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# **QBE Holdings (Europe) Limited**

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## **Annual Report**

**31 December 2012**

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**Registered Number 2843890**

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# QBE HOLDINGS (EUROPE) LIMITED

## ANNUAL REPORT

*for the year ended 31 December 2012*

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# **QBE HOLDINGS (EUROPE) LIMITED**

## **DIRECTORS AND OFFICERS**

### **Directors**

S P Burns	Resigned on 22 July 2013
R C Stone	Appointed on 16 January 2012
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 2012

### **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 does not intend to operate in the 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 £966,922,000 (2011: £214,956,000). An interim dividend was paid in the year of £1,060,632,000 (2011: £141,022,000). The directors do not propose the payment of a final dividend (2011: £nil).

As part of a project to rationalise the corporate structure of QBE EO, on 19 November 2012 the entire shareholdings in QBE Corporate Limited was transferred to the Company by way of distribution from its subsidiary, Limit Holdings Limited, at book value of £2. Subsequent to that, the Company sold its entire shareholding in QBE Corporate Limited to its immediate parent company, QBE Holdings (EO) Limited for a consideration of £1,086 million, realising a profit of £1,086 million.

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'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.

### **Directors**

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

A qualifying third party indemnity provision (as defined in section 234 of the Companies Act 2006) was in force during the course of the financial year ended 31 December 2012 for the benefit of the then directors. This provision remains in force for the benefit of the directors and provides indemnity protection in relation to certain losses, expenses and liabilities which they may incur in the actual or purported execution and/or discharge of their duties.

## 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 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, 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.

#### 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 relevant audit information of which the Company's auditor is unaware, and
- The Director has taken all the steps that he ought to have taken as a director 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 provisions of s418 of the Companies Act 2006.

By order of the Board



S M Boland  
Company Secretary  
QBE Holdings (Europe) Limited  
Registered Number 2843890  
London  
11 SEPTEMBER 2013

## **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 2012 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 2012 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.

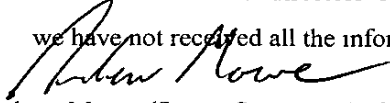
#### **Opinion on other matter prescribed by the Companies Act 2006**

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.

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

12 SEPTEMBER 2013

# QBE HOLDINGS (EUROPE) LIMITED

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Income from shares in group undertakings		27,281	214,742
Income on sale of group undertaking	4	1,086,000	-
Interest receivable and similar income	5	-	221
Interest payable and similar charges	6	(491)	-
Amounts written off investments	9	(145,930)	-
<b>Profit on ordinary activities before taxation</b>	7	966,860	214,963
Tax on profit on ordinary activities	8	62	(7)
<b>Profit for the financial year</b>		966,922	214,956

The results above are derived from discontinued 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 presented

There is no difference between profit 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

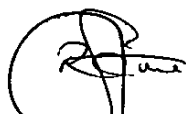
# QBE HOLDINGS (EUROPE) LIMITED

## BALANCE SHEET

as at 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Shares in group undertakings	9	-	139,374
Other financial investments	10	10	12
		10	139,386
<b>Current assets</b>			
Debtors	11	40,610	80,255
		40,610	80,255
<b>Creditors - amounts falling due within one year</b>	13	(197)	(85,508)
<b>Net current assets/(liabilities)</b>		40,413	(5,253)
<b>Total assets less current liabilities</b>		40,423	134,133
<b>Net assets</b>		40,423	134,133
<b>Capital and reserves</b>			
Called up share capital	14,15	1,000	1,000
Other capital reserve	15	20,027	20,027
Profit and loss account	15	19,396	113,106
<b>Total shareholders' funds</b>	15	40,423	134,133

These financial statements were approved by the board of Directors on 11/9/13 and were signed on its behalf by



R.C. Stone  
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 2012*

### 1. Accounting policies

#### (a) Basis of preparation

These financial statements have been prepared under the historical cost convention, and in accordance with the provision of 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 have been applied consistently throughout the year

No adjustments have been made to the accounts to reflect that the Company is not a going concern because the Company expects to continue to realise its assets and settle liabilities in an orderly fashion and for the amounts stated

In accordance with Section 401 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 2012, 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 expenses 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

#### (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

## QBE HOLDINGS (EUROPE) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2012

#### 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 payable to the directors in respect of their services to this Company for the year ended 31 December 2012 (2011: £nil).

#### 4. Income on sale of group undertaking

As part of a project to rationalise the corporate structure of QBE EO, on 19 November 2012 the entire shareholdings in QBE Corporate Limited was transferred to the Company by way of distribution from its subsidiary, Limit Holdings Limited, at book value of £2. Subsequent to that, the Company sold its entire shareholding in QBE Corporate Limited to its immediate parent company, QBE Holdings (EO) Limited for a consideration of £1,086 million, realising a profit of £1,086 million.

#### 5. Interest receivable and similar income

	2012 £'000	2011 £'000
Interest income	-	13
Foreign exchange gains	-	24
Other income	-	184
	-	221

#### 6. Interest payable and similar charges

	2012 £'000	2011 £'000
Interest on overdue tax	339	-
Foreign exchange losses	152	-
	491	-

#### 7. Profit on ordinary activities before taxation

Remuneration receivable by the Company's auditors for the auditing of these financial statements of £9,888 (2011: £9,600) is borne by QBE Management Services (UK) Limited. Fees for the supply of other services are also borne by QBE EO group companies and are disclosed in total in the QBE European Operations plc group financial statements.

# QBE HOLDINGS (EUROPE) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

### 8. Tax on profit on ordinary activities

Analysis of (credit)/charge in the year	2012 £'000	2011 £'000
Current tax		
UK corporation tax (credit)/charge	(119)	50
Adjustment to tax in respect of prior year	62	(54)
Total current tax	(57)	(4)
Deferred tax		
Origination and reversal of timing differences	-	8
Impact from change in UK tax rate	3	3
Adjustment to tax in respect of prior year	(8)	-
Total deferred tax	(5)	11
<b>Tax (credit)/charge on profit on ordinary activities</b>	<b>(62)</b>	<b>7</b>

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

The tax for the year is lower (2011 lower) than the standard rate of corporation tax in the UK, 24.5% (2011 26.5%)

Profit on ordinary activities before tax	966,860	214,963
Profit on ordinary activities before tax multiplied by standard rate of UK corporation tax at 24.5% (2011 26.5%)	236,881	56,965
Effects of		
Income exempt from tax	(272,753)	(56,907)
Investment write-off non-deductible	35,753	-
Other timing differences	-	(8)
Adjustments to tax in respect of prior year	62	(54)
<b>Current tax credit for the year</b>	<b>(57)</b>	<b>(4)</b>

### 9. Shares in group undertakings

	2012 £'000	2011 £'000
<b>At 1 January</b>	<b>139,374</b>	<b>139,374</b>
Investment in Limit Holdings Limited	6,556	-
Write down of investment in Limit Holdings Limited	(145,930)	-
<b>At 31 December</b>	<b>-</b>	<b>139,374</b>

During the year, the Company waived the amounts due from its indirect subsidiaries totalling £6,556,000 by way of capital contributions through Limit Holdings Limited

The investment in Limit Holdings Limited has been written down in the year by £145,930,000. The carrying value of the Company's investment in Limit Holdings Limited reflects the directors' valuation at the balance sheet date.

As disclosed in note 4, the entire shareholdings in QBE Corporate Limited was transferred to the Company by way of distribution from Limit Holdings Limited. Subsequent to that, the Company sold its entire shareholding in QBE Corporate Limited to QBE Holdings (EO) Limited.

# QBE HOLDINGS (EUROPE) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

### 9. Shares in group undertakings (continued)

At 31 December 2012, the Company had the following subsidiaries

Held by Company	Country of incorporation	Equity holdings %	Principal activity
Limit Holdings Limited	United Kingdom	100%	Holding company

Held by subsidiaries	Country of incorporation	Equity holdings %	Principal activity
Limit (No 7) Limited	United Kingdom	100%	Corporate member of Lloyd's
Limit (No 10) Limited	United Kingdom	100%	Corporate member of Lloyd's
Limit Corporate Members Limited	United Kingdom	100%	Holding company

Limit (No 7) Limited and Limit (No 10) Limited were sold to Nomina plc on 5 July 2013

### 10. Other financial investments

	Cost 2012 £'000	Carrying value 2012 £'000	Cost 2011 £'000	Carrying value 2011 £'000
Deposit with credit institutions	10	10	10	10
Collective investment scheme	-	-	2	2
	10	10	12	12

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

### 11. Debtors

	2012 £'000	2011 £'000
Amounts owed by group undertakings	1,010	66,306
Deferred consideration	39,478	-
Corporation tax	83	13,915
Deferred tax (note 12)	39	34
	40,610	80,255

During the year, the Company sold QBE Corporate Limited to its immediate parent company, QBE Holdings (EO) Limited, for £1,086,000,000 £39,478,000 of the consideration was deferred

# QBE HOLDINGS (EUROPE) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2012

### 12. Deferred tax

Deferred tax asset	2012 £'000	2011 £'000
Deferred tax asset as at 1 January	34	45
Deferred tax credit/(charge) in profit and loss account (note 8)	5	(11)
<b>Deferred tax asset as at 31 December</b>	<b>39</b>	<b>34</b>
Comprising		
Accelerated capital allowances	39	34
<b>Undiscounted deferred tax asset</b>	<b>39</b>	<b>34</b>

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

	2012 £'000	2011 £'000
Amounts owed to group undertakings	197	85,508
	197	85,508

### 14. Called up share capital

	2012 £'000	2011 £'000
Allotted and fully paid		
4,000,000 (2011 4,000,000) Ordinary shares at £0 25 each	1,000	1,000

### 15. Reconciliation of movements in shareholders' funds and reserves

	Called up share capital £'000	Other capital reserve £'000	Profit and loss account £'000	Total 2012 £'000	Total 2011 £'000
At 1 January	1,000	20,027	113,106	134,133	60,199
Profit for the financial year	-	-	966,922	966,922	214,956
Dividend paid	-	-	(1,060,632)	(1,060,632)	(141,022)
<b>At 31 December</b>	<b>1,000</b>	<b>20,027</b>	<b>19,396</b>	<b>40,423</b>	<b>134,133</b>

During the year the Company declared and paid an interim dividend of £1,060,632,000 (2011 £141,022,000) to ordinary shareholders

### 16. Parent undertakings

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

## **QBE HOLDINGS (EUROPE) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

*for the year ended 31 December 2012*

#### **16. Parent undertakings (continued)**

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