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# **QBE Holdings (Europe) Limited**

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## **Annual Report**

**31 December 2011**



Registered Number 02843890

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# **QBE HOLDINGS (EUROPE) LIMITED**

## **ANNUAL REPORT**

*for the year ended 31 December 2011*

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# **QBE HOLDINGS (EUROPE) LIMITED**

## **DIRECTORS AND OFFICERS**

### **Directors**

S P Burns  
D J Winkett

### **Company secretary**

S M Boland

### **Registered Office**

Plantation Place  
30 Fenchurch Street  
London  
EC3M 3BD

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

# **QBE HOLDINGS (EUROPE) LIMITED**

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2011

### **Principal activity**

The Company is a wholly owned subsidiary of QBE European Operations plc, which is the holding company for the European Operations division (QBE EO) of QBE Insurance Group Limited (QBE Group). The Company is managed together at the QBE EO level.

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**

The results of the Company are set out in the profit and loss account on page 6. The profit for the year was £214,956,000 (2010: £97,315,000). The dividend paid on the ordinary shares for the year was £141,022,000 (2010: £143,000,000).

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.

### **Principal risks and uncertainties**

The Company is a wholly owned subsidiary of QBE European Operations plc, which is the holding company for the European Operations division (QBE EO) of QBE Insurance Group Limited (QBE Group). The Company is managed together at the QBE EO level.

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 is responsible for ensuring that an appropriate structure for managing these risks is maintained. The Board acknowledges that it is not realistic or desirable 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, as part of QBE EO, 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 key risks and controls and clearly defined ownership of both the risks and controls. These are disclosed within QBE European Operations plc's annual report, which does not form part of this report. Copies of QBE European Operations plc's annual report are available from the Company's registered office.

The directors consider that preparation of these financial statements on the going concern basis is appropriate as QBE European Operations plc has agreed to provide financial support to the Company for at least the next 12 months from the date of approval of these financial statements with respect to all operating costs and settlement of any liabilities that fall due.

### **Directors**

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

## QBE HOLDINGS (EUROPE) LIMITED

### DIRECTORS' REPORT (continued)

#### Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared the Company 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 of the Company for that period. In preparing these financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgments and accounting 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,
- 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.

#### Statement of disclosure of information to auditors

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

- so far as the director is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2011 of which the auditors are unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of s418 of the Companies Act 2006.

By order of the board



S M Boland  
Company Secretary  
QBE Holdings (Europe) Ltd  
Registered Number 02843890  
London

31 May 2012

## **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 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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).

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities 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 and express an opinion on 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

#### **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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **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 2011 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.

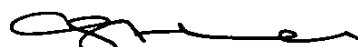
#### **Opinion on other matter prescribed by the Companies Act 2006**

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.



Claire Stockhausen (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

May 2012



## QBE HOLDINGS (EUROPE) LIMITED

### PROFIT AND LOSS ACCOUNT

*for the year ended 31 December 2011*

	Notes	2011 £'000	2010 £'000
Administrative expenses		-	(107)
Income from shares in group undertakings		214,742	94,000
Interest receivable and similar income	4	221	4,944
Interest payable and similar charges	5	-	(685)
<b>Profit on ordinary activities before taxation</b>	<b>6</b>	<b>214,963</b>	<b>98,152</b>
<b>Tax on profit on ordinary activities</b>	<b>7</b>	<b>(7)</b>	<b>(837)</b>
<b>Profit for the financial year</b>		<b>214,956</b>	<b>97,315</b>

The results above are derived from continuing operations

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

There is no difference between profits on ordinary activities after taxation for the current and preceding financial year stated above and their historical cost equivalents

The notes on pages 8 to 13 form an integral part of these financial statements

# QBE HOLDINGS (EUROPE) LIMITED

## BALANCE SHEET

as at 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Shares in group undertakings	8	139,374	139,374
Other financial investments	9	12	74
		<b>139,386</b>	<b>139,448</b>
<b>Current assets</b>			
Debtors	10	80,255	77,675
Cash at bank and in hand		-	457
		<b>80,255</b>	<b>78,132</b>
<b>Creditors - amounts falling due within one year</b>	12	<b>(85,508)</b>	<b>(157,381)</b>
<b>Net current liabilities</b>		<b>(5,253)</b>	<b>(79,249)</b>
<b>Total assets less current liabilities</b>		<b>134,133</b>	<b>60,199</b>
<b>Net assets</b>		<b>134,133</b>	<b>60,199</b>
<b>Capital and reserves</b>			
Called up share capital	13,14	1,000	1,000
Other capital reserve	14	20,027	20,027
Profit and loss account	14	113,106	39,172
<b>Total shareholders' funds</b>	14	<b>134,133</b>	<b>60,199</b>

These financial statements were approved by the board of Directors on 31 May 2012 and were signed on its behalf by



D J Winkett  
Director

The notes on pages 8 to 13 form an integral part of these financial statements



# **QBE HOLDINGS (EUROPE) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

*for the year ended 31 December 2011*

### **1. Accounting policies**

#### **(a) Basis of preparation**

These financial statements are prepared on the going concern basis, in accordance with The Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008, the accounting policies set out below, and applicable accounting standards in the United Kingdom

QBE European Operations plc has agreed to provide financial support to the Company for at least the next 12 months from the date of approval of these financial statements with respect to all operating costs and settlement of any liabilities that fall due. The directors believe that the risk of the letter of support being breached is low and therefore the Company will continue as a going concern for the foreseeable future

In accordance with Section 400 of the Companies Act 2006, the Company is exempt from preparing group financial statements. The Company's ultimate parent company, QBE Insurance Group Limited, incorporated in Australia, prepares consolidated group financial statements for the year ended 31 December 2011, in which the Company is included

#### **(b) Cash flow statement and related party 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 (FRS) 1 (revised 1996). The Company is also exempt under the terms of FRS 8 (revised 2008) from disclosing related party transactions with entities that are wholly owned by QBE Insurance Group Limited

#### **(c) Investment income and expenses**

Investment income and expense are taken into account on an accruals basis

#### **(d) Dividends**

Interim dividends are recognised when paid and final dividends are recognised as a liability when they are approved by members when passing a written resolution

#### **(e) Foreign currency**

The functional currency of the Company is UK pound sterling (£). The Company presents its financial statements in thousands of pounds sterling

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, with the exception of non-monetary items, which are maintained at historic rates. Unclosed foreign exchange derivatives are marked to market at year end date

Exchange gains or losses are recognised in the profit and loss account, including gains and losses on foreign exchange derivatives

## QBE HOLDINGS (EUROPE) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2011

#### 1. Accounting policies (continued)

##### (f) Investments

Shares in group undertakings are included in the Company's balance sheet at cost less any impairment, based on the directors having prudent regard for their likely realisable value. Dividends from group undertakings are taken into account when the right to receive payment is established, for interim dividends, when they are paid and, for final dividends, when they are approved by the members.

##### (g) Taxation

The charge for taxation is based on the result for the year adjusted for disallowable items. Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at 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.

#### 2. Employees

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

#### 3. Directors emoluments

The emoluments of the directors are paid by QBE Management Services (UK) Limited for their services to the QBE EO as a whole. No emoluments were recharged to the Company in respect of the services provided by the directors for the year ended 31 December 2011 (2010: £nil).

#### 4. Interest receivable and similar income

	2011 £'000	2010 £'000
Interest income	13	568
Net unrealised gains on investments	-	312
Foreign exchange gains	24	4,064
Other income	184	-
	221	4,944

# QBE HOLDINGS (EUROPE) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

### 5. Interest payable and similar charges

	2011 £'000	2010 £'000
Net realised losses on sale of investments	-	645
Other interest payable	-	40
	-	685

### 6. Profit on ordinary activities before taxation

Remuneration receivable by the Company's auditors for the auditing of these financial statements of £9,600 (2010 £9,320) is borne by QBE Management Services (UK) Limited. Fees for the supply of other services are also borne by group companies.

### 7. Tax on profit on ordinary activities

Analysis of charge in the year	2011 £'000	2010 £'000
Current tax		
UK corporation tax charge	50	1,151
Adjustment to tax in respect of previous years	(54)	(326)
Total current tax	(4)	825
Deferred tax		
Origination and reversal of timing differences	8	11
Change in corporation tax rate	3	1
Total deferred tax	11	12
<b>Tax on profit on ordinary activities</b>	<b>7</b>	<b>837</b>

### Factors affecting tax (credit) / charge for the year

The tax for the year is lower (2010 lower) than the standard rate of corporation tax in the UK, 26.5% (2010 28%).

Profit on ordinary activities before tax	214,963	98,152
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax at 26.5% (2010 28%)	56,965	27,482
Effects of		
Income exempt from tax	(56,907)	(26,320)
Other timing differences	(8)	(11)
Adjustments to tax in respect of previous years	(54)	(326)
<b>Current tax (credit) / charge for the year</b>	<b>(4)</b>	<b>825</b>

# QBE HOLDINGS (EUROPE) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

### 8. Shares in group undertakings

	2011 £'000	2010 £'000
<b>Cost</b>		
At 1 January / 31 December	139,374	139,374

At 31 December 2011 the Company had the following principal subsidiaries all of which operate in and are registered in England and Wales, Ireland, Canada, Australia, Singapore, Romania, Slovakia, Czech Republic and Hungary

Held by Company	Incorporated in	Class of shares	Holding in company	Principal activity
Limit Holdings Limited	United Kingdom	Ordinary	100%	Holding company
Lifeco sro	Czech Republic	Ordinary	2%	Holding company
QBE Europe Holding Services Agent de Asigurare	Romania	Ordinary	1%	In liquidation
Standfast Holdings Limited	United Kingdom	Ordinary	23 34%	Dissolved on 25 February 2012

Held by subsidiaries	Incorporated in	Class of shares	Holding in company	Principal activity
Limit Corporate Members Limited	United Kingdom	Ordinary	100%	Holding company
Limit (No 2) Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's
Limit (No 7) Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's
Limit (No 10) Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's
QBE Corporate Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's
QBE European Underwriting Services Australia PTY Limited	Australia	Ordinary	100%	Service company
QBE European Services Limited	United Kingdom	Ordinary	100%	Service company
QBE Marine and Energy Services Pte Limited	Singapore	Ordinary	100%	Service company
QBE Services Inc	Canada	Ordinary	100%	Service company
QBE Underwriting Limited	United Kingdom	Ordinary	100%	Lloyd's managing agent
QBE Underwriting Services Limited	United Kingdom	Ordinary	100%	UK service company for syndicate 2999
QBE Underwriting Services (Ireland) Limited	Ireland	Ordinary	100%	Irish service company for Syndicate 386
QBE Underwriting Services (UK) Limited	United Kingdom	Ordinary	100%	UK service company for syndicate 386
QBE SK s r o	Slovakia	Ordinary	2%	Underwriting agency
QBE s r o	Czech Republic	Ordinary	2%	Underwriting agency
QBE Hu kft	Hungary	Ordinary	2%	Underwriting agency
Lifeco sro Limited	Czech Republic	Ordinary	2%	Holding company
Lifeco Re Limited	United Kingdom	Ordinary	2%	Underwriting agency

# QBE HOLDINGS (EUROPE) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

### 9. Investments

#### Other financial investments

	Cost 2011 £'000	Carrying value 2011 £'000	Cost 2010 £'000	Carrying value 2010 £'000
Deposit with credit institutions	10	10	10	10
Collective investment scheme	2	2	64	64
	12	12	74	74

The directors believe that the carrying value of the investments is supported by their underlying net assets

### 10. Debtors

	2011 £'000	2010 £'000
Amounts owed by group undertakings	66,306	65,008
Prepayment and accrued income	-	2
Corporation tax	13,915	12,620
Deferred tax (note 11)	34	45
	80,255	77,675

### 11. Deferred tax

Deferred tax asset	2011 £'000	2010 £'000
Deferred tax asset as at 1 January	45	57
Deferred tax charge in profit and loss account (note 7)	(11)	(12)
<b>Deferred tax asset as at 31 December</b>	<b>34</b>	<b>45</b>
Comprising		
Accelerated capital allowances	34	45
<b>Undiscounted deferred tax asset</b>	<b>34</b>	<b>45</b>

### 12. Creditors - amounts falling due within one year

	2011 £'000	2010 £'000
Amounts owed to group undertakings	85,508	157,381
	85,508	157,381

### 13. Called up share capital

	2011 £'000	2010 £'000
Allotted and fully paid		
4,000,000 (2010 4,000,000) Ordinary shares of 25p each	1,000	1,000

## QBE HOLDINGS (EUROPE) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2011

#### 14. Reconciliation of movement in shareholders' funds

	Share Capital £'000	Other capital reserve £'000	Profit and loss account £'000	Total 2011 £'000	2010 £'000
At 1 January	1,000	20,027	39,172	60,199	105,884
Profit for the year	-	-	214,956	214,956	97,315
Dividend paid	-	-	(141,022)	(141,022)	(143,000)
<b>At 31 December</b>	<b>1,000</b>	<b>20,027</b>	<b>113,106</b>	<b>134,133</b>	<b>60,199</b>

During the year the Company declared and paid an interim dividend of £141,022,000 (2010 £143,000,000) to ordinary shareholders

#### 15. 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 which the Company's financial statements are consolidated. The smallest group which the Company's financial statements are consolidated is QBE European Operations plc, which is incorporated in the United Kingdom. The consolidated financial statements for QBE Insurance Group Limited and QBE European Operations plc are available at Plantation Place, 30 Fenchurch Street, London EC3M 3BD.

The Company's immediate parent company is QBE Holdings (EO) Limited, which is incorporated in the United Kingdom.