LLOYD'S

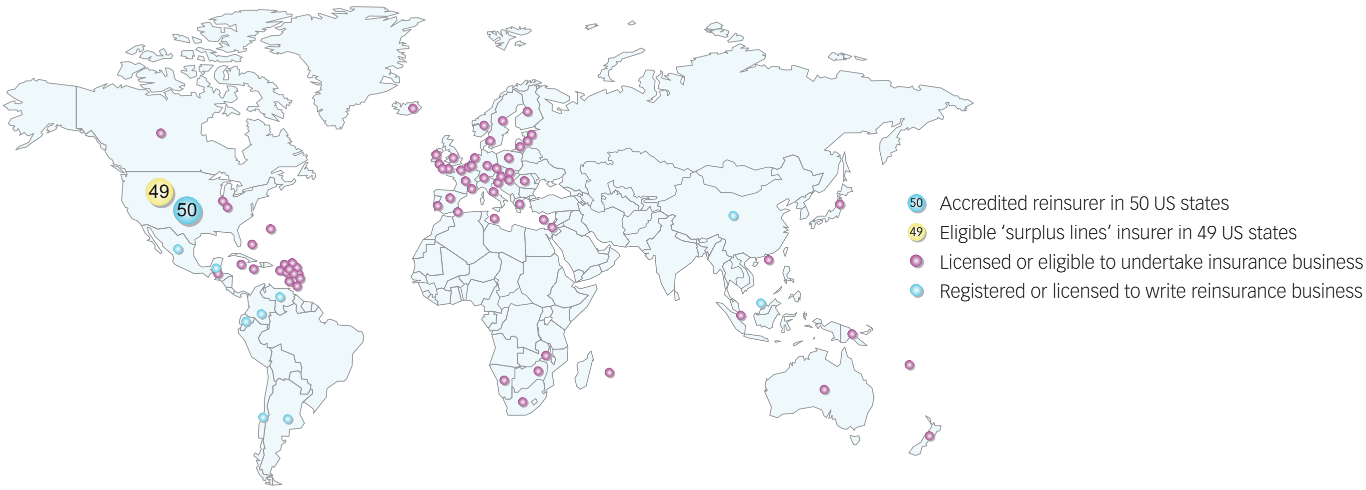
INTERIM REPORT

SIX MONTHS ENDED 30 JUNE 2007

IN BRIEF

WWW.LLOYDS.COM/2007INTERIMS

LLOYD'S LICENCES



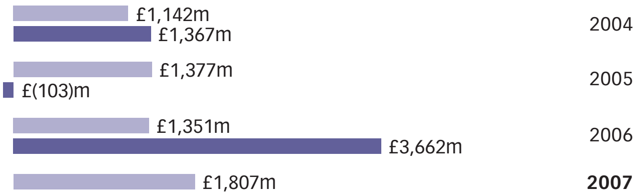
FINANCIAL HIGHLIGHTS

- Profit of £1.8bn for the interim period and a combined ratio of 82.9% reflecting profitable underwriting conditions and releases from claims reserves for prior years.
- Lloyd's financial strength ratings upgraded.
- Central assets further strengthened through the issue in June of £500m Tier 1 subordinated debt.
- Equitas-Berkshire Hathaway reinsurance transaction – phase 1 completed.
- Official opening of Lloyd's onshore reinsurance operation in China.

HALF YEAR FULL YEAR

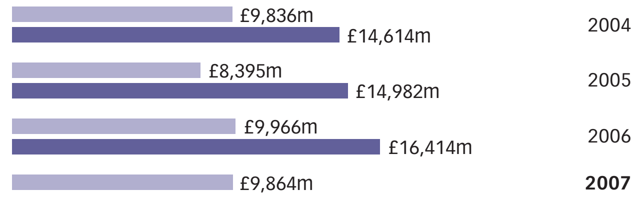
PROFIT BEFORE TAX

£1,807m



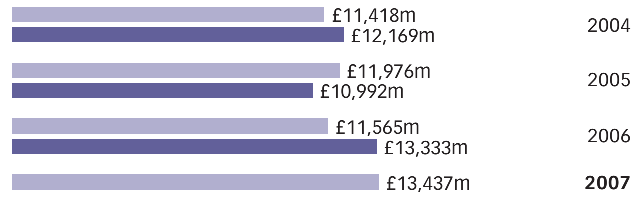
GROSS PREMIUMS WRITTEN

£9,864m



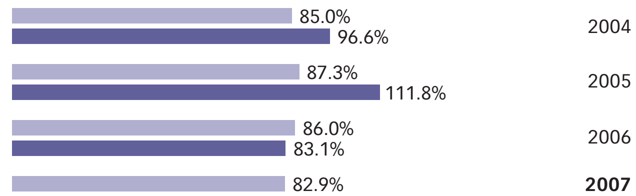
CAPITAL, RESERVES AND SUBORDINATED DEBT AND SECURITIES

£13,437m



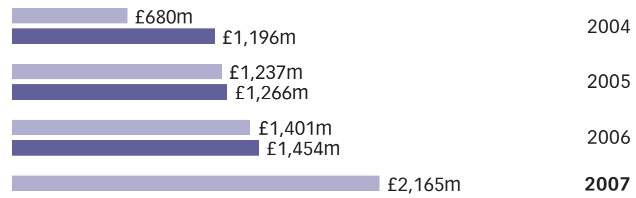
COMBINED RATIO

82.9%



CENTRAL ASSETS

£2,165m



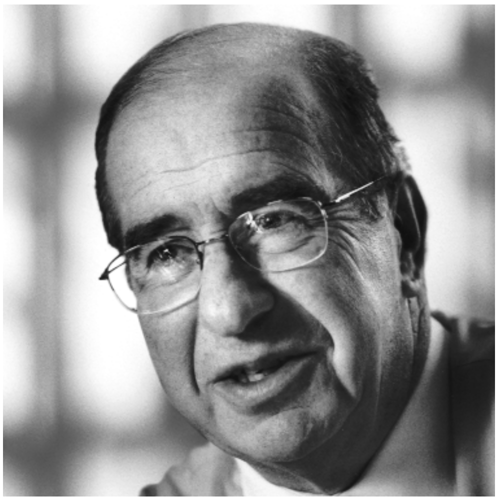
CONTENTS

ifc Financial highlights
02 The Chairman and Chief Executive Officer's statement
04 Market commentary

Market results
06 Lloyd's interim report
07 Pro forma profit and loss account
08 Pro forma balance sheet
09 Pro forma cash flow statement
10 Notes to the interim pro forma financial statements
13 Report of Ernst & Young LLP to the Council of Lloyd's

Society of Lloyd's group interim financial statements
15 Group income statement
15 Group statement of recognised income and expense
16 Group balance sheet
17 Group cash flow statement
18 Notes to the group interim financial statements
24 Independent review report to the Society of Lloyd's

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT



Peter Levene, Chairman

Richard Ward, Chief Executive Officer

The profit of £1.8bn reported by the Lloyd's market is driven by the favourable rating environment in 2006, together with the release of prior year claims reserves and good investment returns. This is tempered by the weaker but still profitable, underwriting conditions experienced in the first six months of 2007. As a result, profits have improved by 34% year-on-year (June 2006: £1.4bn).

Lloyd's combined ratio strengthened in the first half of the year to 82.9% (June 2006: 86.0%), and continued to outperform our major peer groups.

Our full year result will be strongly influenced by, amongst other things, catastrophe claims activity in the last three months of the year. We are currently in the middle of the US hurricane and Asian typhoon seasons and it is impossible to predict what impact they may have.

The absence of severe catastrophic activity in the past 18 months merely reinforces the need for a continued focus on underwriting discipline, as the benign environment puts downward pressure on rates. All classes are now experiencing softening market conditions, although those lines affected by the 2005 windstorms remain under less pressure than non-catastrophe exposed classes.

Strength of the market

The strength and attractiveness of the market was recognised by three rating agency upgrades. Fitch Ratings and Standard & Poor's upgraded Lloyd's financial strength rating to 'A+' and A.M. Best affirmed the financial strength rating of 'A' and upgraded the issuer credit rating to 'A+'. The upgrades are testament to the success of the ongoing work to improve and strengthen Lloyd's financial position, brand and licences. Standard & Poor's praised Lloyd's strong competitive position, operating performance, capitalisation and greater financial flexibility, citing the recent Equitas deal as a key factor in their decisions. The transaction which Equitas agreed with National Indemnity, a subsidiary of Berkshire Hathaway, once completed, will end the contingent legal liabilities of Lloyd's and bring finality to members reinsured by Equitas.

The successful issue of £500m of Tier 1 debt was also evidence of a continued confidence in Lloyd's. It enabled over £300m of syndicate loans to be repaid in July, providing greater financial flexibility and liquidity, enhancing members' return on capital and helping to further strengthen Lloyd's capital framework.

The strength of the Central Fund has enabled us to reduce contributions from 1% of capacity (approximately £160m) to 0.5% (approximately £80m) for 2008 – a year earlier than originally expected.

Competitive edge

Our Three-Year Plan continues to be the blueprint for ensuring our future competitiveness. We achieved a number of important milestones in the first half of the year including the opening of Lloyd's onshore reinsurance operation in China and the implementation of underwriting, claims and risk management standards.

“IT IS VITAL FOR THE FUTURE OF THE MARKET THAT EVERY BUSINESS THAT OPERATES HERE MOVES TO ELECTRONIC PROCESSING.”

A key priority remains the improvement of our business processes. While good progress has been made ensuring that the right technology is available to the market through the provision of the Electronic Claims File and the Accounting and Settlement and Lloyd’s Wordings repository, the move from paper-based to electronic processing is still not fast enough. It is vital for the future of the market that every business that operates here moves to electronic processing. We will not hesitate from taking tough action to make sure that this happens.

As economies grow around the world we need to ensure that Lloyd’s is well placed to participate in and support local insurance markets. In addition to China, we are exploring other opportunities around the world.

Leading the way

We recently appointed two new directors to complete the Executive Team. Sue Langley has joined as Director, Market Operations and North America. She will be building on the progress we have made so far in reforming our processes, as well as being responsible for Lloyd’s offices in the US and Canada.

Jose Ribeiro has joined as Director, International Markets and Business Development. He will play an important role in promoting the market across the globe, seeking new business opportunities and monitoring the development of emerging markets. He will manage all of Lloyd’s international operations outside of the US and Canada.

Conclusion

The 2007 Atlantic hurricane season has already experienced two category five hurricanes and, together with severe flooding in the UK and Australia and a category five cyclone off the Oman peninsular, serves to reinforce the potential for heightened frequency and severity of extreme weather conditions around the world.

In addition, despite recent excellent performance, the softening of rates across all classes of business emphasises that the need to manage the cycle and to focus on underwriting for profit should remain at the top of the agenda.

Peter Levene, Chairman

Richard Ward, Chief Executive Officer
26 September 2007

MARKET COMMENTARY

Gross written premiums for the six months to June 2007 were £9,864m (June 2006: £9,966m). Whilst profitable margins remain in most classes of business, particularly property direct and treaty, increasing competition across many areas has resulted in varying degrees of softening in the market.

The underwriting result for the first six months of 2007 increased by 29% to £1,096m (June 2006: £852m). This is due to a combination of a benign claims environment together with premiums written at favourable 2006 rates earning through into 2007.

The Lloyd's market achieved an accident year combined ratio for the six months to June 2007 of 89.2% (June 2006: 86.3%), which along with a 6.3% prior year reserve release (June 2006: 0.3%) resulted in an overall combined ratio of 82.9% (June 2006: 86.0%).

The accident year ratio has increased due to the catastrophe activity in the first six months, albeit limited, and a marginal increase in attritional losses.

The recent severe flooding in the UK in June and July has resulted in industry loss estimates ranging from £2.25bn to £3.25bn. However, Lloyd's has a relatively small proportion of the overall market for direct UK property business and as a result of retention levels, the main impact of this loss will be borne by the primary insurers. While the ultimate loss will depend on factors such as post-loss claims inflation and business interruption, the current estimate of the impact to the Lloyd's market is in the order of £250m, of which £128m relates to the June floods and is reflected in the interim results.

Industry estimates for Windstorm Kyrill, which swept across northern Europe on 18 January, have stabilised around €5bn. The current estimate of the impact to the Lloyd's market is £77m.

Overall, claims development in prior years has been lower than expected, leading to a surplus that reduced the combined ratio by 6.3% (June 2006: 0.3%). The claims reserves for the 2005 US storms are showing signs of stabilisation, with a deterioration of £75m (June 2006: £208m). This has been more than offset by releases from other areas, particularly from reserves established in 2002 to 2004.

Investment review

Syndicate assets are invested primarily in cash and fixed interest securities of high credit quality. This conservative investment approach reflects the purpose of syndicate assets – to be available to meet valid claims. Some syndicates utilise limited exposures to more volatile asset classes, including equities, as part of a diversified investment portfolio, but the effect of these is limited. As at June 2007, cash and fixed interest investments made up 95% of the total. Of these, 98% had credit ratings of 'A' or higher.

Syndicate investments are made in the currencies in which insurance is written; therefore, sterling and US dollar investments dominate. Overall, syndicate investments produced a return of £480m, or 2.2% in the first half of 2007 (June 2006: £313m, 1.4%). This modest return reflects the level of prevailing bond yields, as well as the adverse effect of rising yield levels during the period, particularly in the UK. However, the short average duration of syndicate investments restricts the impact of such yield movements.

Global fixed interest markets have seen significant volatility in the weeks following this reporting period. Led by fears of default by US subprime mortgage borrowers, corporate debt securities generally have declined in value as investors reassess the risk of these investments. At the same time, the general level of yields has fallen substantially as expectations grow that interest rates will fall to address the crisis. Further volatility is possible and the outcome cannot be predicted. However, we expect the high credit quality of syndicate investments to minimise the impact of deteriorating credit conditions, while the fall in yields generally will, in the short term, have a positive impact on returns.

Impact of US$ exchange rate fluctuations

The US is the single largest market for Lloyd's and fluctuations in exchange rates impact the market's results. The US dollar has weakened during the period to a rate of exchange of 2.01 at the period end (December 2006: 1.96, June 2006: 1.85). This has led to a marginal decrease on written premiums in converted sterling terms.

Society of Lloyd's group interim financial statements

Net assets of the Society of Lloyd's (the 'Society') increased by £215m in the six months to 30 June 2007 to £1,172m. This includes a surplus for the period after taxation of £75m and the collection of £121m in syndicate loans, which are treated as part of the Society's equity. The £500m Tier 1 debt issue in June 2007 enabled all syndicate loans to be repaid in July 2007 and, as a consequence, net assets will reduce in the second half of 2007.

The result for the period reflects the Society's contribution to the Equitas-Berkshire Hathaway reinsurance transaction of £90m, of which £72m was paid in March 2007 and the balance of £18m is expected to be paid before 31 December 2009 as part of phase 2 of the transaction. This charge is offset by a substantially lower provision of £10m to meet claims on the Central Fund compared to £112m in the same period in 2006.

Operating expenses in total are materially unchanged from the comparative period in 2006 at £82m. We remain focused on delivering our objectives while maintaining cost discipline. Members' subscriptions for 2008 will remain at 0.50%.

Investment returns in the period reflect positive returns from equity investments and currency hedging and losses on fixed interest investments as bond yields have risen. A significant proportion of total assets are invested to immunise capital market risks arising on certain of the Society's liabilities. The overall gross investment return on central assets was 0.8% (2006: -0.4%).

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.

Interim pro forma financial statements (PFFS)

The PFFS are prepared so that the financial results of Lloyd's and its members taken together and their net assets can be compared with general insurance companies. The PFFS includes 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 2007 and include the syndicate level assets, which represent the first link in the Lloyd's chain of security.

The capital provided by members is held centrally as 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 underwriting 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 2007

Technical account	Six months ended 30 June 2007 £m	£m	Six months ended 30 June 2006 £m	£m	Full year 2006 £m	£m
Gross premiums written – continuing operations	**9,861**		9,975		16,390	
– discontinued operations	**3**		(9)		24	
		9,864		9,966		16,414
Outward reinsurance premiums		**(2,417)**		(2,406)		(3,213)
Premiums written, net of reinsurance		**7,447**		7,560		13,201
Change in the gross provision for unearned premiums	**(2,002)**		(2,557)		(644)	
Change in provision for unearned premiums, reinsurers' share	**979**		1,064		131	
		(1,023)		(1,493)		(513)
Earned premiums, net of reinsurance		**6,424**		6,067		12,688
Allocated investment return transferred from the non-technical account		**480**		313		957
		6,904		6,380		13,645
Claims paid						
Gross amount	**4,467**		6,108		11,718	
Reinsurers' share	**(1,417)**		(2,815)		(5,120)	
		3,050		3,293		6,598
Change in provision for claims						
Gross amount	**(838)**		(2,128)		(4,524)	
Reinsurers' share	**1,006**		2,123		4,145	
		168		(5)		(379)
Claims incurred, net of reinsurance		**3,218**		3,288		6,219
Acquisition costs	**1,998**		1,971		3,354	
Change in deferred acquisition costs	**(355)**		(443)		(163)	
Administrative expenses	**487**		375		910	
(Profit)/loss on exchange	**(20)**		24		226	
Net operating expenses		**2,110**		1,927		4,327
Balance on the technical account for general business		**1,576**		1,165		3,099
Attributable to:						
Continuing operations		**1,531**		1,101		3,032
Discontinued operations		**45**		64		67
Total		**1,576**		1,165		3,099
Non-technical account						
Balance on the technical account for general business		**1,576**		1,165		3,099
Syndicate investment return	**480**		313		957	
Notional investment return on funds at Lloyd's	**350**		258		651	
Investment return and other income on Society assets	**72**		26		121	
	902		597		1,729	
Allocated investment return transferred to the technical account	**480**		313		957	
		422		284		772
Contribution to Equitas-Berkshire Hathaway transaction		**(90)**		–		–
Other expenses		**(101)**		(98)		(209)
Profit on ordinary activities before tax		**1,807**		1,351		3,662

Statement of total recognised gains and losses	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Full year 2006 £m
Result for the financial period	**1,807**	1,351	3,662
Other recognised gains and losses	**10**	19	38
Total recognised gains and losses	**1,817**	1,370	3,700

PRO FORMA BALANCE SHEET

as at 30 June 2007

	30 June 2007		30 June 2006		31 December 2006	
	£m	**£m**	£m	£m	£m	£m
Financial investments						
Shares and other variable yield securities	**3,493**		2,304		3,078	
Debt securities and other fixed income securities	**18,471**		18,514		19,174	
Participation in investment pools	**702**		675		813	
Loans and deposits with credit institutions	**4,417**		4,244		4,093	
Other investments	**9**		14		7	
Total investments		**27,092**		25,751		27,165
Deposits with ceding undertakings		**9**		17		17
Reinsurers' share of technical provisions						
Claims outstanding	**8,020**		11,631		9,259	
Unearned premiums	**1,739**		1,715		771	
		9,759		13,346		10,030
Debtors						
Debtors arising out of direct operations	**4,238**		4,549		3,520	
Debtors arising out of reinsurance operations	**3,829**		4,674		3,190	
Other debtors	**425**		466		382	
		8,492		9,689		7,092
Other assets						
Tangible assets	**22**		18		22	
Cash at bank and in hand	**8,061**		8,103		7,926	
Other	**11**		25		20	
		8,094		8,146		7,968
Prepayments and accrued income						
Accrued interest and rent	**105**		93		98	
Deferred acquisition costs	**1,944**		1,897		1,582	
Other prepayments and accrued income	**215**		210		163	
		2,264		2,200		1,843
Total assets		**55,710**		59,149		54,115
Capital and reserves						
Members' funds at Lloyd's	**10,797**		11,121		11,282	
Members' balances	**475**		(957)		597	
Members' assets (held severally)	**11,272**		10,164		11,879	
Central reserves (mutual assets)	**1,172**		899		957	
		12,444		11,063		12,836
Subordinated debt		**498**		502		497
Subordinated perpetual capital securities		**495**		–		–
Capital, reserves and subordinated debt and securities		**13,437**		11,565		13,333
Technical provisions						
Provision for unearned premiums	**8,973**		9,089		7,024	
Claims outstanding	**29,085**		33,839		30,377	
		38,058		42,928		37,401
Deposits received from reinsurers		**33**		153		69
Creditors						
Creditors arising out of direct insurance operations	**780**		1,065		831	
Creditors arising out of reinsurance operations	**2,456**		2,545		1,643	
Other creditors including taxation	**759**		718		715	
		3,995		4,328		3,189
Accruals and deferred income		**187**		175		123
Total liabilities		**55,710**		59,149		54,115

PRO FORMA CASH FLOW STATEMENT

for the six months ended 30 June 2007

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Full year 2006 £m
Pro forma result for the period/year before tax	**1,807**	1,351	3,662
Depreciation	**1**	1	2
Realised and unrealised investment losses and foreign exchange	**245**	986	3,466
Net (purchase)/sale of investments	**(224)**	245	(3,770)
Notional return on funds at Lloyd's	**(350)**	(258)	(651)
Increase/(decrease) in technical provisions	**923**	84	(2,132)
(Increase)/decrease in debtors	**(1,848)**	(1,567)	838
Increase/(decrease) in creditors	**892**	(320)	(912)
Cash generated from operations	**1,446**	522	503
Income taxes received	**–**	10	2
Net cash from operating activities	**1,446**	532	505
Cash flows from financing activities			
Net profits paid to members	**(1,314)**	(1,384)	(1,654)
Net movement in funds at Lloyd's	**(485)**	915	1,076
Issue of subordinated perpetual capital securities	**496**	–	–
Interest paid	**(8)**	(5)	(46)
Net increase/(decrease) in cash holdings	**135**	58	(119)
Cash holdings at 1 January	**7,926**	8,045	8,045
Cash holdings at 30 June/31 December	**8,061**	8,103	7,926

NOTES TO THE INTERIM PRO FORMA FINANCIAL STATEMENTS
as at 30 June 2007

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 the Society of Lloyd's (the 'Society') and its members taken together and their net assets can be compared with 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 Society in accordance with UK GAAP. 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. The reports by syndicate auditors on the syndicate returns 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 held centrally as FAL, not at syndicate level, and is not, therefore, reported in the syndicate returns. FAL represent 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 forms the third link in Lloyd's chain of security (pages 15 to 23).

The profit and loss account in the PFFS, therefore, draws together the syndicate underwriting 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, therefore, the PFFS aggregate the results and resources of the Society and its members and reflects all the links in Lloyd's chain of security. The PFFS may, therefore, be used as a reasonable presentation of the results and resources of Lloyd's 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, therefore, 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
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.

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. The notional investment return 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.

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
(1) 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's group interim financial statements.

(2) Central Fund claims and provisions to discharge the liability of members where they have unpaid cash calls and do not have resources to meet those calls are reported as a profit and loss charge and balance sheet liability in the Society of Lloyd's group interim financial statements. The Central Fund other income includes recoveries from insolvent members. The syndicate returns include those members' results and balances.

(3) Syndicate loans to the Central Fund (and annual interest payments on the loans) are reported as assets (and accrued income) within the syndicate returns. The Society of Lloyd's group interim financial statements report the loans as equity and account for interest payable when the Council formally approves interest payments.

(4) Loans funding statutory overseas deposits are reported as assets within the syndicate returns and as liabilities in the Society of Lloyd's group interim financial statements.

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).

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 2006 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.

These policies are consistent with those adopted in the 2006 Annual Report.

C. Society of Lloyd's

The accounting policies used in the preparation of the PFFS are in accordance with UK GAAP and are consistent with those adopted in the 2006 Annual Report.

4. Variability

Movements in reserves are based upon best estimates as at 30 June 2007 taking into account all available information. 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 2007, the results for that business have also been reported as discontinued in the 2006 comparative figures.

6. Members' funds at Lloyd's

The valuation of members' funds at Lloyd's (FAL) in the balance sheet totals £10,797m (June 2006: £11,121m, December 2006: £11,282m).

The notional investment return on FAL included in the non-technical profit and loss account totals £350m (June 2006: £258m, December 2006: £651m).

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 £230m (June 2006: £207m, December 2006: £275m) in the technical account and a net loss of £119m (June 2006: £72m, December 2006: £88m) in the non-technical account.

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 2007 £m	Six months ended 30 June 2006 £m	Full year 2006 £m
Result per syndicate returns	**1,346**	959	2,825
Result of Society	**75**	17	84
Central Fund claims and provisions in Society financial statements	**10**	112	116
Central Fund recoveries from insolvent members	**(3)**	(1)	(20)
Taxation charge in Society accounts	**31**	7	7
Interest receivable on syndicate loans to Central Fund accrued in syndicate returns	**(2)**	(1)	(1)
Notional investment return on members' funds at Lloyd's	**350**	258	651
Result on ordinary activities pre-tax	**1,807**	1,351	3,662

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Full year 2006 £m
Result for the period	**1,807**	1,351	3,662
Other recognised gains and losses per syndicate returns	**(14)**	9	39
Other recognised gains and losses per Society financial statements	**24**	10	(1)
Total recognised gains and losses	**1,817**	1,370	3,700

	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
Net assets per syndicate returns	**640**	(911)	657
'Equity' of the Society	**1,172**	899	957
Central Fund claims and provisions in Society group financial statements	**170**	170	159
Members' funds at Lloyd's	**10,797**	11,121	11,282
Syndicate loans to Central Fund in syndicate returns	**(333)**	(215)	(214)
Interest receivable on syndicate loans to Central Fund accrued in syndicate returns	**(2)**	(1)	(5)
Capital and reserves per PFFS	**12,444**	11,063	12,836

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.

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 £5,730m (June 2006: £5,914m, Dec 2006: £5,851m).

REPORT OF ERNST & YOUNG LLP TO THE COUNCIL OF LLOYD'S ON THE INTERIM PRO FORMA FINANCIAL STATEMENTS

Introduction

In accordance with instructions issued to us by the Council of Lloyd's, we have reviewed the interim pro forma financial statements (the PFFS) for the six months ended 30 June 2007, 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 those instructions. Our review has been undertaken so that we might state to the Council those matters which we are required to state in this review report in accordance with the Council's instructions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the addressee of this review report, for our work, for this review report, or for the conclusions we have formed.

Respective responsibilities of the Council of Lloyd's and Ernst & Young LLP

The Council of Lloyd's is responsible for the preparation and approval of the PFFS. Our responsibility is to express a conclusion of this interim pro forma financial information based upon our review.

Scope of review

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 of the Council of Lloyd's and applying analytical procedures to the financial information and underlying financial data. It excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions as included in the PFFS. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that may be identified in an audit. Accordingly, we do not express an audit opinion.

The PFFS have been compiled in part from an aggregation of financial information extracted from syndicate returns prepared by the managing agent of each syndicate. These returns have been submitted to the Council of Lloyd's and the auditors of each syndicate have given a review opinion, as described in note 2. Those auditors' review reports are also substantially less in scope than an audit performed in accordance with International Auditing Standards and indicate that they are not aware of any material modifications that should be made to the financial information reported in the syndicate returns. We have relied absolutely on those reports by syndicate auditors. We have not audited those returns or those extractions. Our work is solely intended to enable us to make this report.

Conclusion

On the basis of the review, and in accordance with the instructions issued to us, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Ernst & Young LLP
More London Place
London
26 September 2007

Society of Lloyd's group interim financial statements

15 Group income statement
15 Group statement of recognised income and expense
16 Group balance sheet
17 Group cash flow statement
18 Notes to the group interim financial statements
24 Independent review report to the Society of Lloyd's

GROUP INCOME STATEMENT

for the six months ended 30 June 2007

	Note	**Six months ended 30 June 2007 £000**	Six months ended 30 June 2006 £000	Full year 2006 (Audited) £000
Operating income		**87,203**	84,852	171,498
Central Fund contributions		**166,001**	150,592	152,226
General insurance net premium income		**681**	685	2,834
Other group income		**34,143**	2,448	23,477
Total income		**288,028**	238,577	350,035
Central Fund claims and provisions	3 (iii)	**(10,331)**	(111,748)	(115,735)
Contribution to Equitas-Berkshire Hathaway transaction	3 (iv)	**(90,000)**	–	–
Gross insurance claims released/(incurred)		**17,003**	(56,970)	(55,461)
Insurance claims (payable to)/recoverable from reinsurers		**(16,926)**	57,046	56,804
Other operating expenses		**(82,251)**	(80,185)	(170,795)
Operating surplus	3	**105,523**	46,720	64,848
Finance costs	4	**(17,005)**	(17,747)	(28,955)
Finance income	4	**15,879**	(6,449)	52,818
Share of profits of associates		**1,918**	1,212	1,867
Surplus before tax		**106,315**	23,736	90,578
Tax charge	5	**(31,308)**	(7,175)	(7,012)
Surplus for the period/year		**75,007**	16,561	83,566

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the six months ended 30 June 2007

	Note	**Six months ended 30 June 2007 £000**	Six months ended 30 June 2006 £000	Full year 2006 (Audited) £000
Exchange difference on translating foreign operations		**(73)**	(53)	(17)
Actuarial gain/(loss) on pension liabilities – group	6	**32,959**	13,564	(1,867)
– associates		**832**	545	970
Tax on items taken directly to equity		**(9,535)**	(4,233)	193
Net income and expense recognised directly in equity		**24,183**	9,823	(721)
Surplus for the period/year		**75,007**	16,561	83,566
Total recognised income and expense for the period/year	8	**99,190**	26,384	82,845

GROUP BALANCE SHEET

as at 30 June 2007

	Note	**30 June 2007 £000**	30 June 2006 £000	31 December 2006 (Audited) £000
ASSETS				
Intangible assets		**364**	264	319
Lloyd's Collection		**9,710**	9,710	9,710
Property, plant and equipment		**12,735**	8,675	12,036
Deferred tax asset		**–**	4,476	7,423
Investment in associates		**4,732**	3,426	4,379
Reinsurance assets – Lioncover Insurance Company Limited		**396,185**	492,067	394,492
Reinsurance assets – Centrewrite Limited		**–**	243	–
Loans recoverable		**62,080**	62,217	62,201
Financial investments		**2,189,939**	1,474,638	1,499,290
Inventories		**169**	417	184
Trade and other receivables		**43,889**	44,584	26,568
Prepayments and accrued income		**19,198**	14,042	12,397
Tax receivable		**–**	–	6,759
Forward currency contracts		**5,171**	4,695	2,289
Cash and cash equivalents		**294,533**	273,628	210,298
Total assets		**3,038,705**	2,393,082	2,248,345
EQUITY AND LIABILITIES				
Equity				
Accumulated reserve	8	**829,679**	674,606	733,667
Syndicate loans	7	**332,571**	214,609	213,560
Revaluation reserve	8	**9,710**	9,710	9,710
Foreign currency translation reserve	8	**(74)**	(37)	(1)
Total equity		**1,171,886**	898,888	956,936
Liabilities				
Subordinated debt		**497,458**	502,317	497,374
Subordinated perpetual capital securities		**495,332**	–	–
Insurance contract liabilities – Lioncover Insurance Company Limited		**396,185**	492,067	394,492
Insurance contract liabilities – Centrewrite Limited		**12,400**	16,292	14,148
Pension liability		**12,692**	39,280	45,776
Deferred income tax liabilities		**7,310**	–	–
Provisions		**172,011**	173,633	162,160
Loans funding statutory insurance deposits		**102,754**	126,320	120,812
Trade and other payables		**70,713**	63,393	30,406
Accruals and deferred income		**78,454**	72,827	23,795
Tax payable		**16,728**	3,120	–
Forward currency contracts		**4,782**	4,945	2,446
Total liabilities		**1,866,819**	1,494,194	1,291,409
Total equity and liabilities		**3,038,705**	2,393,082	2,248,345

GROUP CASH FLOW STATEMENT

for the six months ended 30 June 2007

	Six months ended 30 June 2007 £000	Six months ended 30 June 2006 £000	Full year 2006 (Audited) £000
Cash flows from operating activities			
Operating surplus	**105,523**	46,720	64,848
Central Fund claims and provisions	**10,331**	111,748	115,735
Operating surplus before Central Fund claims and provisions	**115,854**	158,468	180,583
Adjustments for:			
Depreciation	**1,116**	942	1,966
Amortisation of intangible assets	**48**	59	167
Impairment losses	**–**	–	354
Loss on sale of fixed assets	**210**	5	51
Operating surplus before working capital changes and claims paid	**117,228**	159,474	183,121
(Increase)/decrease in receivables and prepayments	**(24,436)**	(8,125)	12,238
Decrease/(increase) in inventories	**15**	(16)	217
Increase/(decrease) in payables and deferred income	**84,329**	23,998	(46,190)
Increase/(decrease) in provisions other than for Central Fund claims	**5**	775	(1,925)
Cash generated from operations before claims paid	**177,141**	176,106	147,461
Claims paid in respect of corporate members	**–**	(120,714)	(131,099)
Tax and interest payments in respect of corporate members	**(15)**	(5)	(125)
Claims paid in respect of individual members	**(544)**	(503)	(1,274)
Claims paid in respect of Limited Financial Assistance Agreements	**(17)**	(785)	(2,270)
Cash generated from operations	**176,565**	54,099	12,693
Tax (paid)/received	**(98)**	9,946	1,836
Net cash from operating activities	**176,467**	64,045	14,529
Cash flows from investing activities			
Purchase of property, plant and equipment	**(1,934)**	(2,937)	(7,603)
Proceeds from the sale of equipment	**39**	70	83
Purchase of other financial assets	**(722,181)**	(371,633)	(392,681)
Dividends received from associates	**2,164**	2,329	2,329
Interest received	**36,324**	34,701	74,886
Dividends received	**2,755**	1,670	4,253
Net cash used in investing activities	**(682,833)**	(335,800)	(318,733)
Cash flows from financing activities			
Syndicate loan interest paid	**(7,639)**	(4,365)	(4,365)
Other interest paid	**(275)**	(792)	(46,515)
(Decrease)/increase in borrowings for statutory insurance deposits	**(22,303)**	20,165	20,165
Net proceeds from issue of subordinated perpetual capital securities	**496,160**	–	–
Receipt of syndicate loans	**121,107**	110,991	112,578
Net proceeds from financing activities	**587,050**	125,999	81,863
Net increase/(decrease) in cash and cash equivalents	**80,684**	(145,756)	(222,341)
Effect of exchange rates on cash and cash equivalents	**3,551**	2,275	15,530
Cash and cash equivalents at 1 January	**210,298**	417,109	417,109
Cash and cash equivalents at 30 June/31 December	**294,533**	273,628	210,298

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS
as at 30 June 2007

1 The group interim financial statements
The group interim financial statements of the Society were approved by the Council of Lloyd's on 26 September 2007. The group 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 balance sheet date.

The group interim financial statements for the six months ended 30 June 2007 and 30 June 2006 are unaudited. The independent review report, for the six months ended 30 June 2007 to the Society of Lloyd's is set out on page 24.

The auditors gave an unqualified report on the financial statements for the year ended 31 December 2006 prepared under IFRS. Their report was included in the 2006 Annual Report which was published on 29 March 2007 and is available on www.lloyds.com. Copies may also be obtained from the Secretary to the Council.

2 Accounting policies
The accounting policies are consistent with those adopted for the Society of Lloyd's 2006 Annual Report, which was approved on 28 March 2007, except for the adoption of all International Accounting Standards (IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) mandatory for periods beginning on or after 1 January 2007. There has been no material impact on the Society's group interim financial statements as a result of adopting these standards and interpretations.

These interim financial statements have been prepared in conformity with IAS 34 'Interim Financial Reporting' 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.

3 Segmental analysis
The Society's primary business segments are as follows:

a) Corporation of Lloyd's and non-insurance related subsidiary undertakings: 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 excluded from this business segment.

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 policyholders.

c) Insurance activities: the Society has three insurance company subsidiary undertakings, Centrewrite Limited, Lioncover Insurance Company Limited and Lloyd's Reinsurance Company (China) Limited. Centrewrite provides Exeat insurance to resigned members participating only on run-off syndicates allowing an early exit from Lloyd's and Estate Protection Plan insurance to members. The insurance contract liabilities of Lioncover were wholly reinsured into Equitas in 1997 and the company does not accept new business. Lloyd's Reinsurance Company (China) Limited commenced underwriting onshore reinsurance business throughout China during the six months ended 30 June 2007.

3 Segmental analysis *continued*

	Note	Six months ended 30 June 2007 £000	Six months ended 30 June 2006 £000	Full year (Audited) 2006 £000
Corporation of Lloyd's				
Operating income				
Members' subscriptions		**40,409**	37,071	74,455
Market charges		**42,860**	41,462	83,883
Other operating income		**3,934**	6,224	11,907
Total operating income		**87,203**	84,757	170,245
Other group income		**983**	1,761	2,321
Total income		**88,186**	86,518	172,566
Operating expenses				
Employment		**(31,291)**	(29,632)	(61,456)
Pension costs		**(2,126)**	(3,660)	(11,540)
Premises		**(17,533)**	(16,187)	(34,629)
Legal and professional		**(6,083)**	(7,506)	(14,819)
Systems and communications		**(7,884)**	(10,572)	(20,394)
Other		**(10,733)**	(9,725)	(22,108)
Total other operating expenses		**(75,650)**	(77,282)	(164,946)
Operating surplus		**12,536**	9,236	7,620
Lloyd's Central Fund				
Operating income		**–**	95	1,253
Contributions from members	3 (i)	**166,001**	150,592	152,226
Other group income	3 (ii)	**30,775**	687	21,156
Total income		**196,776**	151,374	174,635
Operating expenses				
Central Fund claims and provisions	3 (iii)	**(10,331)**	(111,748)	(115,735)
Contribution to Equitas-Berkshire Hathaway transaction	3 (iv)	**(90,000)**	–	–
Other operating expenses		**(3,988)**	(2,754)	(5,677)
Total other operating expenses		**(104,319)**	(114,502)	(121,412)
Operating surplus		**92,457**	36,872	53,223
Insurance activities				
General insurance net premium income		**681**	685	2,834
Other group income				
Return premium from Equitas Holdings Limited		**2,354**	–	–
Other		**31**	–	–
Gross insurance claims released/(incurred)		**17,003**	(56,970)	(55,461)
Insurance claims (payable to)/recoverable from reinsurers		**(16,926)**	57,046	56,804
Other operating expenses				
Premium refund payable for the benefit of members		**(1,648)**	–	–
Other		**(965)**	(149)	(172)
Operating surplus		**530**	612	4,005
Group operating surplus		**105,523**	46,720	64,848

3 Segmental analysis continued

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

	Six months ended 30 June 2007 £000	Six months ended 30 June 2006 £000	Full year (Audited) 2006 £000
Central Fund			
Net assets at 1 January	**843,192**	670,354	670,354
Operating surplus	**92,457**	36,872	53,223
Intra-group transactions	**(1,481)**	(1,375)	(2,751)
Net finance	**(5,029)**	(27,003)	17,481
Tax charge	**(23,447)**	(2,516)	(4,638)
Receipt of syndicate loans	**121,107**	110,991	112,578
Payment of syndicate loan interest	**(7,639)**	(4,365)	(4,365)
Tax on items taken directly to equity	**2,292**	1,310	1,310
Net assets at 30 June/31 December	**1,021,452**	784,268	843,192
Corporation of Lloyd's and subsidiary undertakings	**150,434**	114,620	113,744
Net Society assets at 30 June/31 December	**1,171,886**	898,888	956,936
Subordinated debt	**497,458**	502,317	497,374
Subordinated perpetual capital securities	**495,332**	–	–
Net central assets excluding subordinated loan liabilities	**2,164,676**	1,401,205	1,454,310

(i) Central Fund contributions from members

During the six months ended 30 June 2007, members contributed to the Central Fund at 1.00% of their allocated overall premium limit (2006: 1.00%). Contributions included in the group income statement fall due on 2 April and have therefore been recognised in full in these interim financial statements. On 2 April 2007, members also made interest bearing loans to the Society from syndicate premium trust funds of 0.75% (2006: 0.75%), referred to as syndicate loans. The syndicate loans are treated as part of the Society of Lloyd's equity rather than as contributions from members in the group income statement (see note 7). Following the issuance of £500m perpetual subordinated capital securities on 21 June 2007, the syndicate loan capital was repaid in full on 31 July 2007, with interest of £5.8m relating to the period 1 April 2007 to 30 July 2007 distributed on 17 August 2007.

(ii) Central Fund other group income

Other group income includes litigation settlement receipts of £26m in the period to 30 June 2007 (2006: £nil).

(iii) Central Fund claims and provisions

	Six months ended 30 June 2007 £000	Six months ended 30 June 2006 £000	Full year (Audited) 2006 £000
Annual undertakings granted	**15,030**	114,576	114,576
Decrease in the value of supporting commitments	**(6,057)**	(4,607)	(5,128)
Provisions made in respect of Limited Financial Assistance Agreements	**1,326**	1,271	4,888
Claims payable in respect of individual members	**17**	503	1,274
Tax and interest payable in respect of insolvent members	**15**	5	125
	10,331	111,748	115,735

3 Segmental analysis continued

(iii) Central Fund claims and provisions continued

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 on an annual basis and therefore are not deemed constructive obligations, except for renewals of commitments previously granted. Further undertakings of £12.6m were approved by the Council on 26 July 2007. No provision has been included in these financial statements in respect of these further undertakings.

For those corporate members in provisional liquidation, the Council has also provided a supporting commitment, which will 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 financial statements and changes during the period are reflected in the group income statement, shown in the table above. Supporting commitments as at 30 June 2007 were £nil (30 June 2006: £6.6m; 31 December 2006: £6.1m).

There were no paid undertakings in the six months ended 30 June 2007 (30 June 2006: £120.7m; 31 December 2006: £131.1m).

(iv) Contribution to Equitas-Berkshire Hathaway transaction

Note 29 on page 131 of the Society of Lloyd's 2006 Annual Report provides details of the retrocession and run-off contract between Equitas Holdings Limited, Equitas Limited and National Indemnity Company. Within these financial statements, £90m has been recognised in respect of the contribution of £72m towards the initial premium, paid by Lloyd's on 27 March 2007, and £18m in respect of a contribution towards a further premium payment in respect of phase 2 of the transaction. Lioncover received a return premium of £2.4m from Equitas Holdings Limited as part of phase 1 of the transaction. It is the intention to pass the benefit of the return premium to members on syndicates formerly managed by PCW Underwriting Agencies Limited, WMD Underwriting Agencies Limited and Richard Beckett Underwriting Agencies Limited and on syndicates 2 and 49 (collectively referred to as 'the PCW syndicates') net of any applicable tax. This is reflected within these financial statements, but the Council will be required to approve proposals before any payments are made.

4 Finance costs and income

	Six months ended 30 June 2007 £000	Six months ended 30 June 2006 £000	Full year (Audited) 2006 £000
Finance costs (i)			
Interest payable and similar charges	**(16,908)**	(16,212)	(32,363)
Amortisation of issue costs and unwinding of discount	**(286)**	(278)	(558)
Unrealised exchange gain/(loss) on retranslation of subordinated loan notes	**189**	(1,257)	3,966
	(17,005)	(17,747)	(28,955)
Finance income (ii)	**15,879**	(6,449)	52,818

(i) Finance costs include interest on subordinated loan notes which were issued in two tranches on 17 November 2004 and interest on perpetual subordinated capital securities which were issued on 19 June 2007.

The £300m sterling notes carry a coupon of 6.875% and the €300m euro notes carry a coupon of 5.625%. The terms of repayment of the subordinated loan notes are set out in the Society of Lloyd's 2006 Annual Report.

The £500m perpetual subordinated capital securities carry a coupon of 7.421%. The capital securities will be redeemable on 21 June 2017 or on any interest payment date thereafter. In the event that the Society does not redeem the capital securities on 21 June 2017, the rate of interest payable semi-annually will be at a rate reset semi-annually to the London interbank offered rate for six-month sterling deposits plus a margin of 2.41%.

4 Finance costs and income continued

(ii) Finance income for the six months ended 30 June 2007 mainly reflects (a) positive returns from developed equity market investments and currency hedging of naturally unhedged assets and liabilities, and (b) losses arising on fixed interest investments in an environment of rising bond yields. However, a large proportion of fixed interest investments are disposed in order to manage financial risks arising from the Society's subordinated loan notes and subordinated perpetual capital securities and not to optimise short-term investment returns. The overall gross investment return on central assets was 0.8% (30 June 2006: -0.4%; 31 December 2006: 3.2%).

5 Taxation

(a) Analysis of tax charge	Six months ended 30 June 2007 £000	Six months ended 30 June 2006 £000	Full year (Audited) 2006 £000
Current tax:			
Corporation tax based on profits for the period/year at 30%	**(25,778)**	(4,429)	(2,551)
Adjustments in respect of previous periods	**–**	31	31
Foreign tax suffered	**(98)**	(3)	(112)
	(25,876)	(4,401)	(2,632)
Deferred tax:			
Origination and reversal of timing differences – current year	**(5,432)**	(2,774)	(19,817)
– prior year	**–**	–	15,437
Tax charge for the period/year	**(31,308)**	(7,175)	(7,012)

(b) Factors affecting the tax charge			
Surplus before tax	**106,315**	23,736	90,578
Corporation tax at 30%	**(31,894)**	(7,121)	(27,173)
Expenses not deductible for tax purposes	**(1,005)**	(221)	(1,138)
Non-taxable income	**1,407**	–	5,739
Utilisation of tax credits	**98**	3	103
Unutilised tax losses in respect of Kinnect	**–**	(243)	(545)
Overseas tax	**(98)**	(3)	(112)
Other	**382**	379	646
Deferred tax prior year credit	**–**	–	15,437
Deferred tax adjustment relating to change in corporation tax rate	**(198)**	–	–
Adjustments made in respect of previous periods	**–**	31	31
Tax charge for the period/year	**(31,308)**	(7,175)	(7,012)

6 Pension 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 19 'Employee Benefits' valuation basis, the pension scheme liability as at 30 June 2007 has reduced to £12.0m (30 June 2006: £38.9m; 31 December 2006: £45.1m) before the allowance of deferred tax. An actuarial gain of £32.9m, mainly arising from a higher discount rate applied to pension liabilities, has been recognised in the six months ended 30 June 2007 (30 June 2006: actuarial gain £13.6m; year to 31 December 2006: actuarial loss £1.6m).

The Corporation of Lloyd's also operates a number of defined benefit plans for qualifying employees based overseas. The total liability of these pension schemes as at 30 June 2007 is £0.7m (30 June 2006: £0.4m; 31 December 2006: £0.7m).

A further actuarial gain of £0.8m (30 June 2006: £0.5m; year to 31 December 2006: £1.0m) has been recognised in respect of the group's interest in associates.

7 Syndicate loans

	30 June 2007 £000	30 June 2006 £000	31 December 2006 (Audited) £000
2005 syndicate loans	**102,675**	104,724	103,307
2006 syndicate loans	**109,869**	109,885	110,253
2007 syndicate loans	**120,027**	–	–
	332,571	214,609	213,560

Interest is accounted for when the Council of Lloyd's formally approves interest payments to be made. On 28 March 2007, the Council of Lloyd's approved the distribution of £7.6m in respect of 2005 and 2006 syndicate loans. The payment of syndicate loan interest, which took place on 16 April 2007, has been recognised directly in equity and is shown in the reconciliation of movement in equity (see note 8). Interest as at 30 June 2007 of £2.3m (30 June 2006: £1.2m; 31 December 2006: £5.6m) has not been recognised in these financial statements.

On 26 July 2007, the Council formally approved the repayment of the syndicate loans and any related interest. The capital was repaid in full on 31 July 2007 with interest of £5.8m relating to the period 1 April 2007 to 30 July 2007 distributed on 17 August 2007.

8 Reconciliation of movement in equity

	Note	Accumulated reserve £000	Syndicate loans £000	Revaluation reserve £000	Foreign currency translation reserve £000	Total equity £000
At 1 January 2006		648,008	106,834	9,710	16	764,568
Total recognised income and expense for the period		26,437	–	–	(53)	26,384
Receipt of syndicate loans		–	110,991	–	–	110,991
Payment of syndicate loan interest		(4,365)				(4,365)
Tax on payment of syndicate loan interest		1,310				1,310
Revaluation of syndicate loans		3,216	(3,216)	–	–	–
At 30 June 2006		674,606	214,609	9,710	(37)	898,888
Total recognised income and expense for the period		56,425	–	–	36	56,461
Receipt of syndicate loans		–	1,587	–	–	1,587
Revaluation of syndicate loans		2,636	(2,636)	–	–	–
At 31 December 2006		**733,667**	**213,560**	**9,710**	**(1)**	**956,936**
Total recognised income and expense for the period		**99,263**	**–**	**–**	**(73)**	**99,190**
Receipt of syndicate loans		**–**	**121,107**	**–**	**–**	**121,107**
Payment of syndicate loan interest	7	**(7,639)**	**–**	**–**	**–**	**(7,639)**
Tax on payment of syndicate loan interest		**2,292**	**–**	**–**	**–**	**2,292**
Revaluation of syndicate loans		**2,096**	**(2,096)**	**–**	**–**	**–**
At 30 June 2007		**829,679**	**332,571**	**9,710**	**(74)**	**1,171,886**

9 Contingent liabilities

Note 28 on Page 130 of the Society of Lloyd's 2006 Annual Report provides details of the Society of Lloyd's contingent liabilities as at 31 December 2006. As at 30 June 2007, the amounts and nature of contingent liabilities were not significantly different from those at the year end except the claim disclosed at E of note 28 (in respect of a claim for Misfeasance in Public Office by three names) has been dismissed by the Court of Appeal.

In respect of all contingent liabilities disclosed as at 31 December 2006 and 30 June 2007, no provision has been made in these group interim financial statements as Lloyd's does not accept any liability in respect of any of the claims.

INDEPENDENT REVIEW REPORT TO THE SOCIETY OF LLOYD'S

Introduction

We have been instructed by the Council of Lloyd's to review the financial information on pages 15 to 23 for the six months ended 30 June 2007 which comprises the group income statement, the group statement of recognised income and expense, the group balance sheet, the group cash flow statement, and the related notes 1 to 9. The financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Society of Lloyd's in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society of Lloyd's for our work, for this report, or for the conclusions we have formed.

Council of Lloyd's

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Council of Lloyd's. The Council of Lloyd's is responsible for preparing the interim report. This interim report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. The accounting policies are required to be consistent with those applied in preparing the preceding annual financial statements except where changes and the reasons for them are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Ernst & Young LLP
More London Place
London
26 September 2007

Since merchants first met to insure their ships at Edward Lloyd's coffee shop over 300 years ago, nearly every aspect of the way we do business has changed. But one constant is the bold confidence proclaimed by our motto, reflected in both our unique appetite for risk and our worldwide reputation for settling valid claims.

Designed by Corporate Edge. Printed by The Midas Press.

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