

**REPORT AND ACCOUNTS**  
**New London Capital plc**  
**31<sup>st</sup> DECEMBER 2002**



Registered No. 2862672

# Directory

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**Director**

A J Gibson

**Secretary**

P Lampshire

**Auditors**

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

**Registered Office**

Highway House, 171 Kings Road  
Brentwood, Essex  
CM14 4EJ

# **Director's Report**

## **in respect of the financial statements**

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The director presents his report and the audited financial statements for the year ended 31<sup>st</sup> December 2002.

### **Principal activity and review of business**

New London Capital plc is a limited liability company whose primary purpose is to provide a means for investors to participate in underwriting at Lloyd's with limited liability and to invest in a managed portfolio of fixed interest securities. The company is an investment company as defined in section 266 of the Companies Act 1985.

The business of its direct subsidiary, New London Capital Holdings Limited, is that of a holding company for the six underwriting subsidiaries which are all corporate members of Lloyd's and a manager of capacity for third parties.

### **Results and dividends**

The profit for the year to 31 December 2002 after taxation amounted to £2,894,000 (2001: £1,721,000). A final dividend of £3,000,000 has been paid (2001: £nil).

# Director's Report

## in respect of the financial statements

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### Director and his interests

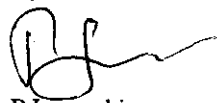
The current director of the company is set out on page 1. Mr AEG Hambro resigned on 8<sup>th</sup> July 2002.

The interests of the director who held office at 31<sup>st</sup> December 2002 and his immediate family in the share capital of the ultimate holding company are disclosed in the accounts of that company.

### Auditors

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



P Lampshire  
Secretary

30<sup>th</sup> June 2003

# **Statement of director's responsibilities**

## **in respect of the financial statements**

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The director is required by the Companies Act to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

The director considers that in preparing the financial statements on pages 6 to 13 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which he considers to be applicable have been followed.

The director has a responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The director has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

# Independent Auditors' Report to the members of New London Capital PLC

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We have audited the company's financial statements for the year ended 31st December 2002, which comprise the Profit & Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditors**

As described in the Statement of Director's Responsibilities the company's director is 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 Director's 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 Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

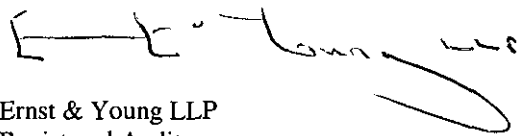
## **Basis of audit opinion**

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London  
30<sup>th</sup> June 2003

## Profit and loss account

for the year ended 31<sup>st</sup> December 2002

	Notes	2002 £000	2001 £000
<b>Revenue</b>			
Investment income	2	2,031	2,615
Other income	3	2,400	-
Expenses	4	(77)	(94)
<b>Profit on ordinary activities before taxation</b>		<u>4,354</u>	<u>2,521</u>
Taxation on profit on ordinary activities	5	1,460	800
<b>Profit for the financial year</b>		<u>2,894</u>	<u>1,721</u>
Dividends	6	3,000	-
<b>Retained (loss)/profit for the financial year</b>		<u>(106)</u>	<u>1,721</u>
Retained profit at the beginning of the year		3,775	2,054
<b>Retained profit at the end of the year</b>		<u>3,669</u>	<u>3,775</u>

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £2,894,000 for the year to 31<sup>st</sup> December 2002 (2001: profit of £1,721,000)

# Balance sheet

as at 31<sup>st</sup> December 2002

	Notes	2002 £000	2001 £000
<b>Fixed assets</b>			
Investments in group undertakings	7	-	-
<b>Current assets</b>			
Debtors	8	62,420	64,024
Bank and short-term deposits		950	43
		63,370	64,067
<b>Creditors - amounts falling due within one year</b>	9	(5,967)	(6,558)
<b>Net current assets</b>		57,403	57,509
<b>Total assets less current liabilities</b>		57,403	57,509
<b>Provisions for liabilities and charges</b>			
Other provisions	10	-	-
<b>Net assets</b>		57,403	57,509
<b>Capital and reserves</b>			
Called up share capital	11	3,000	3,000
Share premium		53,943	53,943
Capital reserve		(3,209)	(3,209)
Profit and loss account	12	3,669	3,775
<b>Total shareholder's funds - equity</b>	13	57,403	57,509

The financial statements were approved by the directors on 30<sup>th</sup> June 2003.



A J Gibson  
Director

# Notes to the financial statements

31<sup>st</sup> December 2002

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## 1 Accounting policies

### a) Basis of preparation

The financial statements are prepared under the historical cost convention 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) Investments

Listed investments are shown at market value. The company's unlisted investments are shown at directors' valuation.

### d) Investment income

Investment income is credited to the revenue account on the date on which it is receivable. Interest on short term loans, deposits and fixed interest securities is dealt with on an accruals basis.

Dividends receivable from subsidiaries are recognised on an accruals basis.

Capital gains and losses of the company, realised and unrealised, are not distributable under the Articles of Association, and are accordingly transferred to non-distributable reserves.

### e) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

# Notes to the financial statements

31<sup>st</sup> December 2002

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## 1 Accounting policies - continued

### f) Pension contributions

The company makes payments to defined contribution pension schemes of individual employees. Contributions are charged in the profit and loss account as they become payable.

## 2 Investment income

	2002 £000	2001 £000
Intra group income – interest	1,999	2,559
Bank interest	32	56
	<u>2,031</u>	<u>2,615</u>

## 3 Other income

	2002 £000	2001 £000
Dividends received	<u>2,400</u>	<u>-</u>

## 4 Expenses

Other charges include:

	2002 £000	2001 £000
Auditors' remuneration: for audit work	<u>5</u>	<u>9</u>

# Notes to the financial statements

31<sup>st</sup> December 2002

## 5 Taxation on profit on ordinary activities

	2002 £000	2001 £000
<b>a) Analysis of charge for the year</b>		
UK Corporation tax		
Current tax on profit for the year	580	756
Adjustments in respect of prior years	885	44
Current tax charge	<u>1,465</u>	<u>800</u>
Current year deferred tax credit	(5)	-
Total tax charge	<u>1,460</u>	<u>800</u>

The tax charge on profit for the year is based on a UK corporation tax rate of 30% (2001: 30%)

### b) Factors affecting tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before tax to the current tax charge for the year is given below:

	2002 £000	2001 £000
Profit on ordinary activities before tax	4,354	2,521
Profit on ordinary activities before tax @30%	1,306	756
Effects of:		
Adjustments relating to prior years tax	885	44
Expenses disallowed	(6)	-
Income not taxed	(720)	-
Current tax charge	<u>1,465</u>	<u>800</u>

The Company has no unprovided deferred tax liabilities.

## 6 Dividends

	2002 £000	2001 £000
Dividends paid	<u>3,000</u>	<u>-</u>

# Notes to the financial statements

31<sup>st</sup> December 2002

## 7 Investments in group undertakings

Investments in subsidiary undertakings

The company has the following active subsidiaries all of which operate in the United Kingdom, are incorporated in Great Britain and are registered in England and Wales:

Subsidiary	Principal activity	Proportion of ordinary shares held by:	
		The Company	subsidiaries of the company
New London Capital Holdings Limited	Holding Company	100%	
NLC Name No.1 Limited	Corporate Member		100%
NLC Name No.2 Limited	Corporate Member		100%
NLC Name No.3 Limited	Corporate Member		100%
NLC Name No.4 Limited	Corporate Member		100%
NLC Name No.5 Limited	Corporate Member		100%
NLC Name No.7 Limited	Corporate Member		100%

Group accounts are not prepared as the company is a subsidiary undertaking of Highway Insurance Holdings PLC – see note 16.

On 18<sup>th</sup> March 1999 the New London Capital group disposed of its shareholding in NLC Name No. 6 Limited for a nominal consideration.

## 8 Debtors

	2002 £000	2001 £000
Other debtors	110	1
Deferred tax	5	-
Amounts due from other group undertakings	62,305	64,023
	<u>62,420</u>	<u>64,024</u>

Deferred tax is in respect of decelerated capital allowances.

## 9 Creditors – amounts falling due within one year

	2002 £000	2001 £000
Amount due to group undertakings	5,386	5,954
Corporation tax	581	592
Other creditors	-	12
	<u>5,967</u>	<u>6,558</u>

# Notes to the financial statements

31<sup>st</sup> December 2002

## 10 Other provisions

	2002 £000	2001 £000
Balance at 1 <sup>st</sup> January	-	12
Utilised in the year	-	(12)
Balance at 31 <sup>st</sup> December	-	-

The company had the benefit of a rent free period on the lease of the premises from which it operates. The total amount of rent payable during the life of the lease is charged over the life of the lease.

## 11 Called up share capital

	2002 £000	2001 £000
<b>Authorised:</b>		
85,700,000 Ordinary shares of 5 pence each	4,285	4,285
<b>Allotted, issued and fully paid:</b>		
60,000,000 Ordinary shares of 5 pence each	3,000	3,000

## 12 Profit and loss account

	2002 £000	2001 £000
Balance at 1 <sup>st</sup> January	3,775	2,054
Retained (loss)/profit for the year	(106)	1,721
Balance at 31 <sup>st</sup> December	3,669	3,775

## 13 Reconciliation of movements in shareholder's funds

	2002 £000	2001 £000
Shareholder's funds at 1 <sup>st</sup> January	57,509	55,788
Retained (loss)/profit for the year	(106)	1,721
Shareholder's funds at 31 <sup>st</sup> December	57,403	57,509

## 14 Capital and other commitments

At 31<sup>st</sup> December 2002, no capital expenditure had been authorised by the directors.

## **Notes to the financial statements**

**31<sup>st</sup> December 2002**

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### **15      Contingent liabilities and guarantees**

The company has entered into an agreement with Barclays Bank under which Barclays have granted letters of credit amounting to £14 million in total to certain of NLC's corporate member subsidiaries. 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.

### **16      Ultimate parent undertaking**

The Company has taken advantage of the exemption conferred by section 228 of the Companies Act 1985 in not preparing group accounts by virtue of being a subsidiary undertaking of a company incorporated in the EU preparing group accounts, Highway Insurance Holdings PLC.

The ultimate parent undertaking of the company is Highway Insurance Holdings PLC, a company registered in England and Wales (Registered no. 2998217). Copies of the accounts of Highway Insurance Holdings PLC can be obtained from its registered office at Highway House, 171 Kings Road, Brentwood, Essex CM14 4EJ.