
Limit (No.4) Limited

Financial Statements

31 December 2005



Registered Number 2852608

FINANCIAL STATEMENTS

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DIRECTORS AND OFFICERS

Current Directors

I D Beckerson	appointed 19 July 2005
S P Burns	
D M Lang	
D J Winkett	

Current Secretary

H G Pallot	appointed 19 July 2005
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Past Secretary

I D Beckerson	resigned 19 July 2005
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Registered office

Plantation Place
30 Fenchurch Street
London
EC3M 3BD

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 2005.

Principal activity

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 that underwrite insurance and reinsurance business. The company disposed of all its syndicate capacity for the 2000 year of account and is currently running off its 1998 and 1999 syndicate participations. The remaining open years are 1998 and 1999 years for syndicate 205, and the 1999 year for syndicate 62.

As a result all underwriting business is treated as discontinued.

Business review and future developments

The company does not intend to participate in the Lloyd's insurance market after the run-off of its 1999 underwriting years of account is completed.

Results and Dividends

The results for the Company are set out in the profit and loss account on pages 6 and 7. The loss for the year was £10,000 (2004: loss £136,000). The directors do not recommend the payment of a dividend (2004: £nil).

Directors

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

At no time during the year did any director have a beneficial interest in the shares of the Company.

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.

Creditor payment policy

The company does not follow a published code or standard on payment practice, although its policy is to pay amounts due within the relevant period of credit included in the terms and conditions under which business transactions with suppliers are conducted. The company has no trade creditors.

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. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- 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 the going-concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm they have complied with the above requirements in preparing the financial statements.

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

DIRECTORS' REPORT

Statement of directors' responsibilities (continued)

reasonable steps for the prevention and detection of fraud and other irregularities.

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. PricewaterhouseCoopers LLP continue to be the company's auditors.

By order of the board,



H G Pallot
Secretary
London
31 October 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIMIT (NO. 4) LIMITED

We have audited the financial statements of Limit (No.4) Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body 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 into 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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
London
31 October 2006

LIMIT (NO.4) LIMITED

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December

			2004 (restated) Note 1 (i)
	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	2	95	88
Outward reinsurance premiums		(109)	(143)
Net premiums written			(55)
Earned premiums, net of reinsurance			(55)
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(1,401)	(2,056)
Reinsurers' share		564	857
		(837)	(1,199)
Change in provision for claims			
Gross amount		1,235	1,758
Reinsurers' share		(547)	(989)
		688	769
Claims incurred, net of reinsurance			(430)
Net operating expenses	3		(107)
Balance on technical account – general business			(592)

The notes set out on pages 10 to 17 form an integral part of these Financial Statements.

LIMIT (NO.4) LIMITED

PROFIT AND LOSS ACCOUNT

NON-TECHNICAL ACCOUNT

for the year ended 31 December

	Notes	2005 £'000	2004 £'000
Balance on technical account – general business		(150)	(592)
Investment income	4	154	93
Investment expenses and charges		(4)	(4)
Other charges		(2)	(16)
Loss on ordinary activities before taxation	7	(2)	(519)
Tax on loss on ordinary activities	8	(8)	383
Loss on ordinary activities after taxation, retained for the financial year		(10)	(136)

The results above are derived from discontinued operations.

There is no difference between losses on ordinary activities before taxation and the retained losses for the current and preceding financial year stated above and their historical cost equivalents.

There are no recognised gains and losses for the current and preceding financial year other than those included in the profit and loss account above and therefore no statement of total recognised gains and losses has been prepared.

The notes set out on pages 10 to 17 form an integral part of these Financial Statements.

LIMIT (NO.4) LIMITED

BALANCE SHEET

at 31 December

	Notes	2005 £'000	2004 (restated) Note 1 (i) £'000
Assets			
Investments			
Other financial investments	9	3,666	3,494
Deposits with ceding undertakings		1	1
Reinsurers' share of technical provisions			
Claims outstanding		1,751	2,142
		1,751	2,142
Debtors			
Debtors arising out of direct insurance operations			
Intermediaries		-	-
Arising out of reinsurance operations		996	915
Other debtors	10	1,778	2,174
Deferred tax	11	68	490
		2,842	3,579
Other assets			
Cash at bank and in hand		883	475
Overseas deposits		266	313
		1,149	788
Prepayments and accrued income		3	1
Total assets		9,412	10,005

The notes set out on pages 10 to 17 form an integral part of these Financial Statements.

LIMIT (NO.4) LIMITED

BALANCE SHEET

at 31 December

	Notes	2005 £'000	2004 (restated) Note 1 (i) £'000
Liabilities			
Capital and reserves			
Called up equity share capital	12,13	-	-
Profit and loss account	13	1,044	1,054
	13	1,044	1,054
Technical provisions			
Claims outstanding		8,060	8,667
		8,060	8,667
Provisions for risks and charges	14	-	3
Creditors			
Creditors arising out of direct insurance operations		34	33
Creditors arising out of reinsurance operations		172	83
Other creditors	15	89	163
		295	279
Accruals and deferred income		13	2
Total liabilities		9,412	10,005

These financial statements were approved by the board of directors on 31 October 2006 and signed on its behalf by:



D J Winkett
Director

The notes set out on pages 10 to 17 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

forming part of the financial statements

1. Accounting policies

(a) Basis of preparation

The Financial Statements have been prepared in accordance with Section 225 of, and Schedule 9A to, the Companies Act 1985, and applicable accounting standards. The Company has adopted the recommendations of the Statement of Recommended Practice issued by the ABI dated December 2005 and Technical Release 1/99 "Accounting by Lloyd's Corporate Capital Vehicles" except in relation to the treatment for recognition of liabilities on payment of a reinsurance to close as explained in the accounting policies below.

(b) Cash flow statement

No cash flow statement is presented as the Company has taken advantage of the provisions of Financial Reporting Standard 1 (FRS 1) (revised) which exempts subsidiary undertakings, 90 per cent or more of whose voting rights are controlled within a group, from producing a cash flow statement, provided the consolidated Financial Statements in which the subsidiary is included, being the consolidated Financial Statements of QBE Insurance Group Limited, include a cash flow and are publicly available (see note 17).

(c) 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 Company's share of the underwriting transactions is presented on an annual accounting basis under which insurance profits or losses are recognised as they are earned.

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.

i. Gross premiums written

Gross premiums written represent premiums on contracts incepting in the financial period, together with adjustments arising in the financial period to premiums incepting in previous financial periods. Gross written premiums are stated before deduction of commissions but net of taxes and duties levied on premiums.

ii. Reinsurance premiums written

Outward reinsurance premiums and associated recoveries are allocated to the appropriate year of account on the basis of the policy inception date.

iii. Claims incurred

Claims incurred comprise all claims payments and internal and external settlement expense payments made in the financial period and the movement in the provisions for outstanding claims and settlement expenses, including claims incurred but not reported, net of salvage and subrogation recoverable.

NOTES TO THE FINANCIAL STATEMENTS*forming part of the financial statements***1. Accounting policies (continued)****(c) Basis of accounting for underwriting business (continued)****iv. Claims outstanding**

Provision is made at the period 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.

In calculating the claims outstanding provision, the Company uses a variety and where possible multiple techniques to estimate the required level of provision, generally based upon statistical analyses of historical experience. The projections given by the various methodologies also assist 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. Allowance is made 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

Large claims impacting each relevant business class are assessed separately in order to allow for the possible distortive effect of their development and incidence.

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 collectibility.

Whilst the directors consider that the estimate of claims outstanding is fairly stated on the basis of information currently available, there is inherent uncertainty in relation to the ultimate liability which may result in the eventual cost of settling these liabilities being higher or lower than the amount calculated.

v. RITC

At the end of the third year, the underwriting account of each syndicate is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium is determined by the managing agent, generally by estimating the cost of claims notified but not settled together with the estimated cost of claims incurred but not reported at that date and claims handling costs.

Where the Company has increased or decreased its participation from one year of account to the next, the reinsurance to close paid is treated as a portfolio transfer from the closing year to the receiving year.

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. This is a departure from the requirements of technical release 1/99. However, this treatment is in line with industry practice and the Directors have concluded that this is the most appropriate accounting policy under FRS18 "Accounting Policies"

vi. Acquisition costs

Acquisition costs represent the expenses, both direct and indirect, of concluding insurance policies.

(d) Exchange rates

Assets and liabilities expressed in US dollars, Canadian dollars and Euros are translated at rates of exchange ruling at 31 December, income and expenditure expressed in US dollars, Canadian dollars and Euros are translated at average exchange rates for the period 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.

Exchange gains or losses are recognised in the profit and loss non-technical account.

NOTES TO THE FINANCIAL STATEMENTS

forming part of the financial statements

1. Accounting policies (continued)

(e) Investment income

Investment income is accounted for on a receivable basis.

Investments and cash are held by the syndicates 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 with through the non-technical account.

(f) 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.

(g) Taxation

The charge for taxation is based on the results for the year adjusted for disallowable items. In accordance with the provisions of FRS19, deferred tax has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities are not discounted.

(h) Related parties

The Company has availed itself of the exemption available under FRS 8 not to disclose transactions which are with entities that are part of the QBE Insurance Group, 90% or more of whose voting rights are controlled within the QBE Insurance Group. This exemption is available to the Company as consolidated Financial Statements are publicly available for QBE Insurance Group Limited, the ultimate holding company (see note 17).

(i) Change in accounting policies

The Company's share of the underwriting transactions is presented on an annual accounting basis under which insurance profits or losses are recognised as they are earned. This is a change this year, as previously insufficient information was available on an annual accounting basis; therefore accounts were prepared on a three year funded basis. This has no material effect on the results either this year or last year, and no material effect on the net assets, either this year or last year. It has affected the detailed presentation of the profit and loss account and balance sheet last year, and to that extent, the prior year comparatives have been changed to ensure comparability with the 2005 numbers.

LIMIT (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

forming part of the financial statements

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:

	Gross premiums written and earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000
2005				
Direct insurance:				
Accident and health	-	4	-	32
Motor (third party)	-	(6)	-	1
Motor (other classes)	1	21	-	47
Marine, aviation and transport	23	(217)	4	(100)
Fire and other damage to property	10	(25)	1	32
Third party liability	50	84	2	(101)
Miscellaneous	7	(49)	4	23
	91	(188)	11	(66)
Other reinsurance acceptances	4	22	2	(26)
	95	(166)	13	(92)
2004 (restated)				
Direct insurance:				
Accident and health	4	(13)	(4)	10
Motor (third party)	1	(19)	(1)	23
Motor (other classes)	4	(5)	(3)	9
Marine, aviation and transport	23	(51)	(47)	(279)
Fire and other damage to property	18	(50)	(16)	13
Third party liability	25	(138)	(27)	102
Miscellaneous	-	1	-	8
	75	(275)	(98)	(114)
Other reinsurance acceptances	13	(23)	(9)	(161)
	88	(298)	(107)	(275)

NOTES TO THE FINANCIAL STATEMENTS

forming part of the financial statements

3. Net operating expenses

	2005 £'000	2004 (restated) £'000
Brokerage	18	21
Syndicate operating expenses	34	34
Foreign exchange (gains)/losses	(65)	52
	(13)	107

4. Investment Income

	2005 £'000	2004 £'000
Realised losses on investments	(26)	(52)
Investment income	180	145
	154	93

5. Employees

The Company does not employ any staff as all staff are employed by fellow subsidiary undertakings. On 6 April 2005 all staff contracts were transferred from Limit Underwriting Limited to QBE Management UK Ltd a fellow subsidiary undertaking. No recharge has been made to the Company for the services provided by these staff.

6. Directors' emoluments

The emoluments of the directors are paid by QBE Management (UK) Limited for their services to the group as a whole. No emoluments were payable to the directors in respect of their services to this Company for the year ended 31 December 2005 (2004: £nil).

7. Profit on ordinary activities before taxation

The audit fee for the company in the current and prior financial year has been borne by a fellow group undertaking.

8. Tax on profit on ordinary activities

Analysis of charge in period	2005 £'000	2004 £'000
<i>Current tax:</i>		
UK corporation tax at 30% (2004:30%)	(84)	(246)
Overseas tax	-	(29)
Adjustment to tax in respect of prior period	18	139
Total current tax	(66)	(136)
<i>Deferred tax:</i>		
Origination and reversal of timing differences	84	91
Adjustment to tax in respect of prior period	(10)	(338)
Total deferred tax	74	(247)
Tax on profit on ordinary activities	8	(383)

NOTES TO THE FINANCIAL STATEMENTS

forming part of the financial statements

8. Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the period

The tax for the period is lower (2004 – lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit/(loss) on ordinary activities before tax	(2)	(519)
Profit/(loss) on ordinary activities before tax multiplied by standard rate of UK Corporation Tax of 30%	(1)	(156)
<i>Effects of:</i>		
Unrelieved foreign tax	-	(29)
Other timing differences	(83)	(91)
Adjustments to tax in respect of prior period	18	139
Current tax charge for the period	(66)	(137)

9. Other financial investments

	Cost 2005 £'000	Market value 2005 £'000	Cost 2004 £'000	Market value 2004 £'000
Shares and other variable yield securities	308	308	482	482
Debt securities and other fixed interest securities	3,080	3,066	3,011	2,994
Deposits with credit institutions	292	292	18	18
	3,680	3,666	3,511	3,494

10. Other debtors

	2005 £'000	2004 £'000
Amounts owed by group undertakings	1,718	1,653
Amounts receivable for group taxation relief	26	189
Other debtors	34	332
	1,778	2,174

LIMIT (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

forming part of the financial statements

11. Deferred tax asset

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.

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

	2005 £'000	2004 £'000
Deferred tax asset as at 1 January	490	243
Deferred tax (charge)/credit in profit and loss account	(74)	247
Transfer to corporation tax account	(348)	-
Deferred tax asset as at 31 December	68	490
Comprising:		
Lloyd's losses/(profits) taxed in future years	68	489
Short term timing differences	-	1
Undiscounted provision for deferred tax	68	490

12. Called up share capital

	2005 £	2004 £
Authorised		
100 Ordinary Shares of £1 each	100	100
Called up, allotted and fully paid		
1 Ordinary Share of £1 each	1	1

13. Reconciliation of movements in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total 2005 £'000	Total 2004 £'000
At 1 January	-	1,054	1,054	1,190
Retained loss for the year	-	(10)	(10)	(136)
At 31 December	-	1,044	1,044	1,054

14. Provisions for risks and charges

	2005 £'000	2004 £'000
At 1 January	3	3
Movements in the year	(3)	-
At 31 December	-	3

Other provisions represent the estimated cost of acquiring the necessary accounting information to prepare these accounts from the information exchange operated by Lloyd's.

LIMIT (NO.4) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

forming part of the financial statements

15. Other creditors

	2005 £'000	2004 £'000
Underwriting losses due to Lloyd's	14	25
Other creditors	75	138
	89	163

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

16. Guarantees and contingencies

The company's holding company, Limit plc, has entered into a deed of covenant 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 £821,873 (2004: £821,873), which together with ABC securities of £757,990 (2004: £Nil) provides the company with total 'funds at Lloyd's' of £1,579,864 (2004: £821,873). Limit (No. 4) Limited provides no capacity for the 2000 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 favor 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.4) Limited may result in the appropriation of a share of the Limit plc funds at Lloyd's that is greater than the proportion which Limit (No.4) 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, £7,683,000 (2004: £7,842,571) of which £3,666,000 (2004: £3,493,000) 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.

17. Parent undertakings

The Company's ultimate parent undertaking and controlling entity is QBE Insurance Group Limited, which is incorporated in Australia. This is the largest group of undertakings into which the Company's financial statements are consolidated. The smallest group of undertakings into which the Company's financial statements are consolidated is headed by QBE International Holdings (UK) plc, which is incorporated in the United Kingdom. The consolidated financial statements for QBE Insurance Group Limited and QBE International Holdings (UK) plc are available from the Company's registered office at Plantation Place, 30 Fenchurch Street, London, EC3M 3BD.

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