LLOYD'S

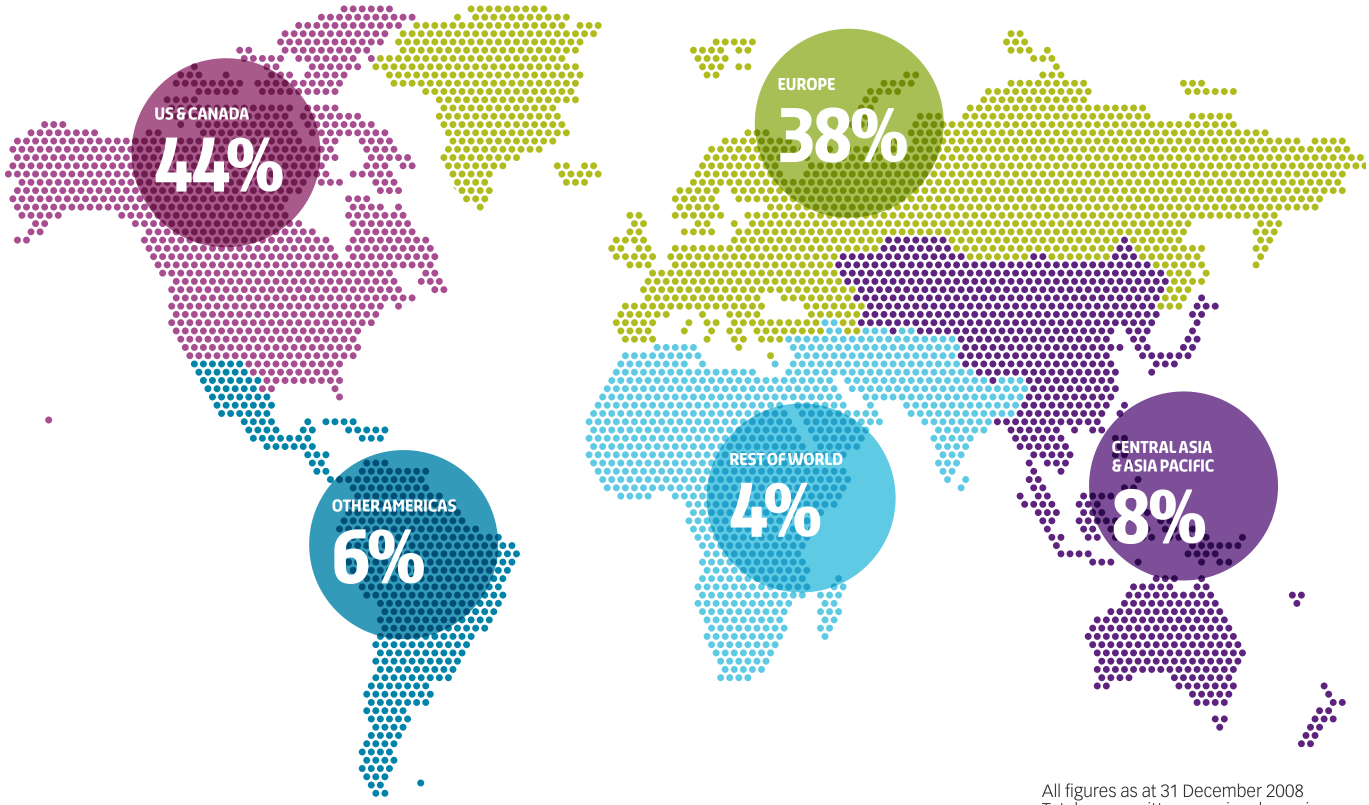
INTERIM REPORT

SIX MONTHS ENDED 30 JUNE 2009

OUR BUSINESS

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

OUR 80 LICENCES, SUPPORTED BY A NETWORK OF LOCAL OFFICES, ENSURE ACCESS TO INSURANCE MARKETS LARGE AND SMALL.



All figures as at 31 December 2008
Total gross written premium by region

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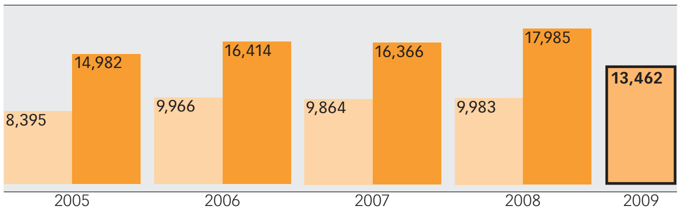
HIGHLIGHTS

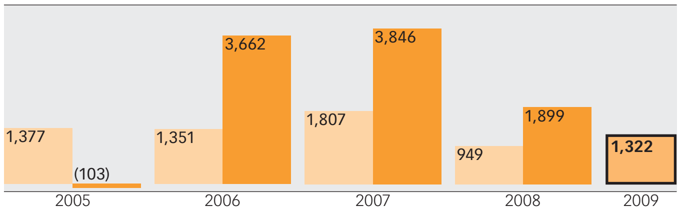
Half year
Full year
Half year 2009

- Lloyd's achieved a profit before tax of £1,322m (June 2008: £949m) and a combined ratio of 91.6% (June 2008: 89.0%)
- Capital, reserves and subordinated loan notes stand at a record £16,949m (June 2008: £13,371m)
- Lloyd's financial strength ratings were affirmed by A.M. Best 'A' (Excellent), Standard & Poor's 'A+' (Strong) and Fitch Ratings 'A+' (Strong)
- Equitas' Part VII transfer was approved by the High Court

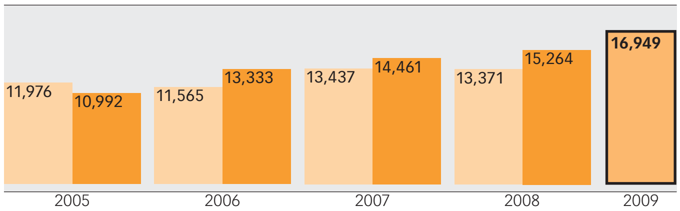
Gross premiums written
(£m) **£13,462m**



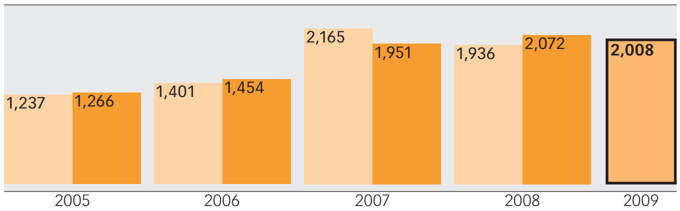
Profit before tax
(£m) **£1,322m**



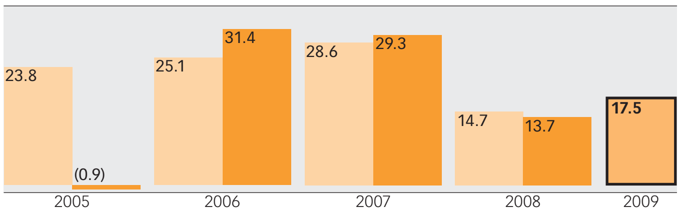
Capital reserves and subordinated loan notes
(£m) **£16,949m**



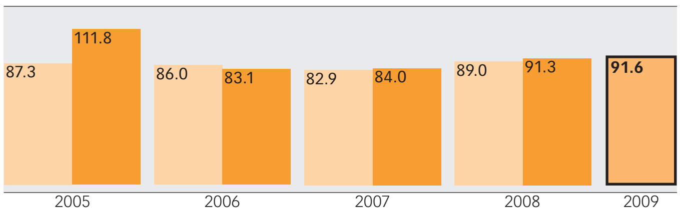
Central assets
(£m) **£2,008m**



Return on capital (annualised)
(%) **17.5%**



Combined ratio
(%) **91.6%**



CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

The Lloyd's market has today reported a profit before tax of £1.3bn and a combined ratio of 91.6% for the first half of 2009.

Overall gross written premiums have increased by 35% as a consequence of foreign exchange movements, increasing demand for Lloyd's security and a flight to quality from both brokers and policyholders wanting to use the Lloyd's platform.

We have maintained our focus on preserving our financial strength with solid reserves so we can pay any claims that materialise. Lloyd's central resources currently stand at over £2bn and we continue to report positive investment returns. Although, at £708m for the first six months of the year, returns remain relatively modest.

Earlier this year we were able to take advantage of our strong capital position and favourable market conditions to launch a debt buyback, generating a gain of £36m for the Central Fund.

A record level of capital that included over £1bn of new funds raised by members this year, as well as additional contributions to Lloyd's Central Fund, meant that our capital position was not materially affected by these purchases.

Our financial position therefore remains robust and while these results are encouraging, it is wise to voice a note of caution. We are in the midst of an active hurricane season and a global recession, which both remain significant threats for the insurance industry.

We need to continue to write the right business at the right price. Rates have stabilised in key markets such as energy and property but we have yet to see the significant increases across all lines that some commentators have predicted.

We have been fortunate that there have been few major natural catastrophes in the first six months of the year, although there have been a number of aviation losses.

Lloyd's prudent approach has ensured that our capital position and ratings remain strong. And while we are well placed to take advantage |of opportunities, due to the market's wide product range and distribution channels, our focus must remain on profitability.

STRATEGIC OBJECTIVES

We have made further progress against our strategic objectives in the first half of the year.

Our vision for the efficient processing of claims is becoming a reality with a clear roadmap for the next five years. This will improve our ability to deal with claims quickly and fairly, and develop claims handling as a truly competitive advantage for the market. We expect tangible benefits will be delivered to our customers.

We have also made significant progress to improve the market's operations, with the pilot of the Lloyd's Exchange underway and the project to simplify Lloyd's information requirements progressing well.

Globally we continue to look for areas where the market is underweight and remain active in pursuing opportunities in Asia, Latin America and Europe. We opened our operation in Brazil earlier this year and three managing agents are now co-located in the office. We have gained an establishment licence in Portugal and a new business model for Lloyd's Japan has been agreed with regulators.

The second part of the Equitas deal was concluded, bringing finality to members of Lloyd's reinsured by Equitas as a matter of English Law.

Finally, over the last three years, significant progress has been made in delivering our vision to be the platform of choice. We remain in a strong position but continue to face a number of challenges as a market, not least significant future regulatory change in the form of Solvency II. From this position of strength, we have decided to carry out a rigorous, externally focussed review of our strategic goals to make certain that we are well placed to take advantage of new opportunities. We are working with a wide range of stakeholders and will publish an updated strategy at the beginning of next year.

PETER LEVENE
Chairman

RICHARD WARD
Chief Executive Officer

23 September 2009

MARKET COMMENTARY

The underwriting result for the first six months of 2009 is a profit of £678m (June 2008: £699m). This reflects continuing underwriting discipline and the low level of catastrophe claims.

Gross written premiums for the six months to June 2009 were £13,462m (June 2008: £9,983m) an increase of 34.8%. This increase is mainly due to the stronger US dollar in 2009 with premiums translated using average rates during the period (June 2009: US$1.50, June 2008: US$1.98). Adjusting for exchange rate movements shows an increase of 9% in local currency, which is attributable to rate increases in catastrophe related classes and new business opportunities brought in to the market by new and established syndicates.

The Lloyd's market recorded an accident year combined ratio for the six months to June 2009 of 95.5% (June 2008: 95.4%), but this was reduced by a prior year reserve release of 3.9% (June 2008: 6.4%) to give an overall combined ratio of 91.6% (June 2008: 89.0%). The 2009 ratio has been adversely impacted by foreign exchange movements, principally related to the accounting treatment of non-monetary items. Excluding foreign exchange movements on non-monetary items, the accident year stands at 90.5% and the overall combined ratio at 86.6%.

2009 is progressing satisfactorily with no material change in the accident year loss ratio from that seen last year at the same stage. Claims frequency continues to rise, driven particularly by casualty and other classes most exposed to the recession. However, this has largely been offset by the low incidence of large risk and catastrophe losses (the exception being in Aviation, which has seen a number of high profile disasters, including the Air France crash off the coast of Brazil). The prior years are developing favourably and actual claims incurred from the banking sector crisis continue to be relatively modest.

Notwithstanding the above, the market still faces significant challenges due to the poor economic conditions: recession-driven loss activity is almost certain to accelerate. Added to this, the North Atlantic hurricane season is now active and continues to pose a significant threat – as does the Swine Flu Pandemic.

The general rating environment has shown patchy improvement in the first half of this year, driven mainly by classes impacted by the 2008 hurricanes (notably 'Gulf of Mexico' Energy and US Property Catastrophe) and by those most exposed to the global banking crisis (eg US Financial Institutions). However, the overall pace of change has been slow and pricing in several areas remains challenging, particularly in casualty lines. Added to this, the Insurance Industry balance sheet is now largely restored and with insured values remaining depressed, absent a major catastrophic event or a sharp deterioration in loss ratio, the pressure on rates and underwriting earnings will intensify.

INVESTMENT REVIEW

Investments at Lloyd's fall in to three areas: insurance premiums invested by the syndicates, member's capital or Funds at Lloyd's and the Central Fund, which holds the mutual assets which underpin the operation of the market. Investment responsibility for these falls respectively to managing agents, members and the Society. Investment dispositions can vary considerably, but overall Lloyd's assets continue to be invested conservatively, typically in cash and fixed interest investments of high credit quality with limited exposure to equities and other volatile asset classes.

The extreme volatility evident in the financial markets in the second half of 2008 continued in to the first part of 2009. However, the second quarter saw a dramatic change in market sentiment as early signs of improvement in global economic conditions sparked investor appetite for riskier assets, helping market conditions to normalise. UK equities rallied more than 10% in the second quarter, although they were still lower than the beginning of the year. More significantly for Lloyd's investments, yield spreads on corporate debt securities narrowed significantly, generating capital gains on these investments.

Investments at Lloyd's produced a return of £708m or 1.6% in the six months to June 2009 (June 2008: £346m, 0.9%). Interest rates and risk free yields across all developed economies remain very low by historic standards, making it particularly challenging to achieve significant investment returns in the current environment. Against this background, the return achieved in the first half of the year, which is significantly higher than in the same period last year, is encouraging. The recovery in the value of corporate debt securities during the period made a significant contribution to the return.

Since the end of the second quarter most asset classes, including equities and corporate bond markets, have seen further gains, increasing expectations for investment returns in the second half of the year. However, scope for capital gains from fixed interest securities becomes increasingly limited as yields fall and lower prevailing yield levels make it even more difficult to generate return. As a result, investment conditions will remain challenging for the rest of the year.

LLOYD'S INTERIM REPORT

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 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 2009 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 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 2009

Technical account	Six months ended 30 June 2009 £m	Six months ended 30 June 2009 £m	Six months ended 30 June 2008 £m	Six months ended 30 June 2008 £m	Full year 2008 £m	Full year 2008 £m
Gross premiums written – continuing operations		**13,460**		9,965		17,945
– discontinued operations		**2**		18		40
		13,462		9,983		17,985
Outward reinsurance premiums		**(3,478)**		(2,595)		(3,768)
Premiums written, net of reinsurance		**9,984**		7,388		14,217
Change in the gross provision of unearned premiums	**(3,388)**		(2,008)		(558)	
Change in the provision for unearned premiums, reinsurers' share	**1,490**		982		137	
		(1,898)		(1,026)		(421)
Earned premiums, net of reinsurance		**8,086**		6,362		13,796
Allocated investment return transferred from the non-technical account		**639**		309		543
		8,725		6,671		14,339
Claims paid						
Gross amount	**5,491**		4,062		9,736	
Reinsurers' share	**(1,126)**		(884)		(2,158)	
		4,365		3,178		7,578
Change in provision for claims						
Gross amount	**(126)**		258		1,777	
Reinsurers' share	**222**		(29)		(891)	
		96		229		886
Claims incurred, net of reinsurance		**4,461**		3,407		8,464
Acquisition costs	**2,742**		2,098		3,897	
Change in deferred acquisition costs	**(605)**		(383)		(177)	
Administrative expenses	**498**		577		1,267	
Loss/(profit) on exchange	**312**		(36)		(853)	
Net operating expenses		**2,947**		2,256		4,134
Balance on the technical account for general business		**1,317**		1,008		1,741
Attributable to: – continuing operations		**1,252**		960		1,624
– discontinued operations		**65**		48		117
Total		**1,317**		1,008		1,741
Non-technical account						
Balance on the technical account for general business		**1,317**		1,008		1,741
Syndicate investment return	**633**		302		521	
Notional investment return on funds at Lloyd's	**54**		64		271	
Investment return on Society assets	**(15)**		(20)		165	
Surplus on subordinated debt repurchase	**36**		–		–	
	708		346		957	
Allocated investment return transferred to the technical account	**(639)**		(309)		(543)	
		69		37		414
Other income		**32**		43		75
Other expenses		**(96)**		(139)		(331)
Profit on ordinary activities before tax		**1,322**		949		1,899

Statement of the total recognised gains and losses			
Result for the financial period	**1,322**	949	1,899
Other recognised gains and losses	**(127)**	(14)	619
Total recognised gains and losses	**1,195**	935	2,518

PRO FORMA BALANCE SHEET

as at 30 June 2009

	Six months ended 30 June 2009		Six months ended 30 June 2008		Full year 2008	
	£m	**£m**	£m	£m	£m	£m
Financial investments						
Shares and other variable yield securities	**3,475**		3,051		3,278	
Debt securities and other fixed income securities	**23,227**		19,716		25,176	
Participation in investment pools	**1,226**		1,161		1,254	
Loans and deposits with credit institutions	**6,309**		4,297		5,216	
Other investments	**30**		12		18	
Total investments		**34,267**		28,237		34,942
Deposits with ceding undertakings		**8**		9		10
Reinsurers' share of technical provisions						
Claims outstanding	**8,857**		7,495		10,504	
Unearned premiums	**2,521**		1,822		1,167	
		11,378		9,317		11,671
Debtors						
Debtors arising out of direct operations	**5,511**		4,432		4,663	
Debtors arising out of reinsurance operations	**4,455**		3,543		3,763	
Other debtors	**481**		331		419	
		10,447		8,306		8,845
Other assets						
Tangible assets	**30**		27		30	
Cash at bank and in hand	**9,499**		7,875		9,428	
Other	**8**		9		8	
		9,537		7,911		9,466
Prepayments and accrued income						
Accrued interest and rent	**86**		88		125	
Deferred acquisition costs	**2,533**		2,045		2,064	
Other prepayments and accrued income	**240**		263		209	
		2,859		2,396		2,398
Total assets		**68,496**		56,176		67,332
Capital and reserves						
Members' funds at Lloyd's	**13,076**		9,593		10,630	
Members' balance	**1,865**		1,842		2,562	
Members' assets (held severally)	**14,941**		11,435		13,192	
Central reserves (mutual assets)	**1,059**		907		990	
		16,000		12,342		14,182
Subordinated debt		**512**		533		586
Subordinated perpetual capital securities		**437**		496		496
Capital, reserves and subordinated debt and securities		**16,949**		13,371		15,264
Technical provisions						
Provision for unearned premiums	**11,767**		9,316		9,043	
Claims outstanding	**34,356**		29,357		38,420	
		46,123		38,673		47,463
Deposits received from reinsurers		**131**		161		161
Creditors						
Creditors arising out of direct insurance operations	**986**		791		770	
Creditors arising out of reinsurance operations	**3,317**		2,271		2,517	
Other creditors including taxation	**723**		695		883	
		5,026		3,757		4,170
Accruals and deferred income		**267**		214		274
Total liabilities		**68,496**		56,176		67,332

PRO FORMA CASH FLOW STATEMENT

for the six months ended 30 June 2009

	Six months ended 30 June 2009 £m	Six months ended 30 June 2008 £m	Full year 2008 £m
Pro forma result for the period/year before tax	**1,322**	949	1,899
Depreciation	**2**	1	3
Realised and unrealised (gains)/losses and foreign exchange	**2,096**	446	(4,643)
Net sale/(purchase) of investments	**(1,597)**	925	(44)
Notional return on funds at Lloyd's	**(54)**	(64)	(271)
Increase in technical provisions	**(1,045)**	1,357	7,800
(Increase)/decrease in debtors	**(2,111)**	(2,156)	(2,656)
Increase/(decrease) in creditors	**812**	902	1,293
Cash generated from operations	**(575)**	2,360	3,381
Income taxes paid	**(25)**	(40)	(54)
Net cash for operating activities	**(600)**	2,320	3,327
Cash flow from financing activities			
Net profits paid to members	**(1,959)**	(2,003)	(2,201)
Net movement in funds at Lloyd's	**2,446**	(265)	772
Capital transferred into syndicate premium trust funds	**287**	361	107
Purchase of debt securities	**(66)**	–	–
Interest paid	**(37)**	(35)	(74)
Net increase/(decrease) in cash holdings	**71**	378	1,931
Cash holdings at beginning of period	**9,428**	7,497	7,497
Cash holdings at 30 June/31 December	**9,499**	7,875	9,428

NOTES TO THE INTERIM PRO FORMA FINANCIAL STATEMENTS

as at 30 June 2009

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 12 to 28).

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

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 net 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 charges, 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):

(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) 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.

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 2008 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 on one syndicate may hold the capital supporting their underwriting in their syndicate's premiums 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 2008 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 2008 Annual Report.

4. VARIABILITY
Movements in reserves are based upon best estimates as at 30 June 2009 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 2009, the results for that business have also been reported as discontinued in the 2008 comparative figures.

6. MEMBERS' FUNDS AT LLOYD'S
The valuation of members' funds at Lloyd's (FAL) in the balance sheet totals £13,076m (June 2008: £9,593m, December 2008: £10,630m). The notional investment return on FAL included in the non-technical profit and loss account totals £54m (June 2008: £64m, December 2008: £271m).

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 £174m (June 2008: £130m, December 2008: £198m) in the technical account and a net loss of £43m (June 2008: £116m, December 2008: £93m) 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 2009 £m	Six months ended 30 June 2008 £m	Full year 2008 £m
Result per syndicate returns	**1,137**	871	1,523
Result of the Society	**87**	(2)	102
Central Fund claims and provisions in Society financial statements	**11**	17	(6)
Central Fund recoveries from insolvent members	**–**	(1)	(21)
Taxation (credit)/charge in Society financial statements	**33**	–	40
Notional investment return on members' funds at Lloyd's	**54**	64	271
Society income not accrued in syndicate accounts	**–**	–	(10)
Result on ordinary activities pre-tax	**1,322**	949	1,899

	Six months ended 30 June 2009 £m	Six months ended 30 June 2008 £m	Full year 2008 £m
Result for the period	**1,322**	949	1,899
Other recognised gains and losses per syndicate returns	**(110)**	16	670
Other recognised gains and losses per Society financial statements	**(17)**	(30)	(51)
Total recognised gains and losses	**1,195**	935	2,518

	30 June 2009 £m	30 June 2008 £m	Full year 2008 £m
Net assets per syndicate returns	**1,794**	1,699	2,502
'Equity' of the Society	**1,059**	907	990
Central Fund claims and provisions in Society group financial statements	**94**	143	102
Members' funds at Lloyd's	**13,076**	9,593	10,630
Unpaid cash calls reanalysed from debtors to members' balances	**(13)**	–	(32)
Society income receivable not accrued in syndicate annual accounts	**(10)**	–	(10)
Capital and reserves per PFFS	**16,000**	12,342	14,182

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 £7,078m (June 2008: £5,601m, Dec 2008: £6,140m).

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 2009, 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 on 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 2009.

ERNST & YOUNG LLP
More London Place
London

23 September 2009

SOCIETY OF LLOYD'S GROUP INTERIM FINANCIAL STATEMENTS

SOCIETY OF LLOYD'S FINANCIAL REVIEW

FINANCIAL REVIEW

OPERATING SURPLUS
The Society of Lloyd's achieved an operating surplus of £101m (June 2008: £70m), an increase of 44%.

TOTAL INCOME
Total income for the six month period was £208m (June 2008: £205m), an increase of 1.5%. Operating income and Central Fund contributions have increased by £35m, this is driven by the premium based charges which have benefitted by an increase in the written premium when translated into sterling.

General insurance net premium income has decreased by £31m. The 2008 figure included £33m in respect of the contract to reinsure the members of Syndicate 535 while the 2009 figure includes £3m as a result of the contract to reinsure the members of Syndicate 1204.

OPERATING EXPENSES
Operating expenses for the six month period were £107m (June 2008: £134m), a decrease of 20%.

The 2008 figure includes insurance claims incurred of £33m as a result of the reinsurance of the members of Syndicate 535, while the 2009 figure includes £3m in respect of the reinsurance of the members of Syndicate 1204.

The level of Central Fund claims and provisions has remained relatively low at £11m (June 2008: £16m), reflecting the continued favourable development on the run-off of insolvent members.

Other operating expenses in total are £93m (June 2008: £85m), an increase of 9%. The 2009 figure includes the impact of foreign exchange when presenting the cost of overseas operations in sterling, which is offset by a similar increase in our operating income. Excluding this our operating expenses are in line with budget, which, when compared to 2008, reflects the increased investment in Lloyd's capabilities. We remain focussed on delivering our objectives while maintaining cost discipline.

REPURCHASE OF SUBORDINATED SECURITIES
In May 2009 Lloyd's repurchased the local currency equivalent of £102m of its outstanding debt securities, following an invitation to holders to submit offers to sell their holdings. Lloyd's repurchased a principal amount of £60m of its Perpetual Subordinated Capital Securities at a cost of £36m and a principal amount of €47m of its Subordinated Notes maturing 2024 at a cost of €33m. The repurchase of the securities which were subsequently cancelled, generated a profit, after paying accrued interest due, of £36m.

INVESTMENT INCOME
The Society's investment return for the six month period was a loss of £16m (0.7%) (June 2008: a loss of £20m, (0.9%)). This excludes the profit of £36m arising on the purchase and cancellation of debt securities. Adjusting for interest costs and foreign exchange movements on the Society's outstanding debt securities results in a net investment loss of £20m (June 2008: a loss of £74.4m). Difficult investment conditions during the first half of 2009 were characterised by low yields and capital losses on government debt securities as well as volatile equity markets.

RESULTS SUMMARY
Overall, the surplus after tax for the six months to June was £87m (June 2008: a deficit of £2m). The net assets of the Society of Lloyd's (the 'Society') increased by £69m in the six months to June 2009 to £1,059m.

CONCLUSION
While the outlook for financial markets remains uncertain, our overall capital position is strong, with the Central Fund comfortably in excess of our immediate regulatory and rating requirements. We continue to work with the market to deliver the Strategic Plan.

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 40 of the Society of Lloyd's 2008 Annual Report under the heading "Risk Management" within the strategic review. The principal risks and uncertainties have not changed materially since the date of that 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 European Union.
- The Chairman and Chief Executive's statement and the Society of Lloyd's financial 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; and,
- The financial statements include a fair review of the related parties 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 parties 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

LORD LEVENE OF PORTSOKEN
Chairman

RICHARD WARD
Chief Executive Officer

23 September 2009

GROUP INCOME STATEMENT

for the six months ended 30 June 2009

	Note	**Six months ended 30 June 2009 £000**	Six months ended 30 June 2008 £000	Full year 2008 (Audited) £000
Operating income		**100,387**	84,832	177,542
Central Fund contributions		**101,915**	82,278	84,294
General insurance net premium income		**2,905**	34,075	37,937
Other group income		**2,429**	3,380	32,397
Total income		**207,636**	204,565	332,170
Central Fund claims and provisions (incurred)/released	3(II)	**(10,897)**	(16,484)	6,349
Gross insurance claims		**(22,624)**	(59,800)	(77,314)
Insurance claims recoverable from reinsurers		**20,076**	26,791	42,806
Other group operating expenses		**(93,210)**	(84,791)	(187,703)
Operating surplus		**100,981**	70,281	116,308
Finance costs	4(I)	**(85,383)**	(104,947)	(74,405)
Finance income – surplus on subordinated debt repurchase	4(II)	**36,205**	–	–
– other	4(II)	**34,354**	47,602	165,008
Unrealised exchange gains/(losses) on borrowings		**32,234**	(17,027)	(69,233)
Share of profits of associates		**1,965**	2,198	3,930
Surplus/(deficit) before tax		**120,356**	(1,893)	141,608
Tax charge	5	**(33,695)**	(163)	(39,620)
Surplus/(deficit) for the period/year		**86,661**	(2,056)	101,988

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2009

	Note	**Six months ended 30 June 2009 £000**	Six months ended 30 June 2008 £000	Full year 2008 (Audited) £000
Surplus/(deficit) for the period/year		**86,661**	(2,056)	101,988
Other comprehensive income				
Actuarial loss on pension liabilities	6	**(23,972)**	(41,328)	(70,054)
Tax credit relating to components of comprehensive income		**6,712**	11,571	19,585
Net other comprehensive income for the period/year		**(17,260)**	(29,757)	(50,469)
Total comprehensive income for the period/year		**69,401**	(31,813)	51,519

GROUP STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

	Note	30 June 2009 £000	30 June 2008 £000	31 December 2008 (Audited) £000
Assets				
Intangible assets		**52**	386	97
Lloyd's Collection		**10,821**	10,848	10,824
Property, plant and equipment		**19,465**	16,038	19,220
Deferred tax asset		**10,702**	–	4,356
Investment in associates		**5,297**	8,045	6,465
Insurance contract assets – Lioncover Insurance Company Limited	7	**–**	375,531	514,137
– other insurance activities		**46,917**	31,766	48,901
Loans recoverable		**54,229**	61,342	57,541
Financial investments		**1,981,953**	1,939,191	2,230,156
Inventories		**204**	220	206
Trade and other receivables due within one year		**61,063**	49,630	69,639
Prepayments and accrued income		**15,414**	33,520	21,327
Tax receivable		**–**	8,500	–
Forward currency contracts		**66,992**	11,100	32,646
Cash and cash equivalents		**320,772**	297,743	201,275
Total assets		**2,593,881**	2,843,860	3,216,790
Equity and liabilities				
Equity				
Accumulated reserve		**1,048,673**	895,913	979,269
Revaluation reserve		**10,821**	10,848	10,824
Total equity		**1,059,494**	906,761	990,093
Liabilities				
Subordinated notes and perpetual subordinated capital securities	4(III)	**948,312**	1,029,291	1,082,023
Insurance contract liabilities – Lioncover Insurance Company Limited	7	**–**	375,531	514,137
– other insurance activities		**90,699**	79,214	97,002
Pension liabilities	6	**56,169**	23,080	32,786
Deferred tax liabilities		**–**	2,365	–
Provisions		**99,126**	144,790	109,864
Loans funding statutory insurance deposits		**135,781**	104,076	148,310
Trade and other payables		**60,058**	77,274	100,466
Accruals and deferred income		**92,121**	98,787	45,961
Tax payable		**24,845**	–	16,182
Forward currency contracts		**27,276**	2,691	79,966
Total liabilities		**1,534,387**	1,937,099	2,226,697
Total equity and liabilities		**2,593,881**	2,843,860	3,216,790

Approved and authorised for issue by the Council of Lloyd's on 23 September 2009 and signed on their behalf by

LORD LEVENE OF PORTSOKEN
Chairman

RICHARD WARD
Chief Executive Officer

GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2009

	Accumulated reserve £000	Revaluation reserve £000	Total equity £000
At 1 January 2008	**927,726**	10,848	938,574
Total comprehensive income for the period	**(31,813)**	–	(31,813)
At 30 June 2008	**895,913**	10,848	906,761
Total comprehensive income for the period	**83,332**	–	83,332
Transfer between reserves	**24**	(24)	–
At 31 December 2008	**979,269**	10,824	990,093
Total comprehensive income for the period	**69,401**	**–**	**69,401**
Transfer between reserves	**3**	**(3)**	**–**
At 30 June 2009	**1,048,673**	**10,821**	**1,059,494**

GROUP STATEMENT OF CASH FLOWS

for the six months ended 30 June 2009

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Full year 2008 (Audited) £000
Surplus/(deficit) before tax	**120,356**	(1,893)	141,608
Net finance cost/(income)	**14,824**	57,345	(90,603)
Unrealised exchange (gains)/losses on borrowings	**(32,234)**	17,027	69,233
Share of profits of associates	**(1,965)**	(2,198)	(3,930)
Operating surplus	**100,981**	70,281	116,308
Central Fund claims and provisions incurred/(released)	**10,897**	16,484	(6,349)
Operating surplus before Central Fund claims and provisions	**111,878**	86,765	109,959
Adjustments for:			
Depreciation of property, plant and equipment	**2,027**	1,474	3,246
Amortisation of intangible assets	**47**	55	131
Impairment losses	**–**	–	152
Loss on sale of fixed assets	**(1)**	(71)	(22)
Operating surplus before working capital changes and claims paid	**113,951**	88,223	113,466
Changes in pension obligations	**(589)**	–	(19,370)
Decrease/(increase) in receivables	**7,595**	(7,486)	(17,513)
Decrease/(increase) in inventories	**2**	(23)	(9)
Increase in payables	**2,012**	113,762	93,783
(Decrease)/increase in provisions other than for Central Fund claims	**(4,096)**	(1,700)	4,102
Cash generated from operations before claims paid	**118,875**	192,776	174,459
Claims paid in respect of corporate/insolvent members	**(16,601)**	–	(15,551)
Tax and interest payments in respect of corporate/insolvent members	**(5)**	–	(25)
Claims paid in respect of individual members	**(306)**	(1,944)	(2,764)
Claims paid in respect of Limited Financial Assistance Agreements	**(627)**	(276)	(1,775)
Cash generated from operations	**101,336**	190,556	154,344
Tax paid	**(24,666)**	(40,168)	(54,238)
Net cash from operating activities	**76,670**	150,388	100,106
Cash flows from investing activities			
Purchase of plant, equipment and intangible assets	**(2,285)**	(2,784)	(7,432)
Proceeds from the sale of equipment	**16**	71	340
Purchase of financial investments	**(2,521,808)**	(721,247)	(1,578,376)
Receipts from the sale of financial investments	**2,601,427**	596,242	1,435,679
Decrease in short-term deposits	**24,996**	112,488	170,875
Dividends received from associates	**3,133**	1,658	3,602
Interest received	**45,461**	41,270	74,550
Dividends received	**1,918**	2,925	6,444
Realised loss on settlement of forward currency contracts	**(12,803)**	(33,628)	(128,429)
Net cash used in investing activities	**140,055**	(3,005)	(22,747)
Cash flows from financing activities			
Repurchase of subordinated debt	**(65,794)**	–	–
Other interest paid	**(37,162)**	(34,731)	(73,503)
Increase in borrowings for statutory insurance deposits	**6,564**	3,809	15,019
Net proceeds from financing activities	**(96,392)**	(30,922)	(58,484)
Net increase in cash and cash equivalents	**120,333**	116,461	18,875
Effect of exchange rates on cash and cash equivalents	**(836)**	(407)	711
Cash and cash equivalents at 1 January	**201,275**	181,689	181,689
Cash and cash equivalents at 30 June/31 December	**320,772**	297,743	201,275

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS

as at 30 June 2009

1. THE GROUP INTERIM FINANCIAL STATEMENTS

The group interim financial statements of the Society were approved by the Council of Lloyd's on 23 September 2009. 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 2009 and 30 June 2008 are unaudited. The independent review report to the Society of Lloyd's, for the six months ended 30 June 2009, is set out on page 28.

The auditors gave an unqualified report on the financial statements for the year ended 31 December 2008 prepared under IFRS as adopted by the European Union. Their report was included in the Annual Report 2008 which was published on 24 March 2009 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 are consistent with those adopted for the Society of Lloyd's Annual Report 2008, which was approved on 23 March 2009.

These group 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.

The Society has adopted the revisions to IAS 1 (Presentation of Financial Statements). This has resulted in both presentational and terminology adjustments to the primary statements. The standard introduces the 'statement of comprehensive income', presenting all recognised income and expense in either a one statement or a linked two statement approach. The Society has elected to present two statements. This standard also requires a 'statement of changes in equity' which shows equity movements over the reporting period.

The Society has also adopted IFRS 8 (Operational Segments). This has no material impact.

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. 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.

(c) Insurance activities: the Society has three insurance company subsidiary undertakings, Centrewrite Limited, Lioncover Insurance Company Limited (see note 7), 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. Centrewrite has also reinsured the members of syndicates 535 and 1204 for outstanding claims in respect of certain years of account. Lloyd's Reinsurance Company (China) Limited underwrites onshore reinsurance business throughout China.

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL ANALYSIS CONTINUED

A. Information by business segment (1/3)	Note	Six months ended 30 June 2009 Corporation of Lloyd's £000	Lloyd's Central Fund £000	Insurance activities £000	Society total £000
Segment income					
Segment income (unconsolidated)		102,740	102,051	4,382	209,173
Less intra-segment income		(1,537)	–	–	(1,537)
Total income from external sources		101,203	102,051	4,382	207,636
Segment operating expenses					
Central Fund claims and provisions incurred	3(II)	–	(10,897)	–	(10,897)
Gross insurance claims		–	–	(22,624)	(22,624)
Insurance claims recoverable from reinsurers		–	–	20,076	20,076
Other group operating expenses:					
– Employment (including pension costs)		(42,166)	–	(1,112)	(43,278)
– Premises		(18,676)	–	(315)	(18,991)
– Legal and professional		(7,422)	(123)	(10)	(7,555)
– Systems and communications		(10,156)	–	(193)	(10,349)
– Other		(9,187)	(4,180)	330	(13,037)
Total other operating expenses		(87,607)	(4,303)	(1,300)	(93,210)
Total segment operating expenses		(87,607)	(15,200)	(3,848)	(106,655)
Total segment operating surplus		13,596	86,851	534	100,981
Finance costs	4(I)	(1,000)	(82,729)	(1,654)	(85,383)
Finance income – surplus on subordinated debt repurchase	4(II)	–	36,205	–	36,205
– other	4(II)	2,112	30,959	1,283	34,354
Unrealised exchange gains on borrowings		–	32,234	–	32,234
Share of profits of associates		1,965	–	–	1,965
Segment surplus before tax		16,673	103,520	163	120,356
Tax charge	5				(33,695)
Surplus for the period					86,661
Segment assets					
Segment assets		399,161	2,023,768	160,250	2,583,179
Tax assets					10,702
Total assets					2,593,881

3. SEGMENTAL ANALYSIS CONTINUED

A. Information by business segment (2/3)	Note	Six months ended 30 June 2008 Corporation of Lloyd's £000	Lloyd's Central Fund £000	Insurance activities £000	Society total £000
Segment income					
Segment income (unconsolidated)		88,051	83,699	34,356	206,106
Less intra-segment income		(1,541)	–	–	(1,541)
Total income from external sources		86,510	83,699	34,356	204,565
Segment operating expenses					
Central Fund claims and provisions incurred	3(II)	–	(16,484)	–	(16,484)
Gross insurance claims		–	–	(59,800)	(59,800)
Insurance claims recoverable from reinsurers		–	–	26,791	26,791
Other group operating expenses:					
– Employment (including pension costs)		(37,038)	–	(792)	(37,830)
– Premises		(17,688)	–	(216)	(17,904)
– Legal and professional		(5,996)	(99)	(237)	(6,332)
– Systems and communications		(9,436)	–	(258)	(9,694)
– Other		(10,514)	(2,604)	87	(13,031)
Total other operating expenses		(80,672)	(2,703)	(1,416)	(84,791)
Total segment operating expenses		(80,672)	(19,187)	(34,425)	(134,284)
Total segment operating surplus/(deficit)		5,838	64,512	(69)	70,281
Finance costs	4(I)	(1,472)	(102,845)	(630)	(104,947)
Finance income	4(II)	4,332	41,733	1,537	47,602
Unrealised exchange losses on borrowings		–	(17,027)	–	(17,027)
Share of profits of associates		2,198	–	–	2,198
Segment surplus/(deficit) before tax		10,896	(13,627)	838	(1,893)
Tax charge	5				(163)
Deficit for the period					(2,056)
Segment assets					
Segment assets		345,381	1,980,762	509,217	2,835,360
Tax assets					8,500
Total assets					2,843,860

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL ANALYSIS CONTINUED

A. Information by business segment (3/3)	Note	Corporation of Lloyd's £000	Lloyd's Central Fund £000	Insurance activities £000	Society total £000
		Full year 2008 (Audited)			
Segment income					
Segment income (unconsolidated)		182,106	108,896	44,831	335,833
Less intra-segment income		(3,663)	–	–	(3,663)
Total income from external sources		178,443	108,896	44,831	332,170
Segment operating expenses					
Central Fund claims and provisions released	3(II)	–	6,349	–	6,349
Gross insurance claims		–	–	(77,314)	(77,314)
Insurance claims recoverable from reinsurers		–	–	42,806	42,806
Other group operating expenses:					
– Employment (including pension costs)		(84,540)	–	(1,951)	(86,491)
– Premises		(35,888)	–	(749)	(36,637)
– Legal and professional		(16,043)	(182)	(719)	(16,944)
– Systems and communications		(20,565)	–	(702)	(21,267)
– Other		(22,662)	(3,092)	(610)	(26,364)
Total other operating expenses		(179,698)	(3,274)	(4,731)	(187,703)
Total segment operating expenses		(179,698)	3,075	(39,239)	(215,862)
Total segment operating (deficit)/surplus		(1,255)	111,971	5,592	116,308
Finance costs	4(I)	(373)	(73,868)	(164)	(74,405)
Finance income	4(II)	7,795	146,400	10,813	165,008
Unrealised exchange losses on borrowings		–	(69,233)	–	(69,233)
Share of profits of associates		3,930	–	–	3,930
Segment surplus before tax		10,097	115,270	16,241	141,608
Tax charge	5				(39,620)
Surplus for the period					101,988
Segment assets					
Segment assets		369,003	2,159,673	683,758	3,212,434
Tax assets					4,356
Total assets					3,216,790

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 2009 £000**	Six months ended 30 June 2008 £000	Full year 2008 (Audited) £000
Central fund			
Net assets at 1 January	**852,384**	768,110	768,110
Operating surplus	**85,597**	63,047	108,664
Intra-group transactions	**1,254**	1,465	3,307
Net finance	**16,669**	(78,139)	3,300
Tax (charge)/credit	**(32,216)**	4,224	(30,997)
Net assets at 30 June/31 December	**923,688**	758,707	852,384
Corporation of Lloyd's and subsidiary undertakings	**135,806**	148,054	137,709
Net Society assets at 30 June/31 December	**1,059,494**	906,761	990,093
Subordinated notes	**511,525**	533,324	585,828
Perpetual subordinated capital securities	**436,787**	495,967	496,195
Net central assets excluding subordinated debt	**2,007,806**	1,936,052	2,072,116

(I) CENTRAL FUND CONTRIBUTIONS FROM MEMBERS AND CORPORATION OF LLOYD'S SUBSCRIPTIONS

During the six months ended 30 June 2009, 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 2009 will be based on actual 2009 written premiums, of members, the quantification of which will not be known until 2011. The £101.9m (Central Fund contributions) and £43.0m (subscriptions) included in the 2009 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 2009 £000	Six months ended 30 June 2008 £000	Full year 2008 (Audited) £000
Annual undertakings granted	**(16,888)**	(12,388)	14,586
Provisions made in respect of Limited Financial Assistance Agreements	**6,302**	(2,152)	(5,448)
Claims payable in respect of individual members	**(306)**	(1,944)	(2,764)
Tax and interest payable in respect of insolvent members	**(5)**	–	(25)
Central Fund claims and provisions (incurred)/released	**(10,897)**	(16,484)	6,349

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 2009, undertakings of £16.6m were paid to corporate members (30 June 2008: nil; 31 December 2008: £15.6m).

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

4. FINANCE

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Full year 2008 (Audited) £000
(I) Finance costs			
Interest payable on financial liabilities measured at amortised cost	**(34,538)**	(35,566)	(72,833)
Loss on investments incl. unrealised movement of forward currency contracts	**(50,261)**	(68,065)	–
Other interest payable and similar charges	**(61)**	(807)	(537)
Amortisation of issue costs and unwinding of discount	**(523)**	(509)	(1,035)
	(85,383)	(104,947)	(74,405)
(II) Finance income			
Surplus on subordinated debt repurchase	**36,205**	–	–
Interest and dividends receivable	**35,357**	48,211	27,355
Gain on investments incl. unrealised movement of forward currency contracts	**–**	–	141,177
Movement in loans recoverable	**(1,003)**	(609)	(3,524)
	70,559	47,602	165,008

(III) SUBORDINATED DEBT REPURCHASE

On 30 April 2009, the Society of Lloyd's announced it would repurchase the local currency equivalent of £102m of its outstanding debt securities following its invitation to holders to submit offers to sell their holdings. The Society purchased a principal amount of £59,631,000 of its perpetual subordinated capital securities at a cost of £35,778,600 and a principal amount of €47,315,000 of its subordinated notes maturing in 2024 at a cost of €33,120,150. The Society additionally paid accrued interest on the purchased securities. The profit on the repurchase was £36,205,000.

5. TAXATION

A. Analysis of total tax charge	**Six months ended 30 June 2009 £000**	Six months ended 30 June 2008 £000	Full year 2008 (Audited) £000
Current tax:			
Corporation tax based on profits for 2009 at 28% (2008: 28.5%)	**(33,217)**	430	(38,333)
Adjustments in respect of previous periods	**–**	–	161
Foreign tax suffered	**(112)**	(310)	(458)
	(33,329)	120	(38,630)
Deferred tax:			
Origination and reversal of temporary differences – current year	**(366)**	(283)	(1,332)
– prior year	**–**	–	342
Income statement tax charge (note 5B)	**(33,695)**	(163)	(39,620)
Tax credit recognised in equity	**6,712**	11,571	19,585
Total tax (charge)/credit	**(26,983)**	11,408	(20,035)

B. Factors affecting the income statement tax charge	**Six months ended 30 June 2009 £000**	Six months ended 30 June 2008 £000	Full year 2008 (Audited) £000
Surplus/(deficit) before tax	**120,356**	(1,893)	141,608
Corporation tax at 28% (2008: 28.5%)	**(33,700)**	540	(40,358)
Expenses not deductible for tax purposes	**(540)**	(729)	(901)
Non-taxable income	**–**	46	–
Utilisation of tax credits	**112**	91	498
Overseas tax	**(112)**	(310)	(458)
Other	**545**	199	1,096
Deferred tax prior year adjustments	**–**	–	342
Adjustments in respect of previous years	**–**	–	161
Income statement tax charge	**(33,695)**	(163)	(39,620)

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS CONTINUED

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 deficit at 30 June 2009 was £55.4m (30 June 2008: £22.5m; 31 December 2008: £32.0m) before the allowance of deferred tax. An actuarial loss of £24.0m, has been recognised in the six months ended 30 June 2009 (30 June 2008: actuarial loss £41.3m; 31 December 2008: actuarial loss £70.1m).

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 2009 is £0.8m (30 June 2008: £0.6m; 31 December 2008: £0.8m).

7. LIONCOVER INSURANCE COMPANY LIMITED

The insurance contract liabilities of Lioncover were wholly reinsured into Equitas in 1997 and the company does not accept new business.

On 10 November 2006, EL, Equitas Holdings Limited and Equitas Management Services Limited entered into an agreement with a Berkshire Hathaway group undertaking, National Indemnity Company ('NICO'). That agreement became effective from 30 March 2007. As part of this transaction, the day to day running of the run-off business, including that of Lioncover, is performed by Resolute Management Services Ltd, a wholly owned subsidiary of NICO.

Following court approval on 25 June 2009, Phase 2 of the transaction was completed on 30 June 2009 when the liabilities of members and former members of Lloyd's in respect of non-life business allocated to the 1992 or prior years of account were transferred to Equitas Insurance Limited, a subsidiary of Equitas Holdings Limited, and Lioncover's reinsurance liabilities were terminated, pursuant to the provisions of an insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000. The insurance business transfer has resulted in finality for members of the PCW syndicates under the law of each state within the EEA. As a result of this transaction as at 30 June 2009, Lioncover no longer has reinsurance liabilities to any person nor any entitlement to any reinsurance recoveries.

8. RELATED PARTY TRANSACTIONS

The group 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.

Services provided to Ins-sure Holdings Limited group in the period to 30 June 2009 included operating systems support and development, premises and other administrative services. The total value of the services provided was £172,000 (30 June 2008: £360,000; 31 December 2008: £631,000). In addition, Ins-sure Holdings Limited group charged the Society £2,056,000 for services provided in the same period (30 June 2008: £1,027,000; 31 December 2008: £2,069,000).

At 30 June 2009, there was a balance of £66,000 (30 June 2008: £138,000; 31 December 2008: 90,000) owing from Ins-sure Holdings Limited group to the Society. The Society owed £117,000 to Ins-sure Holdings Limited at the same date (30 June 2008: £21,000; 31 December 2008: £nil).

Services provided to Xchanging Claims Services Limited group in the period to 30 June 2009 included premises and other administrative services. The total value of the services provided was £47,000 (30 June 2008: £52,000; 31 December 2008: £113,000). Xchanging Claims Services Limited group charged the Society £nil for services provided in the same period (30 June 2008: £nil 31 December 2008: £nil).

At 30 June 2009, there was a balance of £nil (30 June 2008: £9,000; 31 December 2008: £8,000) owing from Xchanging Claims Services Limited group to the Society. The Society owed £nil (30 June 2008: £nil; 31 December 2008: £nil) to Xchanging Claims Services Limited at the same date.

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

A member of Council, Rupert Atkin, is also a Director of Shrewsbury Underwriting Capital (Bermuda) Limited and Shrewsbury Underwriting Capital Limited. These companies benefit from undertakings given by the Council in 2009 to meet unpaid cash calls. No amounts were paid under these undertakings to 30 June 2009.

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.

9. 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 as at 30 June 2009 amounted to £22.0m (29 June 2008: £14.1m).

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 cashflow 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 undertaking, Additional Securities Limited, to provide security in connection with the underwriting activities of the members of Lloyd's in the countries shown:

	30 June 2009 **£000**	30 June 2008 £000	Full year 2008 (Audited) £000
Guarantees provided by the Society USA US$1,500,000 (2008: US$1,500,000)	**911**	754	1,043
Cayman Islands: Letter of credit US$1,250,000 (2008: US$1,250,000)	**759**	628	869
Hong Kong: Letter of credit HKD 90,105,685 (2008: HKD nil)	**7,060**	–	–

D) The Society has given indemnities to certain of its subsidiary undertakings, and the directors thereof, in respect of any claims or actions which may be brought against them or any future operating losses incurred by them in connection with the companies' activities. The society has also given indemnities to and has agreed to cover certain specific costs that may be incurred by members of the Council, Lloyd's Franchise Board, Lloyd's Regulatory Board and Lloyd's Market Board (the latter two boards ceased during 2002) and of their respective sub-committees, the Society staff and also certain individuals and organisations who have been asked to carry out or provide services to the Society or on behalf of, or for the benefit of its members.

E) In Quebec, proceedings have been issued by Agence Nationale D'Encadrement Du Secteur Financier as the regulator of the Quebec policyholder protection fund, by 91 alleged insureds and by one intermediary who was offering extended warranty programmes to automobile dealers against the Society and other parties arising out of the issue by a coverholder of purported 'policies of insurance' without the authority of a Lloyd's syndicate. The Society does not accept any liability in respect of this action.

In respect of all contingent liabilities disclosed as at 30 June 2009, no provision has been made in the Society financial statements as the Society 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 engaged by the Council of Lloyd's to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the group income statement, the group statement of comprehensive income, the group statement of financial position, the group statement of changes in equity, the group statement of cash flows and the related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Society of Lloyd's in accordance with guidance contained in ISRE 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' 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 company, for our work, for this report, or for the conclusions we have formed.

COUNCIL OF LLOYD'S

The half-yearly financial report is the responsibility of, and has been approved by, the Council of Lloyd's. The Council of Lloyd's is responsible for preparing the half-yearly financial report in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

As disclosed in note 1, the annual financial statements of the Society of Lloyd's are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Society of Lloyd's a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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 half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

ERNST & YOUNG LLP, LONDON
23 September 2009

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.

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