



QBE INTERNATIONAL HOLDINGS (UK) PLC

INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2004 to 23 December 2004

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QBE INTERNATIONAL HOLDINGS (UK) PLC

PROFIT AND LOSS ACCOUNT

For the period from 1 January 2004 to 23 December 2004

		23 December 2004 £'000	31 December 2003 £'000
	Notes		
Dividend income		36,000	975
Investment income	4	21,260	46,939
Foreign currency exchange gain		13,845	-
Administrative expenses		-	(1,887)
Investment expenses and charges	5	<u>(34,363)</u>	<u>(38,596)</u>
Profit on ordinary activities before taxation	6	36,742	7,431
Tax on profit on ordinary activities	7	<u>(223)</u>	<u>(2,447)</u>
Profit on ordinary activities after taxation		36,519	4,984
Dividend paid	8	<u>-</u>	<u>(4,804)</u>
Retained profit for the period	15	<u>36,519</u>	<u>180</u>

The results above are all 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 period stated above and their historical cost equivalents.

There are no recognised gains and losses for the current and preceding financial period other than those included in the profit and loss account above and therefore no statement of total recognised gains and losses has been presented.

QBE INTERNATIONAL HOLDINGS (UK) PLC

BALANCE SHEET

As at 23 December 2004

		23 December 2004 £'000	31 December 2003 £'000
	Notes		
Fixed Assets			
Investments			
Investments in subsidiary undertakings	9	449,307	449,278
Current assets			
Cash		947	115
Prepayments and accrued income	10	15,072	6,644
Amounts owed by group undertakings		805,115	733,712
		<u>821,134</u>	<u>740,471</u>
Creditors – amounts falling due within one year			
Loan notes	11	(135,793)	(135,793)
Borrowings	12	-	(14,715)
Other creditors including taxation	13	(415,802)	(356,914)
		<u>(551,595)</u>	<u>(507,422)</u>
Net current assets		<u>269,539</u>	<u>233,049</u>
Net assets		<u>718,846</u>	<u>682,327</u>
Capital and reserves			
Called-up share capital	14	299,785	299,785
Share premium	15	361,550	361,550
Profit and loss account	15	57,511	20,992
Total shareholders' funds		<u>718,846</u>	<u>682,327</u>

Signed on 23 December 2004:

D.J. Winkett

D.J. Winkett
Director

The notes set out on pages 4 to 10 form part of these interim financial statements

QBE INTERNATIONAL HOLDINGS (UK) PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2004 to 23 December 2004

1. Accounting policies

(a) Basis of preparation

The accounts have been prepared under the historical cost convention, in accordance with section 226 of, and schedule 4 to, the Companies Act 1985, in accordance with applicable UK accounting standards.

(b) Investment income

Investment income is taken into account on an accruals basis except for dividends, which are taken into account when declared.

(c) Administrative expenses

The management and administration of the Company is carried out by QBE Management (UK) Limited, a fellow subsidiary undertaking, who also provides these services to other group companies. Administrative expenses, where recharged by QBE Management (UK) Limited to the Company, are charged to the profit and loss account as incurred.

(d) Taxation

The charge for taxation is based on the result for the period adjusted for disallowable items. Deferred taxation is provided in full on all timing differences at the rate at which it is expected that the tax liability or benefit will arise. 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.

(e) Investments

Investments in subsidiary undertakings are included in the balance sheet at the lower of cost or current value, based on the directors' having prudent regard for their likely realisable value.

(f) Foreign currency translations

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 are employed by QBE Management (UK) Limited. No recharge has been made to the Company for the services provided by those staff.

3. Directors' emoluments

The emoluments of the directors are paid by QBE Management (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 period to 23 December 2004 (year to December 2003: £nil).

QBE INTERNATIONAL HOLDINGS (UK) PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2004 to 23 December 2004

4. Investment income

	23 December 2004 £'000	31 December 2003 £'000
Interest receivable:		
From group undertakings	20,983	46,337
Other	277	602
	<u>21,260</u>	<u>46,939</u>

5. Investment expenses and charges

	23 December 2004 £'000	31 December 2003 £'000
Interest payable:		
To group undertakings	19,944	21,334
Other	13,745	13,595
Other investment expenses	674	107
Foreign exchange protection premium expense	-	3,560
	<u>34,363</u>	<u>38,596</u>

6. Profit on ordinary activities before taxation

	23 December 2004 £'000	31 December 2003 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration – audit services	-	-

The audit fee of £nil (2003: £nil) for the company in the current financial period has been borne by a fellow group undertaking.

7. Tax on profit on ordinary activities

	23 December 2004 £'000	31 December 2003 £'000
UK Corporation Tax at 30% (2003: 30%)	<u>223</u>	<u>2,447</u>

Factors affecting tax (credit)/charge for the period

The tax for the period is lower (2003 – higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	£'000	£'000
Profit on ordinary activities before tax	<u>36,742</u>	<u>7,431</u>
Profit on ordinary activities before tax multiplied by standard rate of UK Corporation Tax of 30%	11,023	2,229
Effects of:		
Prior year adjustment	-	510
Income exempt from tax	(10,800)	(292)
Current tax charge for the period	<u>223</u>	<u>2,447</u>

QBE INTERNATIONAL HOLDINGS (UK) PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2004 to 23 December 2004

8. Dividends

	23 December 2004 £'000	31 December 2003 £'000
Dividend on non-equity shares payable	-	4,804

9. Investments in subsidiary undertakings

Investments in subsidiary undertakings are valued at £449,307,000 (2003: £449,278,000) in the Company's books.

Held by Company	Country of Incorporation	Equity Holdings %	Principal activity
Energy Insurance Services Limited	UK	100	Underwriting Agency
Garwyn Limited	UK	100	Claims handling
Minster Court Asset Management	UK	100	Investment Management
QBE Corporate Capital Holdings PLC	UK	0.01	Holding Company
QBE Corporate Holdings Limited	UK	100	Holding Company
QBE Funding Limited	Jersey	100	Issuer of zero coupon bonds
QBE Funding II Limited	Jersey	100	Issuer of zero coupon bonds
QBE Funding III Limited	Jersey	100	Issuer of zero coupon bonds
QBE International Insurance Limited	UK	100	Insurance and reinsurance business
QBE Management (UK) Limited	UK	100	Service Company
Held by subsidiaries	Country of Incorporation	Equity Holdings %	Principal activity
AE Grant Underwriting Agency Limited	UK	100	Underwriting Agency
Atlasz Real Estate Agent and Management Limited Company	Hungary	100	Property Holding Company
Atlasz Utasbiztositasi Egyes Ugyoki Kft	Hungary	100	Insurance business
Bankside Insurance Holdings Limited	UK	100	Holding Company
Bankside Services Limited	UK	100	Non operating
Bankside Services (Americas) Inc	USA	100	Service Company
Bankside Underwriting Agencies Limited	UK	100	Holding Company
Bates Cunningham Underwriting Limited	UK	100	Non operating
D A Constable Syndicate (Ireland) Limited	Ireland	100	Service Company
DA Constable Syndicate Limited	UK	100	Service Company
DA Constable Syndicate Pty Limited (formerly Limited (Australia) Pty Limited)	Australia	100	Service Company
Ensign Dedicated 1 Limited	UK	100	Corporate member of Lloyd's
Ensign Holdings Limited	UK	100	Holding company
Ensign Plus Insurance Services Limited	UK	100	Non operating
European Claims Organisation Limited	UK	100	Non operating
Garwyn Ireland Limited	Ireland	100	Claims handling
Icon (Schemes) Limited	UK	100	Insurance Broker
Insurance Consult S.R.L.	Moldova	100	Holding Company
Iron Trades Management Services Limited	UK	100	Management Services
IT Insurance Company Limited (in Liquidation)	UK	100	Investment holding Company
IT Investments (1990) Limited (in Liquidation)	UK	100	Investment holding Company
Janson Green Holdings (Canada) Inc	Canada	100	Non operating
Janson Green Holdings Limited	UK	100	Holding Company
Janson Green Holdings Special Trust Limited	UK	100	Non operating
Leppard and Associates Limited	South Africa	29	Underwriting Agency

QBE INTERNATIONAL HOLDINGS (UK) PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2004 to 23 December 2004

9. Investments in subsidiary undertakings (continued)

Held by subsidiaries	Country of Incorporation	Equity Holdings %	Principal activity
Limit (Insurance and Reinsurance) Services Ltd	UK	100	Service Company
Limit (No.1) Limited	UK	100	Corporate member of Lloyd's
Limit (No.2) Limited	UK	100	Corporate member of Lloyd's
Limit (No.3) Limited	UK	100	Corporate member of Lloyd's
Limit (No.4) Limited	UK	100	Corporate member of Lloyd's
Limit (No.5) Limited	UK	100	Corporate member of Lloyd's
Limit (No.6) Limited	UK	100	Corporate member of Lloyd's
Limit (No.7) Limited	UK	100	Corporate member of Lloyd's
Limit (No.10) Limited	UK	100	Corporate member of Lloyd's
Limit (No 12) Limited	UK	100	Holding Company
Limit (No 14) Limited	UK	100	Holding Company
Limit (No 17) Limited	UK	100	Holding Company
Limit Corporate Members Limited	UK	100	Holding Company
Limit Group Employee Benefits Trustee Limited	UK	100	Trust
Limit Holdings Limited	UK	100	Holding Company
Limit PLC	UK	100	Holding Company for underwriting activities at Lloyd's
Limit Properties Limited	UK	100	Property Company
Limit Technology and Commercial Underwriting Limited	UK	100	Service Company
Limit Underwriting Limited	UK	100	Lloyd's Managing Agent
Mantis Reef Limited	Cayman Islands	-	Special purpose entity
Mantis Reef Pledge Limited	Cayman Islands	-	Special purpose entity
QBE Makedonija	Macedonia	65.03	Insurance business
QBE ART SA	Argentina	83	Workers compensation in Argentina
QBE ASITO SA	Moldova	72.6	Insurance business
QBE Atlasz Biztosito RT	Hungary	100	Insurance business
QBE Australia Pty Limited	Australia	100	Holding Company
QBE Brasil Seguros SA	Brazil	100	Insurance business
QBE Corporate Capital Holdings PLC	UK	99.99	Investment Holding Company
QBE Corporate Limited	UK	100	Corporate member of Lloyd's
QBE Holdings Inc	USA	100	Holding Company
QBE Insurance Company (UK) Limited	UK	100	Insurance business
QBE Insurance Corporation	USA	100	Insurance business
QBE Investment (North America) Inc	USA	100	Holding Company
QBE Management Inc	USA	100	Management Company
QBE Poistovna AS	Slovakia	100	Insurance business
QBE Reinsurance (UK) Limited	UK	100	Reinsurance run-off
QBE Reinsurance Corporation	USA	100	Reinsurance business
QBE Speciality Insurance Company	USA	100	Insurance business
QBE Underwriting Agency Limited	UK	100	Non-trading
QBE-UGPB Insurance	Ukraine	50	Insurance business
Queensland Insurance (Australia) Pty Limited	Australia	100	Investment holding Company
Ridgwell Fox & Partners (Underwriting Management) Limited	UK	100	Underwriting management for a reinsurance pool
Standfast Holdings Limited	UK	23.34	Holding Company
Standfast Corporate Underwriting Limited	UK	23.34	Corporate member of Lloyd's
Star Trust	Cayman Islands	-	Special purpose entity

QBE INTERNATIONAL HOLDINGS (UK) PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2004 to 23 December 2004

9. Investments in subsidiary undertakings (continued)

Held by subsidiaries	Country of Incorporation	Equity Holdings %	Principal activity
Strakh-Consult	Ukraine	100	Holding Company
Torch Dedicated Corporate Member Limited	UK	100	Corporate member of Lloyd's
Torch Holdings	UK	100	Holding Company

The proportion of voting shares held is equal to the share holding percentage given above, except for QBE ADOR Makedonija where the Group holds 73.29% of shares with voting rights.

In accordance with the requirements of FRS 5 'Reporting the substance of transactions' – special purpose entities, Mantis Reef Limited, Mantis Reef Pledge Limited and Star Trust, as quasi-subsidiaries, have been included in the above list of investments in subsidiary undertakings.

The aggregate value of the assets of the Company consisting of shares in, or amounts owing (whether on account of a loan or otherwise) from the Company's subsidiary undertakings, is not less than the aggregate of the amounts at which these assets are stated in the Company's balance sheet.

10. Prepayments and accruals

	23 December 2004 £'000	31 December 2003 £'000
Prepayments and accruals	<u>15,072</u>	<u>6,444</u>

11. Loan notes

	23 December 2004 £'000	31 December 2003 £'000
Guaranteed Floating Rate Notes	<u>135,793</u>	<u>135,793</u>

During 2000 the Company issued €115,000,000, A\$150,000,000 and A\$20,000,000 Subordinated Guaranteed Floating Rate (GFR) notes. In each case, the notes are jointly and severally guaranteed on a subordinated basis by each of QBE Insurance (Australia) Limited and QBE Holdings (Australia) Pty. Limited, affiliated companies of the Group. The proceeds of the issue were subsequently converted to sterling through a swapping arrangement based on a fixed interest rate over the next ten periods. The rates of interest payable on the GFR notes at the end of the period were as follows: €115,000,000 (interest rate 8.585%); A\$150,000,000 (interest rate 8.440%); and A\$20,000,000 (interest rate 8.530%).

12. Borrowings

	23 December 2004 £'000	31 December 2003 £'000
Amounts due in less than one year	<u>-</u>	<u>14,715</u>

QBE INTERNATIONAL HOLDINGS (UK) PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2004 to 23 December 2004

13. Other creditors including taxation

	23 December 2004 £'000	31 December 2003 £'000
Corporation tax	2,161	-
Amounts due from fellow subsidiaries	404,989	353,013
Other	8,652	3,901
	<u>415,802</u>	<u>356,914</u>

14. Share capital

	23 December 2004 £'000	31 December 2003 £'000
Authorised		
"A" Class Ordinary Shares – 100,000,000 (2002: 147,200,000) shares of £1 each	100,000	100,000
"B" Class Ordinary Shares – 147,200,000 (2002: 100,000,000) shares of £1 each	147,200	147,200
Non-Equity Ordinary Shares – 52,800,000 (2002: 52,800,000) shares of £1 each	52,800	52,800
Non-Equity Floating Rate Redeemable Preference Shares – 150,000,000 (2002: 150,000,000) shares of £1 each	150,000	150,000
	<u>450,000</u>	<u>450,000</u>

Called up, allotted and fully paid

"A" Class Ordinary Shares – 80,000,000 (2002: 87,861,207) shares of £1 each	80,000	80,000
"B" Class Ordinary Shares – 124,484,853 (2002: 94,435,000) shares of £1 each	124,485	124,485
Non-Equity Ordinary Shares – 23,300,000 (2002: 23,300,000) shares of £1 each	23,300	23,300
Non-Equity Floating Rate Redeemable Preference Share – 72,000,000 (2002: 53,998,654) shares of £1 each	72,000	72,000
	<u>299,785</u>	<u>299,785</u>

The holders of the non-equity interest have the following restrictions on their rights:

- (i) They have no rights to vote at general meetings of the Company.
- (ii) In the event of a return of assets on liquidation or capital reduction or otherwise they rank second to the holders of the equity shares in repayment of capital or outstanding dividends or other distributions of profit.
- (iii) They will not share in the balance of assets remaining after the payments due in (ii).

15. Share premium account and reserves

	Share premium account £'000	Profit and loss account £'000
At 1 January 2004	361,550	20,992
Retained profit for the period	-	36,519
At 23 December 2004	<u>361,550</u>	<u>57,511</u>

The total distributable retained profits as at 23 December 2004 amount to £17,241,000.

QBE INTERNATIONAL HOLDINGS (UK) PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the period from 1 January 2004 to 23 December 2004

16. Parent undertakings

The Company's ultimate controlling entity is QBE Insurance Group Limited, which is incorporated in Australia. The consolidated accounts for QBE Insurance Group Limited are available from the Company's registered office at Corn Exchange, Mark Lane, London EC3R 7NE.