurements. The standard does not change the scope of fair value measurement, but provides guidance on how fair values should be determined. The changes have no impact on the Society's application of fair value measurements. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 'Financial Instruments' Disclosures. Some of these disclosures are specifically required to be disclosed in the condensed consolidated interim financial statements by IAS 34 (amended) and are provided in note 7C on pages 30 to 31.

3. SEGMENTAL ANALYSIS

The Society's primary business segments are as follows:

(a) Corporation of Lloyds: the main corporate purposes are to facilitate the carrying on of insurance business by members of Lloyd's and the advancement and protection of their interests in this context. The activities of authorised insurance company subsidiary undertakings are included within this business segment. All prior year comparatives have also been restated.

(b) Lloyd's Central Fund: these funds comprising the New Central Fund and Old Central Fund are assets of the Society and are held and administered at the discretion of the Council, primarily as funds available for the protection of the policyholders. Unless the approval of members is obtained, the New Central Fund may not be used for the purposes of extinguishing or reducing liabilities which have been reinsured by Equitas.

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL ANALYSIS CONTINUED

A) Information by business segment	Note	Six months ended 30 June 2013 Corporation of Lloyd's £000	 Lloyd's Central Fund £000	 Society total £000
Segment income				
Total income		108,546	105,018	213,564
Segment operating expenses				
Central Fund claims and provisions incurred	3(II)	–	(28,231)	(28,231)
Gross insurance claims incurred		(4,331)	–	(4,331)
Insurance claims recoverable from reinsurers		4,331	–	4,331
Other group operating expenses:				
– Employment (including pension costs)		(48,226)	–	(48,226)
– Premises		(20,560)	–	(20,560)
– Legal and professional		(7,213)	(191)	(7,404)
– Systems and communications		(11,182)	–	(11,182)
– Other		(10,609)	(1,320)	(11,929)
Total other group operating expenses		(97,790)	(1,511)	(99,301)
Total segment operating expenses		(97,790)	(29,742)	(127,532)
Total segment operating surplus		10,756	75,276	86,032
Finance costs:				
– Deficit on subordinated debt repurchase	4(I)	–	(15,162)	(15,162)
– Other	4(I)	(32)	(30,204)	(30,236)
Finance income	4(II)	790	17,320	18,110
Unrealised exchange losses on borrowings		–	(11,484)	(11,484)
Share of profits of associates		2,972	–	2,972
Segment surplus before tax		14,486	35,746	50,232
Tax charge				(11,563)
Surplus for the period				38,669
Segment assets and liabilities				
Investment in associates		3,818	–	3,818
Other assets		1,019,278	2,297,175	3,316,453
Segment assets		1,023,096	2,297,175	3,320,271
Tax assets				6,496
Total assets				3,326,767
Segment liabilities		(885,631)	(794,716)	(1,680,347)
Tax liabilities				(9,396)
Total liabilities				(1,689,743)

3. SEGMENTAL ANALYSIS CONTINUED

A) Information by business segment continued	Note	Six months ended 30 June 2012 (restated) Corporation of Lloyd's £000	Lloyd's Central Fund £000	Society total £000
Segment income				
Total income		101,874	94,974	196,848
Segment operating expenses				
Central Fund claims and provisions incurred	3(II)	–	(26,497)	(26,497)
Gross insurance claims incurred		(6,996)	–	(6,996)
Insurance claims recoverable from reinsurers		6,986	–	6,986
Other group operating expenses:				
– Employment (including pension costs)		(48,379)	–	(48,379)
– Premises		(20,046)	–	(20,046)
– Legal and professional		(5,199)	(392)	(5,591)
– Systems and communications		(10,267)	–	(10,267)
– Other		(10,965)	(3,434)	(14,399)
Total other group operating expenses		(94,856)	(3,826)	(98,682)
Total segment operating expenses		(94,866)	(30,323)	(125,189)
Total segment operating surplus		7,008	64,651	71,659
Finance costs	4(I)	(22)	(30,986)	(31,008)
Finance income	4(II)	949	50,150	51,099
Unrealised exchange gains on borrowings		–	6,604	6,604
Share of profits of associates		2,463	–	2,463
Segment surplus before tax		10,398	90,419	100,817
Tax charge				(23,476)
Surplus for the period				77,341
Segment assets and liabilities				
Investment in associates		3,576	–	3,576
Other assets		837,627	2,444,420	3,282,047
Segment assets		841,203	2,444,420	3,285,623
Tax assets				2,676
Total assets				3,288,299
Segment liabilities		(719,135)	(980,014)	(1,699,149)
Tax liabilities				(22,112)
Total liabilities				(1,721,261)

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL ANALYSIS CONTINUED

		Full year 2012 (audited) (restated)		
A) Information by business segment continued	Note	Corporation of Lloyd's £000	Lloyd's Central Fund £000	Society total £000
Segment income				
Total income		214,388	105,636	320,024
Segment operating expenses				
Central Fund claims and provisions incurred	3(II)	–	(26,447)	(26,447)
Gross claims incurred		(11,695)	–	(11,695)
Claims recoverable from reinsurers		11,801	–	11,801
Other group operating expenses:				
– Employment (including pension costs)		(98,128)	–	(98,128)
– Premises		(40,660)	–	(40,660)
– Legal and professional		(13,472)	(598)	(14,070)
– Systems and communications		(22,826)	–	(22,826)
– Other		(24,615)	(5,377)	(29,992)
Total other group operating expenses		(199,701)	(5,975)	(205,676)
Total segment operating expenses		(199,595)	(32,422)	(232,017)
Total segment operating surplus		14,793	73,214	88,007
Finance costs	4(I)	(77)	(62,121)	(62,198)
Finance income	4(II)	1,803	113,052	114,855
Unrealised exchange gains on borrowings		–	6,107	6,107
Share of profits of associates		5,945	–	5,945
Segment surplus before tax		22,464	130,252	152,716
Tax charge				(34,169)
Surplus for the year				118,547
Segment assets and liabilities				
Investment in associates		6,422	–	6,422
Other assets		874,079	2,442,449	3,316,528
Segment assets		880,501	2,442,449	3,322,950
Tax assets				6,692
Total assets				3,329,642
Segment liabilities		(766,034)	(954,721)	(1,720,755)
Tax liabilities				(16,574)
Total liabilities				(1,737,329)

3. SEGMENTAL ANALYSIS CONTINUED

A summary of changes in the Society's net central assets is shown in the table below:

B) Net central assets	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Full year 2012 (audited) £000
Central Fund			
Net assets 1 January	**1,459,883**	1,361,110	1,361,110
Operating surplus	**74,472**	63,571	71,050
Intra-group transactions	**805**	1,082	2,164
Net finance income	**(39,530)**	25,767	57,038
Tax charge	**(8,305)**	(21,910)	(31,479)
Net assets as at 30 June/31 December	**1,487,325**	1,429,620	1,459,883
Corporation of Lloyd's and subsidiary undertakings	**149,699**	137,418	132,430
Net Society assets at 30 June/31 December	**1,637,024**	1,567,038	1,592,313
Subordinated notes	**335,132**	502,541	503,322
Perpetual subordinated capital securities	**390,228**	389,781	390,006
Net central assets excluding subordinated debt liabilities	**2,362,384**	2,459,360	2,485,641

(I) Central Fund contributions from members and Corporation of Lloyd's subscriptions

During the six months ended 30 June 2013, members paid to the Central Fund (Central Fund contributions) and to the Corporation of Lloyd's (subscriptions) at 0.5% of business plan premium. The ultimate amounts to be retained by the Central Fund and the Corporation of Lloyd's for 2013 will be based on actual 2013 written premiums, of members, the quantification of which will not be known until 2015. The £104m (Central Fund contributions) and £52m (subscriptions) included in the 2013 interim group income statement are based on present best estimates of the ultimate amounts that will be retained by the Central Fund and the Corporation of Lloyd's respectively.

(II) Central Fund claims and provisions

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Full year 2012 (audited) £000
Net undertakings granted	**(28,231)**	(26,494)	(26,494)
Provisions (incurred)/released in respect of Limited Financial Assistance Agreements	**–**	(3)	47
Central Fund claims and provisions incurred	**(28,231)**	(26,497)	(26,447)

The Council of Lloyd's has given undertakings with financial limits to certain corporate members to use the New Central Fund to discharge the liability of those members where they have unpaid cash calls and do not have the resources to meet those cash calls. The purpose of these undertakings is primarily to allow valid claims made on policies underwritten by those insolvent members to continue to be paid in full. Undertakings are accounted for when they are approved by the Council and become contractual commitments. These undertakings are granted wholly at the discretion of the Council principally on an annual basis and therefore are not deemed constructive obligations, except for renewals of commitments previously granted.

For those corporate members in provisional liquidation, the Council has also provided supporting commitments to ensure that in no circumstance will an insurance creditor receive less than the amount it would have received in a winding up commencing on the date of the provisional liquidation. As the supporting undertakings are legally enforceable commitments, an estimate of their value, if applicable, has been included within provisions in the group interim financial statements and changes during the period are reflected in the group income statement, shown in the table above.

During the six months to 30 June 2013, undertakings of £15m were paid to corporate members (30 June 2012: £3m; 31 December 2012: £20m).

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

4. FINANCE

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Full year 2012 (audited) £000
(I) Finance costs			
Deficit on subordinated debt repurchase	**(15,162)**	–	–
Interest payable on financial liabilities measured at amortised cost	**(29,694)**	(30,476)	(61,103)
Other interest payable and similar charges	**(32)**	(22)	(77)
Amortisation of issue costs and discount	**(510)**	(510)	(1,018)
	(45,398)	(31,008)	(62,198)
(II) Finance income			
Interest and similar income	**28,886**	28,482	57,598
Dividends received	**2,324**	1,873	3,533
(Loss)/gain on investments including unrealised movement of forward currency contracts	**(14,123)**	19,858	50,629
Movement in loans recoverable	**1,023**	886	3,095
	18,110	51,099	114,855

(III) Subordinated debt repurchase
During 2013, the Society of Lloyd's repurchased a principal amount of £179,962,000 of its outstanding debt securities at a cost of £195,124,000. The Society additionally paid accrued interest on the purchased securities. The loss on the repurchase was £15,162,000. There was no repurchase of debt securities during 2012.

5. TAXATION

A) Analysis of total tax charge	Six months ended 30 June 2013 £000	Restated Six months ended 30 June 2012 £000	Restated Full year 2012 (audited) £000
Current tax:			
Corporation tax based on profits for the period at 23.25% (2012: 24.5%)	**(12,954)**	(26,542)	(37,041)
Adjustments in respect of previous periods	**(10)**	–	(1,132)
Foreign tax suffered	**(127)**	109	(194)
Total current tax	**(13,091)**	(26,433)	(38,367)
Deferred tax:			
Origination and reversal of timing differences:			
– Current year	**1,514**	2,948	4,246
– Prior year	**14**	9	(48)
Tax charge recognised in the group income statement	**(11,563)**	(23,476)	(34,169)
Analysis of tax (charge)/credit recognised in the group statement of comprehensive income:			
Deferred tax:			
Unrealised gain on revaluation of Lloyd's collection	**–**	–	128
Tax (charge)/credit on actuarial loss on pension liabilities			
– Group	**(1,786)**	(2,545)	102
– Associates	**(20)**	168	(41)
Tax (charge)/credit recognised in the group statement of comprehensive income	**(1,806)**	(2,377)	189
Total tax charge	**(13,369)**	(25,853)	(33,980)

5. TAXATION CONTINUED

B) Reconciliation of effective tax rate	Six months ended 30 June 2013 £000	Restated Six months ended 30 June 2012 £000	Restated Full year 2012 (audited) £000
Surplus on ordinary activities before tax	**50,232**	100,817	152,716
Corporation tax at 23.25% (2012: 24.5%)	**(11,679)**	(24,700)	(37,415)
Expenses not deductible for tax purposes	**(546)**	(1,286)	(459)
Utilisation of tax credits	**29**	87	170
Overseas tax	**(127)**	109	(194)
Other	**756**	609	1,717
Deferred tax adjustments relating to change in tax rate	**–**	1,696	3,192
Deferred tax prior year adjustments	**14**	9	(48)
Adjustments in respect of previous years	**(10)**	–	(1,132)
Tax charge	**(11,563)**	(23,476)	(34,169)

The UK corporation tax rate was reduced to 23% from 1 April 2013 and this has been reflected in the amounts recognised at 30 June 2013. The tax rate is due to reduce by a further 2% each year down to 21% in April 2014, then a further 1% down to 20% in April 2015. These further reductions were not substantively enacted at 30 June 2013 and are therefore not reflected in the amounts recognised at that date. Disclosure is required if the effect is material. It is estimated that these future changes will reduce the net deferred tax asset by £1.28m.

6. PENSION ASSETS/LIABILITIES

The Corporation of Lloyd's operates a defined benefit pension scheme with assets held in a separately administered fund, the Lloyd's Pension Scheme. On an IAS 19R 'Employee Benefits' valuation basis, the pension scheme deficit at 30 June 2013 was £38m (30 June 2012: deficit of £22m; 31 December 2012: deficit of £43m) before the allowance of deferred tax. An actuarial gain of £8m has been recognised in the six months ended 30 June 2013 (30 June 2012: actuarial gain £3m; 31 December 2012: actuarial loss £16m).

Following the adoption of the revised IAS 19R 'Employee Benefits', the Society has restated comparative periods above. See note 2 for further details.

The Corporation of Lloyd's also operates a number of defined benefit plans for qualifying employees based overseas. The total deficit of these pension schemes as at 30 June 2013 is £2m (30 June 2012: £1m; 31 December 2012: £2m).

7. FINANCIAL INVESTMENTS

	30 June 2013 £000	30 June 2012 £000	31 December 2012 (audited) £000
Statutory insurance deposits	**563,984**	438,887	508,463
Other investments	**2,316,734**	2,281,887	2,333,592
	2,880,718	2,720,774	2,842,055

A) Statutory insurance deposits

	30 June 2013 Securities £000	30 June 2013 Deposits £000	30 June 2013 Total £000	30 June 2012 £000	31 December 2012 (audited) £000
Market value at 1 January	**92,640**	**415,823**	**508,463**	361,817	361,817
Additions at cost	**433,046**	**31,821**	**464,867**	413,194	757,903
Disposal proceeds	**(275,072)**	**(148,264)**	**(423,336)**	(334,897)	(602,342)
Surplus/(deficit) on the sale and revaluation of investments	**4,417**	**9,573**	**13,990**	(1,227)	(8,915)
Market value	**255,031**	**308,953**	**563,984**	438,887	508,463

	30 June 2013 Cost £000	30 June 2013 Valuation £000	30 June 2012 Cost £000	30 June 2012 Valuation £000	31 December 2012 (audited) Cost £000	31 December 2012 (audited) Valuation £000
Analysis of government securities at period end:	**254,730**	**255,031**	133,994	133,707	92,379	92,640

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

7. FINANCIAL INVESTMENTS CONTINUED

B) Other investments

	30 June 2013 Corporation of Lloyd's £000	30 June 2013 Lloyd's Central Fund £000	30 June 2013 Total £000	30 June 2012 Total £000	31 December 2012 (audited) Total £000
Market value at 1 January	**86,021**	**2,247,571**	**2,333,592**	2,322,468	2,322,468
Additions at cost	**–**	**972,716**	**972,716**	606,148	1,433,621
Increase/(decrease) in short-term deposits	**59,970**	**14,802**	**74,772**	(9,063)	(20,994)
Disposal proceeds	**(11,408)**	**(1,097,345)**	**(1,108,753)**	(629,009)	(1,413,561)
Surplus on the sale and revaluation of investments	**(752)**	**45,159**	**44,407**	6,780	12,058
Reclassification to cash and cash equivalents	**–**	**–**	**–**	(15,437)	–
Market value	**133,831**	**2,182,903**	**2,316,734**	2,281,887	2,333,592
Analysis of securities at period end:					
Listed securities					
Fixed interest:					
– Government	**57,657**	**594,424**	**652,081**	1,057,355	1,032,213
– Corporate securities	**8,780**	**1,012,221**	**1,021,001**	768,607	834,339
– Emerging markets	**–**	**60,108**	**60,108**	48,727	56,677
– High yield	**–**	**42,807**	**42,807**	41,662	38,011
	66,437	**1,709,560**	**1,775,997**	1,916,351	1,961,240
Equities:					
– Global	**–**	**250,582**	**250,582**	160,973	174,141
– Emerging markets	**–**	**46,608**	**46,608**	40,220	45,476
	–	**297,190**	**297,190**	201,193	219,617
Total listed securities	**66,437**	**2,006,750**	**2,073,187**	2,117,544	2,180,857
Unlisted securities:					
– Hedge funds	**–**	**93,198**	**93,198**	75,643	75,402
– Commodities	**–**	**38,957**	**38,957**	40,149	40,713
– Short-term deposits	**67,394**	**23,998**	**91,392**	28,551	16,620
– Security deposits	**–**	**20,000**	**20,000**	20,000	20,000
Total unlisted securities	**67,394**	**176,153**	**243,547**	164,343	152,735
Market value	**133,831**	**2,182,903**	**2,316,734**	2,281,887	2,333,592

C) Fair value hierarchy

	30 June 2013 Level 1 £000	30 June 2013 Level 2 £000	30 June 2013 Level 3 £000	30 June 2013 Total £000
Financial investments at fair value through profit or loss				
Statutory insurance deposits (note 7A)				
Listed securities	**–**	**2,778**	**–**	**2,778**
Unlisted securities	**–**	**252,253**	**–**	**252,253**
Deposits with credit institutions	**–**	**308,953**	**–**	**308,953**
Other investments (note 7B)				
Listed securities	**753,165**	**1,022,832**	**–**	**1,775,997**
Equity investments	**297,190**	**–**	**–**	**297,190**
Unlisted securities	**–**	**132,155**	**–**	**132,155**
Deposits with credit institutions	**111,392**	**–**	**–**	**111,392**
Market value at 30 June 2013	**1,161,747**	**1,718,971**	**–**	**2,880,718**

7. FINANCIAL INVESTMENTS CONTINUED

C) Fair value hierarchy continued

	30 June 2012			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial investments at fair value through profit or loss				
Statutory insurance deposits (note 7A)				
Listed securities	–	2,830	–	2,830
Unlisted securities	–	130,877	–	130,877
Deposits with credit institutions	–	305,180	–	305,180
Other investments (note 7B)				
Listed securities	1,147,744	768,607	–	1,916,351
Equity investments	201,193	–	–	201,193
Unlisted securities	–	115,792	–	115,792
Deposits with credit institutions	48,551	–	–	48,551
Market value at 30 June 2012	1,397,488	1,323,286	–	2,720,774

	31 December 2012 (audited)			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial investments at fair value through profit or loss				
Statutory insurance deposits (note 7A)				
Listed securities	–	2,729	–	2,729
Unlisted securities	–	89,911	–	89,911
Deposits with credit institutions	–	415,823	–	415,823
Other investments (note 7B)				
Listed securities	1,126,901	834,339	–	1,961,240
Equity investments	219,617	–	–	219,617
Unlisted securities	–	116,115	–	116,115
Deposits with credit institutions	36,620	–	–	36,620
Market value at 31 December 2012	1,383,138	1,458,917	–	2,842,055

Level 1

Inputs to Level 1 fair values are quoted prices in active markets for identical assets. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (ie as prices) or indirectly (ie derived from prices) and fair value is determined through the use of models or other valuation methodologies. Level 2 inputs include; quoted prices for similar (ie not identical) assets in active markets, quoted prices for identical or similar assets in markets that are not active or in which little information is released publicly, unlisted deposits held with credit institutions in active markets, low volatility hedge funds where tradeable net asset values are published.

There have been no significant transfers between levels 1 and 2 for the periods ended 30 June 2013, 30 June 2012 and 31 December 2012.

The impact of fair value movements during the periods are recognised within finance income in the group income statement.

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

8. SUBORDINATED NOTES AND PERPETUAL SUBORDINATED CAPITAL SECURITIES

	30 June 2013 £000	30 June 2012 £000	31 December 2012 (audited) £000
Details of loans payable wholly or partly after more than five years:			
6.875% subordinated notes of £153m maturing 17 November 2025	**153,241**	300,000	300,000
5.625% subordinated notes of €214m maturing 17 November 2024	**183,242**	204,438	204,935
7.421% perpetual subordinated capital securities of £392m redeemable on 21 June 2017	**392,013**	392,013	392,013
	728,496	896,451	896,948
Less issue costs to be charged in future years	**(2,700)**	(3,474)	(3,079)
Less discount on issue to be unwound in future years	**(436)**	(655)	(541)
	725,360	892,322	893,328

Subordinated debt repurchases
During 2013, the Society of Lloyd's repurchased principal amounts of £146,759,000 and €38,878,000 (£33,203,000).

Fair Values
The fair value (based on quoted offer prices) of subordinated debt is £800.3m (30 June 2012: £856.6m; 31 December 2012: £965.9m).

9. RELATED PARTY TRANSACTIONS

The group interim financial statements include the financial statements of the Society and all of its subsidiary undertakings, the Lloyd's Central Fund and the group's interests in its associates and joint venture.

Services provided to Ins-sure Holdings Limited group in the period ended 30 June 2013 included operating systems support and development, premises and other administrative services.

Services provided to Xchanging Claims Services Limited group in the period ended 30 June 2013 included premises and other administrative services.

Services provided to The Message Exchange Limited in the period ended 30 June 2013 included the provision of messaging infrastructure.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial periods/years together with information regarding the outstanding balances at 30 June 2013, 30 June 2012 and 31 December 2012.

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Full year 2012 (audited) £000
Sales to related parties			
Associates:			
– Ins-sure Holdings Limited	**142**	138	277
– Xchanging Claims Services Limited	**54**	36	107
Joint venture:			
– The Message Exchange Limited	**–**	–	–
Purchases to related parties			
Associates:			
– Ins-sure Holdings Limited	**2,706**	265	816
– Xchanging Claims Services Limited	**8**	32	36
Joint venture:			
– The Message Exchange Limited	**490**	455	942
Amounts owed by related parties			
Associates:			
– Ins-sure Holdings Limited	**23**	22	4
– Xchanging Claims Services Limited	**3**	9	41
Joint venture:			
– The Message Exchange Limited	**25**	25	25
Amounts owed to related parties			
Associates:			
– Ins-sure Holdings Limited	**80**	–	–
– Xchanging Claims Services Limited	**–**	–	5
Joint venture:			
– The Message Exchange Limited	**93**	75	75

Transactions with associates and joint arrangements are priced on an arm's length basis.

In the normal course of business, the Society may enter into transactions with Lloyd's market businesses in which members of Council and the Franchise Board may have an interest. Such transactions are on an arm's length basis.

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

10. CONTINGENT LIABILITIES

(a) General average guarantees have been given on behalf of, and secured by, Lloyd's underwriters. It is estimated that the aggregate of the liabilities attaching to these guarantees at 30 June 2013 amounted to £26.5m (30 June 2012 £25.6m; 31 December 2012 £24.4m).

(b) The Society has taken on the responsibilities of some individual members under hardship and other agreements.

In connection with the statutory transfer to Equitas Insurance Limited on 30 June 2009 of the non-life business underwritten at Lloyd's and allocated to 1992 or prior years of account, the Society has entered into undertakings for the benefit of certain policyholders of Equitas Insurance Limited (former policyholders of PCW syndicates or of members who at the material time still have the benefit of hardship or other agreements with the Society), under which the Society would meet any shortfall in recoveries by such policyholders from Equitas Insurance Limited on the occurrence of an 'Equitas Insolvency Event'.

The Society has also given an unlimited undertaking to its subsidiary undertaking Centrewrite Limited to meet any shortfall in its cash flow or assets (including any shortfall arising from an insufficiency of recoveries from Equitas Reinsurance Limited under its reinsurance of the obligations of Centrewrite to Equitas Insurance Limited).

(c) Uncollateralised bank guarantees and other arrangements have been entered into by the Society and its subsidiary undertakings to provide security in connection with the underwriting activities of the members of Lloyd's in the countries shown:

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000	Full year 2012 (audited) £000
Guarantees provided by the Society:			
US: US$1,500,000 (2012: US$1,500,000)	**989**	956	923

The Society has also entered into other arrangements in connection with the rental of office space in overseas countries.

In respect of all contingent liabilities disclosed as at 30 June 2013, no provision has been made in the Society financial statements.

INDEPENDENT REVIEW REPORT TO THE SOCIETY OF LLOYD'S

INTRODUCTION

We have been engaged by the Council of Lloyd's to review the Society of Lloyd's condensed set of financial statements in the Society of Lloyd's group interim financial statements for the six months ended 30 June 2013, which comprises the group income statement, group statement of comprehensive income, group statement of financial position, group statement of changes in equity, group statement of cash flow and related notes. We have read the other information contained in the Society of Lloyd's group interim financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

COUNCIL OF LLOYD'S RESPONSIBILITY[1,2]

The Society of Lloyd's group interim financial statements are the responsibility of, and have been approved by, the Council of Lloyd's. The Council of Lloyd's are responsible for preparing the Society of Lloyd's group interim financial statements in order to fulfil their commitment to make the Society of Lloyd's more transparent and comparable to its peers.

As disclosed in note 1, the annual financial statements of the Society of Lloyd's are prepared in accordance with IFRS as adopted by the EU. The condensed set of financial statements included in this Society of Lloyd's group interim financial statements has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the EU.

OUR RESPONSIBILITY

Our responsibility is to express to the Society of Lloyd's a conclusion on the condensed set of financial statements in the Society of Lloyd's group interim financial statements based on our review. This report, including the conclusion, has been prepared for and only for the Council of Lloyd's for the purpose of fulfilling their commitment to make the Society of Lloyd's more transparent and comparable to its peers and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Society of Lloyd's group interim financial statements for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the EU.

PRICEWATERHOUSECOOPERS LLP
Chartered Accountants
25 September 2013
London

1 The maintenance and integrity of the Lloyd's website is the responsibility of the Council of Lloyd's; the work carried out by PricewaterhouseCoopers LLP does not involve consideration of these matters and, accordingly, PricewaterhouseCoopers LLP accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

NOTES

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Lloyd's One Lime Street London EC3M 7HA Telephone +44 (0)20 7327 1000 Fax +44 (0)20 7626 2389 www.lloyds.com