

LIMIT (No.4) Limited

**Directors' report and accounts
31st March 1996**

Registered Number 2852608



LIMIT (No.4) Limited

Directors' report and accounts

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LIMIT (No.4) Limited

Directors and advisers

Directors

Michael EA Carpenter FCA
Allan M Nichols
Roger B Morgan

Secretary

Stephen T Clews

Registered office

6 Alie Street
London
E1 8DD

Auditors

KPMG
8 Salisbury Square
London
EC4Y 8BB

LIMIT (No.4) Limited

Report of the directors

The directors submit their report together with the audited accounts for the year to 31st March 1996.

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. This will continue to be the principal activity of the company in the foreseeable future.

Business review

In July 1994, a cash amount of £1,560,000 was released from the LIMIT (No.4) Limited premiums trust fund, as an advance on the 1994 underwriting result.

A review of the activities and results of the group is given within the chairman's statement and review of operations accompanying the accounts of London Insurance Market Investment Trust plc for the year to 31st March 1996.

The company's participations in Lloyd's syndicates for the 1994, 1995 and 1996 underwriting years of account are as follows:

Syndicate Number	1996 Capacity £ million	1995 Capacity £ million	1994 Capacity £ million
435	6.25	5.00	5.00
490	15.00	15.00	12.00
623	3.80	3.50	3.00
1003	25.00	25.00	15.00
1007	12.00	12.00	10.00
1212	12.00	10.50	7.00
	<u>74.05</u>	<u>71.00</u>	<u>52.00</u>

LIMIT (No.4) Limited

Directors

The directors who held office in the year were:

MEA Carpenter FCA
AM Nichols
RB Morgan

Directors' interests

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

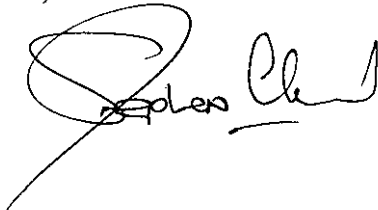
The interests of directors in other group companies and syndicates are disclosed in the directors' report of the ultimate holding company, London Insurance Market Investment Trust plc.

Share capital

The company has authorised share capital of £100 divided into 100 ordinary shares of £1 each. The company has issued share capital of £1.

By order of the board,

ST Clews
Secretary
6 Alie Street
London
E1 8DD

A handwritten signature in black ink, appearing to read 'ST Clews', is written over a horizontal line.

12 June 1996

LIMIT (No.4) Limited

Statement of directors' responsibilities

in respect of the preparation of accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then 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 accounts;
- prepare the accounts on the 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 that 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.

LIMIT (No.4) Limited

Report of the auditors to the members of LIMIT (No.4) Limited

We have audited the accounts on pages 7 to 13.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

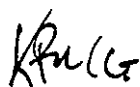
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors
London

12 June 1996

LIMIT (No.4) Limited

Profit and loss account

For the year ended 31st March

	Note	1996 £	1995 £
Interest from UK listed investments		85,883	32,941
Other interest		44,757	33,299
		<u>130,640</u>	<u>66,240</u>
Expenses		(65,549)	-
Operating profit		<u>65,091</u>	<u>66,240</u>
Tax on profit on ordinary activities	2	(21,480)	(21,859)
Retained profit for the year	10	<u>43,611</u>	<u>44,381</u>
Retained profit brought forward		44,381	-
Retained profit carried forward		<u>87,992</u>	<u>44,381</u>

Statement of total recognised gains and losses

For the year ended 31st March

	1996 £	1995 £
Retained profit for the year	43,611	44,381
Unrealised capital gains on investments	19,210	4,803
Total recognised gains and losses	<u>62,821</u>	<u>49,184</u>

All items in the above statement are derived from continuing activities.

The notes on pages 9 to 13 form part of these accounts.

LIMIT (No.4) Limited

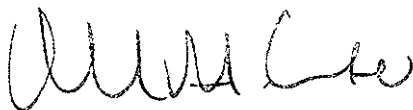
Balance sheet

at 31st March

	Note	1996 £	1995 £
Fixed assets			
Investments	3	956,012	936,802
Current assets			
Debtors: amounts falling due after more than one year	4	58,297	33,484
Cash at bank and in hand		748,306	606,129
Net current assets		<u>806,603</u>	<u>639,613</u>
Total assets less current liabilities		<u>1,762,615</u>	<u>1,576,415</u>
Creditors: amounts falling due after more than one year	5	<u>(65,549)</u>	<u>-</u>
Provisions for liabilities and charges	6	<u>(1,585,060)</u>	<u>(1,527,230)</u>
Net assets		<u><u>112,006</u></u>	<u><u>49,185</u></u>
Capital and reserves			
Called up share capital	7	1	1
Capital reserve - unrealised	10	24,013	4,803
Profit and loss account	10	87,992	44,381
Total equity shareholders' funds		<u><u>112,006</u></u>	<u><u>49,185</u></u>

These accounts were approved by the board of directors on 12 June 1996.

MEA Carpenter
Director



AM Nichols
Director



The notes on pages 9 to 13 form part of these accounts.

LIMIT (No.4) Limited

Notes to the accounts

(forming part of the accounts)

1 Accounting policies

The accounts have been prepared under the historical cost convention modified for the valuation of investments at market value, in accordance with applicable Accounting Standards in the United Kingdom. The principal accounting policies adopted are set out below.

- (a) Profits arising on Lloyd's underwriting activities are recognised in the period in which the related underwriting year is closed.
- (b) Provision is made for losses as soon as they are foreseen in the aggregate for syndicates supported in a year of account on the basis of information which is available to the directors at the date on which the accounts are approved. Similarly, provision is made for future deterioration of any year of account of a syndicate that has gone into run-off.

Whilst the directors consider that the provision for losses on open years and years of account in run-off are fairly stated on the basis of the information available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the losses foreseen. Adjustments to the amounts of provisions are reflected in the accounts for the period in which the adjustments are made. The methods used, and estimates made, are regularly reviewed.

- (c) Pending closure of an underwriting year of account, any amounts released from the LIMIT (No.4) Limited premiums trust fund, as an advance on the underwriting result of that year, are treated in the balance sheet as an asset and a liability under provisions for liabilities and charges. Any interest and investment income earned on a premiums trust fund release is taken to the profit and loss account on an accruals basis. Foreign currency premiums trust fund assets are expressed in sterling at rates ruling at the balance sheet date. Exchange differences arising on the translation of interest earned on foreign currency assets are taken to the revenue account.
- (d) **Deferred taxation**

Deferred taxation, calculated on the liability method, is provided on items which are recognised for accounts purposes in different periods, to the extent that the asset or liability is expected to crystallise.
- (e) **Investments**

Investments are stated at market value. Although this is a departure from the Companies Act 1985 which requires investments to be stated at the lower of cost or net realisable value, the directors consider the use of market value is necessary to give a proper measure of the economic performance of the company and hence a true and fair view of the state of affairs of the company. Unrealised profits and losses are adjusted through reserves. Realised profits and losses on sales of investments are included in the profit and loss account.

LIMIT (No.4) Limited

Notes to the accounts (*continued*)

2 Tax on profit on ordinary activities

	1996 £	1995 £
Deferred tax	21,480	21,859
	<u>21,480</u>	<u>21,859</u>

3 Investments

	1996 £	1995 £
Listed in the UK:		
Opening book cost	931,999	-
Opening unrealised appreciation	4,803	-
	<u>936,802</u>	<u>-</u>
Opening valuation	-	931,999
Movements in the year	19,210	4,803
Increase in unrealised appreciation	<u>956,012</u>	<u>936,802</u>
Closing valuation		
Closing book cost	931,999	931,999
Closing unrealised appreciation	24,013	4,803
	<u>956,012</u>	<u>936,802</u>

4 Debtors: amounts falling due after more than one year

	1996 £	1995 £
Interest receivable	21,590	18,248
Income tax recoverable	36,706	15,235
Amounts due from parent undertaking	1	1
	<u>58,297</u>	<u>33,484</u>

LIMIT (No.4) Limited

Notes to the accounts (*continued*)

5 Creditors: amounts falling due after more than one year

	1996 £	1995 £
Amounts due to parent undertaking	65,549	-
	<u>65,549</u>	<u>-</u>

The amounts shown above relate to management expenses borne by the company's parent, LIMIT Holdings Limited.

6 Provisions for liabilities and charges

	Premiums Trust Fund £	Deferred Tax £	Total £
At 1 st April 1995	1,505,371	21,859	1,527,230
Exchange loss	36,350	-	36,350
Timing difference on income	-	21,480	21,480
At 31 st March 1996	<u>1,541,721</u>	<u>43,339</u>	<u>1,585,060</u>

In July 1994, a cash amount of £1,560,000 was released from the LIMIT (No.4) Limited premiums trust fund, as an advance on the 1994 underwriting result. Of this amount, £960,000 was released in sterling and the balance of £600,000 in US dollars (US\$888,000 converted at £1=US\$1.48). On 11th November 1994, £960,000 of this cash was transferred to London Insurance Market Investment Trust plc, and replaced with £960,000 of listed fixed interest securities at market value.

Pending closure of the 1994 underwriting year of account, the fixed interest securities transferred at market value to the LIMIT (No.4) Limited premiums trust fund have been treated as an investment in the balance sheet at their 31st March 1996 market value (see note 3). The unrealised movement on this investment has been taken directly to capital reserves. The remaining US dollar cash has been converted at the 31st March 1996 exchange rate of £1=US\$1.53, resulting in an unrealised exchange gain of £36,350 during the year. This gain is matched by a corresponding exchange loss of £36,350 on the initial cash release of £1,560,000 which has been treated as a liability under provisions for liabilities and charges, pending closure of the 1994 underwriting year of account.

LIMIT (No.4) Limited

Notes to the accounts (*continued*)

7 Called up share capital

At 31 March 1995 and 1996

	£
Authorised ordinary shares of £1 each	100
Allotted, called up and fully paid ordinary shares of £1 each	1

8 Guarantees and contingencies

The company's ultimate holding company, London Insurance Market Investment Trust plc ("LIMIT plc"), has entered into a deed of covenant in respect of LIMIT (No.4) Limited to meet the obligations of LIMIT (No.4) Limited to Lloyd's. The total guarantee given by LIMIT plc under the deed of covenant amounts to £33,940,000, which together with the solvency credits for 1994 and 1995 of £3,690,000 provides a total 'funds at Lloyd's' amount of £37,630,000.

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.

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 to each of the corporate member subsidiaries, the enforcement by Lloyd's of the deed of covenant in the event of a default by LIMIT (No.4) Limited may result in the appropriation of a share of the group's funds at Lloyd's that is greater than the proportion which LIMIT (No.4) Limited 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.

9 Cash flow statement

Under Financial Reporting Statement 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking, and a group cash flow has been prepared in the accounts of the ultimate parent company.

LIMIT (No.4) Limited

Notes to the accounts (*continued*)

10 Reserves

	Capital reserve £	Profit and loss account £
Brought forward	4,803	44,381
Profit for the financial year	-	43,611
Unrealised capital gains on investments	19,210	-
Carried forward	<u>24,013</u>	<u>87,992</u>

Reconciliation of movement in shareholders funds:

	1996 £	1995 £
Opening shareholders' funds	49,185	1
Profit for the financial year	43,611	44,381
Unrealised capital gains on investments	19,210	4,803
	<u>112,006</u>	<u>49,185</u>

11 Ultimate holding company

The company is a wholly owned subsidiary of LIMIT Holdings Limited. The ultimate holding company of LIMIT (No.4) Limited is London Insurance Market Investment Trust plc, a company registered in England and Wales.

Copies of the group accounts produced by London Insurance Market Investment Trust plc are available from 6 Alie Street, London, E1 8DD.