
QBE Holdings (Europe) Limited

(formerly Limit plc)

Annual Report

31 December 2007

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COMPANIES HOUSE

Registered Number 2843890

QBE HOLDINGS (EUROPE) LIMITED

ANNUAL REPORT

for the year ended 31 December 2007

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QBE HOLDINGS (EUROPE) LIMITED

DIRECTORS AND OFFICERS

Directors

S P Burns
P E Grove
D M Lang resigned 30 September 2007
F M O'Halloran
D J Winkett

Company secretary

A C H Williams resigned 15 May 2007
S Boland appointed 15 May 2007

Registered Office

Plantation Place
30 Fenchurch Street
London
EC3M 3BD

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Hay's Galleria
1 Hay's Lane
London
SE1 2RD

QBE HOLDINGS (EUROPE) LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements for the year ended 31 December 2007

Principal activity

The principal activity of the Company is that of a holding company. The company will continue this activity for the foreseeable future.

Business review and future developments

As part of a group restructure the ownership of the company has been transferred to QBE International Holdings (UK) PLC, previously its indirect parent.

The results of the Company are set out in the profit and loss account on page 7. The retained profit for the year was £9,250,000 (2006: £16,341,000). The Directors do not recommend the payment of a dividend (2006: £nil).

The company intends to continue to participate, via its Corporate Member subsidiaries, in the Lloyd's syndicates managed by its subsidiary QBE Underwriting Limited (formerly Limit Underwriting Limited).

Given the straightforward nature of the business, the company's Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

On 7 April 2008 the company changed its name from Limit plc.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the UK group and are not managed separately. Accordingly, the principal risks and uncertainties of the QBE International Holdings (UK) PLC group, which include those of the company, are discussed as part of the group's annual report which does not form part of this report.

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 in accordance with The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985.

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.

QBE HOLDINGS (EUROPE) LIMITED

DIRECTORS' REPORT (continued)

Risk Management

The Company's activities expose the business to a number of key risks which have the potential to affect the Company's ability to achieve its business objectives. The Board, supported by the Risk Management Committee, is responsible for ensuring that an appropriate structure for managing these risks is maintained. The Board acknowledges that it is not realistic or possible to eliminate risk entirely, and therefore seeks to ensure that the appropriate controls are in place to effectively manage risks in line with the agreed tolerance.

The Company continues to develop its risk management capability to ensure that an effective framework exists to support the management of all types of risk. Elements of this framework include the regular identification and assessment of the key risks and controls and clearly defined ownership of both the risks and controls.

Risk Groups

The key risks can be grouped under the following headings:

- **Credit risk:** A certain amount of credit risk is unavoidable, as it can arise as a result of the inability to pay or slow payment of any of the Company's counterparties. Also, financial instruments within the investment portfolio include an element of credit exposure to the issuers of the securities. The Company therefore seeks to limit exposure as far as is practical, and therefore has established detailed guidelines, procedures, limits and monitoring requirements to mitigate credit risk. The Company also provides a number of credit risk products as part of its product portfolio, although they are not a significant part of the overall Company portfolio.
- **Capital and Liquidity risk:** Capital and liquidity risk is the potential that the Company is unable to meet its obligations as they fall due or its capital falls below that required by regulators. The objective of the Company's capital and liquidity risk management is to ensure that capital is optimally managed, that the business remains solvent by a significant margin and that all withdrawals and funding requirements can be met out of readily available sources of funding. The Company undertakes capital exercises to ensure that capital is adequate to meet risks and seeks to maintain a strong liquidity position by holding its assets predominantly in liquid funds.
- **Market risk:** The Company's exposure to financial market risk arises out of the investment decisions made in relation to the Company's funds. Exposure to market risk is managed through the investment strategy, which reflects the appetite of the Board. The strategy is deliberately conservative in order to eliminate potential volatility from market fluctuations as much as possible.
- **Operational risk:** The Company seeks to mitigate exposure to operational risks through ensuring that an effective infrastructure, robust systems, controls and appropriately experienced and qualified individuals are in place throughout the organisation.

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

QBE HOLDINGS (EUROPE) LIMITED

DIRECTORS' REPORT (continued)

Statement of disclosure of information to auditors

Each of the persons who is a Director at the date of this report confirms that

- so far as each of the Directors is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2007 of which the auditors are unaware, and
- the Director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting

By order of the board



S Boland
Secretary
London
22 May 2008

QBE HOLDINGS (EUROPE) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE HOLDINGS (EUROPE) LIMITED

We have audited the financial statements of QBE Holdings (Europe) Limited for the year ended 31 December 2007 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 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 whether, in our opinion, the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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

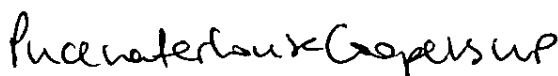
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
23 May 2008

QBE HOLDINGS (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Turnover	3	2,488	3,768
Administrative expenses		5,041	(11,522)
Impairment in subsidiary		(2,561)	-
Profit/(loss) on ordinary activities before interest and tax		4,968	(7,754)
Interest receivable and similar income	4	21,803	24,094
Interest payable and similar charges	5	(13,470)	(757)
Profit on ordinary activities before taxation	6	13,301	15,583
Tax on profit on ordinary activities	8	(6,612)	758
Retained profit on ordinary activities after taxation		6,689	16,341

The results above are derived from continuing operations

There is no difference between profits on ordinary activities before taxation and the retained profits 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 on pages 9 to 18 form an integral part of these financial statements


QBE HOLDINGS (EUROPE) LIMITED

BALANCE SHEET

as at 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Investments in subsidiary undertakings	9	148,469	151,030
Other financial investments	10	183,290	326,025
		331,759	477,055
Current assets			
Debtors	11	435,993	56,609
Cash at bank and in hand		16,828	10,683
		452,821	67,292
Creditors - amounts falling due within one year	13	(339,621)	(93,446)
Net current assets/(liabilities)		113,200	(26,154)
Total assets less current liabilities		444,959	450,901
Creditors - amounts falling due after more than one year	14	-	(5,550)
Provisions for liabilities and charges	15	-	(7,081)
Total net assets		444,959	438,270
Capital and reserves			
Called up share capital	16	175,553	175,553
Share premium reserve	17	216,216	216,216
Capital redemption reserve	17	8,075	8,075
Other capital reserve	17	20,027	20,027
Profit and loss account	17	25,088	18,399
Total shareholders' funds	18	444,959	438,270

These accounts were approved by the board of Directors on 22 May 2008 and were signed on its behalf by



D J Winkett
Director

The notes on pages 9 to 18 form an integral part of these financial statements

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

1. Accounting policies

(a) Basis of preparation

These financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets, in accordance with section 226 of, and Schedule 4 to, the Companies Act 1985, the accounting policies set out below, and in accordance with applicable accounting standards

In accordance with Section 228 of the Companies Act 1985, the Company is exempt from preparing group financial statements. The Company's ultimate European controlling entity, QBE International Holdings (UK) plc, incorporated in Great Britain, prepares consolidated group financial statements, for the year ended 31 December 2007 in which the Company is included. The consolidated financial statements for QBE Insurance Group Limited, the ultimate parent company, are also publicly available.

(b) Cash flow statement, related party disclosures and financial instruments disclosures

The company is included in the consolidated financial statements of QBE Insurance Group Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996) (FRS). The company is also exempt under the terms of FRS 8 from disclosing related party transactions, and under the scope of FRS 29 from that standard's disclosures on financial instruments.

(c) Turnover

The amounts receivable in respect of rent and fitting out are recognised on an accruals basis.

Other miscellaneous income is recognised on an accruals basis.

(d) Investment income and expenses

Investment income and expense is taken into account on an accruals basis.

(e) Realised and unrealised gains and losses

Realised gains and losses on investments carried at fair value are calculated as the difference between net sales proceeds and purchase price.

Unrealised gains and losses represent the difference between the valuation of the investment at the balance sheet date and their purchase price, or if they have been previously valued, their valuation at the last balance sheet date, together with a reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

All realised and unrealised gains and losses are taken into account in the profit and loss account.

(f) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value in equal amounts over the estimated useful lives of the tangible assets. The estimated lives are as follows:

Leasehold improvements	life of lease
Office equipment	from three to ten years
Computer equipment	from three to five years
Motor vehicles	five years

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

1. Accounting policies (continued)

(g) Investments

Listed investments are stated at middle market value based on prices quoted by the relevant exchanges. Other investments are stated at prices quoted by various recognised sources.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Any gain or loss on re-measurement is taken to unrealised gains or losses in the profit and loss account.

Investments in subsidiary undertakings are stated at cost less amounts written off for any impairment in value.

(h) Taxation

The charge for taxation is based on the result for the year adjusted for disallowable items. Deferred taxation is provided in full on all timing differences using tax rates that have been substantially enacted by the balance sheet date. 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.

(i) Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

(j) Foreign exchange

Transactions denominated in foreign currencies are translated into Sterling at the rates of exchange prevailing at the time of the transactions. Assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange prevailing at the balance sheet date. Exchange gains or losses are recognised in the profit and loss account.

2. Employees

The Company does not employ any staff as all staff were employed by QBE Management Services (UK) Limited, a fellow subsidiary undertaking. No recharge has been made to the Company for the services provided by these staff.

3. Turnover

	2007 £'000	2006 £'000
Rental income	2,488	3,666
Fitting out income	-	102
	2,488	3,768

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

4. Interest receivable and similar income

	2007 £'000	2006 £'000
Realised gains on sale of investments	5,014	1,440
Interest income	10,774	7,256
Dividend income	3,526	4,106
Bank interest receivable	347	221
Foreign exchange gains	-	4,838
Other	2,142	-
Unrealised gains on investments	-	6,233
	21,803	24,094

5. Interest payable and similar charges

	2007 £'000	2006 £'000
Interest Payable		
other	190	5
Foreign exchange loss	8,837	752
Unrealised losses on investments	4,443	-
	13,470	757

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2007 £'000	2006 £'000
Depreciation of owned tangible fixed assets	-	102
Operating lease rentals on land and buildings	2,488	3,384

Remuneration receivable by the Company's auditors for the auditing of these accounts of £19,495 (2006 £18,567) is borne by QBE Management Services (UK) Limited. Fees for the supply of other services are also borne by group companies and are disclosed in total in the QBE International Holdings (UK) plc group financial statements.

7. Directors emoluments

The emoluments of the Directors are paid by QBE Management Services (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 2007 (2006 £nil).

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

8. Tax on profit on ordinary activities

Analysis of (credit)/charge in period	2007 £'000	2006 £'000
Current tax		
UK corporation tax charge at 30% (2006 30%)	1,887	3,400
Adjustment to tax in respect of prior period	2,904	(2,172)
Total current tax	4,791	1,228
Deferred tax		
Origination and reversal of timing differences	1,814	43
Change in rate of Corporation Tax at 1 April 2008	7	(2,029)
Total deferred tax	1,821	(1,986)
Tax on profit on ordinary activities	6,612	(758)

The tax for the period is higher (2006 lower) than the standard rate of Corporation Tax in the UK (30%). The differences are explained below

Profit on ordinary activities before tax	13,301	15,583
Profit on ordinary activities before taxation multiplied by standard rate of UK Corporation Tax at 30%	3,990	4,675
Effects of		
Income exempt from tax	(1,057)	(1,232)
Other timing differences	(1,814)	(43)
Permanent differences	768	-
Adjustments to tax in respect of prior period	2,904	(2,172)
Current tax charge for the year	4,791	1,228

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

9. Investments in subsidiary undertakings

	2007 £'000	2006 £'000
Cost		
At 1 January 2007	151,030	149,173
Increase in holding of SRL Underwriting Limited	-	1,857
Impairment of ICON (Schemes) Limited	(2,561)	-
At 31 December 2007	148,469	151,030

The investment in ICON (Schemes) Limited has been impaired in the year to reflect the net asset values at the balance sheet date

At 31 December 2007 the company had the following subsidiaries which operated in and are registered in England and Wales, Ireland and Australia

Held by Company	Incorporated in	Class of shares	Holding in company	Principal activity
SRL Underwriting Limited	Great Britain	Ordinary	100%	Corporate member of Lloyd's
ICON (Schemes) Limited	Great Britain	Ordinary	100%	Insurance broker
Limit Holdings Limited	Great Britain	Ordinary	100%	Holding company

Held by subsidiaries	Incorporated in	Class of shares	Holding in company	Principal activity
Ensign Dedicated No 1 Limited	Great Britain	Ordinary	100%	Corporate member of Lloyd's
Limit Corporate Members Limited	Great Britain	Ordinary	100%	Holding company
Limit (No 1) Limited	Great Britain	Ordinary	100%	Corporate member of Lloyd's
Limit (No 2) Limited	Great Britain	Ordinary	100%	Corporate member of Lloyd's
Limit (No 3) Limited	Great Britain	Ordinary	100%	Corporate member of Lloyd's
Limit (No 4) Limited	Great Britain	Ordinary	100%	Corporate member of Lloyd's
Limit (No 5) Limited	Great Britain	Ordinary	100%	Corporate member of Lloyd's
Limit (No 6) Limited	Great Britain	Ordinary	100%	Corporate member of Lloyd's
Limit (No 7) Limited	Great Britain	Ordinary	100%	Corporate member of Lloyd's
Limit (No 10) Limited	Great Britain	Ordinary	100%	Corporate member of Lloyd's
Limit Properties Limited	Great Britain	Ordinary	100%	Property company
QBE Corporate Limited	Great Britain	Ordinary	100%	Corporate member of Lloyd's
QBE European Underwriting Services Australia PTY Limited (formally DA Constable Syndicate PTY Limited)	Australia	Ordinary	100%	Australian service company for Syndicate 386
QBE Underwriting Limited (formally Limit Underwriting Limited)	Great Britain	Ordinary	100%	Lloyd's managing agent
QBE Underwriting Services Limited (formally Limit Technology and Commercial Underwriting Limited)	Great Britain	Ordinary	100%	UK service company for syndicate 2000
QBE Underwriting Services (Ireland) Limited (formally DA Constable Syndicate (Ireland) Limited)	Ireland	Ordinary	100%	Irish service company for Syndicate 386
QBE Underwriting Services (UK) Limited (formally DA Constable Syndicate Limited)	Great Britain	Ordinary	100%	UK service company for syndicate 386
Torch Dedicated Corporate Member Limited	Great Britain	Ordinary	100%	Corporate member of Lloyd's

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

10. Other financial investments

	Purchase price		Carrying value	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Shares and other variable yield securities - Listed	54,264	103,587	54,314	109,275
Debt securities and other fixed income securities	128,566	217,537	128,976	216,750
	182,830	321,124	183,290	326,025

	Equities	Fixed interest securities	Unit trusts	Total
	£'000	£'000	£'000	£'000
Opening book cost	103,586	188,276	29,262	321,124
Opening unrealised appreciation	5,689	(788)	-	4,901
Opening valuation	109,275	187,488	29,262	326,025
Movements in the year				
FX movement on opening valuation	-	(74)	(21)	(95)
Purchases at cost	74,176	858,357	106,850	1,039,383
Disposals - proceeds	(129,856)	(918,923)	(133,818)	(1,182,597)
Disposals - realised gains/(losses)	6,358	(1,344)	-	5,014
Unrealised appreciation/(depreciation)	(5,639)	1,199	-	(4,440)
Closing valuation	54,314	126,703	2,273	183,290
Closing book cost	54,264	126,293	2,273	182,830
Closing unrealised appreciation/(depreciation)	50	410	-	460
	54,314	126,703	2,273	183,290

Included in equities above is a debit balance of £1,010,000 relating to FTSE 100 futures open at the year end due to mature in March 2008

The company has given a fixed and floating charge over its investments and other assets to secure its obligations to Lloyd's in respect of its corporate member subsidiaries. Further details are given in note 21

11. Debtors

	2007	2006
	£'000	£'000
Amounts owed by group undertakings	413,009	28,273
Deferred tax (see note 12)	579	2,400
Interest receivable	1,727	4,309
Corporation tax	20,678	16,827
Forward exchange contract	-	4,800
	435,993	56,609

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

12. Deferred tax

Deferred tax asset	2007 £'000	2006 £'000
Deferred tax asset as at 1 January	2,400	1,955
Transfer from corporation tax account	-	(1,541)
Deferred tax (charge)/credit in profit and loss account	(1,821)	1,986
Deferred tax asset as at 31 December	579	2,400
Comprising		
Accelerated capital allowances	91	130
Short term timing differences	488	2,270
Undiscounted deferred tax asset	579	2,400

13. Creditors - amounts falling due within one year

	2007 £'000	2006 £'000
Amounts owed to group undertakings	330,394	91,360
Forward exchange contract	8,871	-
Other creditors	291	521
Deferred Consideration for ICON (Schemes) Limited	-	1,500
Accruals	65	65
	339,621	93,446

During the year the final payment of Deferred Consideration for ICON (Schemes) Limited of £1,500,000 was paid

14. Creditors - amounts falling due after more than one year

	2007 £'000	2006 £'000
Deferred consideration for Ensign Holdings Limited	-	5,550
	-	5,550

During the year, deferred consideration payable in respect of the acquisition of Ensign Holdings Limited, a former subsidiary of the Company, was transferred to its parent company QBE International Holdings (UK) PLC. The transfer of ownership of Ensign Holdings Limited from the Company to QBE International Holdings (UK) took place during 2006.

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

15. Provisions for liabilities and charges

	Provision for future cash calls £'000	Other provisions £'000	Total £'000
At 1 January 2007	5,940	1,141	7,081
Transfer of rent free provision QBE Management Services (UK) Limited	-	(1,141)	(1,141)
Reversal of Standfast provision	(5,940)	-	(5,940)
At 31 December 2007	-	-	-

In 2006 a provision for future cash calls representing the estimated losses in respect of underwriting on Lloyd's Syndicate 991 was supported by the company through its indirect ownership of Standfast Corporate Underwriting Limited. During 2007 Standfast Corporate Underwriting Limited was directly purchased by QBE International Holdings (UK) and therefore all estimated losses are now provided within Standfast Corporate Underwriting Limited.

During the year provisions representing a rent-free period on the lease of the company's premises, was transferred to QBE Management Services (UK) Limited.

16. Called up share capital

	2007 £'000	2006 £'000
Authorised		
440,000,000 Ordinary shares of 25p each	110,000	110,000
110,000,000 Non voting redeemable preference shares of £1 each	110,000	110,000
	220,000	220,000
Allotted and fully paid		
275,055,644 Ordinary shares of 25p each	68,764	68,764
106,788,881 Non-voting redeemable preference shares of £1 each	106,789	106,789
	175,553	175,553

The holders of the Non Voting Redeemable Preference Shares have the following restrictions on their rights -

- (i) They have no rights to vote at general meetings of the Company
- (ii) The Company has a right to redeem the preference shares at any time, after giving 24 hours notice. The redemption price will be determined by the Company.
- (iii) They are entitled to participate in any preferential non-cumulative dividend declared by the Directors.
- (iv) In the event of a return of assets on liquidation or capital reduction or otherwise they rank junior to the holders of the ordinary shares in repayment of capital or other distributions of profit.
- (v) They will not share in the balance of assets remaining after the payments due in (iv).

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

17. Reserves

	Share Capital £'000	Share premium £'000	Capital redemption reserve £'000	Other capital reserve £'000	Profit and loss account £'000	Total 2007 £'000	Total 2006 £'000
At 1 January 2007	175,553	216,216	8,075	20,027	18,399	438,270	428,372
Retained profit for period	-	-	-	-	6,689	6,689	9,898
At 31 December 2007	175,553	216,216	8,075	20,027	25,088	444,959	438,270

18. Operating leases

Commitments under leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires

	2007 £'000	2006 £'000
Land and Buildings		
Within one year	-	-
After one year but within five years	-	-
After five years	2,488	2,488
	2,488	2,488

19. Guarantees and contingencies

The company has entered into a deed of covenant in respect of each of its corporate member subsidiaries to meet each subsidiary's obligations to Lloyd's. The total guarantee given by the company under these deeds of covenant (subject to limited exceptions) amounts to £78,000,000 (2006 £131,000,000). The obligations under the deeds of covenant are secured by a fixed and floating charge over the investments and other assets of the Company in favour of Lloyd's. Lloyd's has the right to retain the income on the charged investments although it has not done so in the period covered by these accounts and is not expected to exercise this right unless it considers there to be a risk that one or more of the covenants might need to be called and, if called, might not be honoured in full.

20. Funds at Lloyd's

As noted in note 19 above, some of the Company's assets are secured under the terms of the Lloyd's Deposit Trust Deed to support the underwriting of the Company's corporate member subsidiaries. Under Lloyd's regulations, the amount of funds at Lloyd's required to support underwriting for the following year and open years of account is determined at the 'coming-into-line' date as prescribed by Lloyd's each year. At 31 December 2007, the aggregate coming-into-line requirements of the Company's corporate member subsidiaries amounted to £676,762,000 (2006 £690,470,000), representing 67 per cent (2006 68 per cent) of the group's overall premium limit of £1,016,980,000 for the 2007 year of account (2006 year of account £1,016,519,000). This requirement was satisfied as follows:

	2007 £'000	2006 £'000
Letters of credit guaranteed by the ultimate holding company	125,000	150,000
Covenant and charge security arrangement	77,637	130,741
Covenant and charge over ABC securities	406,802	402,404
Cash deposit	4	7,325
Interim profits	54,871	-
Central funds	12,448	-
	676,762	690,470

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2007

20. Funds at Lloyd's (continued)

ABC securities due 2008

In October 2003, the ultimate holding company of the Group, QBE Insurance Group Ltd, entered into an arrangement with Mantis Reef Limited (MRL) to issue US\$550,000,000 of ABC (asset backed capital) securities to support funds at Lloyd's pursuant to Lloyd's collateral requirements for QBE Holdings (Europe) Limited's corporate member subsidiaries. This arrangement substantially replaced bank letters of credit.

Proceeds from the sale of the ABC securities to investors have been used to purchase shares in a wholly-owned subsidiary of MRL, Mantis Reef Pledge Limited (MRPL). The proceeds from the sale of shares in MRPL have been used to purchase eligible investments over which security interests, in the form of a fixed and floating charge, have been granted to Lloyd's in support of FAL.

MRL and MRPL are both special purpose entities incorporated with limited liability under the laws of the Cayman Islands. Neither the Group nor the ultimate holding company has an ownership interest in MRL or MRPL, however as quasi-subsidiaries the QBE group is required to consolidate the entities under UIG 112 in Australia. QBE International Holdings (UK) PLC also consolidates these under FRS 5 'Reporting the substance of transactions'.

ABC securities due 2009

In October 2004, the ultimate holding company of the Group, QBE Insurance Group Ltd, entered into an arrangement with Mantis Reef II Limited (MRIIL) to issue US\$220,000,000 of ABC securities to support funds at Lloyd's pursuant to Lloyd's collateral requirements for QBE Holdings (Europe) Limited's corporate member subsidiaries. This arrangement was part of a reorganisation of the FAL.

Proceeds from the sale of the ABC securities to investors have been used to purchase shares in a wholly-owned subsidiary of MRIIL, Mantis Reef II Pledge Limited (MRIIPL). The proceeds from the sale of shares in MRIIPL have been used to purchase eligible investments over which security interests, in the form of a fixed and floating charge, have been granted to Lloyd's in support of FAL.

MRIIL and MRIIPL are both special purpose entities incorporated with limited liability under the laws of the Cayman Islands. Neither the Group nor the ultimate holding company has an ownership interest in MRIIL or MRIIPL, however as quasi-subsidiaries the QBE group is required to consolidate the entities under UIG 112 in Australia. QBE International Holdings (UK) PLC also consolidates these under FRS 5 'Reporting the substance of transactions'.

21. Ultimate holding company

The Company's ultimate controlling entity is QBE Insurance Group Limited, the ultimate parent company, 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 for which the Company's financial statements are consolidated is QBE International Holdings (UK) PLC, which is incorporated in Great Britain. The consolidated financial statements for QBE Insurance Group Limited and QBE International Holdings (UK) PLC are available at Plantation Place, 30 Fenchurch Street, London EC3M 3BD.

The Company's immediate parent company is QBE International Holdings (UK) PLC, which is incorporated in Great Britain.