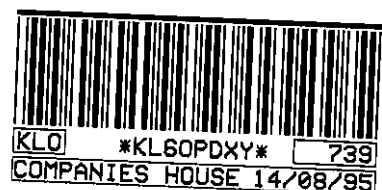


# **LIMIT (No.4) Limited**

**Directors' report and accounts  
31st March 1995**

**Registered Number 2852608**



## ***LIMIT (No.4) Limited***

### **Directors' report and accounts**

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## ***LIMIT (No.4) Limited***

### **Directors and advisers**

#### **Directors**

Roger B Morgan  
Michael E A Carpenter FCA  
Allan M Nichols

#### **Secretary**

Michael E A Carpenter FCA

#### **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 1995.

### **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.

### **Business review**

During the year 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 accompanying the accounts of London Insurance Market Investment Trust plc for the year to 31st March 1995.

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

| <b>Syndicate Number</b> | <b>1995<br/>Capacity<br/>£ million</b> | <b>1994<br/>Capacity<br/>£ million</b> |
|-------------------------|--|--|
| 435                     | 5.0                                    | 5.0                                    |
| 490                     | 15.0                                   | 12.0                                   |
| 623                     | 3.5                                    | 3.0                                    |
| 1003                    | 25.0                                   | 15.0                                   |
| 1007                    | 12.0                                   | 10.0                                   |
| 1212                    | 10.5                                   | 7.0                                    |
|                         | <hr/> 71.0 <hr/>                       | <hr/> 52.0 <hr/>                       |

## ***LIMIT (No.4) Limited***

### **Directors**

R B Morgan  
M E A Carpenter FCA  
A M Nichols

### **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 had issued share capital of £1 on incorporation.

### **Registered Office**

On 9th November 1994 the company changed its registered office to 6 Alie Street, London, E1 8DD with effect from 1st January 1995.

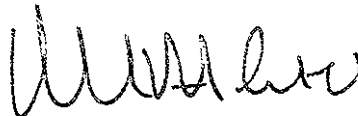
### **Auditors**

On 6th February 1995 our auditors changed the name under which they practise to KPMG and accordingly have signed their report in their new name.

In accordance with section 386 of the Companies Act 1985, the company has passed a resolution dispensing with the requirement to reappoint its auditors annually. KPMG will continue to hold office as auditors of the company for the forthcoming year.

By order of the board,

M E A Carpenter FCA  
*Secretary*  
6 Alie Street  
London  
E1 8DD



13th June 1995

## ***LIMIT (No.4) Limited***

### **Statement of directors' responsibilities *in respect of the preparation of accounts***

The directors are required by company law to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the results 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 judgements 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 31st March 1995 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

13th June 1995

***LIMIT (No.4) Limited***

**Profit and loss account**

*For the year ended 31st March 1995*

|  |             | Year ended<br>31st March 1995 | 8 month<br>period ended<br>31st March 1994 |
|--|-------------|-------------------------------|--|
|  | <i>Note</i> | £                             | £  |
| Interest from UK listed investments      |             | 32,941                        | -  |
| Other interest                           |             | 33,299                        | -  |
| Profit on ordinary activities before tax |             | <u>66,240</u>                 | <u>-</u>                                   |
| Tax on profit from ordinary activities   | 2           | <u>(21,859)</u>               | <u>-</u>                                   |
| Retained profit for the year             | 10          | <u>44,381</u>                 | <u>-</u>                                   |

**Statement of total recognised gains and losses**

|   | Year ended<br>31st March 1995 | 8 month<br>period ended<br>31st March 1994 |
|---|-------------------------------|--|
|   | £                             | £  |
| Retained profit for the year            | 44,381                        | -  |
| Unrealised capital gains on investments | 4,803                         | -  |
| Total recognised gains and losses       | <u>49,184</u>                 | <u>-</u>                                   |

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



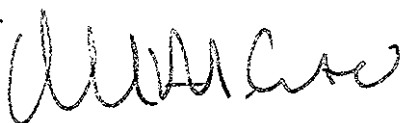
***LIMIT (No.4) Limited***

Balance sheet  
at 31st March 1995

|   |      | At 31st March<br>1995 | At 31st March<br>1994 |
|---|------|-----------------------|-----------------------|
|   | Note | £                     | £                     |
| <b>Fixed assets</b>                             |      |                       |                       |
| Investments                                     | 3    | 936,802               | -                     |
| <b>Current assets</b>                           |      |                       |                       |
| Debtors: amounts falling<br>due within one year | 4    | 33,484                | 1                     |
| Cash at bank and in hand                        |      | 606,129               | -                     |
| <b>Net current assets</b>                       |      | <u>639,613</u>        | <u>1</u>              |
| <b>Total assets less current liabilities</b>    |      | <u>1,576,415</u>      | <u>1</u>              |
| <b>Provisions for liabilities and charges</b>   | 5    | (1,527,230)           | -                     |
| <b>Net assets</b>                               |      | <u>49,185</u>         | <u>1</u>              |
| <b>Capital and reserves</b>                     |      |                       |                       |
| Called up share capital                         | 7    | 1                     | 1                     |
| Capital reserve - unrealised                    |      | 4,803                 | -                     |
| Profit and loss account                         |      | 44,381                | -                     |
|   |      | <u>49,185</u>         | <u>1</u>              |

These accounts were approved by the board of directors on 13th June 1995.

M E A Carpenter  
Director



A M 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 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.
- (d) Deferred taxation

Deferred taxation, calculated on the liability method, is provided on items which are recognised for account purposes in different periods, to the extent that the asset or liability will crystallise.

- (e) Investments

Investments are stated at market value. Although this is a departure from 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 profit or loss for the year. 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**

|              | 1995<br>£ | 1994<br>£ |
|--------------|-----------|-----------|
| Deferred tax | 21,859    | -         |
|              | <hr/>     | <hr/>     |
|              | 21,859    | -         |
|              | <hr/>     | <hr/>     |

#### **3 Investments**

|                                  | 1995<br>£ | 1994<br>£ |
|----------------------------------|-----------|-----------|
| Listed fixed interest securities | 936,802   | -         |
|                                  | <hr/>     | <hr/>     |

#### **4 Debtors**

|                                     | 1995<br>£ | 1994<br>£ |
|-------------------------------------|-----------|-----------|
| Interest receivable                 | 33,483    | -         |
| Amounts due from parent undertaking | 1         | 1         |
|                                     | <hr/>     | <hr/>     |
|                                     | 33,484    | 1         |
|                                     | <hr/>     | <hr/>     |

## ***LIMIT (No.4) Limited***

### Notes to the accounts (*continued*)

#### **5 Provisions for liabilities and charges**

|   | Premiums<br>Trust Fund | Deferred<br>Tax | Total            |
|---|------------------------|-----------------|------------------|
|   | £                      | £               | £                |
| At 1st April 1994   | -                      | -               | -                |
| Cash release from LIMIT (No.4) Limited<br>premiums trust fund | 1,560,000              | -               | 1,560,000        |
| Exchange loss   | (54,629)               | -               | (54,629)         |
| Timing difference on income                                   | -                      | 21,859          | 21,859           |
| At 31st March 1995  | <u>1,505,371</u>       | <u>21,859</u>   | <u>1,527,230</u> |

During the year 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 cash was transferred to LIMIT 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 1995 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 1995 exchange rate of £1=US\$1.63, resulting in an unrealised exchange loss of £54,629. This loss is matched by a corresponding exchange gain of £54,629 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.

#### **6 Profit and loss account expenses**

All management expenses for the company, including audit fees, have been borne by the company's parent, London Insurance Market Investment Trust plc. No staff were employed by the company during the period. No emoluments were paid to directors during the period.

## ***LIMIT (No.4) Limited***

### **Notes to the accounts (*continued*)**

#### **7 Called up share capital**

|   | <b>£</b> |
|---|----------|
| 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 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 3% solvency credit of £1,560,000 provides a total 'funds at Lloyd's' amount of £35,500,000, being 50% of the overall premium limit of LIMIT (No.4) Limited for the 1995 year of account. The amount of the guarantee by LIMIT plc was increased in November 1994 from £26,000,000, being 50% of the overall premium limit of LIMIT (No.4) Limited for the 1994 year 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.

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 cashflow statement on the grounds that it is a wholly owned subsidiary undertaking.

## ***LIMIT (No.4) Limited***

### Notes to the accounts (*continued*)

#### **10 Profit and loss account**

|                               | 1995<br>£ | 1994<br>£ |
|-------------------------------|-----------|-----------|
| At 1st April 1994             | -         | -         |
| Profit for the financial year | 44,381    | -         |
|                               | <hr/>     | <hr/>     |
|                               | 44,381    | -         |
|                               | <hr/>     | <hr/>     |

#### Reconciliation of movement in shareholders funds:

|   | 1995<br>£ | 1994<br>£ |
|---|-----------|-----------|
| Opening shareholders funds              | 1         | 1         |
| Profit for the financial year           | 44,381    | -         |
| Unrealised capital gains on investments | 4,803     | -         |
|   | <hr/>     | <hr/>     |
|   | 49,185    | 1         |
|   | <hr/>     | <hr/>     |

#### **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 the United Kingdom.

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