LLOYD'S

WHERE THE WORLD TAKES RISKS

INTERIM REPORT 2005

IN BRIEF

£1,377M

PRE-TAX PROFIT

Pre-tax profit for the Lloyd's market increased by 21% for the six months ended 30 June 2005.

87.3%

COMBINED RATIO

The Lloyd's market continues to report above average performance in the first half of 2005.

£11,976M

CAPITAL, RESERVES AND SUBORDINATED LOAN NOTES

(see page 8).

Members' funds at Lloyd's and syndicate profits/(losses) due to/(from) members are available to meet members' underwriting liabilities. These resources operate on a several basis and are only available to meet each member's share of liabilities. Central assets are available at the discretion of Council to meet the underwriting liabilities of members.

STRENGTH AND DISCIPLINE

THESE RESULTS ARE FURTHER EVIDENCE OF THE UNDERLYING STRENGTH OF THE LLOYD'S MARKET

	Six months ended 30 June 2005	Six months ended 30 June 2004	Full year 2004 restated
Gross written premium	**£8,395m**	£9,836m	£14,713m
Net earned premiums	**£5,576m**	£5,756m	£11,789m
Combined ratio	**87.3%**	85.0%	96.9%
Net profit before tax	**£1,377m**	£1,142m	£1,357m

This is the first time Lloyd's has reported a half year result; a move in line with our commitment to make Lloyd's more transparent and comparable to its peers.

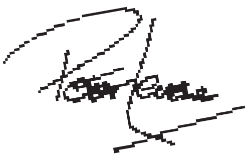
These results are further evidence of the underlying strength of the Lloyd's market and the progress we are making. The commitment within the market to disciplined underwriting, and the franchise structure Lloyd's introduced, give us confidence that this progress can be maintained even as conditions become more challenging.

Hurricanes Katrina and Rita are a reminder of the devastating impact that natural disasters can have on communities and economies. We are in the business of providing protection to policyholders against the consequences of such disasters, and the market is well prepared to deal with them.

There can be no doubt that Lloyd's reputation and brand have both strengthened in recent years. Our strong underlying performance has clearly been a major factor in this.

Over the last year, the industry has come to terms with the fact that it needs to make dramatic improvements in its financial practices and business processes. The reputational fallout from the investigations in the United States has made the need for reform all the more urgent. Lloyd's will continue to support reforms to increase transparency and efficiency in the industry, and contribute to the debate about how to achieve best practice.

The outlook for Lloyd's is encouraging. The market should take credit for its accomplishments. The Lloyd's market is trusted to insure the world's toughest risks. We are proud to play an integral role at the heart of the global economy.



Peter Levene
Chairman 5 October 2005

DRIVING LLOYD'S FORWARD

THE LLOYD'S MARKET DELIVERED A STRONG PERFORMANCE IN THE FIRST HALF OF 2005

Introduction

The Lloyd's market delivered a strong performance in the first half of 2005. A combination of disciplined underwriting and a relatively benign claims environment put Lloyd's on a strong footing, even as rates declined from their peak across many areas of the business.

The interim results clearly demonstrate that businesses in the market responded to changing market conditions, and it is a testament to their resolve that we are able to report an interim profit of nearly £1.4bn for the period ended 30 June 2005.

The results are an encouraging indicator of the underlying health of the market. However, Hurricanes Katrina and Rita are a reminder that insurers' annual results are inevitably linked to the severity of major catastrophes during the year. Looking ahead to the full-year results, one must take a number of factors into account.

First, the impact of Hurricane Katrina will clearly have a significant impact on year-end profits. The initial estimate of the market's losses from Katrina is £1.4bn and the market as a whole has yet to produce an initial estimate of Rita. There are still significant uncertainties surrounding these losses, which will take some considerable time to resolve. The Lloyd's market is in the risk business and there are rigorous modelling and risk management practices. These enable a better understanding of risk, and are tools which help manage exposure to major catastrophes. Based on our current information, we believe that the Lloyd's market will be able to meet the liabilities arising from Katrina, and any impact on the Central Fund would be immaterial.

Second, Katrina and Rita apart, annual results are not a simple multiple of first-half performance.

Third, and most importantly, there are three months of the year to go, including the remainder of the North American hurricane season.

Therefore, it is not possible at this stage to draw any firm conclusion about full-year profits, but in the absence of unusual catastrophic losses in the remainder of the year, we would expect the market to achieve a profit.

Looking forward, Katrina and Rita, will clearly have a positive effect on trading conditions in several classes of business especially those directly affected. The nature and scope of this effect will become clearer over the last quarter.

Financial strength

Lloyd's is pleased to report a robust set of interim results for the period ended 30 June 2005, with an interim profit of £1,377m. The market's combined ratio for the first half of 2005 is 87.3%, which compares favourably to the performance of our competitors, and is a significant achievement in what was a difficult rating environment. The market wrote £8.4bn worth of gross written premium during this time, a decrease of 15% compared to the same period last year.

The market's underwriting performance for the period has been very strong, contributing £708m to the pre-tax result.

The return on investment for the period ended at 30 June was £657m, with investment assets totalling £32.4bn as of 30 June 2005. This was a positive result that exceeded expectations.

We have seen modest releases from prior year reserves, primarily from the 2003 and 2004 accident years. The result was a net surplus on prior year reserves of £122m (June 2004: deficit £65m) in the first half of 2005. It is important to note, however, that during the second half significant additional information is received to enable the Lloyd's market to fully re-assess the prior years' reserve estimates.

Consolidated Society of Lloyd's interim financial statements

The subordinated debt issued in 2004 is listed and therefore Lloyd's has adopted International Financial Reporting Standards (IFRS) for the preparation of the Society's financial statements.

The statements of the Corporation of Lloyd's and all of its subsidiaries and the Lloyd's Central Fund are now consolidated.

The impact of adopting IFRS on prior period results and accounting policies is set out in a separate document which is available with the interim results at www.lloyds.com.

Net assets of the Society increased by £50m in the six months to 30 June 2005 to £740m, including £105m in syndicate loans, and are not expected to change materially for the rest of 2005.

There has been a change in how members contribute to the Central Fund in 2005, which is now partly by way of loans from syndicate premiums trust funds. The reduction of the members' Central Fund contribution rate from 1.25% in 2004 to 0.5% of capacity (concurrent with the introduction of the syndicate loans, which are not recorded as operating income but are included in the Society's equity) substantially reduced operating income for the first half of 2005. In addition to Central Fund contributions, members pay annual subscriptions (set at 0.5% of capacity in 2005) to fund the core operating costs of the Society.

Operating expenses for the Society (excluding claims and provisions in respect of insolvent members) total £80m for the first half of 2005. Maintaining cost discipline is a priority, and we will continue to seek to improve the efficiency of our operations and bring down the cost of doing business at Lloyd's. Members' subscriptions are to be held at 0.5% of capacity for 2006.

A group deficit of £52m after taxation for the period is reported but was within our planning expectations and reflects a charge of £212m for Central Fund claims and provisions and the accounting for the receipt of syndicate loans as part of the Society's equity rather than as income. Investment returns of 4.59% on central assets were achieved during the period.

In setting the appropriate future funding levels for the Central Fund we have taken account of the work done under the new Individual Capital Assessment for the Society to ensure that Lloyd's is prudently but competitively capitalised. We continue to examine the circumstances behind the implications of the Central Fund arbitration settlement announced earlier in the year. The immediate effect of the settlement and the impact on the Central Fund of insolvent members have also had to be taken into account in setting Central Fund contribution rates for 2006. As a consequence, Central Fund contributions will increase by 0.5% to 1% of capacity, while the rate for syndicate loans in 2006 will remain at 0.75%. Syndicate loans will ordinarily be repaid on the closure of the year of account after three years and our current expectations are that the loans will be repaid at that time.

We will continue to keep the level of the central assets under review to ensure we are achieving an optimum and cost efficient level for the market.

Market commentary

Market conditions remained favourable for all the main lines of business written at Lloyd's during the first half of the year, but global competition increased. This led to varying degrees of softening in the market for most classes of business during the first part of 2005, with some showing a second or even a third year of rate reductions. It is still too early to predict accurately the extent to which Hurricane Katrina will affect rates and conditions, but it is likely that it will at least stem the softening in a number of the lines affected during the final part of the year, and in some classes rates are now increasing.

While we were encouraged that in general, other terms and conditions, including deductibles, were holding relatively stable in the first part of the year, in some instances rate reductions were accompanied by wider coverage.

The direct shorter tail classes, notably very large property risks, onshore energy and airline business, saw the most significant rate softening during the first part of 2005. Some casualty classes were also under intense rating pressure, including financial institutions business and certain general and professional liability lines (primarily non-US).

Throughout this time, the Lloyd's Franchise Performance Directorate has closely monitored conditions and given the market information to assist their underwriting decisions.

Outlook

We are optimistic about the outlook for 2005, but the impact of Hurricanes Katrina and Rita, together with any further loss activity in the final part of the year will be important elements in determining the full year result.

Nick Prettejohn

Nick Prettejohn,
Chief Executive Officer 5 October 2005

INTERIM PRO FORMA ANNUAL ACCOUNTING STATEMENT (PFAAS)

The information on pages 7 to 13 does not form part of the consolidated interim report of the Society of Lloyd's. It is included in order to present the aggregated results of the Lloyd's market on a basis that is generally comparable with general insurance companies.

In the consolidated interim report of the Society of Lloyd's, the financial information has been prepared under International Financial Reporting Standards. The financial information of the Society of Lloyd's in the PFAAS is reported on a UK GAAP basis. This aligns this financial information with the syndicate level data used in the preparation of the PFAAS, which is reported on a UK GAAP basis.

PRO FORMA ANNUAL ACCOUNTING RESULT

for the six months ended 30 June 2005

Pro forma annual accounting technical account	Six months ended 30 June 2005 £m	Six months ended 30 June 2005 £m	Six months ended 30 June 2004 £m	Six months ended 30 June 2004 £m	Full year 2004 restated £m	Full year 2004 restated £m
Gross written premiums – continuing operations		**8,359**		9,412		14,046
– discontinued operations		**36**		424		667
		8,395		9,836		14,713
Outward reinsurance premiums		**(1,928)**		(2,129)		(2,908)
Premiums written, net of reinsurance		**6,467**		7,707		11,805
Change in the gross provision for unearned premiums	**(1,410)**		(2,374)		290	
Change in provision for unearned premiums, reinsurers' share	**519**		423		(306)	
		(891)		(1,951)		(16)
Earned premiums, net of reinsurance		**5,576**		5,756		11,789
Allocated investment return transferred from the non-technical account		**358**		119		536
		5,934		5,875		12,325
Claims paid						
Gross amount	**4,409**		3,985		8,420	
Reinsurers' share	**(1,535)**		(1,495)		(3,120)	
		2,874		2,490		5,300
Change in provision for claims						
Gross amount	**(388)**		74		1,425	
Reinsurers' share	**675**		487		942	
		287		561		2,367
Claims incurred, net of reinsurance		**3,161**		3,051		7,667
Acquisition costs	**1,386**		1,365		2,801	
Administrative expenses	**417**		426		900	
(Profit)/loss on exchange	**(96)**		49		51	
Operating expenses		**1,707**		1,840		3,752
Balance on the technical account		**1,066**		984		906
Attributable to:						
Continuing operations		**1,061**		1,056		1,582
Discontinued operations		**5**		(72)		(676)
Total		**1,066**		984		906
Pro forma annual accounting non-technical account						
Balance on the technical account		**1,066**		984		906
Syndicate investment return	**358**		119		536	
Notional investment return on funds at Lloyd's	**299**		174		487	
Other investment returns & other income	**109**		81		148	
	766		374		1,171	
Allocated investment return to the technical account	**(358)**		(119)		(536)	
		408		255		635
Other expenses		**(97)**		(97)		(184)
Pro forma profit on ordinary activities before tax		**1,377**		1,142		1,357

PRO FORMA BALANCE SHEET

as at 30 June 2005

	30 June 2005 £m	30 June 2005 £m	30 June 2004 £m	30 June 2004 £m	31 Dec 2004 restated £m	31 Dec 2004 restated £m
Financial investments						
Shares and other variable yield securities	**1,622**		1,692		1,753	
Debt securities and other fixed income securities	**15,363**		12,934		15,032	
Participation in investment pools	**340**		295		407	
Loans and deposits with credit institutions	**1,405**		981		890	
Deposits with ceding undertakings	**9**		14		9	
Members' funds at Lloyd's	**9,749**		9,482		9,622	
Other investments	**51**		20		34	
Total investments		**28,539**		25,418		27,747
Reinsurers' share of technical provisions						
Claims outstanding	**9,348**		9,855		9,544	
Unearned premiums	**1,441**		1,637		875	
		10,789		11,492		10,419
Debtors						
Debtors arising out of direct operations	**4,218**		5,099		3,250	
Debtors arising out of reinsurance operations	**3,724**		3,976		3,654	
Other debtors	**615**		296		390	
		8,557		9,371		7,294
Other assets						
Tangible assets	**7**		15		15	
Cash at bank and in hand	**2,468**		2,979		2,336	
Overseas deposits	**1,436**		1,274		1,330	
Other	**60**		286		74	
		3,971		4,554		3,755
Prepayments and accrued income						
Accrued interest and rent	**63**		44		73	
Deferred acquisition costs	**1,736**		2,010		1,438	
Other prepayments and accrued income	**139**		133		105	
		1,938		2,187		1,616
Total assets		**53,794**		53,022		50,831
Capital, reserves and subordinated loan notes						
Members' funds at Lloyd's	**9,749**		9,482		9,622	
Syndicate profits/(losses) due to/(from) members	**1,045**		1,060		1,363	
Central reserves	**685**		876		638	
Capital and reserves	**11,479**		11,418		11,623	
Subordinated loan notes	**497**		–		506	
		11,976		11,418		12,129
Technical provisions						
Provision for unearned premiums	**8,389**		9,646		6,769	
Claims outstanding	**29,492**		28,069		28,702	
		37,881		37,715		35,471
Deposits received from reinsurers		**41**		57		37
Creditors						
Creditors arising out of direct insurance operations	**647**		698		471	
Creditors arising out of reinsurance operations	**2,126**		2,244		1,742	
Amounts owed to credit institutions	**–**		1		7	
Other creditors including taxation	**912**		821		784	
		3,685		3,764		3,004
Accruals and deferred income		**211**		68		190
Total liabilities		**53,794**		53,022		50,831

PRO FORMA CASH FLOW STATEMENT

for the six months ended 30 June 2005

	Six months ended 30 June 2005 £m	Six months ended 30 June 2004 £m	Full year 2004 £m
Profit on ordinary activities before tax	**1,377**	1,142	1,357
Depreciation	**1**	1	3
Realised and unrealised investment (gains)/losses and foreign exchange	**(690)**	123	692
Net purchase of investments	**(138)**	(1,189)	(4,899)
Notional return on Funds at Lloyd's	**(299)**	(174)	(487)
Increase in technical provisions	**1,974**	2,311	1,635
(Increase)/decrease in debtors	**(1,394)**	(2,315)	887
Increase in creditors	**675**	443	40
Cash generated from operations	**1,506**	342	(772)
Income taxes received/(paid)	**80**	(38)	(58)
Net cash from operating activities	**1,586**	304	(830)
Cash flows from financing activities			
Net (profits)/losses (paid to)/received from members	**(1,454)**	512	499
Issue of subordinated loan notes	**–**	–	504
Net increase in cash holdings	**132**	816	173
Cash holdings at beginning of period	**2,336**	2,163	2,163
Cash holdings at 30 June/31 December	**2,468**	2,979	2,336

NOTES TO THE INTERIM PRO FORMA ANNUAL ACCOUNTING STATEMENT

as at 30 June 2005

1. Basis of preparation notes

A Basis of reporting

The purpose of the Interim Pro Forma Annual Accounting Statement (Interim PFAAS) is to present technical and non-technical account, balance sheet and cash flow information on a basis generally comparable with general insurance companies. The result of the Lloyd's market on an annual accounting basis for the six months ended 30 June 2005 shown in the Interim PFAAS has been determined by aggregating the results as reported separately by all syndicates in their returns together with the financial information of the Society of Lloyd's. The result does not present a consolidated view of the results of Lloyd's business taken as a single entity and, in particular, it does not eliminate inter-syndicate reinsurances. The technical and non-technical accounts are presented before tax and do not include any adjustments that would be necessary to disclose a post-tax position.

The Interim PFAAS has been prepared under the historical cost convention as modified by the valuation of investments at market value.

The financial statements for the Society for the period to 31 December 2004 have been restated to include the results of the Society's two insurance company subsidiaries, Centrewrite and Lioncover. The results of these subsidiaries had not previously been consolidated within the Corporation of Lloyd's financial statements due to dissimilar activities. Under UK GAAP this exemption was withdrawn with effect from 1 January 2005. The effect of this restatement on the overall result within the PFAAS is immaterial.

B Aggregation process

The Interim PFAAS has been compiled from syndicate returns prepared by managing agents and reported on by syndicate auditors, and other information for central adjustments. 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. Relevant accounting policies which were included within the instructions are set out in note 2 on page 11.

C Central adjustments

Lloyd's has made central adjustments in preparing the Interim PFAAS. The objective of these adjustments is to present the results on a basis broadly comparable to insurance companies.

- Return on funds at Lloyd's: Syndicates' investment return has been wholly credited to the technical account. A notional investment return on average funds at Lloyd's during the period has been included in the non-technical account. This notional investment return is based on returns applicable to different classes of assets held as funds at Lloyd's and reflects negative returns where applicable. This adjustment resulted in the inclusion of an investment return of £299m (June 2004: £174m, Dec 2004: £487m) in the non-technical account.

- Inclusion of the transactions and net assets of the Society of Lloyd's and its subsidiaries: The financial statements of the Society of Lloyd's demonstrate its income and expenditure and financial position to the members. The financial statements include the Central Fund for which the primary purpose is to be available to meet policyholders' claims in the event of members being unable to meet their underwriting liabilities. The Interim PFAAS result reflects the overall performance of the market and all its activities and has, therefore, been adjusted to include the results of the Society of Lloyd's and its subsidiaries. These adjustments have resulted in a net profit of £124m (June 2004: £276m profit, Dec 2004: £3m loss) in the technical account and a net profit of £12m (June 2004: £16m loss, Dec 2004: £36m loss) in the non-technical account.

- Funds at Lloyd's: Included in the balance sheet are members' funds at Lloyd's. Funds at Lloyd's comprise the three trust funds in which members' assets may be held: the Lloyd's deposit, the special reserve fund and the personal reserve fund held under the terms of the premiums trust deed. These are each available to meet cash calls made on the member in respect of a syndicate. The assets in funds at Lloyd's 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 funds at Lloyd's requirement and certain liabilities in respect of his underwriting business.

D Capital and reserves

Members' funds at Lloyd's and syndicate profits/(losses) due to/(from) members, represent the aggregate of each member's resources. These resources operate on a several basis and are only available to meet each member's share of claims. Central reserves are available to meet the liabilities of any member on a mutual basis.

E Variability

Movements in reserves are based upon best estimates as at 30 June 2005 taking into account all available information as at the balance sheet date. These estimates will be subject to variability until the date at which the underlying claims are settled. Such changes in best estimate will be reflected in the technical account of the year in which they occur.

F Syndicate profits/(losses) due to/(from) members

The syndicate profits/(losses) due to/(from) members represent syndicate results declared in accordance with UK GAAP, which have not yet been distributed to/(called from) members. It excludes the funds at Lloyd's which have been lodged by members in support of their underwriting and the central assets of the Society which are disclosed separately.

G Discontinued operations

Continued/discontinued operations represent the analysis, by each syndicate, between business that they are continuing to underwrite and that which they have ceased to underwrite. However, it is quite possible that business discontinued by one syndicate continues to be written at Lloyd's by one or more other syndicates.

The continuing/discontinued analysis of gross written premiums and balance on the technical account for the 2004 comparatives have been amended to reflect the 30 June 2005 analysis of continuing/discontinued business.

2. Accounting policies notes

Managing agents have completed the syndicate returns using the principles set out in the accounting policies below. 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.

Premiums

Gross written premiums represent premiums on business incepting during the period together with adjustments for premiums written in previous accounting periods. Gross written premiums are stated before deduction of commissions but net of taxes, duties levied on premiums and other deductions.

Unearned premiums

The provision for unearned premiums represents that part of gross written premiums and the reinsurers' share that is estimated to be earned after the balance sheet date. Premiums are deemed to be earned over the period of cover under each policy having regard to the nature of the business written and the related spread of risk.

Deferred acquisition costs

Acquisition costs are deferred and amortised over the period in which the premium is earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date. Such costs include brokerage and expenses which relate to the acquisition of business.

NOTES TO THE INTERIM PRO FORMA ANNUAL ACCOUNTING STATEMENT continued

as at 30 June 2005

Claims

Claims incurred comprise claims and claims handling expenses paid in the period and the movement in provision for outstanding claims including an allowance for the cost of claims incurred as at the balance sheet date but not reported. Included in the provision is an estimate of the cost of handling outstanding claims and claims incurred as at the balance sheet date but not reported.

Unexpired risk provision

A provision for unexpired risks is made when it is anticipated that unearned premiums will be insufficient to meet future claims and claims settlement expenses of business in force at the period end. Syndicates made the assessment of whether an unexpired risk provision was necessary based on the business of the syndicate as a whole across all years of account. The provision for unexpired risks is included within technical provisions in the balance sheet.

Profit commission

Profit commission due to the managing agent is recognised pro rata to the recognition of underwriting results on a UK GAAP basis.

Exchange rates

Syndicate assets and liabilities expressed in convertible currencies are translated at the rates of exchange ruling at 30 June. Income and expenditure transactions are translated using average exchange rates. Underwriting transactions in other foreign currencies are included in the accounts at historical rates. All differences on the translation of foreign currency amounts in the syndicates are dealt with in the technical account.

Investments

Listed investments are shown at market value.

Investment return

The investment return comprises investment income, investment gains less losses realised and unrealised, and is net of investment expenses and charges. That element of the investment return that arises from underwriting activities has been transferred to the technical account.

As noted in note 1C, the non-technical account includes a notional return on funds at Lloyd's. The calculation of this figure is explained in note 1C.

Taxation

No provision is made for United Kingdom taxation on the result shown in the technical and non-technical account.

3. Capital, reserves and subordinated loan notes	Six months ended 30 June 2005 £m	Six months ended 30 June 2004 £m	Full year 2004 restated £m
The movements in capital, reserves and subordinated loan notes were as follows:			
Capital and reserves at 1 January as previously stated	**11,663**	10,145	10,145
Insurance related subsidiaries not previously consolidated(6)	**27**	29	29
Adoption of FRS17 'Retirement Benefits'	**(67)**	(62)	(62)
Opening capital and reserves as restated	**11,623**	10,112	10,112
Profit on ordinary activities before tax	**1,377**	1,142	1,357
Net (profits paid)/cash calls received(1)	**(1,166)**	588	793
Net purchases/(sales)/revaluation of funds at Lloyd's(2)	**(172)**	(351)	(524)
Undertakings/drawdowns to meet members' losses(3)	**(212)**	(99)	(152)
Taxation credit(4)	**26**	36	64
Exchange difference and other	**3**	(10)	(30)
Unrealised gains during the period(5)	**–**	–	3
Closing capital and reserves	**11,479**	11,418	11,623
Subordinated loan notes	**497**	–	506
Closing capital, reserves and subordinated loan notes	**11,976**	11,418	12,129

(1) Net (profits paid)/cash calls received represent the aggregate of syndicate profits paid to, and cash calls to fund syndicate losses received from, members in 2005. The net figure is an overall payment as members received profits from the 2002 year of account. The 2004 comparative is a net receipt as members funded their losses on the 2001 year of account that closed at 31 December 2003.

(2) Net purchases/(sales)/revaluation of funds at Lloyd's (FAL) represents the movement in members' FAL, including actual investment return on FAL where retained, new monies provided, funds withdrawn and the notional return of £299m (June 2004: £174m, December 2004: £487m) reported in the non-technical account.

(3) Undertakings/drawdowns to meet members' losses represent payments and provisions made in the Central Fund for losses of insolvent members (see note 3(ii) of the Society's financial statements). The undertakings/drawdowns figure is gross of the credit for £nil (June 2004: £30m, December 2004: £17m) insurance recoveries within the Central Fund.

(4) Taxation credit/(charge) represents the current and deferred tax of the Central Fund, Corporation and its subsidiaries.

(5) Unrealised gains during the period represent the unrealised gains on the revaluation of other investments and the disposal of subsidiaries as reported in the consolidated financial statements of the Society but stated on a UK GAAP basis.

(6) Inclusion of the insurance related subsidiaries not previously consolidated within the technical account also adjusts gross claims paid and reinsurers' share, and the change in provision for gross claims and reinsurers' share for the year to 31 December 2004. In the balance sheet, technical provisions, gross claims outstanding and reinsurers' share also adjust for the inclusion of the insurance related subsidiaries not previously consolidated.

The net impact on the balance on the technical account and technical provisions is immaterial.

(7) The consolidated financial statements of the Society have been drawn up under IFRS. The amounts included within capital, reserves and subordinated loan notes are on a UK GAAP basis. The net difference is an increase in central reserves on an IFRS basis at 30 June 2005 of £55m (June 2004 decrease: £196m, December 2004 increase £52m).

4 Debtors and creditors – amounts due after more than one year

Debtors and creditors due after more than one year have not been separately analysed as they are considered to be immaterial.

REPORT OF ERNST & YOUNG LLP TO THE COUNCIL OF LLOYD'S ON THE INTERIM PRO FORMA ANNUAL ACCOUNTING STATEMENT

We have been instructed by the Council of Lloyd's to review the balance sheet, technical and non-technical accounts, the cash flow statement, the basis of preparation notes and the accounting policy notes in respect of business transacted by the Lloyd's insurance market for the six months ended 30 June 2005 (taken together, the Interim Pro Forma Annual Accounting Statement – 'Interim PFAAS').

The Interim PFAAS, which has been prepared under the historical cost convention (as modified by the valuation of investments at market value), includes the results and the financial position at 30 June 2005 of all syndicates which transacted business during the period and is based on returns from those syndicates as set out in notes 1A and 1B, together with central adjustments in relation to the capital base, investment income and expenses as set out in note 1C.

This report is made solely to the Council of Lloyd's in accordance with our engagement letter with the Council of Lloyd's dated 22 September 2005. Our work has been undertaken so that we might state to the Council those matters which we are required to state in this report in accordance with the 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 report for our work, for this report, or for the conclusions we have formed.

Council of Lloyd's responsibilities

The Council of Lloyd's is responsible for the preparation of the Interim PFAAS. The Council is responsible for preparing the interim PFAAS in accordance with the basis of preparation notes.

Review work performed

Our review consisted principally of making enquiries of Lloyd's and applying analytical procedures to the financial information and underlying financial data. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions as stated in the Interim PFAAS. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. In addition, the Interim PFAAS has been compiled from syndicate returns on which syndicate auditors have given review opinions as described in note 1B. We have relied on those reports by syndicate auditors. Those auditors' reports are also substantially less in scope than an audit performed in accordance with 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 not audited those syndicate returns. Further, the central adjustments set out in note 1C have not been audited. Consequently, we do not express an audit opinion on the financial information set out in the Interim PFAAS.

We also read the basis of preparation of the Interim PFAAS in order to assess whether it expresses clearly the uncertainties inherent in the preparation of the Interim PFAAS.

Review conclusion

On the basis of the review as set out above, nothing has come to our attention to indicate that the Interim PFAAS has not been drawn up in accordance with the basis of preparation.

Ernst & Young LLP

Ernst & Young LLP
More London Place
London
5 October 2005

Lloyd's 2005 Interim Report
Society of Lloyd's

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2005

	Note	**Six months ended 30 June 2005 £000**	Six months ended 30 June 2004 £000	Full year 2004 (Audited) £000
Continuing operations				
Operating income		**155,054**	276,770	388,802
General insurance net premium income		**947**	905	3,428
Total income		**156,001**	277,675	392,230
Central Fund claims and provisions	3 (ii)	**(212,164)**	(83,788)	(125,540)
Other operating expenses		**(80,403)**	(82,558)	(173,416)
General insurance claims incurred		**(401)**	(633)	4,318
Operating (deficit)/surplus	3	**(136,967)**	110,696	97,592
Profit on sale of Lloyd's 1958 building		**–**	23,638	23,638
(Deficit)/surplus from continuing operations		**(136,967)**	134,334	121,230
Finance costs	4	**(6,873)**	(322)	(7,177)
Finance income	4	**64,951**	11,760	45,875
Share of profits of associates		**931**	1,060	1,595
(Deficit)/surplus before tax		**(77,958)**	146,832	161,523
Income tax credit/(charge)	5	**26,377**	(37,527)	(38,959)
(Deficit)/surplus for the period/year		**(51,581)**	109,305	122,564

CONSOLIDATED CHANGES IN EQUITY

for the six months ended 30 June 2005

Statement of recognised income and expense	**Six months ended 30 June 2005 £000**	Six months ended 30 June 2004 £000	Full year 2004 (Audited) £000
Fair value revaluation of the Lloyd's Collection	**–**	–	2,797
Exchange difference on translating foreign operations	**14**	(7)	59
Actuarial (loss)/gain on pension liability	**(2,900)**	8,300	(1,100)
Tax on items taken directly to equity	**870**	(2,490)	330
Net income and expense recognised directly in equity	**(2,016)**	5,803	2,086
(Deficit)/surplus for the period/year	**(51,581)**	109,305	122,564
Total recognised income and expense for the period/year	**(53,597)**	115,108	124,650

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 2004						
UK GAAP basis		803,404	–	6,913	–	**810,317**
Changes on adopting IFRS		(244,966)	–	–	–	**(244,966)**
At 1 January 2004 (restated)		558,438	–	6,913	–	**565,351**
Total recognised income and expense for the period		115,115	–	–	(7)	**115,108**
At 30 June 2004		673,553	–	6,913	(7)	**680,459**
Total recognised income and expense for the period		6,679	–	2,797	66	**9,542**
At 31 December 2004		680,232	–	9,710	59	**690,001**
Total recognised income and expense for the period		(53,611)	–	–	14	**(53,597)**
Receipt of syndicate loans	6	–	103,202	–	–	**103,202**
Revaluation of syndicate loans		(1,982)	1,982	–	–	**–**
At 30 June 2005		624,639	105,184	9,710	73	**739,606**

CONSOLIDATED BALANCE SHEET

as at 30 June 2005

	Note	30 June 2005 £000	30 June 2004 £000	31 December 2004 (Audited) £000
ASSETS				
Property, plant and equipment		**6,588**	14,632	6,124
Intangible assets		**223**	276	275
Lloyd's Collection		**9,710**	6,913	9,710
Deferred income tax asset		**23,952**	105,105	615
Investment in associates		**3,416**	3,998	3,283
Reinsurance assets – Lioncover Insurance Company Limited		**492,472**	599,362	541,835
Reinsurance assets – Centrewrite Limited		**552**	1,389	686
Loans receivable		**61,991**	64,923	63,269
Financial investments		**1,183,836**	641,340	1,153,456
Inventories		**479**	457	461
Trade and other receivables		**30,074**	22,978	56,646
Prepayments and accrued income		**12,306**	14,417	19,068
Income tax receivable		**9,013**	–	84,654
Forward currency contracts		**4,038**	4,236	2,256
Assets classified as held for sale		**–**	–	8,215
Cash and cash equivalents		**443,650**	319,796	181,445
Total assets		**2,282,300**	1,799,822	2,131,998
EQUITY AND LIABILITIES				
Equity				
Accumulated reserve		**624,639**	673,553	680,232
Syndicate loans	6	**105,184**	–	–
Revaluation reserve		**9,710**	6,913	9,710
Foreign currency translation reserve		**73**	(7)	59
		739,606	680,459	690,001
Liabilities				
Subordinated loan notes		**497,025**	–	506,439
Insurance contract liabilities – Lioncover Insurance Company Limited		**492,472**	599,362	541,835
Insurance contract liabilities – Centrewrite Limited		**14,385**	21,709	15,649
Pension liability		**51,700**	47,700	53,700
Provisions		**224,527**	153,385	108,585
Trade and other payables		**67,045**	52,106	64,930
Accruals and deferred income		**74,917**	83,445	42,129
Loans funding statutory insurance deposits		**117,509**	116,028	106,831
Forward currency contracts		**3,114**	4,660	1,899
Income tax payable		**–**	40,968	–
Total liabilities		**1,542,694**	1,119,363	1,441,997
Total equity and liabilities		**2,282,300**	1,799,822	2,131,998

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2005

	Six months ended 30 June 2005 £000	Six months ended 30 June 2004 £000	Full year 2004 (Audited) £000
Cash flows from operating activities			
Operating (deficit)/surplus	**(136,967)**	110,696	97,592
Central Fund claims and provisions	**212,164**	83,788	125,540
Operating surplus before Central Fund claims and provisions	**75,197**	194,484	223,132
Adjustments for:			
Depreciation	**875**	1,080	2,526
Profit on sale of fixed assets	**(1,669)**	(42)	(55)
Premium levy collection	**–**	19,641	19,641
Operating surplus before working capital changes and claims paid	**74,403**	215,163	245,244
Decrease in receivables	**(59,230)**	(113,312)	(48,611)
(Increase)/decrease in inventories	**(18)**	10	6
Increase in payables	**107,127**	163,806	48,481
Decrease in provisions other than for Central Fund claims	**(694)**	(785)	(602)
Cash generated from operations before claims paid	**121,588**	264,882	244,518
Claims paid in respect of corporate members	**(94,896)**	(33,983)	(137,411)
Claims paid in respect of individual members	**(632)**	(743)	(2,677)
Cash generated from operations	**26,060**	230,156	104,430
Income taxes received/(paid)	**79,549**	(38,041)	(57,550)
Net cash from operating activities	**105,609**	192,115	46,880
Cash flows from investing activities			
Purchase of property, plant and equipment	**(1,537)**	(1,403)	(2,120)
Proceeds from the sale of equipment	**193**	84	125
Proceeds from sale of buildings	**9,663**	24,121	23,638
Sale/(purchase) of other financial assets	**3,615**	(152,100)	(647,055)
Dividends received from associates	**798**	2,484	3,734
Dividends and interest received	**30,537**	14,306	19,952
Net cash from/(used in) investing activities	**43,269**	(112,508)	(601,726)
Cash flows from financing activities			
Interest paid	**(847)**	(1,577)	(523)
Increase/(decrease) in borrowings for statutory insurance deposits	**10,178**	2,006	(7,604)
Issue of subordinated loan notes	**–**	–	504,463
Receipt of syndicate loans	**103,202**	–	–
Net proceeds from financing activities	**112,533**	429	496,336
Net increase/(decrease) in cash and cash equivalents	**261,411**	80,036	(58,510)
Other movements	**794**	(364)	(169)
Cash and cash equivalents at 1 January	**181,445**	240,124	240,124
Cash and cash equivalents at 30 June/31 December	**443,650**	319,796	181,445

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at 30 June 2005

1. The consolidated interim financial statements

The consolidated interim financial statements were approved by the Council of Lloyd's on 5 October 2005. The financial statements comprise the consolidation of the Corporation of Lloyd's, the Lloyd's Central Fund, all subsidiaries and the Society's interest in associates.

The financial statements for the six months ended 30 June 2005 and 30 June 2004 are unaudited. The independent review report, for the six months ended 30 June 2005, to the Society of Lloyd's is set out on page 24.

The financial statements for the year ended 31 December 2004 set out within this report are not the Society of Lloyd's published consolidated financial statements. Those financial statements, prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP), on which the Auditors gave an unqualified report may be obtained from the Secretary to the Council.

2. Accounting policies

These financial statements are the first that the Society of Lloyd's has prepared under International Financial Reporting Standards (IFRS), having previously applied UK accounting standards and have been prepared in accordance with the IFRS accounting policies management expects to apply in the 2005 IFRS compliant full year financial statements. These accounting policies are consistent with those adopted for the restatement of the 2004 financial information which was issued on 5 October 2005.

A reconciliation of equity at 1 January 2004, being the date of transition to IFRS, and as at 31 December 2004 has been provided in the IFRS restatement document issued on 5 October 2005. Details of the restatement of 2004 comparative financial information from UK GAAP to IFRS and a summary of significant accounting policies are posted on www.lloyds.com and will be included in the Society of Lloyd's 2005 Annual Report.

The Society of Lloyd's has adopted all existing IFRS and has anticipated that the amendments to IAS 19 'Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosure', which has yet to be formally adopted for use in the European Union, will be so adopted in time to be applicable to the next annual financial statements. This standard is still subject to change and to the issue of additional interpretation and therefore cannot be determined with certainty. Accordingly, the accounting policies for the annual period that are relevant to this interim financial information will be determined only when the first IFRS financial statements are prepared at 31 December 2005.

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. Actual results may differ from these estimates.

3. Segmental analysis

The Society's primary business segments are as follows:

(a) Corporation of Lloyd's: 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 subsidiaries are excluded from this business segment.

(b) Lloyd's Central Fund: the fund is held and administered at the discretion of the Council of Lloyd's primarily as a fund available for the protection of policyholders.

(c) Insurance activities: the Society has two insurance company subsidiaries, Centrewrite Limited and Lioncover Insurance Company 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.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

as at 30 June 2005

3. **Segmental analysis** continued	Note	**Six months ended 30 June 2005 £000**	Six months ended 30 June 2004 £000	Full year 2004 £000
Corporation of Lloyd's				
Operating income				
Members' subscriptions		**34,422**	37,408	74,935
Market charges		**38,837**	38,980	78,908
Other		**9,823**	10,970	23,935
		83,082	87,358	177,778
Operating expenses				
Employment		**25,047**	25,169	51,658
Pension costs		**3,521**	3,473	10,626
Premises		**15,148**	15,225	30,276
Legal and professional		**4,535**	6,360	11,636
Overseas operations		**10,701**	9,809	20,592
Other		**17,042**	15,830	38,077
		75,994	75,866	162,865
Operating surplus		**7,088**	11,492	14,913
Lloyd's Central Fund				
Operating income				
Contributions from members	3 (i)	**69,675**	187,459	190,657
Other		**2,297**	1,953	20,367
		71,972	189,412	211,024
Operating expenses				
Claims and provisions	3 (ii)	**212,164**	83,788	125,540
Other		**4,113**	6,369	10,024
		216,277	90,157	135,564
Operating (deficit)/surplus		**(144,305)**	99,255	75,460
Insurance activities				
General insurance net premium income		**947**	905	3,428
Operating expenses		**(296)**	(323)	(527)
General insurance claims incurred		**(401)**	(633)	4,318
Operating surplus/(deficit)		**250**	(51)	7,219
Consolidated operating (deficit)/surplus		**(136,967)**	110,696	97,592

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

	Six months ended 30 June 2005 £000	Six months ended 30 June 2004 £000	Full year 2004 (Audited) £000
Central Fund			
Net assets at 1 January	**606,633**	528,106	528,106
Operating (deficit)/surplus	**(144,305)**	99,255	75,460
Inter-group transactions	**(1,248)**	(1,276)	(2,598)
Net finance income	**53,695**	9,586	33,171
Income tax credit/(charge)	**32,003**	(32,270)	(27,506)
Receipt of syndicate loans	**103,202**	–	–
Net assets at 30 June/31 December	**649,980**	603,401	606,633
Corporation of Lloyd's and subsidiaries	**89,626**	77,058	83,368
Society net assets at 30 June/31 December	**739,606**	680,459	690,001
Subordinated loan notes	**497,025**	–	506,439
Central assets excluding subordinated loan liability	**1,236,631**	680,459	1,196,440

3 Segmental analysis continued

(i) Central Fund contributions from members

The basis for members contributing to the Lloyd's Central Fund changed in 2005. Members have continued to contribute based on a percentage of their allocated overall premium limit. However, from 2005 this is partly achieved by contributions of 0.50% (2004: 1.25%) and partly by way of interest bearing loans from syndicate premiums trust funds, referred to as syndicate loans, of 0.75% (2004: not applicable). The syndicate loans have been treated as part of the Society of Lloyd's equity rather than as contributions from members in the consolidated income statement (see note 6). Contributions included in the consolidated income statement fall due on 1 April and have therefore been recognised in full in these interim financial statements.

(ii) Central Fund claims and provisions

	Six months ended 30 June 2005 £000	Six months ended 30 June 2004 £000	Full year 2004 £000
Annual undertakings granted	**216,374**	97,877	149,486
Decrease in the value of supporting commitments	**(4,842)**	(14,833)	(7,997)
Claims paid in respect of individual members	**632**	744	2,677
Other	**–**	–	17
Settlement with Central Fund insurers	**–**	–	(18,643)
	212,164	83,788	125,540

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 of Lloyd's and become contractual commitments. These undertakings are granted wholly at the discretion of the Council of Lloyd's on an annual basis and therefore are not deemed constructive obligations. For corporate members in provisional liquidation, the Council provides 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 is included within provisions in the financial statements and changes during the period are reflected in the consolidated income statement, as shown in the table above.

The table below discloses the paid undertakings by corporate member:

	Six months ended 30 June 2005 £000	Six months ended 30 June 2004 £000	Full year 2004 £000
Blodget and Hazard Limited	**2,743**	3,698	3,698
Cotesworth Capital Limited (in provisional liquidation)	**127**	–	12,827
Crowe Corporate Capital Limited	**2**	–	1,208
Crowe Dedicated Limited	**–**	–	8,568
Dreason Underwriting Limited	**26**	154	699
Duncanson & Holt Underwriters Limited	**973**	6,310	23,193
Grenville Underwriting I/II/III Limited	**683**	–	23,512
Jago Capital Limited	**262**	2,883	3,608
Kite Dedicated Limited (formerly Goshawk Dedicated (No 2) Limited)	**51,225**	–	–
Margent Capital Management Limited (in provisional liquidation)	**2**	76	539
MMO UK Limited	**4,917**	–	–
North American London Underwriters Limited	**–**	544	1,304
Riverside Corporate Underwriters Limited (in provisional liquidation)	**6**	44	858
Shrewsbury Underwriting Capital (Bermuda) Limited and Shrewsbury Underwriting Capital Limited	**30,000**	20,000	50,000
SOC Corporate Member No.1 Limited	**3,547**	–	–
Standfast Corporate Underwriters Limited	**–**	–	5,405
Winford Company Limited	**7**	148	602
Other corporate members	**376**	126	1,390
Paid during the period/year	**94,896**	33,983	137,411

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

as at 30 June 2005

4 Finance costs and income	**Six months ended 30 June 2005 £000**	Six months ended 30 June 2004 £000	Full year 2004 £000
Finance costs (i)			
Interest payable and similar charges	**16,287**	322	4,482
Amortisation of issue costs and unwinding of discount on issue of subordinated loan notes	**355**	–	65
Unrealised exchange (gain)/loss on retranslation of subordinated loan notes	**(9,769)**	–	2,630
	6,873	322	7,177
Finance income (ii)	**64,951**	11,760	45,875

(i) Interest on subordinated loan notes which were issued in two tranches on 17 November 2004 is included within finance costs above. The £300m sterling notes carry a coupon of 6.875% and the Euro 300m notes carry a coupon of 5.625%. The terms of repayment of the subordinated loan notes are set out in the 2004 financial statements of the Lloyd's Central Fund.

(ii) Finance income for the six months ended 30 June 2005 reflects both additional assets available for investment arising from the issue of the subordinated loan notes in November 2004 and the general increase in investment values that has taken place in the half year.

5 Taxation

(a) Analysis of the tax credit/(charge)	**Six months ended 30 June 2005 £000**	Six months ended 30 June 2004 £000	Full year 2004 £000
Current tax:			
UK Corporation tax (charge)/credit at 30%	**–**	(41,437)	61,996
Adjustments in respect of prior periods	**3,911**	–	2,447
	3,911	(41,437)	64,443
Deferred tax credit/(charge)	**22,466**	3,910	(103,402)
Taxation credit/(charge) for the period/year	**26,377**	(37,527)	(38,959)
(b) Factors affecting the tax credit/(charge)			
(Deficit)/surplus for the period/year at 30%	**23,388**	(44,049)	(48,424)
Prior period adjustment	**3,911**	–	2,447
Expenses not deductible for tax purposes	**(784)**	(480)	(2,787)
Non-taxable income	**–**	7,084	9,412
Other	**(138)**	(82)	393
Taxation credit/(charge) for the period/year	**26,377**	(37,527)	(38,959)

6 Syndicate loans

The syndicate loans bear interest payable annually at a rate equal to specified market indices which record the performance of short-dated fixed interest securities. The principal will ordinarily be repaid on the closure of the syndicate year of account to which the loans relate. Both the payment of annual interest and repayment of principal may be deferred at the discretion of the Council of Lloyd's, although current expectations are that payments will be made on the closure of the relevant syndicate year of account. As required by IFRS, syndicate loans are treated as equity because there is no fixed repayment date. Interest is accounted for when the Council of Lloyd's formally approves interest payments to be made. Consequently, as at 30 June 2005, interest accruing of £2.1m has not been recognised in these consolidated interim financial statements.

7 Contingent liabilities

Note 27 on page 105 of the Corporation of Lloyd's Annual Report and Note 4 on page 112 of the Lloyd's Central Fund financial statements provide details of the Society of Lloyd's contingent liabilities as at 31 December 2004. Lioncover Insurance Company Limited and Centrewrite Limited disclosed no contingent liabilities as at 31 March 2005 and 31 December 2004, respectively. As at 30 June 2005, the amounts and nature of contingent liabilities were not significantly different from those at the year end except the claims disclosed at F (for misfeasance in public office) and G (made on behalf of descendants of slaves) of Note 27 have been dismissed by the courts and the following contingent liabilities arose:

(a) Lloyd's has been joined to an action brought by certain Lloyd's underwriters against certain brokers in respect of the underwriting of insurance in Italy. Lloyd's does not accept any liability in respect of this action.

(b) A counterclaim alleging fraud by Lloyd's similar to that alleged in the Jaffray action has been filed in the USA in response to Lloyd's proceedings seeking recognition of a judgment obtained by Lloyd's in England. Lloyd's does not accept any liability in respect of this claim.

In respect of all contingent liabilities disclosed as at 31 December 2004 and 30 June 2005, no provision has been made in these consolidated 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 on behalf of the Society of Lloyd's to review the financial information for the six months ended 30 June 2005 which comprises the consolidated income statement, consolidated changes in equity, consolidated balance sheet, consolidated cash flow statement, and the related notes 1 to 7. 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 reached.

Council of Lloyd's responsibilities
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. As disclosed in note 2, the next annual financial statements of the group will be prepared in accordance with those IFRS adopted for use by the European Union. This interim report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. The accounting policies are consistent with those that the Council of Lloyd's intend to use in the next financial statements. There is, however, a possibility that the Council of Lloyd's may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRS adopted for use by the European Union. This is because, as disclosed in note 2, the Council has anticipated that revised IAS 19, which has yet to be formally adopted for use in the European Union will be so adopted in time to be applicable to the next annual financial statements.

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 United Kingdom. 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 United Kingdom Auditing Standards 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 2005.

Ernst & Young LLP

Ernst & Young LLP
More London Place
London
5 October 2005

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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