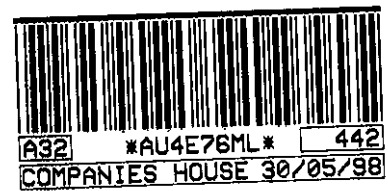


# **INSURANCE ADVISORY SERVICES PLC**

(formerly Aspen Insurance Services Plc)

## **ANNUAL REPORT & ACCOUNTS 1997**

**REGISTERED NUMBER 1324965  
31 DECEMBER 1997**



**INSURANCE ADVISORY SERVICES PLC**

**(formerly Aspen Insurance Services Plc)**

**Registered in England**

**Number 1324965**

**DIRECTORS:**

**P N O Robinson - Chairman  
D A Holden - Managing Director  
M H Cranston  
C J Lloyd**

**SECRETARY:**

**R A Smith**

**REGISTERED OFFICE:**

**37 Commercial Road  
Poole  
Dorset  
BH14 0HU**

**AUDITORS:**

**KPMG Audit plc  
8 Salisbury Square  
London  
EC4Y 8BB**

**BANKERS:**

**National Westminster Bank PLC  
Southampton High Street Branch  
PO Box 315  
Southampton  
SO14 2BF**

# **INSURANCE ADVISORY SERVICES PLC**

(formerly Aspen Insurance Services Plc)

## **DIRECTORS' REPORT 1997**

The Directors present their Annual Report, together with the audited financial statements for the year ended 31 December 1997.

### **ACTIVITIES**

The company provides insurance marketing and broking services.

### **RESULTS AND DIVIDENDS**

The result of the year's operation is a loss after taxation of £1,110,000 (1996- loss £275,000). The directors recommend that no dividend be paid.

The Directors are shown on page 1. H P J Meakin resigned on 24th March 1997. On the same day P.N.O. Robinson was appointed as a Director. M.H. Cranston and C.J. Lloyd were appointed directors on 10th October 1997. D.A. Holden served as a director throughout the year.

### **DIRECTORS' SHAREHOLDINGS**

During the year under review D A Holden exercised his option to acquire 5,000 ordinary shares of the Company's issued share capital which he has subsequently sold to Fortis (UK) Limited. With this exception, throughout the year none of the Directors or their families had any beneficial interest in either the shares of the Company, or any other group companies, or of the ultimate holding companies.

### **HOLDING COMPANY**

During the year the whole of the issued share capital of the company's parent, AIS Holdings Limited, was purchased by Fortis (UK) Limited. The ultimate holding company of Fortis (UK) Limited is AMEV/VSB 1990 NV which is incorporated in the Netherlands and is jointly owned by Fortis AMEV, incorporated in the Netherlands and Fortis AG, incorporated in Belgium.

### **POST BALANCE SHEET EVENT**

On 18th February 1998 Fortis (UK) Limited provided £450,000 of loan stock in order that the company can meet regulatory requirements.

### **CREDITOR PAYMENT POLICY**

The Company agrees terms and conditions under which business transactions with suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

The report was approved by the board of directors on 26th February 1998 and signed on its behalf by:



R A Smith  
Secretary

**INSURANCE ADVISORY SERVICES PLC**  
 (formerly Aspen Insurance Services Plc)  
**PROFIT & LOSS ACCOUNT AT 31 DECEMBER 1997**

	<u>NOTE</u>	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
<b>TURNOVER</b>	2	4,213	2,271
Cost of Sales		(4,290)	(1,263)
		-----	-----
<b>GROSS PROFIT</b>		(77)	1,008
Administrative Expenses		(1,206)	(1,081)
		-----	-----
<b>OPERATING LOSS</b>		(1,283)	(73)
Interest Payable Less Receivable	6	(299)	(326)
		-----	-----
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	(1,582)	(399)
Taxation	7	472	124
		-----	-----
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(1,110)	(275)
Dividends		-	-
		-----	-----
<b>LOSS FOR THE FINANCIAL YEAR</b>		(1,110)	(275)
Balance brought forward		738	1,013
		-----	-----
<b>RETAINED (LOSS)/PROFIT CARRIED FORWARD</b>		(372)	738
		=====	=====

The notes on pages 5 to 11 form part of these financial statements.

The Company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

The above amounts all relate to continuing operations of the Company.

**INSURANCE ADVISORY SERVICES PLC**  
 (formerly Aspen Insurance Services Plc)  
**BALANCE SHEET AT 31 DECEMBER 1997**

	<u>NOTE</u>	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
<b>FIXED ASSETS</b>			
Intangible assets	8	3,691	4,379
Tangible assets	9	1,073	697
		<u>4,764</u>	<u>5,076</u>
<b>CURRENT ASSETS</b>			
Stock		147	226
Debtors: Amounts falling due within one year	10	3,112	193
Cash at bank	17	1,930	1,750
		<u>5,189</u>	<u>2,169</u>
<b>CREDITORS: Amounts falling due within one year</b>	11	<u>(4,108)</u>	<u>(1,972)</u>
<b>NET CURRENT ASSETS</b>		<u>1,081</u>	<u>197</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>5,845</u>	<u>5,273</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	12	<u>(6,304)</u>	<u>(4,448)</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	13	137	(37)
<b>NET ASSETS</b>		<u>(322)</u>	<u>788</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	50	50
Profit and loss account		<u>(372)</u>	<u>738</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	16	<u>(322)</u>	<u>788</u>

The Notes on pages 5 to 11 form part of these financial statements.

These were approved by the Board of Directors on 26th February 1998 and were signed on its behalf by:

  
 D A Holden

Director

# **INSURANCE ADVISORY SERVICES PLC**

(formerly Aspen Insurance Services Plc)

## **NOTES TO ACCOUNTS**

### **1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### **Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Notwithstanding the deficit in the net assets at the year end the accounts have been prepared on an on-going concern basis. This reflects the fact that Fortis (UK) Limited, the company's holding company, has provided the support necessary for the company to meet regulatory requirements and continue to trade. As disclosed in note 18, subsequent to the end of the year, Fortis (UK) Limited provided £450,000 of loan stock.

The Company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cashflow statement as it is a wholly owned subsidiary undertaking.

#### **Turnover**

Turnover represents commissions in respect of premiums receivable in the accounting period.

#### **Tangible fixed assets**

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition.

Depreciation is provided to write-off the cost of fixed assets on a straight line basis in equal annual instalments over their estimated useful lives as follows:

Leasehold improvements	- 2 years
Furniture & Fixtures	- 2 years
Equipment	- 4 years
Licences	- 5 years
Motor vehicles	- 2 years

#### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

# **INSURANCE ADVISORY SERVICES PLC**

(formerly Aspen Insurance Services Plc)

## **NOTES TO ACCOUNTS (cont'd)**

### **Deferred expenditure**

Expenditure incurred in respect of the direct marketing of insurance is matched against estimated income arising from that expenditure. It is written-off based on the number of policies and the level of renewals, typically over a period of five years

### **Taxation**

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax where it is considered that the amount will reverse in the foreseeable future.

## **2. TURNOVER**

All turnover and profits before taxation are derived from the provision of insurance marketing and broking which is undertaken primarily within the United Kingdom.

## **3. STAFF NUMBERS AND COSTS**

The average monthly number of persons, including executive directors, employed by the Company during the year, was as follows:

	<u>1997</u>	<u>1996</u>
Management and administration	28	6
Production and sales	92	52
	-----	----
	120	58
	=====	==

The aggregate payroll costs of these persons were as follows:

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Wages and salaries	1,438	682
Social security costs	114	54
	-----	-----
	1,552	736
	=====	=====

# INSURANCE ADVISORY SERVICES PLC

(formerly Aspen Insurance Services Plc)

## NOTES TO ACCOUNTS (cont'd)

### 4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging the following:

	<u>1997</u> £'000	<u>1996</u> £'000
Depreciation	638	189
Auditors' remuneration	19	6
Loss on disposal of fixed assets	-	1
Hire of plant and machinery	3	4
Hire of other assets	77	30
	=====	=====

### 5. DIRECTORS EMOLUMENTS

During the year amounts paid by the company to Directors were:

	<u>1997</u> £'000	<u>1996</u> £'000
Emoluments	120	74
	=====	=====

During the year one director exercised share options.

### 6. INTEREST PAYABLE LESS RECEIVABLE

	<u>1997</u> £'000	<u>1996</u> £'000
Payable to Group undertakings	(406)	(408)
Bank interest receivable	107	82
	-----	-----
	(299)	(326)
	=====	=====

### 7. TAXATION

The provision for taxation, based on the results for the year, comprises:

	<u>1997</u> £'000	<u>1996</u> £'000
Group Relief recoverable at 31.5% (1996: 33%)		
Current year	298	126
Deferred taxation recoverable / (payable)	174	(2)
	-----	-----
	472	124
	=====	=====



# INSURANCE ADVISORY SERVICES PLC

(formerly Aspen Insurance Services Plc)

## NOTES TO ACCOUNTS (cont'd)

### 8. INTANGIBLE ASSETS

	<u>1997</u> £'000	<u>1996</u> £'000
Cost:		
At 1 January	4,379	3,522
Expenditure during the year	2,422	2,090
Charged to profit & loss account	(3,110)	(1,233)
At 31 December	<u>3,691</u>	<u>4,379</u>

### 9. TANGIBLE FIXED ASSETS

	<u>Leasehold</u> £'000	<u>Office</u> <u>Equipment</u> £'000	<u>Motor</u> <u>Vehicles</u> £'000	<u>Total</u> £'000
Cost				
At 1 January 1997	9	1,011	54	1,074
Additions	-	1,014	-	1,014
Disposals	-	-	-	-
At 31 December 1997	<u>9</u>	<u>2,025</u>	<u>54</u>	<u>2,088</u>
Depreciation				
At 1 January 1997	5	351	21	377
Charge for the year	4	601	33	638
Released on disposal	-	-	-	-
At 31 December 1997	<u>9</u>	<u>952</u>	<u>54</u>	<u>1,015</u>
Net book value				
At 31 December 1997	-	1,073	-	1,073
At 31 December 1996	4	660	33	697

The period of the estimated useful lives of tangible fixed assets was reviewed and changed during the year. The current estimated useful lives of tangible fixed assets are shown in note 1. The effect of the change was to increase depreciation in the year by £320,000

# INSURANCE ADVISORY SERVICES PLC

(formerly Aspen Insurance Services Plc)

## NOTES TO ACCOUNTS (cont'd)

### 10. DEBTORS

	<u>1997</u> £'000	<u>1996</u> £'000
Amounts falling due within one year		
Due from policyholders	2,476	-
Other debtors	270	155
Prepayments and accrued income	79	38
Taxation recoverable	287	-
	<u>3,112</u>	<u>193</u>
	=====	=====

### 11. CREDITORS: Amounts falling due within one year

	<u>1997</u> £'000	<u>1996</u> £'000
Bank overdraft	-	6
Trade creditors	3,985	1,831
Amounts owed to Group undertakings	21	78
Corporation tax	-	8
Other taxation and social security	4	20
Accruals	98	29
	<u>4,108</u>	<u>1,972</u>
	=====	=====

### 12. CREDITORS: Amounts falling due after more than one year

	<u>1997</u> £'000	<u>1996</u> £'000
Amounts owed to Group undertakings	6,304	4,448
	=====	=====

The above amount represents a loan not repayable in less than 3 years.

# INSURANCE ADVISORY SERVICES PLC

(formerly Aspen Insurance Services Plc)

## NOTES TO ACCOUNTS (cont'd)

### 13. DEFERRED TAXATION

	<u>1997</u> £'000	<u>1996</u> £'000
a) Movement in year		
At 1 January	(37)	(35)
Charge for the year	174	(2)
	-----	-----
At 31 December	137	(37)
	=====	=====
b) Represented by		
Allowances exceeding depreciation	(39)	(37)
Losses recoverable	176	-
	-----	-----
	137	(37)
	=====	=====

The above figures represent the full potential liability at 31% (1996 - 33%).

### 14. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases were as follows:

	<u>1997</u>		<u>1996</u>	
	<u>Land &amp; Buildings</u> £'000	<u>Other</u> £'000	<u>Land &amp; Buildings</u> £'000	<u>Other</u> £'000
Operating leases which expire:				
within one year	40	-	-	-
second to fifth years inclusive	-	5	35	2
over 5 years	87	-	-	-
	-----	-----	-----	-----
Total	127	5	35	2
	=====	=====	=====	=====

Capital commitments of the Company at the end of the year for which no provision has been made are as follows:

	<u>1997</u> £'000	<u>1996</u> £'000
Authorised and contracted for	139	-
	=====	=====

# **INSURANCE ADVISORY SERVICES PLC**

(formerly Aspen Insurance Services Plc)

## **NOTES TO ACCOUNTS (cont'd)**

### **15. CALLED UP SHARE CAPITAL**

The authorised, allotted, called up and fully paid share capital comprises 50,000 £1 ordinary shares.

### **16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>1997</u> £'000	<u>1996</u> £'000
Loss for the financial year	(1,110)	(275)
Shareholders' funds at 1 January	788	1,063
	-----	-----
Shareholders' funds at 31 December	(322)	788
	=====	=====

### **17. CLIENT MONIES**

At 31 December 1997, client monies held in an approved bank account amounted to £1,666,103 (1996: £1,750,418). This amount and the matching liability are included in the balance sheet.

### **18. POST BALANCE SHEET EVENT**

On 18th February 1998 Fortis (UK) Limited provided £450,000 of loan stock in order that the company can meet regulatory requirements.

### **19. ULTIMATE HOLDING COMPANY**

The company's ultimate holding company is AMEV/VSF 1990 NV which is incorporated in the Netherlands and is jointly owned by Fortis AMEV, incorporated in the Netherlands and Fortis AG, incorporated in Belgium. Consolidated accounts will be drawn up jointly by Fortis Belgium, incorporated in Belgium and AMEV/VSF 1990 NV.

Copies of the above accounts can be obtained from the Company Secretary, Insurance Advisory Services PLC, Bishopsgate House, Tollgate, Eastleigh, Hampshire SO53 3YA

**INSURANCE ADVISORY SERVICES PLC**  
**(formerly Aspen Insurance Services Plc)**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which 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:

- a) Select suitable accounting policies and then apply them consistently;
- b) Make judgements and estimates that are reasonable and prudent;
- c) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d) 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE AUDITORS, KPMG AUDIT Plc  
TO THE MEMBERS OF INSURANCE ADVISORY SERVICES PLC  
(formerly Aspen Insurance Services Plc)**

We have audited the financial statements on Pages 5- 11.

**Respective responsibilities of Directors and Auditors**

As described on Page 12 the directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements 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 mis-statement, 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 of the state of the Company's affairs as at 31 December 1997 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit plc  
Registered Auditor  
8 Salisbury Square  
London  
EC4Y 8BB

26th February 1998