Limit (No.7) Limited

Annual Report

31 December 2002

Registered Number 2852606

ANNUAL REPORT

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DIRECTORS AND OFFICERS

Directors

Steven P Burns
John W Lorberg
David J Winkett

Secretary

Ian D Beckerson

Registered office

88 Leadenhall Street
London
EC3A 3BP

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
32 London Bridge Street
London
SE1 9SY

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2002.

Company's business

The principal activity of the company is to act as a corporate member of Lloyd's and to participate in the Lloyd's insurance market through the provision of underwriting capacity to various Lloyd's syndicates which underwrite insurance and reinsurance business. The company disposed of all its syndicate capacity for the 1999 year of account and is currently running off certain 1994, 1997 and 1998 syndicate participations.

As a result all underwriting business is treated as discontinued.

Business review and future developments

The results for the company are set out on pages 6 and 7.

The company does not intend to participate in the Lloyd's insurance market after the run-off of the its 1994, 1997 and 1998 accounts is completed.

Directors

Details of the directors that served during the year are shown on page 2.

Directors' interests

No director had a beneficial interest in the shares of the company at any time during the year.

The directors are not required to disclose any interests they may have in the shares of the ultimate controlling entity, QBE Insurance Group Limited, which is incorporated in Australia.

Dividends

The directors do not recommend the payment of a dividend (2001: £nil per £1 ordinary share) for the year ended 31 December 2002.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 13th March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. The shareholders have dispensed with the requirement to hold annual general meetings and with the requirement to appoint auditors annually, through an elective resolution.

DIRECTORS' REPORT
continued

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 10 under 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

By order of the board,

I Beckerson

Ian D Beckerson
Secretary

88 Leadenhall Street
London
EC3A 3BP

2nd June 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIMIT (NO. 7) LIMITED

We have audited the financial statements on pages 6 to 17, which have been prepared in accordance with the accounting policies on pages 10 to 12.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors report.

Basis of audit opinion

We conducted our audit in accordance with 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 the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
32 London Bridge Street
London
SE1 9SY

2 June 2003

TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December

	Note	£	2002 £	£	2001 £
Written premiums, net of reinsurance					
Gross premiums written	2		**4,982,734**	1,917,966	
Outward reinsurance premiums			**(1,453,413)**	(366,220)	
Net premiums written			**3,529,321**		1,551,746
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		**(4,818,965)**		(6,286,424)	
Reinsurers' share		**3,892,861**		6,586,538	
		(926,104)		300,114	
Change in provision for claims					
Gross amount		**9,954,921**		9,007,703	
Reinsurers' share		**(8,619,161)**		(9,204,746)	
		1,335,760		(197,043)	
Claims incurred, net of reinsurance			**409,656**		103,071
Net operating expenses	3		**(5,065,332)**		(2,616,233)
Balance on technical account - general business			**(1,126,355)**		(961,416)

All the items in the above statement are derived from discontinued operations.

The notes on pages 10 to 17 form an integral part of these financial statements.

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

for the year ended 31 December

	Note	2002 £	2001 £
Balance on technical account - general business		**(1,126,355)**	(961,416)
Investment income		**465,514**	631,617
Net realised gains on investments		**(3,166)**	143,054
Investment expenses and charges		**(6,795)**	(3,577)
Other income		**40,548**	513,266
Other charges		**(2,055)**	(2,487)
(Loss)/Profit on ordinary activities before taxation	4	**(632,309)**	320,457
Tax on (loss)/profit on ordinary activities	5	**4,135**	(2,053,389)
(Loss) on ordinary activities after taxation		**(628,174)**	(1,732,932)
Retained (loss) brought forward		**(6,130,857)**	(4,397,925)
Retained (loss) carried forward		**(6,759,031)**	(6,130,857)

There are no gains or losses other than those reflected in the profit and loss account.

All the items in the above statement are derived from discontinued operations.

The notes on pages 10 to 17 form an integral part of these financial statements.

BALANCE SHEET
at 31 December

Assets	Note	2002 £	2001 £
Investments			
Other financial investments	6	**7,200,044**	8,579,565
Deposits with ceding undertakings		**-**	-
Reinsurers' share of technical provisions			
Claims outstanding		**14,101,501**	22,720,850
Debtors			
Debtors arising out of direct insurance operations			
Policyholders		**-**	-
Intermediaries		**-**	25,612
Debtors arising out of reinsurance operations		**7,480,349**	7,904,719
Other debtors	7	**9,499,455**	9,810,225
		16,979,804	17,740,556
Other assets			
Cash at bank and in hand		**1,883,055**	696,053
Overseas deposits		**147,023**	294,507
		2,030,078	990,560
Prepayments and accrued income		**141**	65,272
Total assets		**40,311,568**	50,096,803

BALANCE SHEET
at 31 December

Liabilities	Note	2002 £	2001 £
Capital and reserves			
Called up equity share capital	9	**1**	1
Profit and loss account		**(6,759,031)**	(6,130,857)
Equity shareholders' funds	10	**(6,759,030)**	(6,130,856)
Technical provisions			
Outstanding claims		**30,917,420**	38,320,094
Creditors			
Creditors arising out of direct insurance operations		**1,606**	93,208
Creditors arising out of reinsurance operations		**-**	475,850
Other creditors	11	**16,147,959**	17,337,375
		16,149,565	17,906,433
Accruals and deferred income		**3,613**	1,132
Total liabilities		**40,311,568**	50,096,803

These financial statements were approved by the board of directors on 2nd June 2003 and signed on its behalf by:

D.J. Winkett

David J Winkett
Director

The notes on pages 10 to 17 form an integral part of these financial statements.

ACCOUNTING POLICIES

forming part of the financial statements

Basis of accounting

The accounts have been prepared under the historical cost convention modified to include the revaluation of investments and in accordance with applicable accounting standards in the UK, and are presented in accordance with the provisions of section 255 and schedule 9A of the Companies Act 1985. The company has adopted all material recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 1998 and Technical Release 1/99 "Accounting by Lloyd's Corporate Capital Vehicles".

The financial statements have been prepared on a going concern basis as the company's ultimate parent undertaking, QBE Insurance Group Limited, has indicated that it intends to provide such funds as are necessary for the company to continue to trade for the foreseeable future.

The principal accounting policies adopted are set out below.

Basis of accounting for underwriting business

The technical account – general business set out on page 6 has been prepared by aggregating the company share of the underwriting transactions (premiums, claims and expenses) of the Lloyd's syndicates of which the company is a member.

The underwriting accounts for all classes of business have been prepared on a three year funded basis in accordance with Lloyd's normal practice as the directors do not believe the annual basis to be appropriate because of insufficient information. Under the funded basis 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 when the underwriting account is normally closed. The fund is included as part of outstanding claims.

The underwriting information for the 2002 calendar year comprises the calendar year movements for run-off years of account of the syndicates of which the company is a member. The comparative figures also comprise the calendar year movements for run-off years of account.

The Lloyd's syndicates in which the company participates are managed and controlled by their respective managing agents. The accounting information in respect of these participations has been provided by the managing agents through an information exchange facility operated by Lloyd's and has been audited by the respective syndicates' auditors.
The accounting policies adopted in the preparation of these figures are as follows:

i. Premiums

Gross premiums written represent premiums written up to the relevant 31 December in respect of contracts incepting in the financial period, together with adjustments to premiums written in previous accounting periods. Gross written premiums are stated before deduction of commissions but exclusive of taxes and duties levied on premiums.

Premiums and reinsurance premiums ceded, claims and associated reinsurance recoveries are allocated to the appropriate years of account on the basis of the policy inception date.

ACCOUNTING POLICIES
continued

ii. Claims provisions and related reinsurance recoveries

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. All information regarding the company's claims exposure is provided by the respective syndicates' managing agents through an information exchange facility operated by Lloyd's and has been audited by the syndicates' auditors. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the managing agent uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- Changes in company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods
- Changes in the legal environment
- The effects of inflation
- Changes in the mix of business
- The impact of large losses
- Movements in industry benchmarks

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the managing agent has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the managing agent adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assists in settling the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

ACCOUNTING POLICIES
continued

iii. Acquisition costs

Acquisition costs, which include commission and other expenses, comprise all direct costs arising from insurance contracts.

iv. Exchange rates

Assets, liabilities, income and expenditure expressed in US dollars, Canadian dollars and Euros are translated at rates of exchange ruling at 31 December and underwriting transactions in other foreign currencies are included in the accounts at historical rates, unless contracts to sell currency for sterling have been entered into prior to the year end, in which case the contracted rates have been used. All differences on the translation of foreign currency amounts are dealt with in the profit and loss account.

v. Investment income, expenses and charges

Investment income is accounted for on a receivable basis.

Investments and cash are held on a pooled basis, the return from which is allocated to underwriting years proportionately to the funds contributed by each underwriting year. Investment income and all investment gains and losses are dealt through the non-technical account.

vi. Operating expenses include syndicate expenses and Lloyd's personal expenses of the closing year and open years where it is expected that the syndicate will be loss making. No provision is made for personal expenses of other open years until the year is closed.

vii. Closed years of account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December together with the estimated cost of claims incurred but not reported at that date and claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims.

The directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current year, and no further provision is made for any potential variation in the ultimate liability of that year of account.

Investments

All investments are stated at their market value at the relevant 31 December. Listed investments are stated at the mid-market value at the close of business on the relevant 31 December or the last London Stock Exchange dealing day before 31 December. Debt securities and other fixed income securities are stated at market value at that date.

Taxation

The charge for taxation is based on the results for the year adjusted for disallowable items. Deferred taxation is provided in full on all timing differences at the rate at which it is expected that the tax liability or benefit will arise. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

forming part of the financial statements

1. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is included in the consolidated financial statements of QBE International Holdings (UK) plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the QBE International Holdings (UK) plc group.

2. SEGMENTAL ANALYSIS – TECHNICAL ACCOUNT

The following business has all been underwritten in the Lloyd's insurance market, which has been treated as one geographical segment and class of business for the purpose of Statement of Standard Accounting Practice No.25: 'Segmental reporting'.

Segmental information in the format required by the Companies Act 1985 is as follows:

				2002
	Gross premiums	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance balance**
	£	**£**	**£**	**£**
Direct insurance:				
Accident and health	**2,179,194**	**2,528,336**	**(2,210,094)**	**(494,651)**
Marine, aviation and transport	**147,061**	**55,864**	**(179,217)**	**(246,512)**
Fire and other damage to property	**10,028**	**(8,073)**	**(5,226)**	**65,304**
Third party liability	**42,827**	**66,757**	**(46,964)**	**(48,692)**
Other	**2,422**	**34,453**	**(4,765)**	**(22,824)**
	2,381,532	**2,677,337**	**(2,446,266)**	**(747,375)**
Reinsurance to close	**22**	**956,536**		**(1,962,276)**
Other reinsurance acceptances	**2,601,180**	**1,502,083**	**(2,619,066)**	**(3,470,062)**
	4,982,734	**5,135,956**	**(5,065,332)**	**(6,179,713)**

				2001
	Gross premiums	Gross claims incurred	Gross operating expenses	Reinsurance balance
	£	£	£	£
Direct insurance:				
Accident and health	(426,066)	8,362,195	(970,769)	(5,657,591)
Marine, aviation and transport	115,904	1,381,285	(579,935)	(249,502)
Fire and other damage to property	431	(1,841)	127	29,000
Third party liability	43,449	(76,426)	(22,756)	(10,806)
Other	(204)	3,522	(1,205)	(16,472)
	(266,486)	9,668,735	(1,574,538)	(5,905,371)
Reinsurance to close	-	(2,864,283)	-	4,808,473
Other reinsurance acceptances	2,184,452	(5,450,344)	(1,041,695)	(520,359)
	1,917,966	1,354,108	(2,616,233)	(1,617,257)

NOTES TO THE FINANCIAL STATEMENTS

continued

3. NET OPERATING EXPENSES

	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Brokerage	**4,214,404**	334,529
Syndicate operating expenses	**36,867**	141,253
Foreign exchange gains	**813,514**	2,139,819
Personal expenses	**547**	632
	5,065,332	2,616,233

4. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit on ordinary activities before taxation is stated after charging:

Audit fees are borne by an intermediate holding company. No directors' remuneration was payable by the company.

The average weekly number of people employed by the company during the period was Nil (2001: Nil). All staff of the Limit group are employed by a fellow subsidiary of Limit plc, Limit Underwriting Limited and no specific recharge is made for costs incurred by the company.

5. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Analysis of (credit)/charge in period	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Current tax:		
UK corporation tax at 30% (2001:30%)	**(585,299)**	234,576
Overseas tax	**2,075**	-
Adjustment to tax in respect of prior period	**170,764**	1,898,610
Total current tax	**(412,460)**	2,133,186
Deferred tax:		
Origination and reversal of timing differences	**408,325**	(499,211)
Adjustment to tax in respect of prior period	**-**	419,414
Total deferred tax	**408,325**	(79,797)
Tax on (loss)/profit on ordinary activities	**(4,135)**	2,053,389

The tax for the period is lower (2001: higher) than the standard rate of Corporation Tax in the UK (30%).
The differences are explained below:

(Loss)/profit on ordinary activities before tax	**(632,309)**	320,457
(Loss)/profit on ordinary activities before tax multiplied by standard rate of UK Corporation Tax at 30%	**(189,693)**	96,137
Effects of:		
Expenses not deductible for tax purpose	**12,719**	49,379
Income exempt from tax	**-**	(410,151)
Other timing differences	**(408,325)**	499,211
Unrelievable foreign tax	**2,075**	-
Adjustments to tax in respect of prior period	**170,764**	1,898,610
Current tax (credit)/charge for the period	**(412,460)**	2,133,186

NOTES TO THE FINANCIAL STATEMENTS
continued

6. OTHER FINANCIAL INVESTMENTS

	At 31 December 2002 £	At 31 December 2001 £
Market value:		
Shares and other variable yield securities	**936,280**	-
Debt securities and other fixed interest securities	**6,221,435**	7,121,461
Other investments	**42,329**	1,458,104
	7,200,044	8,579,565

7. OTHER DEBTORS

	At 31 December 2002 £	At 31 December 2001 £
Lloyd's solvency retentions	**8,657,064**	7,807,460
Amounts owed by group undertakings	**184,031**	89
Corporation tax recoverable	-	1,012,057
Overseas withholding tax recoverable	-	83,555
Deferred tax - Note 8	**234,101**	642,426
Other debtors	**424,259**	264,638
	9,499,455	9,810,225

Provision is made for deferred UK corporation tax at 30 per cent.

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

8. DEFERRED TAX

	At 31 December 2002 £	At 31 December 2001 £
Deferred tax asset as at 1 January	**642,426**	2,422,750
(Under) provision in respect of prior years	-	(419,414)
Transfer to corporation tax	-	(1,859,941)
Deferred tax (charge)/credit in profit and loss account	**(408,325)**	499,211
Deferred tax asset as at 31 December	**234,101**	642,606
Comprising:		
Lloyd's profits/(losses) taxed in future years	**234,101**	642,426
Undiscounted provision for deferred tax	**234,101**	642,426

The deferred tax asset arises largely as a result of underwriting losses incurred. It is anticipated that future profits in the group will more than offset these amounts.

NOTES TO THE FINANCIAL STATEMENTS
continued

9. CALLED UP SHARE CAPITAL

	Number	£
Authorised share capital		
Ordinary shares of £1 each at 1 January and 31 December 2002	100	100
	100	100

	Number	£
Allotted and fully paid		
Ordinary shares of £1 each at 1 January and 31 December 2002	1	1
	1	1

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Equity shareholders' funds	
	Year ended 31 December 2002 £	Year ended 31 December 2001 £
Shareholders' funds brought forward	**(6,130,856)**	(4,397,924)
Retained (loss) for the period	**(628,174)**	(1,732,932)
Shareholders' funds carried forward	**(6,759,030)**	(6,130,856)

11. OTHER CREDITORS

	At 31 December 2002 £	At 31 December 2001 £
Amounts owed to credit institutions	-	1,472,124
Underwriting losses due to Lloyd's	**1,279,425**	4,186,840
Amounts owed to group undertakings	**14,341,213**	11,489,603
Corporation tax payable	**28,008**	-
Other creditors	**499,313**	188,808
	16,147,959	17,337,375

Underwriting losses due to Lloyd's represents the uncalled losses payable on run-off years of account, of the syndicates in which Limit (No.4) Limited participated.

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

NOTES TO THE FINANCIAL STATEMENTS

continued

12. GUARANTEES AND CONTINGENCIES

The company's holding company, Limit plc, has entered into a deed of covenant to meet the obligations of Limit (No.7) Limited to Lloyd's. The total guarantee given by Limit plc under the deed of covenant amounts to £4,677,785 (31 December 2001: £202,073) which together with a cash deposit of £1,490,034 (31 December 2001: £1,489,927) provides total 'funds at Lloyd's' of £6,167,819 (31 December 2001: £1,692,000). Limit (No.7) Limited is provided no capacity for the 1999 and subsequent years of account.

The obligation under the deed of covenant is secured by a fixed and floating charge over the investments and other assets of Limit plc in favour of Lloyd's. Similar arrangements have been made in respect of other corporate member subsidiaries of Limit plc.

Liability under the deed of covenant is limited to a fixed monetary amount. Accordingly, where the total value of investments held by Limit plc has fallen below the total of all amounts covenanted in respect of each of its corporate member subsidiaries, the enforcement by Lloyd's of the deed of covenant in the event of a default by Limit (No.7) Limited may result in the appropriation of a share of Limit plc's funds at Lloyd's that is greater than the proportion which Limit (No.7) Limited's overall premium limit bears to the total overall premium limit of the group. A similar result may occur in the event of default by other corporate member subsidiaries.

Of the total assets disclosed on the company's balance sheet, £30,322,184 (2001: £40,551,216) of which £7,200,044 (2001: £8,579,565) are investments, are subject to Lloyd's Premium Trust Funds or will become subject to them on realisation. These funds will only be released to the company on the closing of the run-off years of account.

13. HOLDING COMPANY

The company's ultimate controlling entity is QBE Insurance Group Limited, the ultimate parent company, which is incorporate in Australia. The smallest group of undertakings for which the company's accounts are consolidated is QBE International Holdings (UK) plc, which is incorporated in the United Kingdom.

The consolidated accounts for QBE Insurance Group Limited and QBE International Holdings (UK) plc are available from 55 Corn Exchange, Mark Lane, London EC3R 7NE.

The company's immediate holding company is Limit Corporate Members Limited, which is incorporated in the United Kingdom.