

ACE TARQUIN

FINANCIAL STATEMENTS

31 DECEMBER 2008

COMPANY REGISTRATION NUMBER: 2983302

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The directors are pleased to submit their report and the audited financial statements for the year to 31 December 2008.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is that of an intermediate holding company. The loss for the year to 31 December 2008 before taxation amounted to £1,540,000 (2007: profit before taxation of £17,914,038) and the shareholder's funds of the company total £48,585,091 (2007: £50,125,091).

FUTURE DEVELOPMENTS

The company continues to act as an intermediate holding company for subsidiary undertakings of the ACE Limited group and is expected to do so for the foreseeable future.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk and uncertainty affecting the company is in relation to movements in the valuation of its investment in subsidiary undertakings.

KEY PERFORMANCE INDICATORS (KPIs)

Given the nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

RESULTS AND DIVIDENDS

The loss for the year to 31 December 2008 after taxation amounted to £1,540,000 (2007: profit after taxation of £17,914,038). The directors do not recommend the payment of a dividend (2007: £Nil).

DIRECTORS

The following have been directors from 1 January 2008 to the date of this report unless otherwise indicated:

ACE London Group Limited	
P M Curtis	(Appointed 24 September 2008)
A J Kendrick	(Appointed 24 September 2008)
K L H Underhill	(Appointed 24 September 2008)

The company has the benefit of a group insurance company management activities policy effected by ACE Limited. No charge was made to the company during the year for this policy.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for the financial period.

The directors confirm that suitable accounting policies have been used and applied consistently, with the exception of changes arising on the adoption of new accounting standards in the year, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2008. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

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 1985. 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008 - continued**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

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

- i) So far as each of them is aware, there is no information relevant to the audit of the company's financial statements for the year ended 31 December 2008 of which the auditors are unaware, and
- ii) The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. On 23 June 1999 the company passed an elective resolution to dispense with the obligation to appoint auditors annually.

By Order of the Board



for and on behalf of
ACE London Services Limited
Secretary, 12 March 2009

ACE Building
100 Leadenhall Street
London
EC3A 3BP

INDEPENDENT AUDITORS' REPORT

to the members of ACE Tarquin

We have audited the financial statements of ACE Tarquin for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 misstatement, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
12 March 2009

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £	2007 £
TURNOVER	2		600,000
Administrative expenses	4	-	-
Other operating income	5	-	17,314,038
		<hr/>	<hr/>
OPERATING PROFIT		-	17,914,038
Amounts written off investments	6	(1,540,000)	-
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,540,000)	17,914,038
Tax on (loss)/profit on ordinary activities	7	-	-
		<hr/>	<hr/>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	11, 12	(1,540,000)	17,914,038
		<hr/>	<hr/>

All of the above results derive from continuing operations.

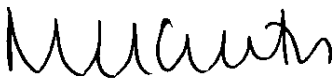
The company has no recognised gains or losses other than those presented and hence no separate Statement of Total Recognised Gains and Losses is presented.

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

BALANCE SHEET AT 31 DECEMBER 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Investments	8	47,985,091	49,525,091
CURRENT ASSETS			
Debtors – amounts falling due within one year	9	600,000	600,000
NET ASSETS		<u>48,585,091</u>	<u>50,125,091</u>
CAPITAL AND RESERVES			
Called-up share capital - equity	10	4,844,582	4,844,582
- non-equity	10	50,000	50,000
Share premium account	11	43,561,812	43,561,812
Profit and loss account	11	128,697	1,668,697
TOTAL SHAREHOLDER'S FUNDS	12	<u>48,585,091</u>	<u>50,125,091</u>

The financial statements on pages 4 to 9 were approved by the board of directors on 12 March 2009 and were signed on its behalf by:



P M Curtis
Director

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The company is a wholly owned subsidiary within the ACE Limited group and is included within the consolidated financial statements of ACE Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised) "Cash Flow Statements".

The company is exempt under Section 228A of the Companies Act 1985 from the requirement to prepare and deliver consolidated financial statements as it and its subsidiary undertakings are wholly-owned subsidiaries within the ACE Limited group and are included within the consolidated financial statements of ACE Limited.

Investments

Investments in group undertakings are stated at the lower of cost and net realisable value.

Dividends

Dividends receivable and payable are recognised when received and paid respectively.

Foreign currency transactions

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling on the date of the transaction. Share capital denominated in United States dollars is translated into sterling at the historic exchange rate in force when it was issued.

2. TURNOVER

Turnover consists of dividends received from a subsidiary company.

3. DIRECTORS AND EMPLOYEES

The company has no employees. The directors received no emoluments for their services to the company (2007: £Nil).

All executive directors are entitled to shares in ACE Limited under long-term incentive plans. During the year, one director exercised options over the shares of ACE Limited.

4. ADMINISTRATIVE EXPENSES

The following fees are payable to the company's auditors and are borne by ACE INA Services U.K. Limited:

	2008 £	2007 £
Audit fees:		
Fees payable for the audit of the annual financial statements	4,000	4,000
Non audit fees:		
Fees in respect of audit and other services provided to subsidiary undertakings and the managed syndicate, pursuant to legislation, including that of countries and territories outside Great Britain.	370,000	358,499
Taxation services provided to subsidiary undertakings	-	62,000
	<hr/>	<hr/>
	374,000	424,499
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"Other services pursuant to legislation" includes reports under section 404 of the US Public Company Accounting Reform and Investor Protection Act 2002.

5. WRITE BACK OF LIABILITY DUE TO GROUP UNDERTAKING

During 2007, the company benefitted from the write back of a liability due to a group undertaking amounting to £17,314,038. This is included within the previous year's other operating income. The directors of the group undertaking concerned had approved the waiver of the amount due from the company.

NOTES TO THE FINANCIAL STATEMENTS

6. AMOUNTS WRITTEN OFF INVESTMENTS

A provision of £1,540,000 (2007: £Nil) has been made against the value of the company's investment in ACE Leadenhall Limited as future earnings from this investment are considered to be lower than the carrying value.

7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in period

	2008 £	2007 £
Current tax (note 7 (b))	-	-

(b) Factors affecting tax charge for period

The tax assessed for the period is higher (2007: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2008 £	2007 £
(Loss)/profit on ordinary activities before taxation	(1,540,000)	17,914,038
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(438,900)	5,374,211
Effects of:		
Inter company dividends not chargeable to corporation tax	-	(180,000)
Write back of liability not chargeable to corporation tax	-	(5,194,211)
Amounts written off investments not deductible for tax purposes	438,900	-
Current tax charge for period (note 7 (a))	-	-

8. INVESTMENTS

	2008 £	2007 £
Cost:		
Investment in ACE Capital V Limited	42,835,669	42,835,669
Investment in ACE Leadenhall Limited	38,699,422	38,699,422
	81,535,091	81,535,091
Provision against diminution in value:		
Investment in ACE Leadenhall Limited	33,550,000	32,010,000
Net carrying value	47,985,091	49,525,091

The investments comprise 100% of the ordinary share capital of each of the above unlisted undertakings, which are registered and incorporated in England and Wales. In the opinion of the directors the investments are worth not less than their carrying values.

NOTES TO THE FINANCIAL STATEMENTS

9. DEBTORS - amounts falling due within one year

	2008 £	2007 £
Amounts due from group undertakings	600,000	600,000

10. CALLED-UP SHARE CAPITAL

	2008 US\$	2007 US\$
Authorised equity shares: 7,571,000 US\$1 ordinary shares	7,571,000	7,571,000
	2008 £	2007 £
Authorised non-equity shares: 50,000 £1 deferred shares	50,000	50,000
	2008 US\$	2007 US\$
Issued, called up and fully paid equity shares: 7,571,000 US\$1 ordinary shares	7,571,000	7,571,000
	2008 £	2007 £
Issued, called up and fully paid non-equity shares: 50,000 £1 deferred shares	50,000	50,000

The holders of the deferred shares shall not, by virtue of or in respect of their holdings of sterling deferred shares, have the right to receive notice of any general meeting of the company, nor the right to attend, speak or vote at any such general meeting. The sterling deferred shares shall not entitle their holders to receive any dividend or other distribution. The sterling deferred shares shall on the return of assets in a winding-up entitle the holder only to the repayment of the amounts paid upon such shares after the repayment of the capital paid up on ordinary shares plus the payment of £10,000,000 per such ordinary share.

11. RESERVES

	Share premium £	Profit and loss account £	Total reserves £
At 1 January 2008	43,561,812	1,668,697	45,230,509
Loss for the financial year	-	(1,540,000)	(1,540,000)
At 31 December 2008	43,561,812	128,697	43,690,509

NOTES TO THE FINANCIAL STATEMENTS

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2008 £	2007 £
(Loss)/profit for the financial year	(1,540,000)	17,914,038
Net (reduction in)/addition to shareholder's funds	(1,540,000)	17,914,038
Opening shareholder's funds	50,125,091	32,211,053
Closing shareholder's funds	48,585,091	50,125,091

13. TRANSACTIONS WITH RELATED PARTIES

Advantage has been taken of the exemption provided in FRS 8 "Related Party Disclosures" from disclosing details of transactions with ACE Limited and its subsidiary undertakings.

14. ULTIMATE HOLDING COMPANY

The company's immediate holding company is ACE Group Holdings Limited. The ultimate holding company is ACE Limited, a company which was registered in the Cayman Islands until 18 July 2008 when it re-domesticated its place of incorporation to Zurich, Switzerland. ACE Limited's headquarters are in Zurich, Switzerland and it is quoted on the New York Stock Exchange. Copies of the ultimate holding company's consolidated accounts can be obtained from Investor Relations at ACE's executive offices at 17 Woodbourne Avenue, Hamilton HM 08, Bermuda.