

**ALIT (No 5) LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

**Registered Number 2859409**

**Registered office** Plantation Place, 30 Fenchurch Street, London EC3M 3AD

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## **ALIT (No 5) LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report, and the audited financial statements for the year ended 31 December 2009

#### **Principal activity**

The Company is a corporate member of the Society of Lloyd's and underwrote on Lloyd's syndicates

#### **Review of the business**

ALIT (No 5) Limited is a corporate vehicle that was formed solely to underwrite on Lloyd's syndicates from the commencement of the 1994 underwriting year

During 1998 the decision was made that all future underwriting would concentrate on syndicates managed by the Chaucer group and would be undertaken by ALIT (No 1) Limited. The results of the Company during 2008 represent the results reported by syndicates which have now reinsured to close, in which the Company had participations

#### **Principal risks and uncertainties**

Following the reinsurance to close of the Company's underwriting participations the risks and uncertainties have significantly reduced. The remaining principle risks and uncertainties are shown below

#### **Credit risk**

The Company's assets consist mainly of intra-group debtors. The recoverability of these balances is assessed each year as part of a group wide exercise

#### **Results and dividends**

The profit for the year after taxation attributable to shareholders was £52,495 (2008 £124,468). The directors do not recommend payment of a final dividend (2008 £nil) and no dividends were paid during the year (2008 £nil)

#### **Directors and their interests**

The directors who served throughout the year ended 31 December 2009 are set out below, showing their date of appointment and resignation where appropriate. No director had any interest in the voting share capital of the Company at any time during the year

M C Carrillo  
K D Curtis  
E H Gilmour (resigned 31 December 2009)  
D J Willis (appointed 28 January 2010)

Company Secretary

A J Goodenough (appointed 14 August 2009)

#### **Going concern**

Having taken into account the risks and uncertainties and the performance of the business as disclosed in the Report of the Directors and making sufficient enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis on preparing the annual report and accounts

**DIRECTORS' REPORT (continued)**

**Directors' Indemnity**

Chaucer Holdings PLC has continued to maintain a Directors & Officers insurance policy for all group companies, which was in place throughout the year ended 31 December 2009. During the year and up to, and including the date of approval of this report, the Company's articles provided a qualifying third party indemnity to the Company's directors and officers.

**Statement of disclosure of information to Auditors**

Each person who is a director at the date of approval of this report confirms that

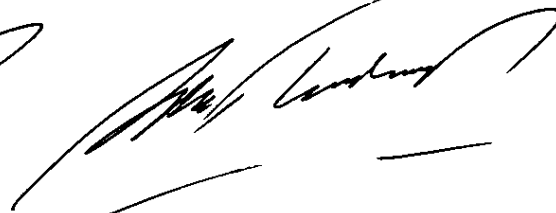
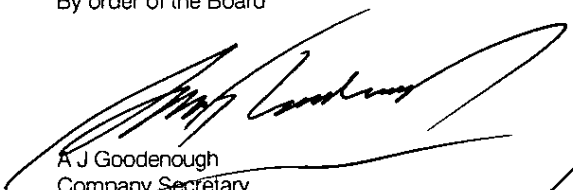
- so far as the director is aware, there is no relevant audit information, being information required in connection with auditors' report, of which the company's auditor is unaware, and
- he has taken all the steps that ought to have been taken in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of section 418 of the Companies Act 2006.

**Auditors**

Ernst & Young LLP are deemed to be reappointed in accordance with section 485 of the Companies Act 2006. Therefore, Ernst & Young LLP will remain as auditor to the Company.

By order of the Board



A J Goodenough  
Company Secretary  
Plantation Place  
30 Fenchurch Street  
London EC3M 3AD  
24 September 2010

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.



A J Goodenough  
Company Secretary  
Plantation Place  
30 Fenchurch Street  
London, EC3M 3AD  
24 September 2010

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ALIT (No 5) LIMITED**

We have audited the financial statements of ALIT (No 5) Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

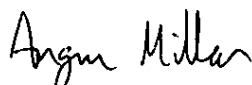
**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Angus Millar (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
24 September 2010

**ALIT (No 5) LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009	2008
		£	£
<b>Technical account - general business</b>			
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	2	-	-
Outward reinsurance premiums		-	-
		<hr/>	<hr/>
Net premiums written		-	-
Change in the provision for unearned premiums			
- gross amount		-	-
- reinsurers' share		-	-
		<hr/>	<hr/>
Change in the net provision for unearned premiums		-	-
		<hr/>	<hr/>
Earned premiums, net of reinsurance		-	-
Investment return transferred from the non-technical account		-	-
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
- gross amount		-	-
- reinsurers' share		-	-
		<hr/>	<hr/>
Net claims paid		-	-
Change in the provision for claims			
- gross amount		-	186,809
- reinsurers' share		-	-
		<hr/>	<hr/>
Change in the net provision for claims		-	186 809
		<hr/>	<hr/>
<b>Claims incurred, net of reinsurance</b>		-	186,809
		<hr/>	<hr/>
Gross operating expenses	2,3	-	244
		<hr/>	<hr/>
<b>Balance on the technical account for general business</b>		-	187,053
		<hr/>	<hr/>

**ALIT (No 5) LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	2009 £	2008 £
<b>Non-technical account</b>			
<b>Balance on the general business technical account</b>		-	187,053
Other charges		-	(4,580)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	4	-	182,473
 Tax credit/ (charge) on profit on ordinary activities	 6	 <hr/> 52,495	 <hr/> (58,005)
 <b>Profit on ordinary activities after taxation and retained profit for the year</b>	 9	 <hr/> 52,495	 <hr/> 124,468

All operations of the Company are discontinued

The Company had no recognised gains or losses for the current and previous years other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented

## ALIT (No 5) LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2009

Registered number 2859409

	Notes	2009 £	2008 £
<b>ASSETS</b>			
<b>DEBTORS</b>			
Amounts due from group undertakings		<u>230,818</u>	<u>230,818</u>
<b>TOTAL ASSETS</b>		<u>230,818</u>	<u>230,818</u>
<b>LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	2	2
Profit and loss account	9	<u>213,533</u>	<u>161,038</u>
Equity shareholders' funds	9	<u>213,535</u>	<u>161,040</u>
<b>CREDITORS</b>			
Amounts due to group undertakings		10,318	-
Other creditors	7	<u>6,965</u>	<u>69,778</u>
		17,283	69,778
<b>TOTAL LIABILITIES</b>		<u>230,818</u>	<u>230,818</u>

The financial statements were approved by the Board of Directors on 24 September 2010 and were signed on its behalf by



M.C. Carrillo  
Director



NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 DECEMBER 2009

1 Principal accounting policies

(a) *Basis of preparation*

The financial statements are prepared in accordance with the provisions of Section 396 of the Companies Act 2006 and Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting as modified by the revaluation of investments. The Company has adopted all material recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006), by the Association of British Insurers (the ABI SORP).

Until 1998, the Company underwrote insurance business as principal through its participations in Lloyd's syndicates under the terms of agency agreements entered into each year with the syndicates' managing agent. These agreements give control to the managing agent of the conduct of the underwriting and the Company has no access to those funds which are controlled by the syndicates. These are disclosed separately in the balance sheet. During 1998 the decision was made that all future underwriting would be undertaken by ALIT (No 1) Limited a group company.

The technical account represents the Company's participations on syndicates for the 1998 year of account as reported for the year ended 31 December 2009 (1998 year of account as reported for the year ended 31 December 2008). The amounts included in respect of participations on syndicates are based on syndicate returns which have been audited by the syndicates' auditors. The information supplied by the syndicates which has been used in these accounts is based on syndicate data as at 31 December 2009.

Transactions entered into directly by the Company, are reported in the non-technical account.

Going concern

Having taken into account the risks and uncertainties and the performance of the business as disclosed in the Report of the Directors and making sufficient enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis on preparing the annual report and accounts.

Exemption from preparation of cash flow statement

The company is exempt from preparing a cash flow statement as it is consolidated within the financial statements of the Chaucer Group whose accounts are publicly available.

(b) *Underwriting transactions*

The results for all classes of business in respect of participations on syndicates have been determined on an annual basis whereby the incurred costs of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

- (i) Premiums written comprise the premiums on contracts incepting in the financial year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified, less allowance for cancellations.
- (ii) Reinsurance premiums and any related reinsurance recoveries are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business.
- (iii) Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date.
- (iv) Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related policies are earned.
- (v) Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from prior years. Where applicable deductions are made for salvage and other recoveries.

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 DECEMBER 2009

1 Principal accounting policies (continued)

(b) *Underwriting transactions (continued)*

- (vi) Claims outstanding represent the ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date, including provision for claims incurred but not reported, less any amounts paid in respect of those claims. Claims outstanding are reduced by anticipated salvage and other recoveries. The ultimate cost of outstanding claims is estimated by using a range of actuarial projection methods. The primary sensitivity in these methods is the assumption that past experience is indicative of the final outcome of current business and, where past experience is insufficient, that market benchmarks are representative of the relevant syndicate's own underwriting. Significant delays can be experienced in the notification and settlement of certain claims, and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. In particular, estimates of technical provisions inevitably contain inherent uncertainties because significant periods of time may elapse between the occurrence of an insured loss, the reporting of that claim to the syndicates and the syndicate's payment of the claim and the receipt of reinsurance recoveries. Whilst the directors consider that the estimate of claims outstanding is fairly calculated on the basis of the information currently available to them, there is inherent uncertainty in relation to the ultimate liability which will vary as a result of subsequent information and events and may result in the eventual cost of settling these liabilities being higher or lower than the amount calculated.
- (vii) Unexpired risks provision. Provision is made for unexpired risks when, after taking account of investment income, it is anticipated, on the basis of information available at the year end, that unearned premiums will be insufficient to meet expected claims and related expenses of business in force at the end of the year.

(c) *Other accounting policies*

*Taxation*

The tax expense represents the sum of the tax currently payable and the movement in deferred tax recognised in the period.

The tax currently payable is based on taxable income for the year. Taxable profit differs from profit on ordinary activities as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates applicable at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. 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.

*Gross operating expenses*

Operating expenses are recognised on an accruals basis. They include the Company's share of syndicate operating expenses, the remuneration payable to managing agents and the costs of membership of Lloyd's and other expenses attributable to the Company's underwriting.

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 DECEMBER 2009

1 Principal accounting policies (continued)

*Foreign currencies*

Transactions and non-monetary assets and liabilities in foreign currencies, including deferred acquisition costs and unearned premiums, are recorded in sterling at monthly average rates prevailing at the time of the transaction. Monetary assets and liabilities are translated into sterling at the rates ruling at the balance sheet date. Translation differences are dealt with in the profit and loss account.

*Financial investments*

All investments are measured at bid price which is determined using published quotations of each security. Realised and unrealised gains and losses arising from the change in bid value are included in the profit and loss account in the period in which they arise.

*Investment return*

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses net of investment management fees. Dividend income is recognised when the shareholder's right to receive the payment is established. Investment income comprises interest receivable, which is valued using the effective interest rate method.

*Allocation of investment return*

All investment return is initially recognised in the non-technical account. An allocation of investment return is then made from the non-technical account to the technical account based on an estimation of the investment return on investments supporting the general insurance technical provisions. In the directors' opinion, the entire investment return in 2008 arose from investments supporting the general insurance technical provisions. Consequently, the entire investment returns in 2008 have been allocated to the technical account.

*Syndicate participations*

Assets and liabilities include an aggregation of the proportion of assets and liabilities of each syndicate in which the Company participates. Those assets are held subject to the individual syndicate trust funds and the Company cannot obtain or use them until such time as each syndicate underwriting year is closed and profits are distributed, or an advance profit release is made.

*Provisions and contingencies*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where a reimbursement is expected, this is recognised only when it is virtually certain that the reimbursement will take place, and of the amount to be reimbursed.

Contingent liabilities are liabilities that represent a possible obligation arising from a past event whose existence is dependent on one or more uncertain future events not within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not disclosed where the likelihood of the uncertain future event is remote, unless the disclosure of the contingent liability adds clarity to the financial statements.

Contingent assets, which relate to possible assets and depend on the outcome of uncertain future events, are not recognised. Such an asset is disclosed only where the inflow of economic benefit is probable.

## NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 DECEMBER 2009

## 2 Segmental analysis

Year ended 31 December 2009	Gross premiums written £	Gross premiums earned £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £	Total £	Net technical provisions £
Marine, Aviation & Transport	-	-	-	-	-	-	-
Property	-	-	-	-	-	-	-
Liability	-	-	-	-	-	-	-
Credit and suretyship	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total direct	-	-	-	-	-	-	-
Reinsurance acceptances	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Year ended 31 December 2008	Gross premiums written £	Gross premiums earned £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £	Total £	Net technical provisions £
Marine, Aviation & Transport	-	-	-	63	-	63	-
Property	-	-	-	-	-	-	-
Liability	-	-	-	6	-	6	-
Credit and suretyship	-	-	-	2	-	2	-
Other	-	-	186,809	8	-	186,817	-
Total direct	-	-	186,809	79	-	186,888	-
Reinsurance acceptances	-	-	-	165	-	165	-
Total	-	-	186,809	244	-	187,053	-

**ALIT (No 5) LIMITED****NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 DECEMBER 2009****3 Gross operating expenses**

	2009 £	2008 £
Exchange adjustment loss	-	244

**4 Profit on ordinary activities before taxation**

There were no staff costs incurred by the Company during the year ended 31 December 2009 (2008 £nil). The Company has no employees (2008 nil)

The auditors' remuneration for the current year £5,000 and previous (£5,000) financial years has been borne by the ultimate parent company, Chaucer Holdings PLC

The profit on ordinary activities before taxation was determined after deducting other charges of £nil (2008 £4,580), which represents mainly Lloyd's charges

**5 Directors' emoluments**

During the year ended 31 December 2009 none of the directors received any emoluments for their services to the Company (2008 £nil)

## NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 DECEMBER 2009

## 6 Taxation

## (a) Analysis of tax charge in the year

	2009	2008
	£	£
UK corporation tax at 28% (2008 28.5%)	-	(59,928)
Adjustment in respect of previous periods	52,495	(807)
Double taxation relief	-	5
Total current tax	<u>52,495</u>	<u>(60,730)</u>
Deferred tax		
Deferred tax taken to profit and loss account (note 10)	<u>-</u>	<u>2,725</u>
Total deferred taxation (note 10)	<u>-</u>	<u>2,725</u>
Tax on profit on ordinary activities	<u>52,495</u>	<u>(58,005)</u>

## (b) Factors affecting the tax for the current year

The tax assessed for the year is lower (2008 higher) than that resulting from applying the standard rate of corporation tax in the UK 28% (2008 28.5%). Other differences are explained below

	2009	2008
	£	£
Profit on ordinary activities before tax	<u>-</u>	<u>182,473</u>
Tax at 28% (2008 28.5%) thereon	-	(52,005)
Effects of		
Tax on closed year profits	-	(7,923)
Adjustment to tax charge in respect of previous periods	-	(807)
Prior year group relief surrendered for no consideration	52,495	-
Double taxation relief	<u>-</u>	<u>5</u>
Current tax credit/(charge) (6(a))	<u>52,495</u>	<u>(60,730)</u>

An announcement was made by the UK Government in the Emergency Budget on 22 August 2010 that legislation is to be introduced in Finance Bill 2011 to reduce the main rate of corporation tax from 28% to 27% with effect from 1 April 2011. It is also intended to reduce the rate further by 1% per annum falling to 24% with effect from 1 April 2014. In addition, it was also announced that the rates of capital allowances are to be reduced from 1 April 2012.

The directors estimate that the effect of these changes will have no impact on the company's deferred tax.

**ALIT (No 5) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 DECEMBER 2009**

**7 Other Creditors**

There were other creditors of £6,965 in the year (2008 £69,778) relating to taxation

**8 Called up share capital**

	2009 £	2008 £
Allotted, called up and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

**9 Reconciliation of movements in shareholders' funds**

	Share capital £	Profit and loss account £	Total shareholder s funds £
Balance as at 1 January 2009	2	161,038	161,040
Profit for the year	<u>-</u>	<u>52,495</u>	<u>52,495</u>
Balance as at 31 December 2009	<u>2</u>	<u>213,533</u>	<u>213,535</u>

**10 Deferred taxation**

	2009 £	2008 £
The movement on deferred taxation comprises		
Liability at start of year	-	(2,725)
Credit to profit and loss account (note 6 (a))	<u>-</u>	<u>2,725</u>
Liability at end of period	<u>-</u>	<u>-</u>

**11 Ultimate parent company**

The immediate parent undertaking is ALIT Underwriting Limited, a company incorporated in Great Britain and registered in England and Wales. The ultimate parent company, controlling party and only group entity that prepares consolidated financial statements is Chaucer Holdings PLC, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements may be obtained from the registered office at Plantation Place, 30 Fenchurch Street, London EC3M 3AD.

Advantage has been taken of the disclosure exemptions in FRS 8 not to separately disclose related party transactions with other group companies, where that company is wholly owned by a member of the Chaucer Holdings PLC group.