

REPORT AND ACCOUNTS
New London Capital plc
31st DECEMBER 2001

Registered No. 2862672



Directory

Directors

A E G Hambro
A J Gibson

Secretary

M D Conway

Auditors

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

Registered Office

164 Bishopsgate
London
EC2M 4NY

Directors' Report

in respect of the financial statements

The directors present their report and the audited financial statements for the year ended 31st December 2001.

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 2001 after taxation amounted to £1,721,000 (2000: £1,966,000). The directors do not recommend the payment of a final dividend (2000: £nil).

Directors' Report

in respect of the financial statements

Directors and their interests

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

The interests of the directors who held office at 31st December 2001 and their immediate families 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
Secretary

17th April 2002

Statement of directors' responsibilities

in respect of the financial statements

Company law requires the directors 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 of the company for that period. In preparing those 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 assume 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 that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors Report to the members of New London Capital PLC

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 15. 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 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
Revenue			
Investment income	2	2,615	3,216
 Expenses	 3	 (94)	 (407)
Profit on ordinary activities before taxation		<hr/> 2,521	<hr/> 2,809
 Taxation on profit on ordinary activities	 5	 800	 843
Profit for the financial year		<hr/> 1,721	<hr/> 1,966
 Retained profit at the beginning of the year		 2,054	 88
Retained profit at the end of the year		<hr/> <hr/> 3,775	<hr/> <hr/> 2,054

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 £1,721,000 for the year to 31st December 2001 (2000: profit of £1,966,000)

Balance sheet

as at 31st December 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Investments in group undertakings	6	-	-
Current assets			
Debtors	7	64,024	60,415
Bank and short-term deposits		43	35
		64,067	60,450
Creditors - amounts falling due within one year	8	(6,558)	(4,650)
Net current assets		57,509	55,800
Total assets less current liabilities		57,509	55,800
Provisions for liabilities and charges			
Other provisions	9	-	12
Net assets		57,509	55,788
Capital and reserves			
Called up share capital	10	3,000	3,000
Share premium		53,943	53,943
Capital reserve		(3,209)	(3,209)
Profit and loss account	11	3,775	2,054
Total shareholder's funds - equity	12	57,509	55,788

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



A.J. Gibson
Director

Notes to the financial statements

31st December 2001

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. Franked and unfranked investment income includes the imputed tax credits of taxes deducted at source. 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 provided using the liability method on all timing differences, which are expected to reverse in the future without being replaced.

f) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate of the transaction if the transaction is covered by a forward exchange contract. Assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate.

g) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less residual value, of each asset evenly over its expected useful life, as follows:

Leasehold improvements	- over the life of the lease
Office and computer equipment	- over 3 to 5 years
Furniture fixtures & fittings	- over 5 to 10 years

h) 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.

Notes to the financial statements

31st December 2001

2 Revenue

	2001 £000	2000 £000
Intra Group Income – interest	2,559	3,165
Bank interest	56	51
	<u>2,615</u>	<u>3,216</u>

3 Expenses

Other charges include:

	2001 £000	2000 £000
Auditors' remuneration: for audit work	<u>9</u>	<u>20</u>

4 Staff costs and directors' emoluments

	2001 £000	2000 £000
a) Staff costs (including directors)		
Salaries and bonuses	-	155
Social security costs	-	18
Pension costs	-	8
	<u>-</u>	<u>181</u>
b) Directors' emoluments		
Fees	-	-
Management remuneration:		
Salary	-	155
Performance related remuneration	-	-
Pension contributions	-	8
	<u>-</u>	<u>163</u>
The emoluments of the highest paid director were:		
Emoluments excluding pension contributions	-	155
Pension contributions	-	8
	<u>-</u>	<u>163</u>

The average number of people employed by the company during the year was 0 (2000: 1).

Notes to the financial statements

31st December 2001

5 Taxation on profit on ordinary activities

	2001 £000	2000 £000
Corporation tax at 30% (2000: 30%)	754	843

6 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 Ockham Holdings PLC – see note 17.

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

7 Debtors

	2001 £000	2000 £000
Recoverable ACT	-	161
Other debtors	1	-
Amounts due from other group companies	64,023	60,254
	64,024	60,415

Notes to the financial statements

31st December 2001

8 Creditors – amounts falling due within one year

	2001 £000	2000 £000
Amount due to group companies	5,954	3,807
Corporation tax	592	843
Other creditors	12	-
	<u>6,558</u>	<u>4,650</u>

9 Other provisions

	2001 £000	2000 £000
Balance at 1 st January 2001	12	12
Utilised in the year	(12)	-
Balance at 31 st December 2001	<u>-</u>	<u>12</u>

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.

10 Called up share capital

	2001 £000	2000 £000
Authorised:		
85,700,000 Ordinary shares of 5 pence each	<u>4,285</u>	<u>4,285</u>
Allotted, issued and fully paid:		
60,000,000 Ordinary shares of 5 pence each	<u>3,000</u>	<u>3,000</u>

11 Profit and loss account

	2001 £000	2000 £000
Balance at 1 st January 2001	2,054	88
Retained profit for the year	<u>1,721</u>	<u>1,966</u>
Balance at 31 st December 2001	<u>3,775</u>	<u>2,054</u>

12 Reconciliation of movements in shareholder's funds

	2001 £000	2000 £000
Shareholder's funds at 1 st January 2001	55,788	53,822
Retained profit for the year	<u>1,721</u>	<u>1,966</u>
Shareholder's funds at 31 st December 2001	<u>57,509</u>	<u>55,788</u>

Notes to the financial statements

31st December 2001

13 Capital and other commitments

At 31st December 2001, no capital expenditure had been authorised by the directors.

14 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.

15 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, Ockham Holdings PLC.

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