

REPORT AND ACCOUNTS
NLC Name No. 3 Limited
31st DECEMBER 2001

Registered No. 2859374



Directory

Directors

A J Gibson

Secretary

M D Conway

Auditors

Ernst & Young LLP
Rolls House
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Fetter Lane
London
EC4A 1NH

Registered Office

164 Bishopsgate
London
EC2M 4NY

Directors' Report

The director presents his report and the audited financial statements for the year ended 31st December 2001.

Principal activity and review of business

The company's principal activity is that of insurance underwriting as a corporate member of the Society of Lloyd's. The company commenced underwriting on 1st January 1994. Note 3 to the accounts sets out the syndicate participations of the company for the 1997, 1998 and 1999 underwriting years of account.

Results and dividends

The loss for the year, after taxation, amounted to £40,000 (2000: profit £98,000). The directors do not recommend the payment of a dividend (2000: £ Nil).

Accounting presentation

The Financial Services Authority has ruled that the company falls within the definition of an insurance company under the Companies Act 1985 and is therefore required to present its financial statements under Schedule 9A of the Companies Act 1985.

As such, the Technical Account and balance sheet include information compiled by Lloyd's on behalf of all corporate members from accounting information provided by the managing agents. Prepared on a calendar year basis, the Technical Account includes proportional syndicate information on premiums, claims, operating expenses, investment returns and technical reserves relating to each year of account of the syndicates on which the company participates. Similarly, the balance sheet presents the company's net assets together with the proportional share of the assets and liabilities of the underlying syndicates.

This method of presentation has required that the directors rely heavily on information provided by Lloyd's. Whilst the directors have overseen the reconciliation of the balance on the Technical Account at 31st December 2001 with a calculation of the amounts due from the syndicates, the directors have not been able to check the consistency and accuracy of the accounting information to the degree which is possible for the company's own transactions.

Directors' Report

Directors and their interests

The current director of the company is set out on page 1. The Lord Poole resigned on 26th March 2002.

The interests of the director who held office at 31st December 2001 and his immediate family in the share capital of the ultimate holding company are disclosed in the accounts of that company.

Auditors

On 28th June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28th June 2001.

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General meeting.

By order of the board



M D Conway

17th April 2002

Statement of directors' responsibilities

in respect of the financial statements

The directors are required by company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the results for the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditors Report to the members of NLC Name No. 3 Limited

We have audited the company's financial statements for the year ended 31 December 2001 which comprise the Profit & Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.


Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st December 2001 and of its ~~profit~~ ^{loss} for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

17th April 2002.

Profit and loss account

for the year ended 31st December 2001

	Notes	2001 £000	2000 £000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums net of reinsurance			
Gross premiums written		556	1,285
RITC premiums received from earlier years		-	8,876
Total gross premiums	4	556	10,161
Outward reinsurance premiums		34	(562)
RITC premiums paid to subsequent years		(17,816)	(9,993)
Net premiums		(17,226)	(394)
Investment income allocated from the non-technical account	5	874	1,338
Total technical income		(16,352)	944
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		10,276	16,080
Reinsurers' share		(4,479)	(6,491)
		5,797	9,589
Change in provision for claims			
Gross amount		(30,086)	(10,535)
Reinsurers' share		7,546	2,413
Provision for losses foreseen on open years		(2,081)	1,468
Reinsurers' share		2,081	(1,468)
		(22,540)	(8,122)
Net claims incurred		(16,743)	1,467
Net operating expenses	6	360	(549)
Personal expenses		13	6
Investment expenses and charges		18	20
Balance on the general business technical account		-	-

Profit and loss account

for the year ended 31st December 2001

	Notes	2001 £000	2000 £000
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		-	-
Investment income	5	1,024	1,529
Investment income allocated to the technical account	5	(874)	(1,338)
Other income		6	-
Other charges	7	(68)	51
Profit on ordinary activities before taxation		88	140
Taxation on profit on ordinary activities	9	(128)	(42)
(Loss)/profit retained for the financial year		(40)	98

Statement of total recognised gains and losses

There were no recognised gains and losses other than the loss attributable to shareholders of £40,000 in the year to 31st December 2001 (2000: profit of £98,000).

Balance sheet

as at 31st December 2001

ASSETS	Notes	2001 £000	2000 £000
Investments			
Other financial investments	10	9,814	11,226
Deposits with ceding undertakings		<u>34</u>	<u>2</u>
		<u>9,848</u>	<u>11,228</u>
Reinsurers' share of technical provisions			
Claims outstanding		11,013	11,888
Debtors			
Due from intermediaries		300	1,930
Debtors arising out of reinsurance operations		3,292	3,872
Reinsurance to close receivable from earlier years		-	11,154
Other debtors	11	<u>730</u>	<u>876</u>
		<u>4,322</u>	<u>17,832</u>
Other assets			
Cash at bank and in hand	12	67	2,641
Other	13	<u>1,487</u>	<u>1,861</u>
		<u>1,554</u>	<u>4,502</u>
Prepayments and accrued income			
Sundry debtors	14	151	258
Other prepayments and accrued income	15	<u>119</u>	<u>103</u>
		<u>270</u>	<u>361</u>
Total assets		<u><u>27,007</u></u>	<u><u>45,811</u></u>

Balance sheet

as at 31st December 2001

LIABILITIES	Notes	2001 £000	2000 £000
Capital and reserves			
Called up share capital	16	15	15
Profit and loss account	17	(2,370)	(2,330)
Shareholder's funds attributable to equity interests	18	(2,355)	(2,315)
Technical provisions			
Claims outstanding		25,059	41,342
Provisions for losses foreseen on open years	19	-	2,081
		25,059	43,423
Creditors			
Creditors arising out of direct insurance operations		147	574
Creditors arising out of reinsurance operations		207	529
Other creditors including taxation	20	3,949	3,564
		4,303	4,667
Accruals and deferred income		-	36
Total liabilities		27,007	45,811

The financial statements were approved by the directors on 17th April 2002.



A J Gibson
Director

Notes on the financial statements

31st December 2001

1 Going concern

The financial statements have been prepared on a going concern basis because the directors have received a letter of support from New London Capital plc confirming that this company will ensure that the company has sufficient funds for it to continue to meet its liabilities as they fall due.

2 Accounting policies

a) Basis of Preparation

The financial statements have been prepared in compliance with Schedule 9A and other requirements of the Companies Act 1985 as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, and in accordance with applicable accounting standards.

b) Cash Flow Statements

In accordance with Financial Reporting Standard Number 1, Cash Flow Statements, the Company is not required to prepare a cash flow statement because more than 90% of the voting rights of the Company are held within the Group and the Group's consolidated financial statements are publicly available.

c) Basis of accounting for underwriting business

The company underwrites insurance as a corporate member of Lloyd's on a number of syndicates managed by third parties. In view of the position as principal of underwriting members for the transactions of syndicates in which they participate, the attributable share of transactions undertaken by the syndicates has been included in the financial statements. The transactions are undertaken within premium trust funds applicable to the syndicates and profits arising from the underwriting may only be released in accordance with Lloyd's syndicate accounting rules, usually two years after the end of an underwriting year of account, after satisfying Lloyd's solvency requirements for all years of account open at the time of release.

The Technical Account has been prepared by aggregating the company's share of the underwriting transactions (premiums, claims expenses and investment income) of the syndicates of which the company is a member. These transactions relate to the calendar year ended 31st December 2001, with comparative figures for the year ended 31st December 2000. The underwriting information for the 2001 calendar year comprises the third year of the 1999 year of account and movements during 2001 on run-off years of account. The comparative figures comprise the second year of the 1999 year of account and the third year of the 1998 year of account.

The result shown on the Technical Account for the year ended 31st December 2001 comprises the net profits of the 1999 year of account and movements during 2001 on run-off years of account.

The balance sheet of the company includes the company's shares of the assets and liabilities of the syndicates in which it participated for the run-off years of account at 31st December 2001 with comparative figures at 31st December 2000. Technical provisions include in addition any provisions for losses foreseen in respect of open years of account at 31st December 2000.

The Lloyd's syndicates in which the company participates are managed and controlled by their respective managing agents. The attributable share of the transactions, assets and liabilities of the syndicates included in the financial statements has been incorporated on the basis of audited information supplied by the managing agents to Lloyd's. Lloyd's has aggregated this information to provide the company with statements of the company's attributable share of the transactions.

Notes on the financial statements

31st December 2001

2 Accounting policies - continued

d) Premiums

Gross premiums written represent premiums receivable on business incepting during the underwriting year of account together with adjustments to premiums written in previous underwriting years of account and including estimates for 'pipeline' premiums. Gross written premiums are stated before deduction of commissions but exclusive of taxes, duties levied on premiums and other deductions.

Outward reinsurance premiums are accounted for in the same accounting period as the related direct insurance contracts or reinsurance contracts except in relation to excess of loss contracts, where the initial premium is charged when due.

e) Investments

Other financial investments are those attributable to the company's share of the syndicates' investments and are shown at their current value at 31st December 2001.

f) Investment income

Investment income is accounted for on a receivable basis. Interest income is accrued up to the balance sheet date.

Syndicate investments and cash are held on a pooled basis, the return from which is allocated to underwriting years of account proportionately to the funds contributed by the year of account. Investment income and all investment gains and losses relating to syndicate investments and cash are allocated to the technical account.

The company's own investment income and other realised gains and losses are allocated to the non-technical account.

g) Technical provisions

The underwriting accounts for all classes of business are prepared on a three year basis, in accordance with Lloyd's normal practice. The excess of premiums written and syndicate investment income over the claims and syndicate expenses paid in respect of business incepting in an underwriting year is carried forward for two years in a fund and no profit is recognised until the end of the third year following the start of each underwriting year. The fund is included as part of outstanding claims.

Closed years of account

At the end of the third year, the underwriting account is normally closed by way of Reinsurance to Close ("RITC") into the following year of account. The amount of the RITC premium payable is determined by the managing agent who will make provision for the estimated cost of claims notified but not settled at the balance sheet date together with the estimated cost of claims incurred but not reported at that date and claims handling costs. Subsequent variations in these liabilities are borne by the year of account into which it is reinsured. The group therefore has included as part of technical provisions the group's share of the RITC payable.

Run-off years of account

Where an underwriting year of account is not closed at the end of the third year ("a run-off" year of account) a provision is determined by the managing agent for the estimated cost of all known and unknown liabilities of that year, on a similar basis to the RITC process. Variations in this liability will remain to be borne by the corporate member. The directors give consideration to the potential for further deterioration of run-off years of account on the basis of information available at the time of drawing up the financial statements and make additional provisions where it is considered appropriate.

Notes on the financial statements

31st December 2001

2 Accounting policies - continued

Open year loss provisions

Where appropriate a provision for possible losses is made in respect of the open underwriting years of each syndicate on which the group participates. This provision is made on a syndicate by syndicate basis based on information available to the directors at the time of drawing up the financial statements.

While the directors make every effort to ensure that adequate provision is made for possible losses on open years of account and further deterioration of run-off years of account, their view of the ultimate loss may vary in later periods as a result of subsequent information and events. This in turn may require adjustment of the original provisions. Such adjustments are reflected and disclosed in the financial statements for the period in which the related adjustments are made.

Claims outstanding

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each underwriting year, based upon the observed development of earlier years and expected loss ratios.

The main assumptions underlying these techniques is that past claims development experience can be used to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in future, for example to reflect public attitudes to claiming or varying levels of claims inflation. The approach adopted takes into account, inter alia, the nature and materiality of the business and the type of data available.

Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. Additional qualitative input, such as allowance for one-off occurrences or changes in legislation, policy conditions or portfolio mix, is used in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to collectability.

h) Exchange rates

Syndicate assets, liabilities, income and expenditure expressed in US dollars and Canadian dollars are translated at the rates of exchange ruling at 31st December 2001. 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; other differences are dealt with in the non-technical account.

The company's own assets and liabilities expressed in foreign currency are translated at rates ruling at the balance sheet date.

i) Operating expenses

Operating expenses comprise the company's share of the operating expenses of the syndicates and the company's own expenses of underwriting. The company's underwriting expenses, which include items such as Lloyd's subscriptions and Central Fund contributions, together with fees and commissions payable to managing agents and the company's Lloyd's Adviser, are charged to the Technical Account in the financial period in which the relevant year of account is closed.

Notes on the financial statements

31st December 2001

j) Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, which are expected to reverse in the future without being replaced. Advanced Corporation Tax, which is expected to be recoverable in the future, is deducted from net deferred taxation balance.

3 Underwriting participations

The syndicates on which the company participates by underwriting year of account are as follows:

Syndicate Number	Class	Underwriter	1999 £000	1998 £000	1997 £000
37	Motor	QJ Lovis	3,000	-	-
51	Non-Marine	A Taylor	-	3,088	2,085
79	Marine	BJ Hurst-Bannister	6,300	4,864	2,548
219	Non-Marine	AJ Kendrick	-	4,632	5,984
741	Marine	PPA Wright	-	3,088	3,860
866	Motor	DA Wiley	-	-	772
1096	Non-Marine	RA Stuchbery	4,000	4,632	5,597
2020	Composite	"Wellington"	3,500	-	-
Total Allocated Capacity			16,800	20,304	20,846

Notes on the financial statements

31st December 2001

4 Segmental analysis

The following business has all been underwritten in the United Kingdom in the Lloyd's insurance Market, which has been treated as one geographical segment for the purposes of Statement of Standard Accounting Practice No.25: Segmental reporting. Segmental information in the format required by the Companies Act 1985 is as follows:

Class of business	2001 Gross premiums written £000	2001 Gross claims incurred £000	2001 Operating expenses £000	2001 Re-insurance balance £000
Accident & health	147	(221)	(59)	16
Motor- third party liability	74	(918)	(41)	(434)
Motor – other classes	117	(882)	(47)	(378)
Marine, aviation and transport	130	(678)	(81)	(344)
Fire and other damage to property	(58)	150	(131)	(93)
Third party liability	50	(4,152)	(115)	(1,545)
Credit and suretyship	(4)	(110)	(4)	(24)
Legal expenses	-	-	-	-
Other	4	58	1	23
Reinsurance acceptances	96	555	127	120
RITC	-	28,089	-	(20,271)
Total	556	21,891	(360)	(22,930)

Class of business	2000 Gross premiums written £000	2000 Gross claims incurred £000	2000 Operating expenses £000	2000 Re-insurance balance £000
Accident & health	442	(522)	(84)	(12)
Motor- third party liability	463	(1,603)	(133)	208
Motor - other classes	201	(1,292)	(48)	406
Marine, aviation and transport	167	(1,481)	21	482
Fire and other damage to property	392	(2,026)	224	915
Third party liability	310	(1,920)	221	473
Credit and suretyship	(124)	175	65	(64)
Legal expenses	1	2	-	-
Other	7	(382)	2	210
Reinsurance acceptances	(575)	(1,332)	281	(100)
RITC	8,877	3,368	-	(7,527)
Total	10,161	(7,013)	549	(5,009)

Notes on the financial statements

31st December 2001

5 Investment income

	2001 £000	2000 £000
Syndicate investment income	664	1,072
Syndicate realised investment gains	209	266
Interest received	151	191
	<u>1,024</u>	<u>1,529</u>
Attributed to technical account	873	1,338
Included in non-technical account	151	191
	<u>1,024</u>	<u>1,529</u>

6 Net operating expenses

	2001 £000	2000 £000
Commission / brokerage	410	377
Exchange adjustments	(187)	(1,294)
Syndicate operating expenses	137	368
	<u>360</u>	<u>(549)</u>
Share of syndicate net operating expenses		

7 Other charges

The following amounts are included in other charges:

	2001 £000	2000 £000
Audit fees	<u>1</u>	<u>1</u>

8 Staff costs and directors' emoluments

No staff were employed by the company and the directors received no emoluments during the year (2000: none and £nil).

Notes on the financial statements

31st December 2001

9 Taxation on profit on ordinary activities

	2001 £000	2000 £000
Corporation tax at 30% (2000 : 30%)	37	42
Deferred tax	91	-
	<u>128</u>	<u>42</u>

10 Other financial investments

Other financial investments comprise the company's attributable share of syndicate investments as follows:

	2001 £000	2000 £000
Share and other variable yield securities	60	181
Debt securities and other fixed interest securities	8,984	9,733
Participation in investment pools	255	719
Loans guaranteed by mortgages	166	106
Deposits with credit institutions	349	487
	<u>9,814</u>	<u>11,226</u>

11 Other debtors

	2001 £000	2000 £000
Attributable share of syndicate other debtors	730	785
Deferred taxation	-	91
	<u>730</u>	<u>876</u>

The deferred taxation recoverable relates to tax recoverable on provisions for losses on open underwriting years of account.

Notes on the financial statements

31st December 2001

12 Cash at bank and in hand

	2001 £000	2000 £000
Attributable share of syndicate cash balances	67	2,641
	<u>67</u>	<u>2,641</u>

13 Other assets

	2001 £000	2000 £000
Attributable share of syndicate other assets	1,487	1,861
	<u>1,487</u>	<u>1,861</u>

14 Sundry debtors

	2001 £000	2000 £000
Override commission	151	258
	<u>151</u>	<u>258</u>

15 Other prepayments

	2001 £000	2000 £000
Attributable share of syndicate prepayments	119	102
	<u>119</u>	<u>102</u>

Notes on the financial statements

31st December 2001

16 Called up share capital

	2001 £000	2000 £000
Authorised		
1,500,000 Ordinary shares of £1 each	1,500	1,500
Allotted, issued and partly paid		
1,500,000 Ordinary shares of £1 each of which 1 penny has been paid up	15	15

17 Profit and loss account

	2001 £000	2000 £000
Balance at 1 st January 2001	(2,330)	(2,428)
Retained (loss)/profit for the year	(40)	98
Balance at 31 st December 2001	(2,370)	(2,330)

18 Reconciliation of movements in shareholder's funds

	2001 £000	2000 £000
Shareholder's funds at 1 st January 2001	(2,315)	(2,413)
Retained (loss)/profit for the year	(40)	98
Shareholder's funds at 31 st December 2001	(2,355)	(2,315)

19 Provision for losses foreseen on open years

	£000
At 1 st January 2001	2,081
Released in year	(2,081)
At 31 st December 2001	-

Notes on the financial statements

31st December 2001

20 Other creditors including taxation

	2001 £000	2000 £000
Amounts due to group companies	4,067	4,316
Attributable share of syndicate other creditors	1,443	900
Taxation	(1,561)	(1,652)
	<u>3,949</u>	<u>3,564</u>

21 Contingent liabilities

- a) The company has given an undertaking to the Society of Lloyd's, supported by New London Capital plc, that if one of the other corporate member subsidiaries of New London Capital plc fails to meet its obligations to Lloyd's, the company will assign to Lloyd's on demand its rights to current and future profits held in its Premium Trust Funds or contribute profits received out of the Trust Funds to the Central Fund of Lloyd's, until the amount owed by the defaulting subsidiary has been paid in full.
- b) The company has entered into an agreement with Barclays Bank plc under which Barclays have granted letters of credit amounting to £5,306,574. These letters of credit are in favour of the Society of Lloyd's and form part of the Funds at Lloyd's of these corporate members. Should the letters of credit be called upon by Lloyd's, the amount drawn down under the letter of credit would become payable to the bank on demand.
- c) A Reinsurance to Close ("RITC") is a particular type of reinsurance contract entered into by a Lloyd's syndicate. Under an RITC the underwriting members of a syndicate for one year of account agree with the underwriting members of the syndicate, or another syndicate, for a later year of account that the liabilities, known and unknown, of the reinsured year of account are borne by the later year of account. In consideration of this an RITC premium is paid. The RITC is technically a reinsurance and as such the payment of the RITC premium does not remove from the members of that year of account the ultimate responsibility for claims payable on the risks they have underwritten. If the reinsuring members under the RITC become insolvent, and the other components of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the payment of any outstanding claims. In the opinion of the directors, the probabilities of the reinsurance security failing are remote and therefore payment of the RITC premium is conventionally treated as terminating a participation on a syndicate year of account.

22 Ultimate and immediate parent undertaking

The company's ultimate parent undertaking is Ockham Holdings PLC, a company registered in England and Wales (Registered no. 2998217). The company's immediate parent undertaking is New London Capital plc, a company registered in England and Wales (Registered no. 2862672). Copies of the accounts of Ockham Holdings PLC can be obtained from their registered office at 164 Bishopsgate, London EC2M 4NY.