
QBE Holdings (Europe) Limited

Annual Report

31 December 2010

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Registered Number 2843890

QBE HOLDINGS (EUROPE) LIMITED

ANNUAL REPORT

for the year ended 31 December 2010

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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

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory 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 2010

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

The results of the Company are set out in the profit and loss account on page 6. The profit for the year was £97,315,000 (2009 £211,429,000). The dividend paid on the ordinary shares for the year was £143,000,000 (2009 £478,000,000).

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 International Holdings (UK) plc, which is the holding company for the European Operations (QBE EO) division of QBE Insurance Group Limited (QBE). The Company is managed together at the QBE EO division 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 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, 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.

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

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 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 judgments 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 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 2010 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 2843890
London
20 April 2011

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 2010 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.

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 2010 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.

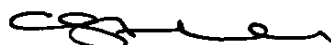
Opinion on other matter prescribed by the Companies Act 2006

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
21 April 2011

QBE HOLDINGS (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Administrative expenses		(107)	(1,969)
Other operating income		-	1,588
Operating loss on ordinary activities		(107)	(381)
Interest receivable and similar income	3	4,944	12,163
Income from shares in group undertakings		94,000	223,448
Interest payable and similar charges	4	(685)	(30,795)
Profit on ordinary activities before taxation	5	98,152	204,435
Tax on profit on ordinary activities	7	(837)	6,994
Profit on ordinary activities after taxation		97,315	211,429

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 14 form an integral part of these financial statements

QBE HOLDINGS (EUROPE) LIMITED

BALANCE SHEET

as at 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Shares in group undertakings	8	139,374	139,374
Other financial investments	9	74	115,255
		139,448	254,629
Current assets			
Debtors	10	77,675	359,812
Cash at bank and in hand		457	5,887
		78,132	365,699
Creditors - amounts falling due within one year	12	(157,381)	(514,444)
Net current liabilities		(79,249)	(148,745)
Total assets less current liabilities		60,199	105,884
Net assets		60,199	105,884
Capital and reserves			
Called up share capital	13,14	1,000	1,000
Other capital reserve	14	20,027	20,027
Profit and loss account	14	39,172	84,857
Total shareholders' funds	14	60,199	105,884

These accounts were approved by the board of Directors on 20 April 2011 and were signed on its behalf by



D J Winkett
Director

The notes on pages 8 to 14 form an integral part of these financial statements

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

1. Accounting policies

(a) Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and 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 International Holdings (UK) 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 2010, in which the Company is included

(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 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. Interim dividends income from group undertakings are recognised when received and final dividends income are recognised as an asset once approved

(d) Realised and unrealised gains and losses

Realised gains and losses on investments carried at fair value through profit and loss 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

(e) Investments

Financial assets are managed on a fair value basis in accordance with the Company's investment strategy. The Company has therefore elected to measure all financial assets at fair value through the profit and loss account, except where noted below

Listed investments are stated at fair value on current bid 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

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2010

1. Accounting policies (continued)

(f) 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.

(g) 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.

(h) Foreign exchange

The functional currency of the Company is the UK pound Sterling (£) and the Company presents its accounts 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 UK pound Sterling at the rates of exchange prevailing at the balance sheet date with any exchange difference accounted for through the profit and loss account.

(i) Administrative expenses

The management and administration of the Company is carried out by QBE Management Services (UK) Limited, a fellow subsidiary undertaking. Administrative expenses, where recharged by QBE Management Services (UK) Limited to the Company, are accounted for on an accruals basis.

(j) Dividends

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

2. Employees

The Company does not employ any staff as all staff are 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. Interest receivable and similar income

	2010 £'000	2009 £'000
Interest income	568	4,967
Net unrealised gains on investments	312	7,196
Foreign exchange gains	4,064	-
	4,944	12,163

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2010

4. Interest payable and similar charges

	2010 £'000	2009 £'000
Net realised losses on sale of investments	645	5,557
Other interest payable	40	323
Foreign exchange losses	-	24,915
	685	30,795

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2010 £'000	2009 £'000
Operating lease rentals on land and buildings	-	1,588

Remuneration receivable by the Company's auditors for the auditing of these accounts of £9,320 (2009 £17,820) 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.

6. Directors emoluments

The emoluments of the directors are paid by QBE Management Services (UK) Limited for their services to 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 2010 (2009 £nil).

7. Tax on profit on ordinary activities

Analysis of charge / (credit) in the year	2010 £'000	2009 £'000
Current tax		
UK corporation tax credit	1,151	(5,805)
Adjustment to tax in respect of prior period	(326)	(1,204)
Total current tax	825	(7,009)
Deferred tax:		
Origination and reversal of timing differences	11	15
Change in corporation tax rate	1	-
Total deferred tax	12	15
Tax on profit on ordinary activities	837	(6,994)

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2010

7. Tax on profit on ordinary activities (continued)

Factors affecting tax charge / (credit) for the year

The tax for the period is lower (2009 lower) than the standard rate of Corporation Tax in the UK, 28%

Profit on ordinary activities before tax	98,152	204,435
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax at 28% (2009 28%)	27,482	57,242
Effects of:		
Income exempt from tax	(26,320)	(63,032)
Other timing differences	(11)	(15)
Adjustments to tax in respect of prior period	(326)	(1,204)
Current tax charge / (credit) for the year	825	(7,009)

8. Shares in group undertakings

	2010 £'000	2009 £'000
Cost		
At 1 January / 31 December	139,374	139,374

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%	Underwriting agency
SRL Underwriting Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's
Standfast Holdings Limited	United Kingdom	Ordinary	23 34%	Holding company
Held by subsidiaries	Incorporated in	Class of shares	Holding in company	Principal activity
Ensign Dedicated No 1 Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's
Limit Corporate Members Limited	United Kingdom	Ordinary	100%	Holding company
Limit (No 1) Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's
Limit (No 2) Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's
Limit (No 3) Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's
Limit (No 4) Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's
Limit (No 5) Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's
Limit (No 6) 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
Limit Properties Limited	United Kingdom	Ordinary	100%	Property company
QBE Corporate Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's
QBE European Underwriting Services Australia PTY Limited	Australia	Ordinary	100%	Australian service company for Syndicate 386
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 HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2010

8. Shares in group undertakings (continued)

Held by subsidiaries	Incorporated in	Class of shares	Holding in company	Principal activity
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
Torch Dedicated Corporate Member Limited	United Kingdom	Ordinary	100%	Corporate member of Lloyd's

9. Investments

(a) Other financial investments

	Cost 2010 £'000	Carrying value 2010 £'000	Cost 2009 £'000	Carrying value 2009 £'000
Deposit with Credit institutions	10	10	-	-
Debt securities and other fixed income securities	-	-	115,186	114,873
Derivatives	-	-	-	382
Collective investment scheme	64	64	-	-
	74	74	115,186	115,255

(b) Debt securities and other fixed income securities

	2010 £'000	2009 £'000
Cost	-	115,186
Gross market value deficit	-	(313)
Carrying value	-	114,873

(c) Derivative financial instruments

Fair Value	2010 £'000	2009 £'000
Foreign currency derivatives	-	-
Other financial investments – derivatives	-	382
Other creditors (note 12)	-	(3,077)

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2010

9. Investments (continued)

(c) Derivative financial instruments (continued)

Foreign currency derivatives

The Company uses forward foreign exchange derivatives in order to hedge its exposure to foreign currencies. These are valued using the underlying foreign exchange rates at the year end. Contractual amounts for foreign currency exchange derivatives outstanding at the balance sheet date include foreign exchange contracts to transact the net equivalent of £nil (2009 £163,902,000), as broken down by local currency in the following table:

	2010		2009	
	Local Currency '000		Local Currency '000	
	Purchase	Sell	Purchase	Sell
Australian dollar	-	-	-	(126,600)
Canadian dollar	-	-	-	(76,200)
European euro	-	-	-	(22,100)
South African rand	-	-	-	(16,700)
US dollar	-	-	-	(49,400)

During the year a loss of £6,237,000 (2009 loss of £10,483,000) relating to such contracts was recognised. This is included in the net foreign exchange gain of £4,064,000 (2009 loss £24,915,000) in the profit and loss account.

10. Debtors

	2010	2009
	£'000	£'000
Amounts owed by group undertakings	65,008	324,361
Prepayment and accrued income	2	875
Corporation tax	12,620	34,519
Deferred tax (note 11)	45	57
	77,675	359,812

11. Deferred tax

Deferred tax asset	2010	2009
	£'000	£'000
Deferred tax asset as at 1 January	57	72
Deferred tax charge in profit and loss account (note 7)	(12)	(15)
Deferred tax asset as at 31 December	45	57
Comprising		
Accelerated capital allowances	45	57
Undiscounted deferred tax asset	45	57

QBE HOLDINGS (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2010

12. Creditors - amounts falling due within one year

	2010 £'000	2009 £'000
Amounts owed to group undertakings	157,381	511,238
Derivative financial instruments (note 9(c))	-	3,077
Other creditors	-	125
Accruals	-	4
	157,381	514,444

13. Called up share capital

	2010 £'000	2009 £'000
Allotted and fully paid		
4,000,000 (2009 4,000,000) Ordinary shares of 25p each	1,000	1,000

14. Movement in shareholders' funds

	Share Capital £'000	Other capital reserve £'000	Profit and loss account £'000	Total 2010 £'000	2009 £'000
At 1 January	1,000	20,027	84,857	105,884	372,455
Profit for the year	-	-	97,315	97,315	211,429
Dividend paid	-	-	(143,000)	(143,000)	(478,000)
At 31 December	1,000	20,027	39,172	60,199	105,884

15. Funds at Lloyd's

Funds at Lloyds ("FAL") are those of funds of QBE EO which are subject to the terms of the Lloyd's Deposit Trust Deed and which are used to support the underwriting of the Company's corporate member subsidiaries. Under Lloyd's regulations, the amounts of FAL 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 2010, these amounted to £897,004,000 (2009 £926,532,000). This requirement was satisfied as follows:

	2010 £'000	2009 £'000
Letters of credit guaranteed by the ultimate holding company	688,764	631,667
Interim profits	76,051	146,859
General deposit	64,469	20,000
Reserve margins	67,720	127,500
Withheld profits	-	506
	897,004	926,532

16. 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 International Holdings (UK) plc, which is incorporated in the United Kingdom. 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 Holdings (EO) Limited.